

Drone Delivery Canada Corp.
Management's Discussion and Analysis
For the Six Months Ended June 30, 2021
Expressed in Canadian Dollars
Dated August 23, 2021

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Drone Delivery Canada Corp. (formerly Asher Resources Corporation) ("DDC" or the "Company") and constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended June 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2020, together with the notes thereto. Information contained herein is presented as at August 23, 2021, unless otherwise indicated.

Description of Business

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

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

The current legislation and regulatory framework in place with respect to commercial drone use in Canada and internationally is evolving. The Company continues to work closely with Transport Canada, the Federal Aviation Administration, and other international regulators.

COVID-19 Impact

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

The current situation with the pandemic is an ideal use case for DDC's patented technology and the Company has been in dialogue with Governments at various ministries and levels as well as various health care institutions, in addition to First Nation communities and all other sectors with respect to COVID-19 applications.

Highlights

Product Development

Condor

On April 14, 2020, the Company announced plans to accelerate commercial testing of the Condor, to aid in the fight against the COVID-19 pandemic and to help limit person to person contact. This phase of testing for Beyond

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Visual Line of Sight ("BVLOS") flight took place at the Foremost UAS Test Range in Alberta, Canada and was intended to test long-range and heavy-lift capabilities of the Condor.

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

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

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

The Company continued its development and testing of the Condor during the six months ended June 30, 2021, which includes but not limited to functional testing and baseline tuning. The Condor is currently nearing completion of an upgrade to the engine management system and numerous sensors with endurance testing scheduled for Q3 2021.

Based on the successfully completed testing to date, the Company continues to believe it will be in a position to deploy the Condor in certain commercial customer pilot applications. In addition, testing of the Condor is expected to continue during fiscal 2021 in order to further enhance commercial applications and use cases.

Robin XL

On February 28, 2020, the Company announced that it will begin testing of its Robin XL ("Robin") cargo delivery drone. The Robin has a lifting capacity of 11.3 kilograms of payload, a potential travel range of 60 kilometers and is designed for harsher climates. The Robin features the option to have automatic cargo deployment, eliminating the need for cargo handlers upon arrival.

On November 18, 2020, the Company successfully tested the Robin at the Company's Tranquility Base test range. The Company successfully tested numerous critical aspects of the Robin, including: communications system; navigational guidance system; autopilot system; take-off and landing performance; general flight stability and performance; multiple velocity vectors and altitude profiles; sound pressure levels; and battery consumption characteristics. All flight tests were conducted in accordance with the approvals provided by Transport Canada.

The Company continued its development of the Robin XL during the six months ended June 30, 2021, which included completion of functional testing and nearing completion of baseline tuning. Subsequent to June 30, 2021, the Company announced that it was reallocating resources from the development of Robin XL to Condor

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and the next generation Sparrow in response to market demand. The Company will resume Robin XL development in the future as market demands may indicate.

First Responder Program

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

On November 10, 2020, the Company successfully completed phase three of its AED on The Fly project with Peel Region Paramedics and Sunnybrook Centre for Prehospital Medicine.

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

Commercial Agreements

Moose Cree First Nation

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

Vision Profile

On September 10, 2019, with the assistance of its sales agent Air Canada Cargo, the Company announced it had entered into a commercial agreement dated September 9, 2019 (the "Vision Agreement") with Vision Profile Extrusions Limited ("Vision"), a manufacturing company, to deploy a drone delivery platform for the use of Vision between its properties in Vaughan, Ontario. The customer has delayed the implementation of this project and the Company has decided to terminate the agreement in order to allocate its resources to other commercial projects.

DSV Air & Sea Inc.

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

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

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

GlobalMedic

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

The Company completed deployment and setup of site infrastructure in September 2020 and began commercial operations from BFN mainland to BFN Christian Island. The six month contract with GlobalMedic concluded during the three months ended March 31, 2021, as defined in the original commercial agreement.

Georgina Island First Nation

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

The Company completed the deployment and setup of site infrastructure in October 2020 and began commercial operations in the GIFN community. Revenue from this contract has been included on a pro rata basis and is consistent with the Company's revenue recognition policies. The six month contract with Georgina Island First Nation concluded during the three months ended June 30, 2021, as defined in the original commercial agreement.

University of British Columbia

On May 20, 2021, the Company announced that it has been selected by the University of British Columbia ("UBC") to deploy DDC's patented drone delivery solution at the Stellat'en First Nation, for UBC's "Remote Communities Drone Transport Initiative" program. Subsequent to June 30, 2021, the Company announced that it had signed a commercial agreement with UBC to deploy DDC's patented drone delivery solution between Stellat'en First Nation and the Village of Fraser Lake, located in Central Northern British Columbia, Canada. The term of the agreement is 12 months and includes an upfront payment as well as recurring monthly payments. The Company expects to begin implementation in Q3 2021 and the route to be operational in late Q3 or early Q4 2021.

Edmonton International Airport

On July 8, 2021, the Company entered into commercial agreements with each of Edmonton International Airport ("EIA"), Apple Express Courier Ltd and Ziing Final Mile Inc ('the Customers') to deploy DDC's patented drone delivery solution at the Edmonton International Airport. DDC will enable a defined route from EIA to deliveries off airport property utilizing the Sparrow to service the customers. The term of the agreement is 12 months and includes an upfront payment as well as recurring monthly payments. The Company expects to begin implementation in the near future and the route to be operational in late Q3 or early Q4 2021.

Commercial Entry into the United States

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

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

The Company has started the process to apply for an aircraft Type Design Approval for the Sparrow drone, with subsequent aircraft in DDC's fleet to follow. Potential US-based partners would use the DDC delivery system to conduct for-hire drone delivery operations in the United States under applicable United States legislation. The aircraft Type Certification effort is an essential first step for enabling the Federal Aviation Administration's approval of routine beyond visual line-of-sight delivery operations, which in-turn will provide significant opportunities for expansion into the United States. The Company is currently permitted to conduct limited delivery operations in the United States using visual line of sight regulations under applicable United States legislation.

U.S. Patents Awarded

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

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

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

Additionally, both patents are also directed to DDC's 'RAILWAY IN THE SKY' concept that is intended to simplify routing and control of delivery drones particularly in crowded urban areas. The system provides a database for a flight route network that includes a number of route sections that can be selected to provide a desired routing.

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

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

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

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

Additions to Management

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

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

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

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

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

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

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

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

On September 8, 2020, the Company announced the management appointment of Mr. Manish Arora as Chief

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Financial Officer, replacing outgoing Chief Financial Officer, Robert D.B. Suttie.

Manish Arora has over 15 years of experience in public company financial reporting, IFRS, U.S. GAAP, taxation, financial planning & analysis and ERP implementations across mid to large organizations. He previously served as Corporate Controller for Cardinal Health Canada and has prior experience in the aerospace and automotive industry with Vector Aerospace and Martinrea International Inc.

Corporate Update

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

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

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

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

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

On December 22, 2020, the Company closed a second bought-deal prospectus offering in the fiscal year, underwritten by Cormark Securities Inc. and Echelon Wealth Partners Inc., pursuant to which it issued an aggregate of 15,686,000 units ("Units") which included the full exercise of the underwriters' overallotment option, at a price of \$0.88 per Unit, for aggregate gross proceeds of \$13,803,680 (the "December 2020 Financing"). Each Unit consisted of one Common Share and one-half of one common share purchase warrant of the Company (each

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whole such warrant a "December 2020 Warrant"). Each December 2020 Warrant entitles the holder thereof to purchase one common share at a price of \$1.20 until December 22, 2022. In connection with the December 2020 Financing, 941,160 underwriter options were issued, with each underwriter option entitling the holder thereof to acquire one Unit at \$0.88 until December 22, 2022

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

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

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

Business Objectives and Milestones

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

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Expected Expenditures	2020 Budgeted	2020 Approx. Actual to Date	2021 Budgeted	2021 Approx. Actual to Date	2022 Budgeted
Scaling of Management and Sales Teams	\$500,000	\$305,087	\$1,650,000	\$560,530	\$550,000
Product Development and Commercialization	\$875,000	\$1,044,300	\$2,375,000	\$1,173,168	\$1,750,000
Commercial Testing	\$1,000,000	\$573,557	\$1,300,000	\$1,154,688	\$700,000
International and Domestic Marketing	\$75,000	\$104,720	\$475,000	\$321,530	\$500,000
International Market Penetration	\$150,000	\$94,173	950,000	\$303,159	\$400,000
Total Expenditures	\$2,600,000	\$2,121,837	\$6,750,000	\$3,513,075	\$3,900,000

The Company's approximate spend for the six months ended June 30, 2021, of \$3,513,075 compared to a budget of \$6,750,000 for the fiscal year 2021 is in line with management's expectations, considering timing of expenditures and overall favourability in fiscal 2020

Summary of Quarterly Results

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

For the Period Ended	Revenue	Net income (loss) ^{(1) (2)}	Net loss per share, basic and diluted ⁽³⁾ ₍₄₎	Total Assets
2021 – June 30	18,712	(3,867,265)	(0.02)	38,256,818
2021 – March 31	194,676	(4,435,434)	(0.02)	41,143,338
2020 – December 31	202,652	(3,356,844)	(0.02)	29,369,339
2020 – September 30	36,068	(3,773,666)	(0.02)	18,548,656
2020 – June 30	24,000	(2,884,003)	(0.02)	12,323,680
2020 – March 31	2,545	(4,115,682)	(0.02)	13,924,727
2019 – December 31	Nil	(5,277,382)	(0.03)	17,708,902
2019 – September 30	Nil	(3,096,377)	(0.02)	20,388,718

⁽¹⁾ Loss from continuing operations attributable to owners of the parent, in total;

⁽²⁾ Loss attributable to owners of the parent, in total;

⁽³⁾ Loss from continuing operations attributable to owners of the parent, on a per-share and diluted basis; and

⁽⁴⁾ Loss attributable to owners of the parent, on a per-share and diluted basis.

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Discussion of Operations for the three and six months ended June 30, 2021 and 2020

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

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
	\$	\$	\$	%	\$	\$	\$	%
DRONE SERVICE REVENUE	18,712	24,000	(5,288)	-22%	213,388	26,545	186,843	704%
OPERATING EXPENSES								
Service Costs and materials	111,031	13,140	97,891	745%	172,706	41,644	131,062	315%
Advertising & Promotion	282,452	15,562	266,890	1715%	1,526,703	848,677	678,026	80%
Depreciation	204,993	210,570	(5,577)	-3%	413,271	416,618	(3,347)	-1%
Interest expense on lease obligations	10,669	14,696	(4,027)	-27%	22,403	29,346	(6,943)	-24%
Consulting	509,621	329,679	179,942	55%	990,308	693,075	297,233	43%
Loss on Disposal	-	-	-	0%	43,847	-	43,847	0%
Interest and bank charges	2,669	2,387	282	12%	7,641	4,910	2,731	56%
Personnel Expenses	1,365,525	579,152	786,373	136%	2,377,989	1,531,342	846,647	55%
Office and general	336,647	429,889	(93,242)	-22%	716,067	709,501	6,566	1%
Professional fees	115,965	96,988	18,977	20%	230,689	165,590	65,099	39%
Shareholder information	70,286	84,456	(14,170)	-17%	148,761	143,837	4,924	3%
Research and development	565,248	565,382	(134)	0%	933,871	1,307,225	(373,354)	-29%
Share based compensation	322,311	586,097	(263,786)	-45%	946,344	1,178,398	(232,054)	-20%
OPERATING EXPENSES	3,897,417	2,927,998	969,419	33%	8,530,600	7,070,163	1,460,437	21%
OPERATING LOSS	(3,878,705)	(2,903,998)	(974,707)	34%	(8,317,212)	(7,043,618)	(1,273,594)	18%
Interest Income	(16,605)	(13,371)	(3,234)	24%	(26,821)	(38,408)	11,587	-30%
Foreign exchange (Gains)/Losses	5,165	(6,624)	11,789	-178%	12,308	(5,525)	17,833	-323%
NET LOSS AND COMPREHENSIVE LOSS	(3,867,265)	(2,884,003)	(983,262)	34%	(8,302,699)	(6,999,685)	(1,303,014)	19%

Revenue

Three Months Ended June 30, 2021 vs Three Months Ended June 30, 2020

For the three months ended June 30, 2021, revenue was \$18,712 as compared to \$24,000 for the same period last year. The decrease in revenue is a result of damage to a Sparrow from an impact occurrence at a customer site that resulted in operations being paused in order for the client and the Company to integrate safety protocols at the client site and mitigate any safety concerns and risks. The Company concluded this process subsequent to June 30, 2021, and operations have since resumed. The decrease was partially offset by incremental revenue from the Georgina Island First Nation contract that was operational subsequent to June 30, 2020.

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Revenue

Six Months Ended June 30, 2021 vs Six Months Ended June 30, 2020

For the six months ended June 30, 2021, revenue was \$213,388 as compared to \$26,545 for the same period last year. The increase in revenue is attributable to incremental revenue from the Georgina Island First Nation and GlobalMedic contracts that were operational subsequent to June 30, 2020, in addition to the first DSV route that began operations in March 2020. This increase was partially offset due to paused operations relating to an impact occurrence involving a Sparrow at a customer site, as described above.

Operating Expenses

Three Months Ended June 30, 2021 vs Three Months Ended June 30, 2020

Operating expenses for the three months ended June 30, 2021, increased by \$969,419 or 33% as compared to the three months ended June 3, 2020. The increase can be largely attributed to advertising and promotion, consulting, service costs and materials, and personnel expenses, partially offset by a decrease in share based compensation.

Advertising and promotion increased by \$266,890 or 2715% due to increased spend on investor relations campaigns for electronic media, webcast and marketing services put into place subsequent to June 30, 2020.

Consulting fees increased by \$179,942 or 55% mainly due to the nature and timing of expenditures incurred in the three months ended June 30, 2021 as compared to the period in the prior year.

Service costs and materials increased by \$97,891 or 745% due to additional expenditures incurred relating to enhancements in the Company's operational control centre as the Company continues to progress through commercialization of its drone delivery solution, servicing additional customer contracts and an increase in repairs and maintenance. The Company incurs expenditures related to the deployment of its drone delivery solution to the customer's site, which include installation costs, transportation and materials, where the timing of such costs is dependant on a number of factors. The increase in repairs and maintenance was partially due to the Company experiencing an impact occurrence with a Sparrow drone at a customer operation. This occurrence did not result in a complete loss of the drone hardware, and as a result the Company was able to repair and service the drone back into its fleet.

Personnel expenses increased by \$786,373 or 136% as a result of higher staffing levels to support customer contracts and an expansion of the sales team and overall administrative functions. In addition, the Company received a wage subsidy in the three months ended June 30, 2020 that did not reoccur in the three months ended June 30, 2021.

Share based compensation decreased by \$263,786 or 45% due to stock options granted prior to June 30, 2020 being completely vested.

Operating Expenses

Six Months Ended June 30, 2021 vs Six Months Ended June 30, 2020

Operating expenses for the six months ended June 30, 2021, increased by \$1,460,437 or 21% as compared to the six months ended June 3, 2020. The increase can be largely attributed to service costs and materials, advertising and promotion, consulting, and personnel expenses, partially offset by a decrease in research and development and share based compensation.

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Service costs and materials increased by \$131,062 or 315% due to additional expenditures incurred relating to enhancements in the Company's operational control centre as the Company continues to progress through commercialization of its drone delivery solution, servicing additional customer contracts and an increase in repairs and maintenance. The Company incurs expenditures related to the deployment of its drone delivery solution to the customer's site, which include installation costs, transportation and materials, where the timing of such costs is dependent on a number of factors. The increase in repairs and maintenance was partially due to the Company experiencing an impact occurrence with a Sparrow drone at a customer operation. This occurrence did not result in a complete loss of the drone hardware, and as a result the Company was able to repair and service the drone back into its fleet.

Advertising and promotion increased by \$678,026 or 80% due to increased spend on investor relations campaigns for electronic media, webcast and marketing services put into place subsequent to June 30, 2020.

Consulting fees increased by \$297,233 or 43% mainly due to the nature and timing of expenditures incurred in the six months ended June 30, 2021, as compared to the period in the prior year.

Personnel expenses increased by \$846,647 or 55% as a result of higher staffing levels to support customer contracts and an expansion of the sales team and overall administrative functions. In addition, the Company received a wage subsidy in the six months ended June 30, 2020, that did not reoccur in the six months ended June 30, 2021.

Research and Development decreased by \$373,354 or 29% as a result of timing of expenditures and completion of specific projects including battery management systems, DroneSpot modifications and enhancements, which was partially offset by increased expenditures on testing of Robin XL, Condor, and the development of next-generation Sparrow.

Share based compensation decreased by \$232,054 or 20% due to stock options granted prior to June 30, 2020, being completely vested

The Company incurred a loss on equipment as a result of an impact occurrence involving a Sparrow drone at a customer operation. This occurrence did not have any impact on customer operations as the Company was able to deploy a replacement drone immediately. A review of the incident was promptly concluded, and the risk has been mitigated from occurring again.

Liquidity and Capital Resources

The Company had working capital as at June 30, 2021 of \$32,200,080 (December 31, 2020 – \$22,916,591), and cash and cash equivalent balance of \$32,947,580 (December 31, 2020 - \$23,464,255).

The Company has no credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, trade receivables, and trade and other payables. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximates their carrying values because of their short-term nature.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital and may raise additional funds should the board of directors of the Company (the "Board of Directors") deem it advisable.

To date, the Company has had negative operating cash flow because its revenues did not exceed its operating

expenses. In addition, as a result of the Company's business plans for the development of its services, the Company expects cash flow from operations to be negative until revenues improve to offset its operating expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the useful life of equipment and assumptions used for share-based compensation. Actual results may differ from those estimates. A detailed summary of the Company's critical accounting estimates and sources of estimation is included in Note 2 to the December 31, 2020 audited annual consolidated financial statements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Capital Management

The Company manages, as capital, the components of shareholders' equity and its cash. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

The Company considers its capital to be equity, comprising share capital, share-based payments reserve and deficit, which at June 30, 2021 totalled \$36,420,668 (December 31, 2020 - \$27,097,552). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2021.

Related Party Transactions

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

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

	June 30, 2021	June 30, 2020
Consulting fees and salaries	\$ 1,341,975	\$ 793,072
Share based compensation	626,234	920,795
	\$ 1,968,209	\$ 1,713,867

During the six months ended June 30, 2021, and 2020, the Company allocated the \$1,341,975 (2020 - \$793,072) of consulting fees and salaries based on the nature of services provided: expensed \$748,000 (2020 - \$528,000) to consulting; and expensed \$593,975 (2020 - \$265,072) to personnel expenses.

As at June 30, 2021, consulting fees of \$nil (December 31, 2020 - \$440,000) remain unpaid are included in trade and other payables. Consulting fees of \$23,500 (December 31, 2020 - \$23,500) paid in advance are included in prepaid expenses.

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within twenty four months of, or in anticipation within 180 days of, a change in control, a termination payment equal to 18 months' salary, at \$429,000 per annum, is payable. If the termination had occurred on June 30, 2021, the amount payable under this agreement would be \$429,000.

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

The Company has consulting agreements with a corporation controlled by a former director, a corporation controlled by a former Vice President, a corporation controlled by the former Chief Executive Officer and a corporation controlled by the former Chief Technology Officer, which provide that in the event the consulting agreements are terminated without cause, a termination payment for consulting fees for the remainder of the term, ranging from \$210,000 to \$282,000 per annum depending on the agreement, is payable. If all such terminations had occurred on June 30, 2021, the total amount payable under the agreements would be \$1,618,000.

- b) During the six months ended June 30, 2021, rent of \$16,567 (2020 - \$19,067) was paid to a company jointly controlled by the former Chief Technology Officer and the former Chief Executive Officer of the Company. As at June 30, 2021, \$nil was included in accounts payable and accrued liabilities (December 31, 2020 - \$nil).
- c) During the six months ended June 30, 2021, legal fees of \$158,254 (2020 - \$ 54,333) were accrued or paid to a law firm in which a director of the Company is a partner. As at June 30, 2021, \$38,706 was included in accounts payable and accrued liabilities (December 31, 2020 - \$162,183).

Additional Disclosure for Venture Issuers Without Significant Revenue

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

Six Months Ended June 30	2021	2020
	(\$)	(\$)
Office and General	241,024	268,832
Computer & Software Expense	120,722	153,362
Travel Expense	82,038	91,279
Rent	67,099	56,678
Insurance	98,710	58,106
Utilities	65,207	53,933
Freight	41,267	27,311
	716,067	709,501

Disclosure of Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at Aug 23, 2021, there were 223,732,345 issued and outstanding common shares. In addition, there were 8,385,005 share options outstanding, at exercise prices ranging from \$0.50 to \$1.80 and 13,531,918 warrants outstanding at exercise prices ranging from \$0.70 to \$1.20 per share.

Risks and Uncertainties

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further development of its projects with the possible loss of such projects. The Company may require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history

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of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

COVID-19

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

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Aviation Risks

A significant portion of the DDC business is based on the operation and flight of unmanned aerial vehicles, or "drones". The operation of any aerial vehicle may pose a risk or hazard to those both in the air and on the ground. Furthermore, this is an evolving area of business and activity and the regulatory environment for drones has not yet fully developed. As such, in the event policy changes occur respecting the operation of drones, there is a risk the Company may find itself to be in non-compliance with these new regulations. While the Company has taken measures it deems appropriate to mitigate the risks associated with these activities, and while the Company will strive to keep abreast on new regulatory changes associated with drones, there is no assurance that an incident involving one of these drones, or our non-compliance with this evolving area of law and regulation, would not create a significant liability for the Company in the future.

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: 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.

Current Global Financial Conditions and Trends

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of significant economic volatility, which is expected to continue in the near to mid term.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with International Financial Reporting Standards. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or

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implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.

Additional Information

Additional information relating to the Company, including the Company's annual information form, is available on the SEDAR website www.sedar.com.