RDARS

REAL-TIME
DRONE ALARM
RESPONSE SYSTEM

RDARS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended February 28, 2023

Dated May 1, 2023

RDARS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The following management discussion and analysis ("**MD&A**") of the financial condition and results of the operations of RDARS Inc. (the "**Company**" or "**RDARS**") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended February 28, 2023. This MD&A should be read in conjunction with the unaudited interim condensed financial statements of the Company for the three months ended February 28, 2023 and the related notes contained there in (the "**Financial Statements**"). The Financial Statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**"). All dollar figures included in the Financial Statements and in the following MD&A are quoted in Canadian dollars.

This MD&A is current as of May 1, 2023.

Additional information about the Company, including the Financial Statements, news releases, the Company's Non-Offering Prospectus and other disclosure items of the Company can be accessed on SEDAR at www.sedar.com.

Forward Looking Statements and Forward-Looking Information

The information provided in this MD&A may contain forward-looking statements and forward-looking information about RDARS within the meaning of applicable securities laws. In addition, RDARS may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of RDARS that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by RDARS that address activities, events, or developments that RDARS expect or anticipate will or may occur in the future are forward-looking statements and information, including, but not limited to, statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties, and other factors that may cause actual future performance, achievement or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the Company's business objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones;

- the Company’s intended use of available funds;
- expectations regarding the demand for the Company’s products;
- expectations regarding the ability and need to raise further capital;
- the Company’s existing and planned command centers will allow the Company in achieving its stated goals;
- the Company will seek waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company’s applications progress during 2023; and
- the effects of COVID-19.

In addition, forward-looking statements, and information herein, including financial information, is based on certain assumptions relating to the business and operations of RDARS. Forward-looking statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management in light of management’s experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, including, without limitation, assumptions about:

- the ability of the Company to execute agreements that provide the Company with the necessary resources, or to raise any necessary additional capital on reasonable terms, in either case, to allow the Company to execute its business plan and achieve its stated milestones;
- the ability of the Company to secure agreements that provide for milestone payments;
- expected regulatory changes regarding the Company’s industry;
- increased consumer interest in the use of the Company’s products;
- that general business and economic conditions will not change in a material adverse manner;
- the accuracy of budgeted costs and expenditures;
- operating conditions being favorable such that the Company is able to operate in a safe, efficient and effective manner;
- the Company’s ability to attract and retain skilled personnel;
- political and regulatory stability;
- the receipt of governmental, regulatory and third-party approvals, licenses and permits on favorable terms and any required renewals of the same;
- requirements under applicable laws;
- stability in financial and capital markets; and
- the Company’s ability to carry out its plans for its existing and planned command centers and allow the Company in achieving its stated goals;
- the Company’s ability in seeking waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company’s applications progress during 2023; and
- expectations regarding the level of disruption to the Company’s business because of COVID-19.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements. Such risks include, without limitation:

- the Company’s limited operating history;
- the Company’s lack of profitability and negative operating cash flow;
- failure to develop successful product and service offerings;
- speed of introduction of products and services to the marketplace;
- significant development costs may adversely impact the Company;
- the Company’s inability to complete additional financing;
- adverse market forces;
- the Company’s inability to carry out its plans for its existing and planned command centers and allow the Company in achieving its stated goals;
- the Company’s inability in seeking waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company’s applications progress during 2023; and
- COVID-19 pandemic.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and RDARS does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of RDARS are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on RDARS’s business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

Additional risk factors that can cause results to differ materially from those expressed in forward-looking statements in this MD&A are discussed in greater detail under the heading “Non-Exhaustive List of Risk Factors” in this MD&A, as such factors may be further updated from time to time in our periodic filings, available at www.sedar.com, which risk factors are incorporated herein by reference. Although RDARS has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

Corporate Overview and Nature of Business

RDARS Inc. is an early-stage drone technology company in the process of developing an autonomous drone security system with residential, commercial and industrial applications. The name RDARS is an acronym for Real Time one Alarm Response System, which describes the Company's development of a real time drone technology system for alarm response. The Company offers proprietary drone aircraft and technology solutions that enable real-time alarm response, verification, intervention, reporting, and evidence recording. RDARS is an original equipment manufacturer of its flagship product, the Eagle Watch Platform, comprised of Eagle Eye, a drone, Eagle Nest, a drone station, Eagle Rover, an indoor robotic system, and Eagle Watch Command & Control Software

The Company is currently in final stages of development of its production level designs for the products the Company plans to produce in the near future. RDARS completed its first production run of Eagle Eye and Eagle Nest products in October 2022. Eagle Rover development has been deferred to Q3-2023. The Eagle Watch Command & Control Software is an entire suite of software applications which maintain, control and secure the communications and data received from these autonomous systems. The software will ultimately be controlled by redundant command and control centers which the Company deployed in October 2022 in Miami, Florida and another secondary location to be determined.

The Company's head office and registered office is located at 2 Covington Road, Suite 507, North York, Ontario M6A 3E2. The Company was incorporated under the Ontario *Business Corporations Act* on May 16, 2019. The fiscal year end of the Company is November 30.

Highlights

The Company opened its first Unmanned Aerial System Command and Control Center in Miami, FL in October 2022. The center, in addition to several more planned centers for growth and redundancy purposes, will allow its Federal Aviation Administration ("FAA") licensed drone operators, using the Eagle Watch technology system, to manage its global fleet of autonomous systems, namely its Eagle Eye Drone and Eagle Rover Unmanned Ground Vehicle, improving the security situation of the property and people in the vicinity, and greatly enhancing situational awareness of the area of concern. As this technology and level of operational control falls under FAA's beyond visual line of sight environment ("BVLOS"), the Company will be seeking waivers and certification from all necessary regulatory bodies through the rigorous BVLOS testing of its products as the Company's applications progress during 2023 .

On December 1, 2022, the Company announced its finalization of development and testing of its unique and patent pending Eagle Watch Mesh Mod V1.0. This advancement enables remote Eagle Nest stations and Eagle Eye drones to communicate with each other locally and offer a remote Command and Control Centre option for enhanced operations.

On December 21, 2022, the Company obtained approval from Depository Trust & Clearing Corp. ("DTCC") full service eligibility in the United States of America. The Company's shares are now qualified to be held at the Depository Trust Company ("DTC") and traded and serviced through DTC's electronic book-entry system. DTC is a subsidiary of the DTCC, an American company that provides clearing and settlement services for the financial markets and settles the majority of securities transactions in the United States.

On January 1, 2023, the Company hired Daniel Kaufler, as Executive Team Lead for Sales, Marketing, and Business Development to further develop RDARS' growing position in drone security solutions

On February 20, 2023, the Company had planned to hold its inaugural deployment event on George Washington's birthday on Monday, February 20, 2023 in Miami, Florida. This event was to be the first post-pandemic grand meet and greet for all RDARS' executives, employees, professionals, vendors, and shareholders to get together and celebrate the Company's achievements and to showcase the live deployment of its innovative technology that is revolutionizing the security industry. Due to technical and logistical reasons the event was canceleld and will be re-scheduled to a later date that has not yet been determined by the Company.

On March 9, 2023, the Company announced that after conducting significant research and testing of various UTM products, the Company had now formed a working relationship with Aloft Technologies, Inc. ("Aloft") (www.aloft.ai) and has integrated its advanced Unmanned Aircraft System Traffic Management (UTM) applications and features into the Eagle Watch V1.5 RC1. This update enabled the Company's Eagle Watch software platform ("Eagle Watch") with advanced airspace management and near instant response from the Federal Aviation Administration (FAA) for flight clearance."

Overall Performance and Discussion of Operations

The key factors pertaining to the Company's overall performance for the three months ended February 28, 2023 and the year ended November 30, 2022 are as follows:

- At February 28, 2023, the Company had current assets of $183,014 and current liabilities of $1,575,360 resulting in a working capital deficiency of $1,392,346 as compared to current assets of $926,994 and current liabilities of $1,440,276 and a working capital deficiency of $513,282 as at November 30, 2022. The Company had cash and cash equivalents of $6,084 and $575,248 as at February 28, 2023 and November 30, 2022, respectively.

- Expenditures on research activities are recognized as an expense in the period incurred. An internally generated intangible asset arising from development is recognized in accordance with IAS 38 Intangible Assets.

  Categorization of aggregate capitalized expenses are as follows:

	3-month ended Feb 28, 2023 $	Inception to Nov 30, 2022 $
Engineering Costs	41,880	89,694
Hardware & Parts	22,612	657,757
Software – Flight Mission Control	47,368	505,081
Total expenses capitalized during the period	111,860	1,252,532
Capitalization as per Balance Sheet	1,364,392	1,252,532

- The Company has no revenue. Accordingly, its level of operations has been determined by the availability of capital resources. To date, issuance of common shares in the capital of the Company ("Common Shares") convertible debentures and other long-term debt have been the source of funding.

- The Company incurred net losses of $618,585 and $384,438 for the three months ended February 28, 2023 and 2022, respectively. The primary reason for the continued operating losses is the Company's ongoing pre-revenue investment in its drone technology and the administrative costs associated with that investment.

Net loss consisted of the following operating expenses:

3-months ended	**Feb 28, 2023**	**Feb 28, 2022**
	$	$
Legal, professional and consulting fees (i)	225,480	196,758
Other General & Administrative (ii)	141,587	9,554
Compensation (iii)	175,868	45,666
Management fees (iv)	-	100,500
Support services	11,870	-
Foreign exchange loss	3,308	(25,502)
Interest expense (net of income)	50,646	99,140
Rent	5,401	-
Depreciation	4,425	-
Gain on convertible debentures	-	(41,678)
Total expenses	**618,585**	**384,438**

Notes:

i. *Consist of legal, accounting, audit fees and consulting fees related with Company going public incurred during the period.*

ii. *Other general and administrative services consist of marketing, website design, travel and office expenses.*

iii. *Compensations are related to salary of the Company's personnel.*

iv. *Management fees relate to payments made to a corporation controlled by the Chief Executive Officer. The services were provided until September 2022.*

Summary of Quarterly Results

Period Ended	Revenue	Net Income/(Loss)	Loss per Basic Share	Loss per Diluted Share
	$	$	$	$
Feb 28, 2023	-	(618,585)	(.002)	(.002)
Nov 30 2022	-	(2,061,119)	(.005)	(.005)
Aug 31 2022	-	(207,198)	(.001)	(.001)
May 31 2022	-	(371,837)	(.001)	(.001)
Feb 28 2022	-	(384,438)	(.001)	(.001)
Nov 30 2021	-	(973,860)	(.003)	(.003)
Aug 31 2021	-	(408,416)	(.001)	(.001)
May 31 2021	-	(316,143)	n/m [1]	n/m [1]
Feb 28 2021	-	(285,107)	n/m [1]	n/m [1]
Nov 30 2020	-	n/a [2]	n/a [2]	n/a [2]

Notes:

1. Loss per basic and diluted share is less than $0.001 per share.
2. No quarterly financial statements were prepared in fiscal 2020.

As RDARS is an early-stage technology company with no revenue, its level of operations has been determined by its level of capital resources. The continued quarterly losses have been a result of the Company's investment in its drone technology and the administrative costs associated with that investment.

Liquidity and Capital Resources

The Company is in the early stage of its development and therefore has no cash inflow from operations. Its only significant source of funds since incorporation has been from the sale of Common Share and the issuance of convertible debentures.

As at February 28, 2023, current assets of $183,014 included cash and cash equivalents of $6,084, harmonized sales tax recoverable of $10,545 and prepaid expenses and deposits of $166,385. Current liabilities of $1,575,360 included accounts payable and accrued liabilities of $1,040,977, convertible debenture host liability classified as current of $479,860, current portion of lease liability of $30,864 and accrued interest on convertible debentures of $23,659.

As at November 30, 2022, current assets of $926,994 included cash and cash equivalents of $575,248, harmonized sales tax recoverable of $166,518 and prepaid expenses and deposits of $185,228. Current liabilities of $1,440,276 included accounts payable and accrued liabilities of $829,854, convertible debentures host liability classified as current of $585,629 and accrued interest on convertible debentures of 24,793.

On December 30, 2021, the Company split its Common Share on the basis of sixty (60) Common Share for each one (1) Common Shares currently issued and outstanding (the "Split"). As a result of the Split, the

Company has a total of 354,425,745 Common Shares outstanding as of the date of this MD&A. The effects of Split have been applied retroactively throughout this MD&A.

For the period from December 1, 2022 to February 28, 2023, the Company experienced cash outflow of $133,490 from operating activities, cash outflow of $195,792 from investing activities and cash outflow of $239,882 from financing activities.

For the period from December 1, 2021 to February 28, 2022, the Company experienced cash outflow of $379,303 from operating activities, cash outflow of $40,652 from investing activities and cash inflow of $330,720 from financing activities.

While the information in this MD&A has been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this presumption. The Company's ability to continue as a going concern is dependent upon obtaining additional financing. While the Company is making its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

Related Party Transactions

The Company has entered into transactions with related parties during both years.

The following tables present balances and transactions with related parties as of three months ended February 28, 2023 and the year ended November 30, 2022:

	February 28, 2023	**November 30, 2022**
Balances, due to companies related by common control		
Accounts payable and accrued liabilities [(a)]	28,222	16,497
Promissory note and accrued interest [(b)]	496,101	595,535
Convertible debenture host liability and accrued interest on convertible debentures [(c)]	133,415	132,358

The following table represents transactions with related parties for the three months ended February 28, 2023 and 2022:

Transactions for the period	**Three months ended February 28, 2023**	**Three months ended February 28, 2022**
Key management services [(d)]	-	100,500
Administration expenses [(e)]	67,524	-

(a) *Accounts payable and accrued liabilities relate to the Chief Technology Officer ("CTO") and the Chief Finance Officer("CFO").*

(b) *Promissory notes and accrued interest relate to agreements with the CEO and a corporation controlled by a director.*

(c) *Convertible debenture host liability and accrued interest on debentures relate to the debentures held by a corporation controlled by a director.*

(d) *Key management services relate to payments made to a corporation controlled by the CEO..*

(e) *Administration expenses relate to the CEO's and CTO's consulting, travel and office expenses.*

The transactions above are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Disclosure of Issued and Outstanding Security Data

- On February 28, 2023 the Company had a total of 354,425,745 Common Shares outstanding.
- There were no shares issued during the three months ended February 28, 2023.

Stock Options

No stock options were granted or exercise during the three months ended February 28, 2023.

Number of options outstanding at February 28, 2023 were as follows:

Granted	Exercisable	Expiration Date	Weighted Average Exercise Price
21,500,000	21,500,000	April 1, 2025	0.05
7,500,000	7,500,000	September 1, 2027	0.05
29,000,000			**0.05**

Changes in options outstanding for the three months period ended February 28, 2023 and year ended November 30, 2022 were as follows:

	For the three months ended February 28, 2023		For the year ended November 30, 2022	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	#	$	#	$
Balance at the beginning of the year	29,000,000	0.05	-	-
Options granted	-	-	29,000,000	0.05
Balance at the end of the period	**29,000,000**	**0.05**	**29,000,000**	**0.05**

Warrants

Warrants reserve as of February 28, 2023 and November 30, 2022 were as follows:

	For the three months ended February 28, 2023	For the year ended November 30, 2022
	$	$
Balance at the beginning of the period	926,422	275,098
Warrants issued	-	735,733
Fair value attributed to warrants	-	(41,404)
Warrants expired	-	(103,600)
Warrants exercised	-	(130,093)
Share-based compensation	-	190,688
Balance at the end of the period	**926,422**	**926,422**

The following table is a summary of the Company's warrants issuance and outstanding as of February 28, 2023 and November 30, 2022:

February 28, 2023			November 30, 2022		
Outstanding	Exercise price	Expiry date	Outstanding	Exercise price	Expiry date
#	$		#	$	
7,000,000	0.10	November 22, 2023	7,000,000	0.10	November 22, 2023
7,496,137	0.10	June 30, 2024	31,867,200	0.02	November 27, 2022
53,650,000	0.10	July 29, 2024			
1,418,000	0.10	July 29, 2024			
69,564,137	**0.10**		**38,867,200**	**0.03**	

Changes in warrants outstanding for the three-months ended February 28, 2023 and year ended November 30, 2022 were as follows:

	February 28, 2023		November 30, 2022	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	#	$	#	$
Balance at the beginning of the year	69,564,137	0.10	38,867,200	0.03
Warrants exercised	-	-	(17,740,000)	(0.02)
Warrants expired	-	-	(14,127,200)	(0.02)
Warrants granted	-	-	62,564,137	0.10
Balance at the end of the period	**69,564,137**	**0.10**	**69,564,137**	**0.10**

No warrants were granted, exercised or expired during the three months ended February 28, 2023.

Contributed Surplus

Convertible debentures of 52,500 (including accrued interest of $2,500) and $105,050 (including accrued interest of $5,050) both issued in November 2021 were repaid in full on December 2, 2022. Equity conversion feature of $49,298 initially recognized towards these debentures were transferred to contributed surplus.

Capital Management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company and in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 28, 2023. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of capital stock, equity reserves, accumulated other comprehensive and deficit, supplemented by convertible debentures payable.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management believes that the Company must raise additional capital resources to continue operating and maintain its business strategy. If the Company is unable to raise additional capital in the near future, due to the Company's liquidity problems, management expects that the Company may need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. This MD&A does not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Financial Instruments

The Company has classified its financial instruments as follows:

	February 28, 2023 $	November 30, 2022 $
Financial assets, measured at amortized cost		
Cash and cash equivalents	6,084	575,248
Financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	1,040,977	829,854
Convertible debenture host liability	479,860	585,629
Accrued interest on convertible debentures	23,659	24,793
Lease liability	61,186	-
Promissory notes payable	496,101	595,535

The carrying amount of the Company's financial instruments approximates their fair value.

Risk Exposure and Management

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, interest rate risks, liquidity and funding risk and foreign currency risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The company's maximum exposure to credit risk at February 28, 2023 under its financial instruments is approximately $6,084.

All of the Company's cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant.

(b) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due to at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

As at February 28, 2023, the Company had cash of $ 6,084

The following obligations existed as at February 28, 2023 and November 30, 2022:

February 28, 2023	**Total**	**Less than 1 year**	**1-5 years**
	$	$	$
Accounts payable and accrued liabilities	1,040,977	1,040,977	-
Lease liability	61,186	30,864	30,322
Promissory notes payable	496,101	496,101	-
Convertible debenture host liability and accrued interest on convertible debentures	503,519	503,519	-
	2,101,783	**2,071,461**	**30,322**

November 30, 2022	**Total**	**Less than 1 year**	**1-5 years**
	$	$	$
Accounts payable and accrued liabilities	829,854	829,854	-
Promissory notes payable	595,535	-	595,535
Convertible debenture host liability and accrued interest on convertible debentures	610,422	610,422	-
	2,035,811	**1,440,276**	**595,535**

(c) 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 interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments its makes and is satisfied with credit ratings of its banks. Management believes the exposure to interest rate risk is not significant.

(d) Foreign Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of the changes in foreign exchange rates. The Company holds a bank account in US dollars. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets.

With all other variables remaining constant, had the United States dollar strengthened or weakened by 1% in relation to all currencies as of February 28, 2023, there is no impact on the net loss and comprehensive loss for the period ended February 28, 2023 (November 30, 2022 - $385).

Accounting Policies

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the unaudited condensed interim financial statements for the three months ended February 28, 2023 and 2022.

Use of Judgments, Estimates and Assumptions

Preparing of condensed interim financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts. Such estimates primarily relate to unsettled transactions and events. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

A detailed summary of the Company's critical accounting estimates and judgements is included in Note 4 to the unaudited condensed interim financial statements for the three months ended February 28, 2023 and the year ended November 30, 2022.

Outlook

For the current year, the Company's priorities are to raise the capital necessary to meet its short-term operating requirements, continue to develop its drone technology and deploy its technology in operational fields, and continue to pursue regulatory approvals to commence commercial operations.

There are significant risks that might affect the Company's further development. These include but are not limited to: inability to secure the necessary regulatory approvals; negative cash flow from operations; the Company's ability to raise financing in the future for ongoing operations; currency fluctuations; government regulations; and other conditions that may be out of the Company's control.

Risk Factors

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition, results of operations and/or reputation of the Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware.

COVID-19 Impact

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, materially impact the Company's operations during the subsequent months of 2020. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID 19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

Financing

The Company does not currently have any operations generating cash. The Company is therefore dependent upon debt and equity financing to carry out its plans. There can be no assurance that such financing will be available to the Company.

Dilution

The Company has limited financial resources and may need to rely on the sale of its securities for future financing, resulting in potential dilution to the Company's existing shareholders.

Competition

To remain competitive, the Company must effectively manage product introductions, product transitions, product pricing and marketing.

We believe that we must continually develop and enhance our existing products, and effectively stimulate consumer demand for new and upgraded products and services to increase our revenue. The markets for our products and services are characterized by intense competition, evolving distribution models, disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions.

Security and data breaches and cyberattacks

The Company is increasingly dependent on information systems to process transactions, manage our supply chain and inventory, ship goods on a timely basis, maintain cost-efficient operations, complete timely and accurate financial reporting, and respond to customer inquiries.

Our products services may contain unknown security vulnerabilities. If malicious actors compromise our products and services, our platform, products, services, internal operations, or information technology systems, could be disrupted and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation, and cause our stock price to decline significantly.

Key and qualified personnel

If we are unable to attract, engage and retain qualified personnel, our ability to develop, transform and successfully operate our business could be harmed.

We believe that our future success is highly dependent on the contributions of our management team, as well as our ability to attract and retain highly skilled and experienced research and development, and other personnel in Canada and abroad. All of our employees, including our executive officers, are free to terminate their employment relationship with us at any time, and their knowledge of our business and industry may be difficult to replace.

Governmental export and import controls

Canadian and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to Canadian export controls, and exports of our products must be made in compliance with various economic and trade sanctions laws. Furthermore, Candian export control laws and economic sanctions prohibit the provision of products and services to countries, governments and persons targeted by sanctions. Even though we take precautions to prevent our products from being provided to sanctioned countries, our products, could be provided to those targets or provided by our customers. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue.

We could be subject to future enforcement action with respect to compliance with governmental export and import controls and economic sanctions laws that result in penalties, costs, and restrictions on export privileges that could have a material effect on our business and operating results.

Injury

Consumers use our products which may carry the risk of injury or death to the operator or other indivudals. We may be subject to claims that users have been injured or harmed by or while using our products, including false claims or erroneous reports relating to safety, security or privacy issues. In addition, if lawmakers or governmental agencies were to determine that the use of our products increased the risk of injury or harm to certain users or other individuals or should otherwise be restricted to protect consumers, they may pass laws or adopt regulations that limit the use of our products or increase our liability associated with the use of our products. Any of these events could adversely affect our brand, operating results and financial condition.