



DRONE DELIVERY CANADA CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020 AND 2019
(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)

	September 30 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	\$ 13,325,161	\$ 9,773,012
Trade and other receivables	337,960	3,100,381
Prepaid expenses (Note 13)	335,287	202,590
	13,998,408	13,075,983
Equipment (Note 4)	2,181,078	2,053,360
Patents (Note 3)	762,190	691,762
Trademarks (Note 5)	40,899	21,475
Leasehold improvements (Note 6)	1,078,061	1,261,988
Right-of-use assets (Note 7)	488,020	604,334
TOTAL ASSETS	\$ 18,548,656	\$ 17,708,902
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 13)	\$ 1,799,850	\$ 1,548,851
Lease obligations - current portion (Note 8)	170,799	156,295
	1,970,649	1,705,146
Lease obligations - long-term portion (Note 8)	353,797	463,800
TOTAL LIABILITIES	2,324,446	2,168,946
EQUITY		
Share capital	57,166,875	49,150,930
Share-based payments reserve	17,069,097	13,627,437
Deficit	(58,011,762)	(47,238,411)
TOTAL EQUITY	16,224,210	15,539,956
TOTAL LIABILITIES AND EQUITY	\$ 18,548,656	\$ 17,708,902

Nature of Operations (Note 1)

Approved on Behalf of the Board:

"Michael Zahra"

Director

"Chris Irwin"

Director

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

Drone Delivery Canada Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars) (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019 (i)	2020	2019 (i)
DRONE SERVICE REVENUE	\$ 36,068	\$ -	\$ 62,613	\$ -
OPERATING EXPENSES				
Service Costs and materials	1,177	-	42,821	-
Advertising & Promotion	20,831	59,586	869,508	726,925
Depreciation	200,359	129,928	616,976	226,155
Accretion of lease obligations	13,585	-	42,931	-
Consulting (Note 13)	785,170	506,576	1,478,245	2,703,600
Interest and bank charges	3,647	1,926	8,557	6,161
Personnel Expenses (Notes 13 and 14)	677,996	736,140	2,342,538	1,435,041
Office and general	459,840	584,927	1,036,140	1,257,283
Professional fees (Note 13)	119,198	132,403	284,788	237,465
Shareholder information	65,446	59,240	209,283	350,442
Research and development	563,969	623,681	1,871,193	2,078,791
Share-based compensation	958,638	323,710	2,137,036	1,508,038
TOTAL OPERATING EXPENSES	\$ 3,869,856	\$ 3,158,117	\$ 10,940,016	\$ 10,529,901
OPERATING LOSS	\$ (3,833,788)	\$ (3,158,117)	\$ (10,877,403)	\$ (10,529,901)
Interest Income	(68,184)	(60,519)	(106,589)	(205,524)
Foreign exchange (Gains)/Losses	8,062	(1,221)	2,537	(4,555)
NET LOSS AND COMPREHENSIVE LOSS	\$ (3,773,666)	\$ (3,096,377)	\$ (10,773,351)	\$ (10,319,822)
Basic and diluted loss per share (Note 12)	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.06)
Weighted average number of shares				
outstanding - basic and diluted	187,448,839	176,186,925	181,324,432	170,185,840

(i) Certain comparative figures have been reclassified to conform with current year presentation (see Note 2)

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

Drone Delivery Canada Corp.

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

	Number of Shares	Common Shares (\$)	Share-based		Total (\$)
			Payments Reserve (\$)	Deficit (\$)	
Balance, December 31, 2018	161,799,709	35,441,020	10,744,453	(31,641,207)	14,544,266
Private placement, net of costs	8,350,000	9,084,249	-	-	9,084,249
Issuance of warrants	-	(1,340,175)	1,340,175	-	-
Issuance of broker warrants	-	(120,564)	120,564	-	-
Exercise of warrants - cash	3,566,080	1,663,928	-	-	1,663,928
Exercise of warrants - valuation	-	1,111,068	(1,111,068)	-	-
Exercise of options - cash	3,285,100	1,830,500	-	-	1,830,500
Exercise of options - valuation	-	1,100,510	(1,100,510)	-	-
Exercise of overallotment option	344,200	356,969	-	-	356,969
Exercise of overallotment warrant	-	-	96,443	-	96,443
Stock based compensation	-	-	1,508,038	-	1,508,038
Net loss for the period	-	-	-	(10,319,822)	(10,319,822)
Balance, September 30, 2019	177,345,089	49,127,505	11,598,095	(41,961,029)	18,764,571
Balance, December 31, 2019	177,345,089	49,150,930	13,627,437	(47,238,411)	15,539,956
Private placement, net of costs	13,225,000	8,365,569	-	-	8,365,569
Issuance of warrants	-	(1,529,472)	1,529,472	-	-
Issuance of broker warrants	-	(243,605)	243,605	-	-
Exercise of options - cash	1,910,000	955,000	-	-	955,000
Exercise of options - valuation	-	468,453	(468,453)	-	-
Stock based compensation	-	-	2,137,036	-	2,137,036
Net loss for the period	-	-	-	(10,773,351)	(10,773,351)
Balance, September 30, 2020	192,480,089	57,166,875	17,069,097	(58,011,762)	16,224,210

The accompanying notes are 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)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	\$ (10,773,351)	\$ (10,319,822)
Items not affecting cash:		
Depreciation of equipment and right-of-use assets	608,526	226,155
Interest expense on lease obligation	42,931	-
Amortization of patents	8,450	-
Stock-based compensation	2,137,036	1,508,038
Net change in non-cash working capital:		
Trade and other receivables	2,762,421	(1,099,861)
Prepaid expenses	(132,697)	28,874
Accounts payable and accrued liabilities	250,999	(1,258,095)
NET CASH USED IN OPERATING ACTIVITIES	\$ (5,095,685)	\$ (10,914,711)
INVESTING ACTIVITIES		
Acquisition of equipment	(359,954)	(1,249,974)
Acquisition of patents	(98,302)	(126,076)
Acquisition of leasehold improvements	(54,834)	(1,243,310)
NET CASH USED IN INVESTING ACTIVITIES	\$ (513,090)	\$ (2,619,360)
FINANCING ACTIVITIES		
Repayment of lease obligations	(159,645)	(76,816)
Private placement, net of costs	8,365,569	9,084,249
Proceeds from exercise of options	955,000	1,830,500
Proceeds from exercise of warrants	-	1,663,928
Proceeds from exercise of overallotment option	-	453,412
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 9,160,924	\$ 12,955,273
INCREASE IN CASH	3,552,149	(578,798)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,773,012	14,308,532
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 13,325,161	\$ 13,729,734

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

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements Three and Nine Months Ended September 30, 2020 (Expressed in Canadian dollars) (Unaudited)

1. NATURE OF OPERATIONS

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 6175 Highway 7, Unit 10, Vaughan, Ontario L4H 0P6.

As at September 30, 2020, the Company had cash and cash equivalents of \$13,325,161 (December 31, 2019 - \$9,773,012) and working capital of \$12,027,759 (December 31, 2019 - \$11,370,837). Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and its liabilities for the ensuing twelve months as they normally fall due.

The Company's Common Shares are listed for trading on the TSXV under the symbol "FLT" and the Frankfurt Stock Exchange under the symbol "A2AMGZ", and are quoted on the OTCQB Venture Market in the United States under the symbol "TAKOF".

COVID-19

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

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

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

2. ACCOUNTING POLICIES

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, 2019. 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, 2019.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 16, 2020.

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. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

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

Reclassification of Expenses

During the current period, the company changed the presentation of personnel expenses, interest income, and consulting fees to reflect the nature of expenses. The Company adopted to change the presentation of expenses from a function of expense to the nature of expense due to increasing staffing, industry factors and operational changes in the Company. As a result, the following were reclassified for the three and nine months ended September 30, 2019:

- (i). \$736,140 and \$1,435,041 representing salaries and benefits were reclassified from Office & general to Personnel expenses, respectively for the three and nine months ended September 30, 2019,
- (ii). \$60,519 and \$205,524 was reclassified from Office and general to Interest Income, respectively for the three and nine months ended September 30, 2019,
- (iii). \$1,221 and \$4,555 was reclassified from Office and general to foreign exchange gains, respectively for the three and nine months ended September 30, 2019, and
- (iv). \$70,500 and \$211,500 was reclassified from Research & Development to Consulting, respectively for the three and nine months ended September 30, 2019.

Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership are transferred to the customer, which is at the time service has been rendered, the amount of revenue can be measured reliably, and the receipt of economic benefits is probable.

Any consideration received in advance of services being rendered is recorded as deferred revenue and subsequently recognized as it is earned.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

3. PATENTS

Balance, December 31, 2018	\$	484,806
Additions		211,075
Balance, December 31, 2019	\$	695,881
Additions		78,878
Balance, September 30, 2020	\$	774,759
Accumulated Depreciation		
Balance, December 31, 2018	\$	-
Amortization		4,119
Balance, December 31, 2019		4,119
Amortization		8,450
Balance, September 30, 2020	\$	12,569
Carrying Value		
At December 31, 2019	\$	691,762
At September 30, 2020	\$	762,190

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

4. EQUIPMENT

Cost	Assets						Total
	Lab & Other	Office	Flight Equipment	Under Construction	Drone Parts		
Balance, December 31, 2018	\$ 76,194	\$ 84,521	\$ -	\$ -	\$ -	\$ -	\$ 160,715
Additions	347,793	387,524	569,520	576,997	206,299		2,088,133
Balance, December 31, 2019	\$ 423,987	\$ 472,045	\$ 569,520	\$ 576,997	\$ 206,299	\$ -	\$ 2,248,848
Additions	-	19,550	-	321,366	19,038		359,954
Transfers from assets under construction	-	-	411,599	(334,587)	(77,012)		-
Balance, September 30, 2020	\$ 423,987	\$ 491,595	\$ 981,119	\$ 563,776	\$ 148,325	\$ -	\$ 2,608,802

Accumulated Depreciation

Balance, December 31, 2018	\$ 23,095	\$ 40,842	\$ -	\$ -	\$ -	\$ -	\$ 63,937
Depreciation	56,748	59,354	15,449	-	-		131,551
Balance, December 31, 2019	\$ 79,843	\$ 100,196	\$ 15,449	\$ -	\$ -	\$ -	\$ 195,488
Depreciation	59,793	75,250	97,193	-	-		232,236
Balance, September 30, 2020	\$ 139,636	\$ 175,446	\$ 112,642	\$ -	\$ -	\$ -	\$ 427,724

Carrying Value

At December 31, 2019	\$ 344,144	\$ 371,849	\$ 554,071	\$ 576,997	\$ 206,299	\$ -	\$ 2,053,360
At September 30, 2020	\$ 284,351	\$ 316,149	\$ 868,477	\$ 563,776	\$ 148,325	\$ -	\$ 2,181,078

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

5. TRADEMARKS

Balance, December 31, 2018	\$	11,352
Additions		10,123
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Balance, December 31, 2019	\$	21,475
Additions		19,424
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Balance, September 30, 2020	\$	40,899

6. LEASEHOLD IMPROVEMENTS

Leasehold improvements consist of costs incurred to build out the Company's 16,000 square foot operations centre (the "Operations Centre"). Upon the Operations Centre being put into use in October 2019, amortization commenced and is recorded on a straight-line basis over the term of the underlying lease.

Cost

Balance, December 31, 2018	\$	-
Additions		1,332,807
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Balance, December 31, 2019	\$	1,332,807
Additions		54,834
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Balance, September 30, 2020	\$	1,387,641

Accumulated Depreciation

Balance, December 31, 2018	\$	-
Depreciation		70,819
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Balance, December 31, 2019	\$	70,819
Depreciation		238,761
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Balance, September 30, 2020	\$	309,580

Carrying Value

At December 31, 2019	\$	1,261,988
At September 30, 2020	\$	1,078,061

7. RIGHT-OF-USE ASSETS

IFRS 16 - right-of-use asset recognition	\$	791,174
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Right-of-use assets at January 1, 2019	791,174	
Depreciation		(186,840)
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Balance, December 31, 2019	\$	604,334
Additions		21,215
Depreciation		(137,529)
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Balance, September 30, 2020	\$	488,020

Right-of-use assets consists of office, testing and operations facility leases and are amortized over an average of 58.5 months.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

7. RIGHT-OF-USE ASSETS (Continued)

Maturity Analysis - Contractual Undiscounted Cash Flows

As at September 30, 2020:	
Less than one year	\$ 219,977
Greater than one year	392,111
Total undiscounted lease obligation	\$ 612,088

8. 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, 2018	\$ -
Additions	791,174
Accretion expense	66,582
Lease payments	(237,661)
Balance, December 31, 2019	\$ 620,095
Additions	21,215
Accretion expense	42,931
Lease payments	(159,645)
Balance, September 30, 2020	\$ 524,596
As at September 30, 2020:	
Less than one year	\$ 170,799
Greater than one year	353,797
Total lease obligation	\$ 524,596

Occupancy Leases

On January 1, 2020, the Company entered into an office lease agreement with a corporation controlled by a director to lease office space at \$ 32,000 to \$ 33,00 per year. The lease commenced on January 1, 2020 and expires on January 1, 2022.

On February 4, 2019, the Company entered into a lease for a 16,000 square foot operations facility in Vaughan, Ontario, obliging the Company to make minimum monthly lease payments between \$11,404 and \$12,746 for five years. The lease will expire in the year ended December 31, 2024.

The Company entered into a lease for a drone testing facility in Vaughan, Ontario, obliging the Company to make minimum monthly lease payments of \$2,000 until February 1, 2021.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

9. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common and special shares, without par value

(b) ISSUED

On August 5, 2020, the Company closed a prospectus offering, pursuant to which it issued an aggregate of 13,225,000 units (the "August 2020 Units") which included the exercise of the full over allotment option, at a price of \$0.70 per August 2020 Unit (the "August 2020 Issue Price"), for aggregate gross proceeds of \$9,257,500.

Each August 2020 Unit consisted of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant a "August 2020 Warrant"). Each August 2020 Warrant, subject to customary adjustments, shall be exercisable into one common share at an exercise price of \$0.95 per common share for a period of two years from the closing of the offering, subject to certain conditions. Total cash costs of issue amounted to \$891,931.

The 6,612,500 warrants issued in conjunction with the offering carried a \$0.95 exercise price and a term of two years. These warrants were assigned a grant date fair value of \$1,529,472 using the Black-Scholes option pricing model, based on a risk-free rate of 0.27%, an expected life of 2 years, an expected volatility of 65.50% and an expected dividend yield of 0%.

The underwriters were issued an aggregate of 793,500 broker warrants and were paid a cash commission equal to 6% of the gross proceeds raised in respect of the August 5, 2020 prospectus offering. Each broker warrant entitles the holder to one August 2020 Unit at the August 2020 Issue Price until August 5, 2022. The 793,500 broker warrants issued in conjunction with the offering carried a \$0.70 exercise price and a term of two years. These broker warrants were assigned a grant date fair value of \$243,605 using the Black-Scholes option pricing model, based on a risk-free rate of 0.27%, an expected life of 2 years, an expected volatility of 65.50% and an expected dividend yield of 0%.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

10. STOCK OPTIONS

The following table reflects the continuity of stock options for the nine months ended September 30, 2020 and 2019:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2018	15,690,000	\$ 1.02
Granted	5,375,000	1.00
Exercised	(3,285,000)	0.55
Balance - September 30, 2019	17,780,000	1.10
Balance, December 31, 2019	17,780,000	1.10
Granted	2,915,000	0.70
Expired	(650,000)	1.80
Exercised	(1,910,000)	0.50
Balance - September 30, 2020	18,135,000	\$ 1.07

On September 24, 2020, the Company granted 2,915,000 options to purchase common shares of the Company to officers, directors, consultants and employees. Each option is exercisable at a price of \$0.70 for a five year term. The fair value of \$1,139,182 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%; expected volatility of 79.2%; a risk-free rate of return of 0.35% and expected life of 5 years. The options vest at a rate of one third every six months from the date of the grant.

The following table reflects options outstanding as at September 30, 2020:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
July 20, 2022	0.50	1.80 years	2,650,000
September 20, 2022	0.50	1.97 years	675,000
January 5, 2023	1.00	2.27 years	1,620,000
March 2, 2023	1.80	2.42 years	4,900,000
August 30, 2024	1.00	3.92 years	5,375,000
September 24, 2025	0.70	4.99 years	2,915,000
	\$ 1.07	3.16 years	18,135,000

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

11. WARRANTS

The following table reflects the continuity of warrants for the nine months ended September 30, 2020 and 2019:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2018	3,566,080	\$ 0.47
Exercised	(3,566,080)	0.47
Issued	4,449,451	1.49
Balance, September 30, 2019	4,449,451	\$ 1.49
Balance, December 31, 2019	5,075,701	\$ 1.48
Issued	7,406,000	0.92
Balance – September 30, 2020	12,481,701	\$ 1.15

The following table reflects warrants outstanding as at September 30, 2020:

Expiry Date	Type	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black - Scholes Value
March 25, 2021	Broker Warrant	1.20	0.48	274,451	109,484
March 25, 2021	Warrant	1.50	0.48	4,801,250	1,476,125
August 5, 2022	Broker Warrant*	0.70	1.85	793,500	243,605
August 5, 2022	Warrant	0.95	1.85	6,612,500	1,529,471
		\$ 1.15	1.29	12,481,701	\$ 3,358,685

* The underwriters were issued an aggregate of 793,500 broker warrants in respect of the August 5, 2020 prospectus offering. Each broker warrant entitles the holder to one August 2020 Unit at the August 2020 Issue Price until August 5, 2022. The 793,500 broker warrants issued in conjunction with the offering carried a \$0.70 exercise price and a term of two years. These broker warrants were assigned a grant date fair value of \$243,605 using the Black-Scholes option pricing model, based on a risk-free rate of 0.27%, an expected life of 2 years, an expected volatility of 65.50% and an expected dividend yield of 0%.

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 nine months ended September 30, 2020 and 2019.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

13. 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 and its executive officers.

During the three and nine months ended September 30, 2020 and 2019 the following compensation amounts were incurred in respect of key management personnel:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Consulting fees and salaries \$	379,675	\$ 360,250	\$ 1,104,025	\$ 1,080,750
Severance	-	-	-	1,168,000
	379,675	360,250	1,104,025	2,248,750

During the three and nine months ended September 30, 2020, the Company allocated the \$379,675 and 1,104,025, respectively (three and nine months ended September 30, 2019 - \$360,250 and \$1,080,750, respectively) of consulting fees and salaries based on the nature of services provided: expensed \$264,000 and \$792,000, respectively (three and nine months ended September 30, 2019 - \$264,000 and \$792,500, respectively) to consulting; and expensed \$115,675 and \$312,025, respectively (three and nine months ended September 30, 2019 - \$96,250 and \$288,750, respectively) to personnel expenses. Severance payments of \$nil (three and nine months ended September 30, 2019 - \$nil and \$1,168,000, respectively) are included in consulting expense.

As at September 30, 2020, consulting fees of \$nil (December 31, 2019 - \$497,200) remain unpaid are included in accounts payable and accrued liabilities. Consulting fees of \$23,500 (December 31, 2019 - \$99,440) paid in advance are included in prepaid expenses.

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated without cause or upon a change of control of the Company, a termination payment of 12 to 18 months salary, at \$392,700 per annum, is payable. If the termination had occurred on September 30, 2020, the amount payable under the agreement would be \$392,700.

The Company has an employment agreement with its CFO which provides that in the event that the CFO's employment is terminated without cause or upon a change of control of the Company, a termination payment of 6 months salary, at \$210,000 per annum is payable. If the termination had occurred on September 30, 2020, the amount payable under the agreement would be \$105,000.

The Company has consulting agreements with a corporation controlled by a former director, a corporation controlled by the Vice President, a corporation controlled by the former Chief Executive Officer and a corporation controlled by the Chief Technology Officer, which provide that in the event the consulting agreements are terminated without cause or upon a change of control of the Company, a termination payment of two years of consulting fees, ranging from \$210,000 to \$282,000 per annum depending on the agreement, is payable. If all such terminations had occurred on September 30, 2020, the total amount payable under the agreements would be \$2,112,000.

Drone Delivery Canada Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian dollars) (Unaudited)

13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

- b) During the three and nine months ended September 30, 2020, rent of \$9,266 and \$33,939, respectively (three and nine months ended September 30, 2019 - \$16,200 and \$48,600, respectively) was paid to a company jointly controlled by the Chief Technology Officer and the former Chief Executive Officer of the Company. As at September 30, 2020, \$nil was included in accounts payable and accrued liabilities (December 31, 2019 - \$nil).
- c) During the three and nine months ended September 30, 2020, legal fees of \$139,883 and \$196,716, respectively (three and nine months ended September 30, 2019 - \$65,448 and \$104,248) were accrued or paid to a law firm in which a director of the Company is a partner. As at September 30, 2020, \$30,831 was included in accounts payable and accrued liabilities (December 31, 2019 - \$52,911).
- d) During the three and nine months ended September 30, 2020, the Company expensed \$6,932 and \$32,434, respectively (three and nine months ended September 30 2019 - \$6,134 and \$21,202, respectively) to the Marrelli Group to act as Chief Financial Officer of the Company and to provide bookkeeping and other support services. As at September 30, 2020, \$nil was included in accounts payable and accrued liabilities (December 31, 2019 - \$15,075). As of September 8, 2020, Robert D.B Suttie ceased to act as Chief Financial Officer of the Company.

14. RESEARCH GRANTS

During the three and nine months ended September 30, 2020, the Company received a grant of \$55,128 and \$282,411, respectively from the National Research Council of Canada under the Industrial Research Assistance Program (IRAP). Proceeds from this grant have been applied against the Company's payroll expense included in office and general.