The following 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") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2017. 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, 2016 as well as the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at November 29, 2017 unless otherwise indicated.

Description of Business

The business of the Company is the business of Former Drone Inc. and Drone Inc. The Company is a development stage technology firm based out of Toronto, Ontario that is focused on designing, developing and implementing a commercially viable drone delivery logistics platform within the Canadian market. The technology that the Company is seeking to develop and deploy is a technology that could re-define the traditional shipping and delivery market model.

The Company is a logistics company seeking to employ the use of drones in order to deliver products faster, easier and cheaper for the purpose of enabling retailers, service organizations, and government agencies to expand their revenue base and grow their respective bottom lines. Regulatory bodies have begun legislating commercial drone use and the Company intends to work with such bodies in Canada to develop this technology as it unfolds.

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

(i) Canadian Innovation: develop an innovative drone delivery logistics platform utilizing partnerships with leading Canadian universities, academics and organizations;
(ii) Market Disruption: develop a logistics solution utilizing drone technology to disrupt the traditional logistics delivery market segment in Canada; and
(iii) Green Technology: develop a platform that embraces green technology in order to seek to minimize the Company's carbon footprint.

There is currently no legislation or regulatory framework in place with respect to commercial drone use in Canada, and there can be no assurance that such legislation or regime will be enacted in the future.

Highlights

Collaboration with Canadian Retailers and Municipalities

On August 11, 2016, the Company announced it had entered into a memorandum of understanding ("MOU") with a Canadian retailer, unnamed at this time, whereby the two organizations will explore a collaboration to introduce drone delivery services within the retailer's logistics model.

The MOU set the frame work for DDC's development testing focusing on integrating the Company's Depot to Depot program and providing a last mile solution. The MOU, non-binding at this time, is expected to develop into a definite agreement between DDC and the retailer.

The MOU also includes participating in DDC's Remote and Rural Canadian Program to provide just in time goods to Canada's remote communities where demand and need are high.

On November 29, 2016, the Company announced it is working with Staples (NASDAQ – SPLS), a leading provider of business solutions, to collaborate and explore the feasibility of developing, implementing and commercializing a drone delivery logistics platform for Staples' commercial requirements nationwide in Canada.

With this agreement in place, DDC will work under Transport Canada's framework to advance its testing at a specific test site within the Southern Ontario geography following which, DDC anticipates it will travel to Foremost, Alberta and Alma, Quebec to test beyond visual line of sight ("BVLOS").

On June 22, 2017, the Company announce it had entered into a partnership with Peel Regional Paramedic Services to develop the first-of-a-kind AED (Automatic External Defibrillator) delivery by drone program for the Region of Peel.

Positive Initial Commerical Testing

On July 21, 2016, the Company reported positive results from its initial commercial testing on its next generation drone logistics platform 4.0 which delivered positive results from test flights which occurred in Waterloo, ON with its Canadian university research partners.

Both flight times and payload carry exceeded initial expectations primarily as a result of development work which occurred at the Vaughan DDC lab over several months.

DDC has further expanded its staffing, adding experienced UAV pilots and mission control staff to its technical testing teams. DDC plans to utilize data from its testing efforts to provide key inputs to its various partners including the Canadian government and corporate partners as it moves closer towards commercialization.

At present, DDC is in active discussions with many large Canadian multinationals as well as government organizations with who DDC is seeking to form partnerships as it looks to commercialize its bourgeoning technology.

DDC plans to add additional sites later this year for BVLOS testing. BVLOS testing sites will be located across Canada, working with the Canadian federal government as DDC moves forward to seek to obtain its operator status.

On October 4, 2016, the Company announced it had received a Special Flight Operations Certificate from Transport Canada. The certificate allows DDC the ability to advance its drone delivery technology and accelerated testing in the Canadian skies beginning with Southern Ontario.

On January 10, 2017, the Company announced it had formalized an agreement to expand its testing from the Waterloo region to now include a region in a second province, namely, Foremost Alberta - Canada's first Transport Canada approved drone UAV test range. In Foremost, AB, DDC will be focusing on BVLOS capabilities in an effort to move towards commercialization in late 2017/early 2018.

On March 16, 2017, the Company announced an agreement with the Pontiac Group, an aboriginal socioeconomic development organization, to accelerate the Company's Northern Canadian Indigenous Communities commercialization program focused for a Nation-wide roll out of the Company's drone logistic solution, beginning first in Northern Ontario.

The Pontiac Group acting as DDC's National Indigenous Relations Advisors will be engaged to accelerate the development of an Indigenous drone delivery pilot project in Canada (the "Pilot Project"), the first of its kind in Canada that will begin in Northern Ontario within an area of 43 remote indigenous communities. Currently it is estimated that over 33 of these communities exist that are only accessible by ice road, boat, helicopter and all-terrain vehicles. There are over 600 of these First Nation communities across Canada.

The Pilot Program, will encompass the design, development and implementation of a drone logistics platform. If successful, the Company will seek to roll out its drone solution to Indigenous communities throughout Canada, in addition to corporate clients and government organizations which the company has agreements, or is actively pursuing, the Pilot Program is focused on connecting Indigenous communities in remote Canada to foster economic sustainability and provide greater accessibility to these communities where ever possible.

On March 22, 2017, the Company announced it had entered into a Sponsored Research and Collaboration Agreement with the University of Toronto and Defence Research and Development Canada (DRDC) through the Natural Sciences and Engineering Research Council of Canada (NSERC) Collaborative Research and Development granting program to jointly develop a vision-based navigation solution for UAV's (drones) to safely navigate without the reliance of GPS technology.

On March 29, 2017, the Company announced it had been granted an additional Special Flight Operations Certificate (SFOC) from Transport Canada. The certificate will allow DDC to expand its current drone delivery testing program within Southern Ontario, which is expected to accelerate DDC's commercial testing in the Canadian skies.

On May 9, 2017, the Company announced the appointment Michael Urlocker to the newly created position of Vice President – Strategic Partnerships as the Company grows its management team and moves closer to commercialization. Michael has been involved in the Canadian technology investment sector since 1995. His specialization is disruptive innovation. Michael worked as a top-ranked technology investment analyst for more than twenty years at a variety of firms including UBS, Credit Suisse, Scotia apital and GMP Securities. Before joining the financial services industry, Michael also worked as a technology reporter for The Financial Post. Michael is a Chartered Financial Analyst and a graduate of University of Waterloo's Electrical Engineering program.

On June 6, 2017, the Company reported the success of a pivotal milestone towards commercializing its drone logistics platform after becoming the first and onlycompany of its kind in Canada to successfully achieve Beyond Visual Line of Sight (BVLOS) test flights. The success of these flights, which took place in Foremost, Alberta after DDC received a Special Flight Operating Certificate from Transport Canada, prove that DDC's BVLOS technical apability has now passed the most important landmark which enables the DDC platform to run commercially. Commercial operations are forecast to be based on a revenue model that comprises of integration fees, set up fees, and on going re-occurring revenue. DDC's revenue is based on a traditional SaaS model format.

On October 4, 2017, the Company announced that Moose Cree First Nation and Drone Delivery Canada have entered into an agreement to commence a commercial program to provide the Moose Cree Community with a next generation logistics solution by drone.

Working with federal regulators and community stakeholders, Drone Delivery Canada is set to commence commercial test flights within the Moose Cree geography which is located 20 km south of James Bay in Northern Ontario. Various goods to be shipped will look to include mail, food, medical supplies, and general goods. This achievement is the very first of its kind for Canada and represents a significant milestone for us as a Company.

On November 16, 2017 , the Company announced it was granted permission from Transport Canada to test its drone delivery technology in the northern regions of Canada. DDC tested its drone delivery platform in the Moose Factory and Moosonee communities where it completed a series of successful flights comprising of distances of up to 2.12km all while maintaining visual contact.

DDC's Drones operated in Class E air space which has hundreds of daily helicopter and aircraft flights taking place. While flying autonomously, DDC seamlessly integrated into this busy airspace.

Commercial Agreements

On August 1, 2017, the Company announced it has signed a commercial agreement with TECSYS Inc., the market leader in supply chain solutions for health systems and hospitals, to collaborate on the design, development and implementation of a drone delivery solution to expand the logistics capabilities of TECSYS specifically in the healthcare vertical.

Utilizing DDC's logistics platform, the development, prototyping and testing will be focused on a customized Depot to Depot solution as well as a Depot to Consumer solution on the healthcare supply chain vertical.

If the testing and development are successful to the satisfaction of both parties, the Parties agree to proceed, in good faith negotiations and delivery of the definitive commercial agreement once finalized government legislation is enacted (estimated Q4 2017). DDC shall be responsible for their own costs and expenses with respect to the testing and the development of the drone delivery logistics platform solution.

Additions to Management

On September 20, 2017, the Company announced the appointment of Mark Wuennenberg to the newly created position of Vice President – Regulatory Affairs as the Company grows its management team in anticipation of obtaining Canadian regulatory approval for drone delivery.

Prior to joining DDC as VP of Regulatory Affairs, Mark worked at Transport Canada as a Civil Aviation Inspector responsible for general flight standards and the regulation of commercial drones in Canada since 2012.

Mark Wuennenberg is an expert in Unmanned Aircraft Systems (UAS) with vast domestic and international experience and knowledge in the regulatory, operational, airspace access and training aspects of UAS. Most recently, Mark was a Civil Aviation Inspector with Transport Canada as a subject matter expert responsible for the development of the proposed UAS regulatory framework and the creation and implementation of numerous key UAS initiatives designed to further the UAS industry. As a 33 year veteran of the Royal Canadian Air Force he accumulated over 4300 hours in numerous aircraft and held staff/instructor positions in National Defence Headquarters NORAD, United States Space Command, the Canadian Forces Instrument Check Pilot School, and the US Air Force's Flight Standards Agency. While not flying he was very active in regulatory development (both manned and unmanned aviation), operational airworthiness and classroom instruction. He has also served on numerous international UAS committees/working groups within ICAO, NATO, and the United States Department of Defence.

Us Market Listing

On August 22, 2017, the Company announced its common shares commenced trading on the OTCQB Venture Market in the United States under the symbol "TAKOF".

The OTCQB Venture Market is for early-stage and emerging U.S. and international companies. To be eligible, companies must be current in their financial reporting, pass a minimum bid price test and undergo an annual company verification and management certification process. These quality standards give investors a strong baseline of transparency, as well as the technology and appropriate regulation to improve the confidence and trading experience of investors.

Drone Delivery Canada will continue to trade on the CSE under its existing symbol "FLT" and on the Frankfurt Stock Exchange in Germany under the symbol "A2AMGZ".

Expressed in Canadian Dollars

Business Objectives and Milestones

Using the proceeds of the the Special Warrant Financing, the Company intends, over the next twelve months, to achieve the following milestones:

Software Development – The Company intends to continue the advancement of its proprietary "FLYTE" backend software platform and the Company's SaaS framework for its client interface and operating model.

Prototype Development – The Company intends to advance the development of drone prototype units for further testing in order to accelerate the Company's application for its licensing from the Canadian federal regulators.

Drone-Spot Development – The Company intends to accelerate and advance the development of the Company's proprietary Drone-Spot landing / take-off zones from prototype to commercial ready applications.

Commercial Testing – The Company intends to advance and accelerate commercial testing activities throughout Canada.

Obtain Compliant Operator Status Certificate from Transport Canada – Advancements in the development initiatives and testing will allow the Company to apply for its Compliant Operator Status Certificate from Transport Canada, which in turn would enable the Company to advance towards its objective of commercialization in Canada's northern communities.

Advancement to Commercialization – The Company's main objective through its initiatives and development milestones set out above is to move the Company's platform to commercialization. The Company intends to initially launch its drone delivery logistics platform in northern Canada to service remote rural communities in northern Canada.

The following table sets out the steps that the Company intends to complete over the next two financial years in order to reach commercialization of its products and services, the anticipated expenditures required in order to complete such step, and the approximate progress towards the milestone

Expected Expenditures	2017	2017 to Date	2018	Total
Software Development	$500,000	$543,832	$500,000	$1,000,000
Prototype Development	$500,000	$516,641	$500,000	$1,000,000
Drone Spot Developments	$500,000	$598,216	$500,000	$1,000,000
Commercial Testing	$500,000	$679,791	$1,500,000	$2,000,000
Obtaining Compliant Operator Status Certificate	$400,000	$380,682	-	$400,000
Total Expenditures	**$2,400,000**	**$2,719,164**	**$3,000,000**	**$5,400,000**

The Company has planned a two year path to commercialization, with an aggregate of $3,000,000 being allocated to software development, prototype development, and drone spot development, which is expected to be incurred consistently throughout 2017 and 2018. Commercial testing will commence in 2017 however the Company intends to expend more resources on commercial testing in 2018 as the Company approaches commercialization.

Expressed in Canadian Dollars

Selected Quarterly Information

A summary of selected information for each of the quarters presented below is as follows:

For the Period Ended	Revenue ($)	Net Loss Total ($)	Net Loss Basic and diluted earnings per share ($)	Total assets ($)
2017 – September 30	Nil	(1,464,960)	(0.01)	7,387,990
2017 – June 30	Nil	(1,550,099)	(0.02)	8,930,808
2017 - March 31	Nil	(1,357,460)	(0.01)	10,219,029
2016 – December 31	Nil	(956,564)	(0.01)	1,737,112
2016 – September 30	Nil	(474,143)	(0.01)	1,551,441
2016 – June 30	Nil	(1,251,356)	(0.02)	2,648,860
2016 - March 31	Nil	(241,742)	(0.00)	454,758
2015 – December 31	Nil	(515,770)	(0.01)	481,075
2015 – September 30	Nil	(43,750)	(0.00)	-

Summary of Quarterly Results

For the three months ended September 30, 2017, the Company reported a net loss and comprehensive loss of $1,464,960 (three months ended September 30, 2016 - $474,142), comprised primarily of consulting fees of $391,610 (three months ended September 30, 2016 - $173,083), drone research and development costs of $385,384 (three months ended September 30, 2016 - $84,709), legal, accounting and other professional fees of $17,335 (three months ended September 30, 2016 - $97,846), amortization of equipment of $7,838 (three months ended September 30, 2016 - $3,963), shareholder information expenses of $35,332 (three months ended September 30, 2016 - $24,406), advertising and promotion of $342,641 (three months ended September 30, 2016 -$22,254), and Stock based compensation pertaining to the vesting of options granted during the period of $243,597 (three months ended September 30, 2017 - $nil)

During the three months ended September 30, 2017, the Company continued the development of both its drone technology, patent work, and prospective client base. With this came an investment in research and development of $385,384, contrasted with $84,709 in the comparative quarter ended September 30, 2016. Increased utilization of marketing and operational consultants has allowed the company to move further along its path to commercialization.

For the nine months ended September 30, 2017, the Company reported a net loss and comprehensive loss of $4,372,519 (nine months ended September 30, 2016 - $474,142), comprised primarily of consulting fees of $1,199,066 (nine months ended September 30, 2016 - $546,152), drone research and development costs of $1,499,532 (nine months ended September 30, 2016 - $296,384), legal, accounting and other professional fees of $165,224 (nine months ended September 30, 2016 - $109,134), amortization of equipment of $15,676 (nine months ended September 30, 2016 - $10,114), shareholder information expenses of $105,167 (nine months ended September 30, 2016 - $97,909), advertising and promotion of $676,429 (nine months ended September 30, 2016 - $101,502), and Stock based compensation pertaining to the vesting of options granted during the period of $243,597 (three months ended September 30, 2017 - $nil)

During the nine months ended September 30, 2017, the Company continued the development of both its drone technology, patent work, and prospective client base. With this came an investment in research and development of $1,499,532, contrasted with $296,384 in the comparative nine months ended September 30, 2016. Increased utilization of marketing and operational consultants has allowed the company to move further along its path to commercialization.

Additionally, included in the operating net and comprehensive loss for the three and nine months ended September 30, 2017 was $nil (three and nine months ended September 30, 2016 - $672,336) in public company listing costs associated with the amalgamation transaction completed on June 6, 2016.

Liquidity and Capital Resources

The Company had working capital as at September 30, 2017 of $6,944,501 (December 31, 2016 – $1,189,553), and cash and cash equivalent balance of $6,382,864 (December 31, 2016 - $1,210,315).

On October 25, 2017, the Company closed a bought-deal prospectus offering (the “Offering”) underwritten by GMP Securities L.P. (the “Underwriter”), pursuant to which the Company issued an aggregate of 23,100,000 common shares (the “Common Shares”) of the Company at a price of $0.65 per Common Share (the “Offering Price”) for aggregate gross proceeds to the Company of $15,015,000.

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.

Each Special Warrant shall be voluntarily exercisable at any time by the holder thereof. Each Special Warrant not previously exercised will be automatically exercised, without payment of additional consideration and without any further act of the holder thereof, into one (1) Unit on the earlier of: (i) the date which is one hundred and twenty (120) days following the closing of the Offering; and (ii) the fifth (5th) business day after a receipt is issued to the Company by the applicable securities commission for a final prospectus qualifying the distribution of the Units (the “Qualification Date”). In the event the Qualification Date has not occurred prior to 5:00 p.m. (Toronto time) on the date which is ninety (90) days following the closing of the Offering, each unexercised Special Warrant will thereafter entitle the holder to receive upon the exercise or automatic exercise thereof, for no additional consideration, 1.05 Units in lieu of one (1) Unit. Unless a receipt is issued to the Company by the applicable securities commission for a final prospectus qualifying the distribution of the Units, securities issued in connection with the Offering will be subject to a 4-month hold period from the date of closing of the Offering. The final receipt was received prior to the lapse of the 90 day period.

Expressed in Canadian Dollars

In connection with the financing, 2,180,080 broker warrants were issued. The warrants are exercisable at $0.35 per warrant until February 28, 2019, The resulting fair value of $572,053 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.

Use of Proceeds

The net proceeds to the Company from the Offering were $10,137,372 after deducting the payment of the Agent's Fee of $763,028 payable to the Agent, but before deducting the expenses of the Offering

The use of the net proceeds of the Offering by the Company is consistent with the Company's stated business objectives (see "Business Objectives and Milestones" below) and will be allocated as follows during the twelve month period following the Closing Date (see "Forward-Looking Information"):

Expenditure	Amount
General & Administrative Budget	$750,000
Product Development	$3,000,000
Commercial Testing	$2,000,000
Offering Costs	$156,100
Marketing	$2,000,000
Unallocated Funds Added to Working Capital	$2,231,272
Total Expenditures	**$10,137,372**

The Company has no credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. 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.

During the last financial year the Company had negative operating cash flow because its revenues did not exceed its operating expenses. In addition, as a result of the Company's business plans for the development of its services, the Company expects cash flow from operations to be negative until revenues improve to offset its operating expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

Critical Accounting Estimates

Application of the Company's accounting policies in compliance with International Financial Reporting Standards ("IFRS") requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based Payments

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of operations based on estimates of forfeiture and expected lives of the underlying stock options.

Several variables are used when determining the value of stock options using the Black-Scholes valuation model:

- The expected term: the Company used the expected term of the stock of five years, which is the maximum term ascribed to these stock options, for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Company used historical information of a similar company on the market price of its common shares to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
- Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate would vary depending on the date of the grant of the stock options and their expected term.
- Dividend yield: the Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future because it does not achieve profitability in the near to mid-term. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.

Critical Judgments Used in Applying Accounting Policies

In the preparation of the financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

a) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

b) Depreciation expense is allocated based on assumed useful life of the equipment. Should the useful life differ from the initial estimate, an adjustment would be made to the statement of comprehensive loss.

New Accounting Policies

There were no accounting policies adopted during the nine months ended September 30, 2017.

Future Accounting Pronouncements

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its financial statements.

i) IFRS 9 - Financial Instruments. This standard partially replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities. The Company may, but is not required to, apply the standard retroactively. In and after the year of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

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 revenuerelated 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 International Accounting Standards Board (“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.

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.

Financial Instruments

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

For amounts receivable, subscriptions receivable, accounts payable and accrued liabilities, the amount is deemed to reflect the fair value, due to their short-term nature.

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's fair value of cash and short-term investments under the fair value hierarchy are measured using level 1 inputs.

Financial Risk Factors

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, and foreign exchange rate risk).

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and amounts receivable. Amounts receivable consists primarily of harmonized taxes receivable from the Government of Canada. Cash is held with reputable Canadian chartered banks, the balances of which are closely monitored by management. Management believes that the credit risk with respect to financial instruments included in cash and amounts receivable is minimal. As at September 30, 2017, no receivables were past due or considered impaired.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in market conditions generally or as a result of conditions specific to the Company. As at September 30, 2017, the Company had a cash balance of $6,382,864 to settle current liabilities of $116,695. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and debt bearing interest at a fixed rate of 10% The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is minimal.

ii) Foreign Currency Risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity’s functional currency. The Company's exposure to foreign currency transactions is nominal. The Company does not enter into arrangements to hedge its foreign currency risk as it is not material to the Company's financial statements.

Capital Management

The Company manages its capital with the following objectives:

(i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
(ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital, share subscriptions, share-based payments reserve and deficit, which at September 30, 2017 totalled $7,271,295 (December 31, 2016 - $1,368,143). 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 nine months ended September 30, 2017.

Related Party Transactions

a) During three and nine months ended September 30, 2017, the Company incurred $57,000 and $159,000 respectively plus HST (three and nine months ended September 30, 2016 - $45,000 and $112,500, respectively) in service fees, to a corporation controlled by a director, for developing the business operations strategy of the Company.

As at September 30, 2017 - $nil is included in prepaids (December 31, 2016 - $15,000) pertaining to these fees. During the three and nine months ended September 30, 2017, the Company incurred $39,000 and $105,000 respectively plus HST (three and nine months ended September 30, 2016 - $27,000 and $99,000, respectively) in consulting fees, to a corporation controlled by the Vice President, for developing the business operations strategy of the Company. As at September 30, 2017, included in prepaids is $nil (December 31, 2016 - $12,000) pertaining to these fees. During the three and nine months ended September 30, 2017, the Company incurred $57,000 and $159,000 plus HST (three and nine months ended September 30, 2016 - $45,000 and $118,500, respectively) in consulting fees, to a corporation controlled by the Chief Executive Officer for consulting fees. As at September 30, 2017, $nil is included in prepaids (December 31, 2016 - $15,000) pertaining to these fees. During the three and nine months ended September 30, 2017, the Company incurred $57,000 and $159,000 plus HST (three and nine months ended September 30, 2016 - $45,000) in consulting fees, to the president of the Company for consulting fees. As at September 30, 2017 - $19,000 is included in prepaids (December 31, 2016 - $15,000) pertaining to these fees.

b) As at September 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 nine months ended September 30, 2017, rent of $14,850 and $49,800 (three and nine months ended September 30, 2016 - $57,313) was paid to a company controlled by an officer who is also an director of the Company. As at September 30, 2017, $nil was included in accounts payable and accrued liabilities. (December 31, 2016 - $5,637).

d) During the three and nine months ended September 30, 2017, legal fees of $17,766 and $160,998, respectively (three and nine months ended September 30, 2016 - $nil) were paid to a law firm in which a director of the Company is a partner. As at September 30, 2017, $15,443 was included in accounts payable and accrued liabilities. (December 31, 2016 - $42,857)

e) During the three and nine months ended September 30, 2017, the Company expensed $8,545 and $27,152, respectively (three and nine months ended September 30, 2016 - $7,206 and $8,832, respectively) 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:

- Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- Bookkeeping and office support services;
- Regulatory filing services
- Corporate secretarial services

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

As of September 30, 2017, the Marrelli Group was owed $2,987 (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.

Events Occuring after the Reporting Date

On October 25, 2017, the Company closed a bought-deal prospectus offering (the "Offering") underwritten by GMP Securities L.P. (the "Underwriter"), pursuant to which the Company issued an aggregate of 23,100,000 common shares (the "Common Shares") of the Company at a price of $0.65 per Common Share (the "Offering Price") for aggregate gross proceeds to the Company of $15,015,000.

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 exploration and development of its projects with the possible loss of such properties. The Company will 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 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.

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.

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, although there have been signs of positive economic growth in North American and European markets. Continued volatility is expected in the near 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 Canadian generally accepted accounting principles. 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.

Disclosure of Outstanding Share Data

As of the date of this document, the Company had 122,459,412 common shares, 6,620,000 options and 17,845,680 warrants outstanding,

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 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 is available on the SEDAR website www.dronedeliverycanada.com