



DRONE DELIVERY CANADA CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2024 AND 2023
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Drone Delivery Canada Corp. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The financial statements have not been reviewed by the Company's auditors.

Drone Delivery Canada Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars) (Unaudited)

	March 31, 2024	December 31 2023
ASSETS		
Current		
Cash and cash equivalents (Note 1)	\$ 6,177,619	\$ 7,379,807
Trade and other receivables (Note 3)	256,829	396,301
Prepaid expenses	186,648	262,437
	6,621,096	8,038,545
Equipment (Note 5)	1,148,535	1,202,704
Patents (Note 4)	307,480	311,257
Trademarks (Note 6)	92,093	92,093
Leasehold improvements (Note 7)	124,666	145,581
Right-of-use assets (Note 8)	438,885	543,787
TOTAL ASSETS	\$ 8,732,755	\$ 10,333,967
LIABILITIES		
Current		
Trade and other payables (Note 15)	\$ 614,100	\$ 594,903
Lease obligations - current portion (Note 9)	271,219	271,219
Deferred revenue	245,038	25,000
	1,130,357	891,122
Lease obligations - long term portion (Note 9)	237,080	329,090
TOTAL LIABILITIES	1,367,437	1,220,212
EQUITY		
Share capital	96,312,330	96,312,330
Share-based payments reserve	12,258,912	12,248,105
Deficit	(101,205,924)	(99,446,680)
TOTAL EQUITY	7,365,318	9,113,755
TOTAL LIABILITIES AND EQUITY	\$ 8,732,755	\$ 10,333,967

Nature of operations and going concern (Note 1)

Approved on Behalf of the Board:

Signed "Larry Taylor"
Larry Taylor, Director

Signed "Steve Magirias"
Steve Magirias, CEO

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Drone Delivery Canada Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian dollars) (Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
REVENUE	\$ 103,522	\$ 575,385
OPERATING EXPENSES		
Service costs and materials	23,325	162,340
Advertising and promotion	12,898	25,077
Depreciation and amortization	158,409	238,571
Interest expense on lease obligations	13,668	5,008
Consulting (Note 15)	123,487	376,563
Impairment of leasehold improvements (Note 7)	3,328	-
Interest and bank charges	1,993	1,945
Personnel expenses (Note 15)	959,268	1,255,375
Office and general	232,783	338,165
Professional fees (Note 15)	213,296	148,594
Shareholder information	36,266	86,304
Research and development	152,163	325,732
Share based compensation (Note 15)	10,807	244,022
TOTAL OPERATING EXPENSES	\$ 1,941,691	\$ 3,207,696
OPERATING LOSS	\$ (1,838,169)	\$ (2,632,311)
Interest income	(78,004)	(95,137)
Other income	(1,280)	-
Foreign exchange losses	359	1,544
NET LOSS AND COMPREHENSIVE LOSS	\$ (1,759,244)	\$ (2,538,718)
Basic and diluted loss per share (Note 13)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted	224,199,312	224,199,312

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Drone Delivery Canada Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Expressed in Canadian dollars) (Unaudited)

	Number of Shares	Share Capital (\$)	Share based Payments Reserve (\$)	Deficit (\$)	Total (\$)
Balance, December 31, 2022	224,199,012	96,311,976	10,518,174	(76,068,285)	30,761,865
Share-based compensation	-	-	118,173	-	118,173
Net Loss for the period	-	-	-	(3,589,238)	(3,589,238)
Balance, March 31, 2023	224,199,012	96,311,976	10,636,347	(79,657,523)	27,290,800
Balance, December 31, 2023	224,199,312	96,312,330	12,248,105	(99,446,680)	9,113,755
Share-based compensation	-	-	10,807	-	10,807
Net Loss for the period	-	-	-	(1,759,244)	(1,759,244)
Balance, March 31, 2024	224,199,312	96,312,330	12,258,912	(101,205,924)	7,365,318

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Drone Delivery Canada Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) (Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	\$ (1,759,244)	\$ (2,538,718)
Items not affecting cash:		
Depreciation of equipment, leasehold improvements and right-of-use assets	154,631	231,514
Interest expense on lease obligations	13,668	5,008
Amortization of patents	3,777	7,057
Share based compensation	10,807	244,022
Impairment of leasehold improvements	3,328	-
(Gain) on lease termination	(1,279)	-
Net change in non-cash working capital:		
Trade and other receivables	139,471	(470,498)
Prepaid expenses	75,790	14,111
Inventory	-	118,624
Trade and other payables	239,236	(27,464)
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,119,815)	\$ (2,416,344)
INVESTING ACTIVITIES		
Acquisition of equipment	(16,982)	(27,466)
NET CASH USED IN INVESTING ACTIVITIES	\$ (16,982)	\$ (27,466)
FINANCING ACTIVITIES		
Lease payments	(65,391)	(57,389)
NET CASH USED IN FINANCING ACTIVITIES	\$ (65,391)	\$ (57,389)
DECREASE IN CASH	(1,202,188)	(2,501,199)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,379,807	15,298,794
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,177,619	\$ 12,797,595

SUPPLEMENTARY CASH FLOW INFORMATION:

During the three months ended March 31, 2024 and 2023, non-cash activities were conducted by the Company as follows:

	Three Months Ended	
	March 31, 2024	March 31, 2023
Investing Activities		
Disposal of right-of-use assets	\$ (39,008)	\$ -
Financing Activities		
Decrease in lease obligation	\$ (40,287)	\$ -

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Drone Delivery Canada Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company is a developmental technology company with a focus on designing, developing and implementing a commercially viable drone delivery system within the Canadian geography. The Company’s principal office is located at 6221 Highway 7, Unit 6, Vaughan, Ontario L4H 0K8.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the three months ended March 31, 2024, the Company recorded a net loss of \$1,759,244 (March 31, 2023 - \$2,538,718), and had cash outflows from operating activities of \$1,119,815 (March 31, 2023 - \$2,416,344). As at March 31, 2024, the Company had cash and cash equivalents of \$6,177,619 (December 31, 2023 - \$7,379,807), working capital of \$5,490,739 (December 31, 2023 - \$7,147,423) and accumulated deficit of \$101,205,924 (December 31, 2023 - \$99,446,680). The Company’s ability to continue as a going concern is dependent upon several factors including, satisfactory development of its products including hardware and software, advancement of detect and avoid technology in the industry, regulatory easement of remotely piloted aircrafts in Canada and other regions, and its ability to obtain necessary financing to carry out this strategy of the business, while maintaining operating activities and discharging its liabilities. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company’s Common Shares are listed for trading on the TSXV under the symbol “FLT” and the Frankfurt Stock Exchange under the symbol “A3DP5Y” and are quoted on the OTCQX Venture Market in the United States under the symbol “TAKOF”.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and on a basis consistent with the accounting policies disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2023. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2023.

These condensed interim consolidated financial statements of the Company were approved by the Board of Directors on May 27, 2024.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. All financial information is presented in Canadian dollars unless otherwise noted and is the presentation currency of the Company.

Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary Drone Delivery USA Inc. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

3. TRADE AND OTHER RECEIVABLES

	March 31, 2024	December 31 2023
Trade receivables	\$ 25,750	\$ 167,841
GST/HST receivable	44,636	42,017
SR&ED tax credit receivable	186,443	186,443
	\$ 256,829	\$ 396,301

4. PATENTS

Cost

Balance, December 31, 2022	\$ 841,526
Impairment	(465,518)
Balance, December 31, 2023	\$ 376,008
Balance, March 31, 2024	\$ 376,008

Accumulated Amortization

Balance, December 31, 2022	\$ 70,448
Impairment	(53,623)
Amortization	47,926
Balance, December 31, 2023	\$ 64,751
Amortization	3,777
Balance, March 31, 2024	\$ 68,528

Carrying Value

At December 31, 2023	\$ 311,257
At March 31, 2024	\$ 307,480

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

5. EQUIPMENT

Cost	Assets						Total
	Lab & Other	Office	Flight Equipment	Under Construction	Drone Parts		
Balance, December 31, 2022	\$ 457,391	\$ 491,595	\$ 1,454,727	\$ 323,461	\$ 417,367	\$	3,144,541
Additions	20,978	0	5,584.00	2,171	(9,134)		19,599
Impairment of equipment	- 33,404	0	(497,544)	(36,372)	(138,160)		(705,480)
Transfers from assets under construction			236,720	(101,645)	(135,075)		-
Balance, December 31, 2023	\$ 444,965	\$ 491,595	\$ 1,199,487	\$ 187,615	\$ 134,998	\$	2,458,660
Additions		-		5,680	11,301		16,982
Transfers from assets under construction				7,952	(7,952)		-
Balance, March 31, 2024	\$ 444,965	\$ 491,595	\$ 1,199,487	\$ 201,247	\$ 138,347	\$	2,475,642

Accumulated Depreciation

Balance, December 31, 2022	\$ 259,487	\$ 319,230	\$ 547,000	\$ -	\$ -	\$	1,125,717
Depreciation	44,873	41,936	279,112	-	-		365,921
Impairment of equipment	(9,951)	-	(225,731)	-	-		(235,682)
Balance, December 31, 2023	\$ 294,409	\$ 361,166	\$ 600,381	\$ -	\$ -	\$	1,255,956
Depreciation	8,289	8,931	53,931	-	-		71,150
Balance, March 31, 2024	\$ 302,697	\$ 370,097	\$ 654,312	\$ -	\$ -	\$	1,327,106

Carrying Value

At December 31, 2023	\$ 150,556	\$ 130,429	\$ 599,106	\$ 187,615	\$ 134,998	\$	1,202,704
At March 31, 2024	\$ 142,268	\$ 121,498	\$ 545,175	\$ 201,247	\$ 138,347	\$	1,148,535

During the year-ended December 31, 2023, the Company recorded an impairment charge of \$469,798 related to lab & other, flight equipment, assets under construction, and drone parts due to some of the parts being damaged and/or rendered obsolete.

6. TRADEMARKS

Balance, December 31, 2022	\$ 107,383
Impairment	(15,290)
Balance, December 31, 2023	\$ 92,093
Balance, March 31, 2024	\$ 92,093

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

7. LEASEHOLD IMPROVEMENTS

Balance, December 31, 2022	\$ 1,522,922
Additions	-
Balance, December 31, 2023	\$ 1,522,922
Impairment	(107,665)
Balance, March 31, 2024	\$ 1,415,257

Accumulated Depreciation

Balance, December 31, 2022	\$ 1,098,590
Depreciation	278,751
Balance, December 31, 2023	\$ 1,377,341
Impairment	(104,337)
Depreciation	17,587
Balance, March 31, 2024	\$ 1,290,591

Carrying Value

At December 31, 2023	\$ 145,581
At March 31, 2024	\$ 124,666

During the three months ended March 31, 2024, the Company recorded an impairment charge of \$3,328 on leasehold improvements in relation to the cancellation of a lease for one of its two test facilities.

8. RIGHT-OF-USE ASSETS

Balance, December 31, 2022	\$ 178,964
Additions	572,735
Depreciation	(207,912)
Balance, December 31, 2023	\$ 543,787
Additions	-
Disposal	(39,008)
Depreciation	(65,894)
Balance, March 31, 2024	\$ 438,885

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars) (Unaudited)

8. RIGHT-OF-USE ASSETS (continued)

Maturity Analysis - Contractual Undiscounted Cash Flows

As at March 31, 2024:

Less than one year	\$	299,023
Greater than one year		260,771
Balance, March 31, 2024	\$	559,794

Not included in the right of use assets are lease extensions for two facilities in Ontario, consisting of a two-year lease extension for the Company's head office, and a two-year lease extension for its test range facility. The lease extensions are available to the Company should it choose to exercise its option at an amount that is prevailing in the market at the time of renewal. In addition, the Company cancelled its lease for one of its two test range facilities due to the cancellation of the Condor. The Company was able to cancel the lease without penalty.

9. LEASE OBLIGATIONS

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate. The continuity of the lease liabilities are presented in the table below:

Balance, December 31, 2022	\$	220,015
Additions		572,735
Accretion expense	\$	30,379
Lease payments		(222,820)
Balance, December 31, 2023	\$	600,309

Additions		0
Accretion expense		13,668
Lease termination		(40,287)
Lease payments	\$	(65,391)
Balance, March 31, 2024	\$	508,299

As at March 31, 2024:

Less than one year	\$	271,219
Greater than one year		237,080
Total lease obligation	\$	508,299

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

10. CAPITAL STOCK

The following table reflects issued and outstanding shares by class as at March 31, 2024:

	March 31, 2024	December 31, 2023
Number of variable voting shares	47,403,933	49,275,349
Number of common voting shares	176,795,379	174,923,963
Total issued and outstanding shares	224,199,312	224,199,312

On June 15, 2022, the Company filed an amendment of its notice of articles in order to implement a variable voting system by creating two new classes of shares, variable voting shares and common voting shares. The amendments to the articles of the Company ensure that the Company will continue to meet the Canadian ownership requirements under the Canadian Transportation Agency ("CTA") under section 61 of the Act. The amendments were approved by shareholders of the Company at its annual general and special meeting held on May 11, 2022. The previously issued common shares were cancelled and substituted for the new variable voting shares and common voting shares.

As at March 31, 2024, the shares issuable by the Company consist of an unlimited number of variable voting shares and an unlimited number of common voting shares. The two classes of shares are without par value and have equivalent rights as shareholders except for voting rights.

A 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. 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 CTA, or (b) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions. Variable voting shares 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, 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
- 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% 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, 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 do not carry in the aggregate more than 25% 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 at the meeting do not exceed in the aggregate 25% of the total number of votes cast at such meeting.

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

10. CAPITAL STOCK (continued)

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, 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 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) exceeds 25%, or
- b) the total number of votes that would be cast by or on behalf of non-Canadian holders authorized to provide air service, 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), exceed 25% 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 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 do not carry in the aggregate more than 25% 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% 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 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 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 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 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,

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

10. CAPITAL STOCK (continued)

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.

11. STOCK OPTIONS

The following table reflects the continuity of stock options for the three months ended March 31, 2024 and 2023:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2022	14,066,671 \$	1.04
Forefeited	(80,000)	0.56
Expired	(2,160,000)	1.63
Balance, March 31, 2023	11,826,671	0.65
Balance, December 31, 2023	10,156,669 \$	0.65
Forefeited	(125,000)	0.28
Expired	(975,000)	0.58
Balance, March 31, 2024	9,056,669 \$	0.66

The following table reflects options outstanding as at March 31, 2024:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
August 30, 2024	1.00	0.42 years	1,741,669
September 24, 2025	0.70	1.48 years	1,570,000
November 9, 2025	0.70	1.61 years	220,000
February 4, 2026	1.70	1.85 years	200,000
June 23, 2027	0.56	3.23 years	4,350,000
December 15, 2027	0.25	3.71 years	875,000
August 16, 2028	0.31	4.38 years	100,000
Balance, March 31, 2024	0.66	2.38 years	9,056,669

12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the three months ended March 31, 2024 and 2023.

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade receivables, trade and other payables, and lease obligations.

The carrying amounts shown in the statement of financial position are as follows:

	Category	March 31, 2024	December 31, 2023
Cash and cash equivalents	FVTPL \$	6,177,619	\$ 7,379,807
Trade receivables	Amortized Cost \$	25,750	\$ 167,841
Trade and other payables	Amortized Cost \$	614,100	\$ 594,903

Financial Instruments

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - applies to assets or liabilities for which there are unobservable market data.

The carrying value of trade receivables, trade and other payables approximate their fair value due to the short-term nature of these instruments. Pursuant to IFRS 7, the fair value of cash and cash equivalents is measured on a recurring basis based on Level 1 inputs.

Risk Management Disclosures

The Company is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which the Company is exposed is described below.

Financial Risks

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and trade and other receivables. Trade and other receivables consists primarily of harmonized taxes receivable from the Government of Canada. Cash and cash equivalents are held with reputable Canadian chartered banks and money market mutual funds, the balances of which are closely monitored by management. Management believes that the credit risk with respect to financial instruments included in cash and cash equivalents, is minimal.

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

14. RELATED PARTY TRANSACTIONS AND BALANCES

a) Key Management Compensation:

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

During the three months ended March 31, 2024 and 2023 the following compensation amounts were incurred in respect of key management personnel:

	March 31, 2024	March 31, 2023
Consulting fees and salaries	\$ 239,108	\$ 448,731
Share based compensation	-	203,984
	\$ 239,108	\$ 652,715

During the three months ended March 31, 2024 and 2023, the Company allocated the \$239,108 (2023 - \$ 448,731) of consulting fees and salaries based on the nature of services provided: expensed \$59,719 (2023 - \$240,500) to consulting; and expensed \$179,389 (2022 - \$208,231) to personnel expenses.

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary (as at March 31, 2024 representing a payment of \$341,250), or (ii) within twenty four months of, or in anticipation within 180 days of, a change in control, a termination payment equal to 18 months' salary (as at March 31, 2024 representing a payment of \$511,875).

Subsequent to March 31, 2024, the Company executed a retention bonus agreement with its CEO that provides for a payment of \$511,875, which is contingent on the closing of the business combination agreement with Volatus Aerospace Corp. The contingent bonus payment of \$511,875 of which \$341,250 will be payable in cash and \$170,625 will be payable in restricted share units.

The Company has an employment agreement with its CFO which provides that the CFO is entitled to, in the event that the CFO's employment is terminated (i) by the Company without cause, the greater of one month per year of service and six months' of notice or a termination payment in lieu thereof (as at March 31, 2024 representing a minimum payment of \$115,500), or (ii) by the Company within twelve months of, or in anticipation within 180 days of, a change in control, a lump-sum payment equal to twelve months' salary (as at March 31, 2024 representing a payment of \$231,000).

Subsequent to March 31, 2024, the Company announced the resignation of Manish Arora as CFO effective May 30, 2024.

The Company has consulting agreements with a corporation controlled by a former Vice President, which provide that in the event the consulting agreements are terminated without cause, a termination payment for consulting fees for the remainder of the term, amounting to \$210,000 per annum. If such termination had occurred on March 31, 2024, the total amount payable under the agreements would be \$140,000.

- b) During the three months ended March 31, 2024, rent of \$nil (March 31, 2023 - \$3,202) was paid to a company jointly controlled by the former Chief Technology Officer and the former Chief Executive Officer of the Company.
- c) During the three months ended March 31, 2024, legal fees of \$38,972 (March 31, 2023 - \$96,916) were accrued or paid to a law firm in which a director of the Company is a partner. As at March 31, 2024, \$24,164 was included in accounts

Drone Delivery Canada Corp.

Notes to Condensed Interim Consolidated Financial Statements (Expressed in Canadian dollars) (Unaudited)

14. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

payable and accrued liabilities (December 31, 2023 - \$8,228).

- d) During the three months ended March 31, 2024, board of directors fees of \$32,750 (March 31, 2023 - \$22,250) was paid to the members of the board of directors as remuneration for their services. As at March 31, 2024, \$32,750 was included in accounts payable and accrued liabilities (December 31, 2022 - \$23,250).
- e) During the three months ended March 31, 2024, a charitable contribution of \$5,000 (March 31, 2023 - \$nil) was paid to an organization in which the CEO is a director.

15. RESEARCH GRANTS

On March 15, 2023, the Company was awarded a grant of up to \$75,000 in funding from the Downsview Aerospace Innovation and Research (DAIR) Green Fund for its clean energy drone delivery solution. 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. Proceeds from this grant have been applied against the Company's payroll expense included in personnel expenses.

16. SUBSEQUENT EVENT

On May 21, 2024, the Company announced that it had entered into a business combination agreement with Volatus Aerospace Corp. ("Volatus") to combine the Company and Volatus in a merger of equals transaction (the "Merger"), with the combined company to continue under the name "Volatus Aerospace Corp." and, subject to approval of the TSX Venture Exchange (the "TSXV"), continue trading under the ticker "FLT".

Pursuant to the Merger, Volatus shareholders will receive 1.785 voting common shares of the Company for each Volatus common share held. Upon closing of the Merger, existing shareholders of Volatus and the Company will each own approximately 50% of the Company.

The Merger will be implemented by way of a court-approved plan of arrangement under the Business Corporations Act (Ontario). The completion of the Merger is subject to approval by the TSXV and is also subject to receipt of shareholder, court and applicable regulatory approvals and the satisfaction of certain other customary closing conditions. Subject to the satisfaction (or waiver) of the conditions precedent, the Merger is expected to close in the third quarter of 2024.

The Company expects to issue 224,345,513 Drone Delivery Canada Shares to the shareholders of Volatus in connection with the Merger and to reserve approximately 42,404,567 voting common shares for issuance upon exercise of Volatus options and Volatus warrants.

Further information regarding the Merger will be contained in the joint information circular that the Company and Volatus will prepare, file and mail in due course to their respective shareholders in connection with the special meetings of each of the Volatus and the Company shareholders to be held to consider and vote on the Arrangement.