



DRONE DELIVERY CANADA CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2017 AND 2016
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Drone Delivery Canada Inc.. (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)

As at	June 30, 2017	December 31, 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 7,953,268	\$ 1,210,315
Prepaid expenses	357,875	100,981
Amounts receivable	372,561	247,226
	8,683,704	1,558,522
Equipment (Note 4)	64,954	70,041
Patents (Note 3)	182,150	108,549
TOTAL ASSETS	\$ 8,930,808	\$ 1,737,112
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 444,801	\$ 311,242
Loan (Note 5)	-	57,727
	444,801	368,969
Commitment (Note 6)		
EQUITY		
Share capital	11,243,063	4,977,302
Share-based payments reserve	3,816,248	56,586
Deficit	(6,573,304)	(3,665,745)
	8,486,007	1,368,143
TOTAL LIABILITIES AND EQUITY	\$ 8,930,808	\$ 1,737,112

Nature of Operations (Note 1)

Approved on Behalf of the Board:

"Tony Di Benedetto"

Director

"Richard Buzbuzian"

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
OPERATING EXPENSES				
Advertising and promotion	\$ 114,654	\$ 34,878	\$ 333,788	\$ 79,248
Amortization	3,919	2,690	7,838	6,151
Consulting (Note 10)	201,646	329,569	807,456	373,069
Freight and delivery	8,302	776	14,501	910
Interest and bank charges	989	2,101	4,798	3,551
Office and general (Note 10)	285,135	12,942	407,306	61,367
Professional fees (Notes 10)	86,100	7,288	147,889	11,288
Shareholder information	38,328	73,503	69,835	73,503
Research and development	811,026	115,273	1,114,148	211,675
Public company listing expense	-	672,336	-	672,336
NET LOSS AND COMPREHENSIVE LOSS	\$(1,550,099)	\$(1,251,356)	\$(2,907,559)	\$(1,493,098)
Basic and diluted loss per share (Note 9)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	100,821,633	89,291,299	95,905,431	89,291,299

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 Subscriptions Received	Share-based Payments Reserve	Deficit	Total
Balance, December 31, 2015	57,085,714	\$ 916,865	\$ 19,746	\$ 36,127	\$ (741,940)	\$ 230,798
Issued on reverse take-over	25,658,081	3,183,917	-	129,014	-	3,312,931
Private placements	3,464,171	107,872	(19,746)	-	-	88,126
Shares issued on settlement of debt	3,083,333	185,000	-	-	-	185,000
Broker warrants issued	-	(1,498)	-	1,498	-	-
Net loss for the period	-	-	-	-	(1,493,098)	(1,493,098)
Balance, June 30, 2016	89,291,299	\$4,392,156	\$ -	\$ 166,639	\$(2,235,038)	\$ 2,323,757
Balance, December 31, 2016	90,952,549	4,977,302	-	56,586	(3,665,745)	1,368,143
Exercise of warrants - cash	315,363	44,151	-	-	-	44,151
Exercise of warrants - valuation	-	25,892	-	(25,892)	-	-
Issuance of special warrants (Note 8)	-	-	-	9,981,272	-	9,981,272
Exercise of special warrants (Note 8)	31,144,000	6,195,719	-	(6,195,719)	-	-
Net loss for the period	-	-	-	-	(2,907,559)	(2,907,559)
Balance, June 30, 2017	122,411,912	\$11,243,064	\$ -	\$ 3,816,247	\$(6,573,304)	\$ 8,486,007

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

Drone Delivery Canada Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

For the Six Months Ended June 30,	2017	2016
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,907,559)	\$ (1,493,098)
Items not affecting cash:		
Amortization	7,838	6,151
Accrued interest	-	2,624
Net change in non-cash working capital:		
Amounts receivable	(125,335)	(159,528)
Inventory	-	(8,841)
Prepaid expenses	(256,894)	-
Accounts payable and accrued liabilities	125,832	257,202
	(3,156,118)	(1,395,490)
INVESTING ACTIVITIES		
Acquisition of equipment	(2,751)	(26,964)
Acquisition of patents	(73,601)	-
Net assets acquired on reverse acquisition	-	842,131
	(76,352)	815,167
FINANCING ACTIVITIES		
Proceeds (repayment of) loan	(50,000)	-
Issuance of common shares	-	2,558,926
Issuance of special warrants	9,981,272	-
Proceeds from exercise of warrants	44,151	-
	9,975,423	2,558,926
CHANGE IN CASH	6,742,953	1,978,603
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,210,315	393,905
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,953,268	\$ 2,372,508

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

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(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 June 30, 2017, the Company had cash and cash equivalents of \$7,953,268 (December 31, 2016 - \$1,210,315) and working capital of \$8,238,903 (December 31, 2016 - \$1,189,553). 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.

On June 6, 2016, the Company completed an amalgamation transaction with Drone Delivery Canada Inc. and changed its name to Drone Delivery Canada Corp. On June 16, 2016, the Company commenced trading on the Canadian Securities Exchange under the symbol FLT.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. 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, 2016.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 29, 2017.

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.

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.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (Continued)

Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's condensed interim consolidated financial statements.

(i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in October 2010 and in its final form in June 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. The Company intends to adopt the standard on its effective date.

(ii) IFRS 15 - Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures.

The standard supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts, and a number of revenue related interpretations. The new standard will apply to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts.

(iii) In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. PATENTS

Balance, December 31, 2016	\$	108,159
Additions		73,991
Balance, June 30, 2017	\$	182,150
Accumulated Depreciation		
Balance, December 31, 2016	\$	-
Depreciation		-
Balance, June 30, 2017	\$	-
Carrying Value		
At December 31, 2016	\$	108,159
At June 30, 2017	\$	182,150

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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4. EQUIPMENT

Cost	Automobile	Lab	Office	Total
Balance, December 31, 2016	\$ 8,750	\$ 9,652	\$ 79,909	\$ 98,311
Additions	-	-	2,751	2,751
Balance, June 30, 2017	\$ 8,750	\$ 9,652	\$ 82,660	\$ 101,062

Accumulated Depreciation

Balance, December 31, 2016	\$ 1,750	\$ 5,926	\$ 20,594	\$ 28,270
Depreciation	700	932	6,206	7,838
Balance, June 30, 2017	\$ 2,450	\$ 6,858	\$ 26,800	\$ 36,108

Carrying Value

At December 31, 2016	\$ 7,000	\$ 3,726	\$ 59,315	\$ 70,041
At June 30, 2017	\$ 6,300	\$ 2,794	\$ 55,860	\$ 64,954

5. LOAN PAYABLE

On July 3, 2015 the Company received a loan of \$50,000 from a corporation controlled by a director. The loan is due on demand, is unsecured, and bears interest at 10% per annum. During the six months ended June 30, 2017, the loan was repaid.

6. COMMITMENT

On January 1, 2016, the Company entered into an office lease agreement with a corporation controlled by a director to lease office space at \$ 57,000 to \$ 60,750 per year. The lease commenced on January 1, 2016 and expires on January 1, 2021.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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7. STOCK OPTIONS

The following table reflects the continuity of stock options for the six months ended June 30, 2017 and 2016:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2015 and June 30, 2016	-	\$ -
Balance, December 31, 2016	153,750	0.56
Expired	(33,750)	1.12
Balance - June 30, 2017	120,000	\$ 0.40

The following table reflects options outstanding as at June 30, 2017:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
January 8, 2019	\$ 0.40	1.53 years	120,000

8. WARRANTS

The following table reflects the continuity of warrants for the six months ended June 30, 2017 and 2016:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2015	512,000	\$ 0.10
Issued	34,285	0.10
Issued in conjunction with reverse takeover	1,571,428	0.14
Balance - June 30, 2016	2,117,713	0.13
Balance - December 31, 2016	456,463	\$ 0.14
Issued	15,572,000	0.45
Exercised	(315,363)	0.14
Balance - June 30, 2017	15,713,100	\$ 0.45

The following table reflects warrants outstanding as at June 30, 2017:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
May 25, 2018	\$ 0.14	0.90 years	141,100	\$ 11,584
February 28, 2019	\$ 0.45	1.66 years	15,572,000	\$ 3,785,553

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

8. WARRANTS (Continued)

Special Warrant Financing

On February 28, 2017, the Company closed a private placement offering of special warrants (the “Special Warrants”), issuing an aggregate of 31,144,000 Special Warrants at a price of \$0.35 per Special Warrant for aggregate gross proceeds of \$10,900,400, which includes the exercise by GMP Securities L.P. (“GMP”), as sole lead agent, of its option for an additional 1,144,000 Special Warrants.

Each Special Warrant will entitle the holder thereof to receive, without payment of additional consideration, one (1) unit of the Company (each a “Unit” and collectively the “Units”) consisting of one (1) Common Share (each a “Unit Share”) and one-half of one (0.5) common share purchase warrant (each whole common share purchase warrant a “Warrant”). Each whole Warrant, subject to customary adjustments, shall be exercisable into one (1) Common Share (a “Warrant Share”) at an exercise price of \$0.45 per Warrant Share for a period of two (2) years from the closing of the Offering. If the volume weighted average price of the Common Shares on the Canadian Securities Exchange is equal to or greater than \$1.00 for a period of 10 consecutive trading days then the Company may anytime thereafter accelerate the expiry date of the Warrants to the date that is 30 days following the date on which the Company issues notice to all the Warrant holders of the new expiry date. The Company will also issue a press release on the same date as it issues notice confirming the new expiry date of the Warrants.

During the period, the special warrants were exercised, resulting in the issuance of 31,144,000 common shares, and 15,572,000 warrants. The warrants are exercisable at \$0.45 per warrant until February 28, 2019. The resulting fair value of \$3,785,553 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 123.57%; a risk-free interest rate of 0.74% and an expected life of 2 years.

Cash costs of this offering, including commissions, amounted to \$919,128, resulting in net proceeds of \$9,981,272.

On May

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the three and six months ended June 30, 2017 and 2016.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

10. RELATED PARTY TRANSACTIONS AND BALANCES

- a) During three and six months ended June 30, 2017, the Company incurred \$57,000 and \$102,000, respectively plus HST (three and six months ended June 30, 2016 - \$23,750 and \$67,500, respectively) in service fees, to a corporation controlled by a director, for developing the business operations strategy of the Company. As at June 30, 2017 - \$19,000 is included in prepaids (December 31, 2016 - \$15,000) pertaining to these fees. During the three and six months ended June 30, 2017, the Company incurred \$39,000 and \$66,000 respectively plus HST (three and six months ended June 30, 2016 - \$27,000 and \$72,000, respectively) in consulting fees, to a corporation controlled by the Vice President, for developing the business operations strategy of the Company. As at June 30, 2017, included in prepaids is \$13,000 (December 31, 2016 - \$12,000) pertaining to these fees. During the three and six months ended June 30, 2017, the Company incurred \$57,000 and \$102,000 plus HST (three and six months ended March 31, 2016 - \$73,500) in consulting fees, to a corporation controlled by the Chief Executive Officer for consulting fees. As at June 30, 2017, \$19,000 is included in prepaids (December 31, 2016 - \$15,000) pertaining to these fees. During the three and six months ended June 30, 2017, the Company incurred \$57,000 and \$102,000 plus HST (three and six months ended June 30, 2016 - \$nil) in consulting fees, to the president of the Company for consulting fees. As at June 30, 2017 - \$19,000 is included in prepaids (December 31, 2016 - \$15,000) pertaining to these fees.
- b) As at June 30, 2017, \$nil (December 31, 2016 - \$60,841) is included in accounts payable and accrued liabilities to the chief executive officer and chief technology officer for expense and equipment purchase reimbursements.
- c) During the three and six months ended June 30, 2017, rent of \$17,775 and \$35,550 (three and six months ended June 30, 2016 - \$nil) was paid to a company controlled by an officer who is also a director of the Company. As at June 30, 2017, \$nil was included in accounts payable and accrued liabilities. (December 31, 2016 - \$5,637)
- d) During the three and six months ended June 30, 2017, legal fees of \$26,277 and \$143,232, respectively (three and six months ended June 30, 2016 - \$nil) were paid to a law firm in which a director of the Company is a partner. As at June 30, 2017, \$39,559 was included in accounts payable and accrued liabilities. (December 31, 2016 - \$42,857)
- e) During the three and six months ended June 30, 2017, the Company expensed \$8,223 and \$18,607, respectively (three and six months ended June 30, 2016 - \$nil) to Marrelli Support Services Inc. ("Marrelli Support"), The Canadian Venture Building Inc., and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:
- (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
 - (ii) Bookkeeping and office support services;
 - (iii) Regulatory filing services
 - (iv) Executive office rental

The Marrelli Group is also reimbursed for out of pocket expenses.

As of June 30, 2017, the Marrelli Group was owed \$2,861 (December 31, 2016 - \$17,794). These amounts are included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

11. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current period financial statement presentation.

12. SUBSEQUENT EVENT

On July 21, 2017, The Company announced it had granted an aggregate of 6,500,000 options to purchase common shares of the Company exercisable at a price of \$0.50 per share for a period of five years, to certain officers, directors and consultants of the Company. The options are subject to a vesting period released 1/3 every six months from the date of grant pursuant to the Company's stock option plan