

# **GLOBAL UAV TECHNOLOGIES LTD.**

**(formerly Alta Vista Ventures Ltd.)**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS**

**QUARTER ENDED JULY 31, 2017**

**Date Submitted: SEPTEMBER 20, 2017**

## **Introduction**

The following discussion and analysis, prepared as of September 20, 2017 is prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the condensed consolidated interim financial statements of Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.) (the “Company”, “Issuer” or “Global UAV”) for the quarter ended July 31, 2017.

Additional information related to the Issuer is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

## **Forward Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “designed”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Issuer believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

## **Description of Business**

The Issuer trades on the Canadian Securities Exchange (CSE) under the symbol UAV, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLF.

In January of 2017, the Issuer moved into the Unmanned Aerial Vehicle (“UAV”) sector and completed a Change in Business with the Canadian Securities Exchange and is now in the Technology Sector. In May of 2017 the Issuer changed its name to Global UAV Technologies in order to better reflect its business.

The Issuer acquired a one hundred percent interest in High Eye Aerial Imaging (“High Eye”) for 4,500,000 shares of the Issuer and \$100,000 in the form of a promissory note. The promissory note was paid in full in March of 2017.

The Issuer signed a definitive agreement for the acquisition of a one hundred percent interest in the UAV assets of Pioneer Exploration Consultants (“Pioneer”) for a total of 9,000,000 shares of the Issuer and \$500,000 in cash, which are to be paid in three installments over 12 months from closing. The Issuer issued 6,000,000 shares and paid \$300,000 to Pioneer as an initial payment with the final of 3,000,000 shares and \$200,000 due on, or before, the twelve month anniversary. Once the final payment is made the Issuer will grant a 10% royalty on the profits of the Pioneer Aerial Surveys for a period of five years to Pioneer.

With the payment for sixty percent of the Assets having been made, all of the Assets were transferred to the Issuer’s wholly owned subsidiary Pioneer Aerial Surveys Ltd. (“Pioneer Aerial”). Should the final payment not be made, Pioneer will have the right to purchase Pioneer Aerial for \$1.

The Issuer signed a Letter of Intent for the purchase of a one hundred percent interest in Aeromao Inc. (“Aeromao”), a manufacturer of fixed wing UAVs. The Issuer agreed to acquire Aeromao for \$1,400,000 in cash and 2,200,000 shares of the Issuer in one payment due three months after signing of a definitive agreement. A definitive agreement has yet to be signed between the two parties. The Letter of Intent has since expired.

The Issuer signed a definitive agreement to purchase a 100% interest in UAV Regulatory Services for a total consideration of CAD \$100,000 - payable as \$70,000 in cash and \$30,000 in shares of Global UAV Technologies. UAV Regulatory Services' primary product is easysfoc.com, an online platform that assists UAV users to apply to Transport Canada for a SFOC (Special Flight Operating Certificate).

In addition, the Issuer signed a definitive agreement to purchase a 100% interest in NOVAerial Robotics Inc. for a total consideration of CAD \$700,000 - payable as \$300,000 in cash and \$400,000 in shares of Global UAV Technologies with the shares being released per a three year escrow period. NOVAerial Robotics is a Canadian-based company that designs and manufactures single rotor helicopter-style unmanned aerial vehicles. The principal product is the Procyon 800E.

In early 2016, prior to the Issuer moving into the technology sector, the Issuer made a foray into the medical marijuana sector. It signed a definitive agreement for the purchase of an early stage Marijuana for Medical Purposes Regulations (MMPR) applicant called Thor Pharma and a letter of intent for the purchase of a 90% interest in a licensed MMPR producer called Redecan Pharm. The Issuer subsequently cancelled the agreement for the purchase of Redecan Pharm and terminated the agreement for the purchase of Thor Pharma. The Issuer has no ongoing participation in the medical marijuana sector. In connection with these definitive agreements, the Company issued 7,000,000 shares and made cash payments of \$25,000. During the year ended October 31, 2016, the Company recorded an impairment expense to investments of \$1,455,054.

Prior to 2016, the Issuer's previous principal business activity was the acquisition and exploration of mineral properties with a focus on northwest Mexico. The Issuer utilized the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Issuer acquired early stage, under developed properties with high potential and then optioned a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments. The Issuer had six projects in its portfolio, which remain in the Issuer's wholly owned Mexican subsidiary. Biannual taxes have not been paid on the properties for several years and portions of properties are currently in the process of being cancelled. As a result of a change in its business, the Issuer no longer intends to use its resources on its mineral exploration properties and wrote them down to \$nil in the year ended October 31, 2015.

### **Performance Summary for the Quarter**

The Issuer had \$333,529 of revenue during the quarter.

As at July 31, 2017 the Issuer had cash totaling \$393,822.

Net income for the quarter was \$154,956, which included gains from foreign exchange and the sale of one of the Issuer's mineral properties. Operating profit from the operation of the Issuer's UAV related businesses during the quarter totaled \$66,954.

Given the financial write downs, debts and future financial commitments, as at July 31, 2017, the Issuer had working capital of \$46,428 (October 31, 2016 - \$17,055).

However, management anticipates that with the continued growth of its subsidiaries the financial commitments may be dealt with from internal sources. In addition, if existing warrants were to be exercised that could materially change the Issuer's finances. If this is not sufficient to fund the Issuer's operating expenses and business activities in the medium to long term, additional funds will need to be raised through equity markets to provide additional financing for operating expenses and business activities.

### **Unmanned Aerial Vehicle Sector Activities:**

Summary:

This was the second quarter that the Issuer has incorporated the financials of its wholly owned subsidiaries – High Eye Aerial Imaging and Pioneer Aerial Surveys and the first quarter incorporating UAV Regulatory Services.

Details:

The following is the detailed breakdown of Global UAV's activities in the Unmanned Aerial Vehicle sector that occurred during the quarter and up to the filing date of this MD&A (for additional information all news releases are available either on the Issuer's website or [www.sedar.com](http://www.sedar.com)):

On May 25, 2017, the Issuer announced that it signed a Letter of Intent (LOI) to purchase a 100% interest in the Canadian-based company, NOVAerial Robotics Inc. (“NOVAerial”) for a total consideration of CAD \$700,000 - payable as \$300,000 in cash and \$400,000 in shares of Global UAV Technologies. \$10,000 of the funds is payable as a refundable deposit. The shares that will be issued will be released per a three year escrow period.

“We are very excited for the addition of NOVAerial to Global UAV Technologies. NOVAerial is a dynamic company at the forefront of manufacturing, engineering and performance of the rapidly evolving, enterprise grade helicopter UAV sector,” stated Jason Springett, president of Global UAV Technologies. “The addition of NOVAerial to the Global UAV Technologies brand is a significant milestone, and adds considerable diversification and exposure to the Company. We will now have industry leading holdings in UAV service providers, manufacturing and engineering, and regulations, all of which are experiencing increased growth. Global UAV Technologies will be working to close this transaction, as well as the purchase of Easy SFOC, in the near term and we have sufficient cash on hand to do so.”

The purchase of NOVAerial will include all the manufacturing equipment, designs and specifications, current inventory, existing orders and prototypes of new UAV designs that NOVAerial is currently developing.

#### About NOVAerial Robotics Inc.

NOVAerial Robotics Inc. is a manufacturer of high-performance unmanned aerial vehicles (UAV’s) with a particular emphasis on single rotor helicopter-style UAVs and is owned and run by Mr. Robert Lefebvre. NOVAerial’s main product is the Procyon 800E, which is quickly becoming renowned for its performance, practical design, high quality made in-house components and reliable flight control system. Not only does its design and construction make it more reliable and easy to maintain, it is also more compact and less expensive than similar UAV’s made by competitors. The Procyon 800E is ideally suited for complicated and high- performance UAV applications, offering vertical take-off capability, while combining high speeds and long flight times not possible with multirotor UAVs. Flight control is similar to multirotor UAVs, which allows experienced multirotor operators to benefit from the advantages of the helicopter platform after just a single day of additional training.

#### About Robert Lefebvre

Mr. Lefebvre is a mechanical engineer with a degree from the University of Ottawa and has a diverse set of skills derived from experience in automotive engineering and industrial controls. He has significant practical experience that ranges from CAD design and operating machine tools to electronics assembly and computer programming. He has been involved with the development of Ardupilot, the world’s leading open-source UAV/drone operating system, since 2011. He has been the lead developer of the helicopter branch for several years and in that role he previously helped other companies deploy Ardupilot on their commercial systems. He subsequently returned to his core strength of mechanical engineering, which lead to the development of the Procyon system and the creation of NOVAerial.

He has become very well respected in the field of robotic aviation, having been invited to give technical workshops at several commercial UAV conventions. Mr. Lefebvre is currently a mentor for Google’s well-regarded Summer Of Code program, where he is acting as a mentor to an international engineering student who is developing a large gas-powered tandem-rotor helicopter for delivery of humanitarian aid.

On July 11, 2017, the Issuer has formally closed the purchase of UAV Regulatory Services Ltd., the owner of Easy SFOC previously announced on May 17, 2017. The compensation is payable as \$70,000 in cash and \$30,000 in shares of Global UAV. Easy SFOC is a growing business that is complimentary to the current businesses that are under the Global UAV umbrella.

#### About Easy SFOC Ltd.

Easy SFOC is a regulatory consulting service that assists clients with the preparation of Special Flight Operation Certificates (SFOCs) for Unmanned Aerial Vehicle (UAV) operations in Canada. Easy SFOC is a web-based service that uses a proprietary user-friendly interface which collects information on a client’s site locations, operations, and crew information quickly and efficiently. The client is then provided with full support and guidance along with a customized SFOC application ready to submit to Transport Canada.

In addition, the client receives all of the required supporting documents such as a site survey, an operations manual, safety and reporting forms, and other resources to assist with safe and compliant operations. Easy SFOC is focused on providing high-

quality customer service and supports an easy to understand approach to regulations. “In this increasingly regulated environment, obtaining an SFOC is a necessary component to fly in compliance with Transport Canada. We clarify the rules and regulations for UAV use and allow the client to focus on the operations at hand, which provides greater flexibility and safety for both commercial and recreational purposes”, stated Corey Feduck, President of Easy SFOC.

“Easy SFOCs regulatory compliance and consulting company represents another facet of Global UAV Technologies’ growth plans. As such, we are pleased to announce the signing of this LOI. Regulatory compliance in the UAV space is rapidly evolving and can be difficult for many small UAV businesses to manage. Easy SFOC provides a simple, in demand solution that has proven to be successful for our subsidiaries Pioneer Aerial Surveys and High Eye Aerial Imaging, as well as many other commercial UAV operators throughout Canada for both obtaining SFOCs and maintaining regulatory compliance.” stated Jason Springett, president of Global UAV Technologies.

On July 14, 2017, the Issuer provided an update on its wholly owned subsidiaries High Eye Aerial Imaging and Pioneer Aerial Surveys.

Pioneer Aerial Surveys:

Pioneer Aerial recorded its best month to date by completing 1,450 line-kilometres of surveys during the month of June.

High Eye Aerial Imaging:

High Eye is continuing its ongoing relationship with the University of Guelph’s Muck Crop Research Station, which is located in the Holland Marsh, Ontario. This marks the fourth year of the relationship between High Eye and the University of Guelph. The project, and associated deliverables, has evolved from an experimental start to a distinct replicable model, which will provide High Eye with a unique product to offer agricultural clients.

Over the previous two years the High Eye team was orthographically mapping upwards of 100 hectares of the Marsh in both RGB and NDVI (Normalized Differential Vegetation Index) images, which was compiling vast amounts of data for the university at a fraction of the price of what these specialized surveys would normally cost using traditional mapping methods.

High Eye has recently set up the project such that the university will be able to increase the amount of surveys conducted by the university with High Eye processing all of the collected data on a weekly basis.

On July 25, 2017, the Issuer announced that its wholly owned subsidiary, Pioneer Aerial Surveys (‘Pioneer Aerial’), had signed a UAV-MAG™ survey contract in Chile. The survey will be performed for Quantum Pacific Exploration (QPX) and is scheduled to start in August. This marks the first contract for a UAV-MAG™ survey in South America and the third international survey for Pioneer Aerial.

“The QPX contract marks a significant step in Pioneer Aerial’s acceptance as the leader in UAV-MAG™ surveys worldwide. We are excited to develop a strong relationship with QPX as we continue to grow our international business operations”, stated Michael Burns, President of Pioneer Aerial Surveys, “upon successful completion of this first survey, Pioneer Aerial will have the option of flying additional surveys for QPX this season.”

In addition Pioneer Aerial recently completed a 525 line km survey for Silver Standard Resources at their Seabee Gold Operation in Northern Saskatchewan. Pioneer Aerial flew a high resolution, low-elevation survey over the Santoy deposit that overlapped previous airborne data. The UAV-MAG™ survey provided higher resolution results, at significant cost savings compared to conventional airborne or ground based survey methods. Silver Standard was pleased with the results and is interested in using Pioneer Aerial’s UAV-MAG™ survey technology again in the future.

“Pioneer Aerial has developed a game-changing technique whereby ground-mag quality data can be acquired at cheaper cost without line-cutting and in only a fraction of the time,” stated Anders Carlson, Exploration Manager - Seabee Gold Operation and Saskatchewan Projects.

On August 24, 2017, the Issuer reported that it, or its wholly owned subsidiaries, will be attending and presenting at multiple drone related conferences through the fall.

The current slate of conferences is:

September 6 to 8th

InterDrone - Rio Hotel, Las Vegas

- This is North America's second largest Unmanned Aerial Vehicle conference. Global UAV Technologies will be at booth 712 and Robert Lefebvre, managing director of NOVAerial Robotics, will be a featured speaker again this year after a well-received speaking session last year. This year he will be presenting a workshop entitled UAV Systems Comparison – Planes, Frames and Autopilots. This session will compare and contrast the large variety of different aircraft types. It will cover the strengths and weaknesses of each of the vehicle types and help operators decide which is best suited to meet the needs of their particular UAV operation. Robert will also be taking part in an Ardupilot open-source autopilot software round-table discussion.

For more information on InterDrone please visit their website at [www.interdrone.com](http://www.interdrone.com)

September 29th

Society of Exploration Geophysics Conference - George R Brown Convention Centre - Houston TX

- Michael Burns, president of Pioneer Aerial Surveys, and Robert Lefebvre, managing director of NOVAerial Robotics, have both been invited to present at a one day post conference workshop organized to bring together experts in geophysical data acquisition, sensor systems, and UAVs.

November 1 to 3rd

Unmanned Canada 2017 - the Sheraton Parkway Toronto North Hotel & Suites.

- This is Canada's premier unmanned aerial vehicle conference. Global UAV Technologies will be at booth 16 and Robert Lefebvre, managing director of NOVAerial Robotics, will be a speaker. For more information on Unmanned Canada please visit their website at [www.unmannedsystems.ca](http://www.unmannedsystems.ca)

On August 28, 2017, the Issuer announced that its wholly owned subsidiary, Pioneer Aerial Surveys ('Pioneer Aerial'), had successfully completed a survey to identify buried infrastructure and Unexploded Ordnance (UXO) near Pearl Harbor, Hawaii.

Pioneer completed the contract for DUDEK, a nation-wide environmental and engineering consulting firm based in San Diego, California, for the state's largest utility, Hawaiian Electric Company. The survey was conducted on a 102-acre site at Joint Base Pearl Harbor-Hickam's West Loch Annex where construction on a 20-megawatt (MW) solar energy facility is expected to start in January 2018.

Previously this phase of the environmental study would involve the clearing of vegetation and rocks, then surveyors would wheel a 180-lb. electromagnetic metal detector across the area to identify abandoned waste – such as steel drums or unexploded ordnance – below the soil surface. This could take up to 3-4 weeks to complete with three, two-man crews on the job, working 8-10 hours a day. Pioneer Aerial completed the survey in only 3 days.

"We were able to demonstrate the first ever use in Hawai'i of an advanced UAV technology for this type of geophysical survey. It was accomplished efficiently and safely using the right approach, people, technology and equipment. Ultimately, every dollar saved is a benefit for our customers," said John Lu'uwai, project developer, Hawaiian Electric.

"This contract highlights the utility of Pioneer Aerial's technology and its continued adoption by diverse industry applications such as UXO detection, mineral exploration, and infrastructure detection surveys. The demand for new, safe, efficient and effective UXO detection is growing worldwide and our UAV-MAG™ based technology is very well suited for this application", stated Michael Burns, President of Pioneer Aerial.

### **Medical Marijuana Sector Activities**

In early 2016, the Issuer signed a definitive agreement for the purchase of an early stage Marijuana for Medical Purposes Regulations (MMPR) applicant called Thor Pharma and a letter of intent for the purchase of a 90% interest in a licensed MMPR producer called Redecan Pharm. The Issuer subsequently cancelled the agreement for the purchase of Redecan Pharm and terminated the agreement for the purchase of Thor Pharma. The Issuer has no ongoing participation in the medical marijuana sector. In connection with these definitive agreements, the Company issued 7,000,000 shares and made cash payments of

\$100,000. During the year ended October 31, 2016, the Company recorded an impairment expense to investments of \$1,455,054. Please refer to the Issuer's consolidated financial statements for the year ending October 31, 2016 for further details.

With the approval of the Issuer's Change of Business, as reported on January 18, 2017, the Issuer restated that it no longer has any interests in the Medical Marijuana sector.

### **Exploration Sector Activities**

Prior to 2016, the Issuer's previous principal business activity was the acquisition and exploration of mineral properties with a focus on northwest Mexico. The Issuer utilized the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Issuer acquired early stage, under developed properties with high potential and then optioned a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments. The Issuer has a wholly owned subsidiary in Mexico named Minera Alta Visa S.A. de C.V. ('MAV'). MAV has eight projects in its portfolio. All of these exploration properties were written down to \$nil in 2015 after consideration of the prevalent poor market conditions.

Bi-annual taxes have not been paid on the properties as the Issuer does not intend to keep the properties in good standing. No work was performed on the properties during the quarter.

Management determined that there were indicators of impairment for its mineral property interests in the year ended October 31, 2015 and recorded a write-down of \$44,002. Please refer to the Issuer's consolidated financial statements for the year ending October 31, 2016 for further details.

During the quarter ended July 31, 2017, the Company sold its interests to a private Mexican company for net proceeds of 1,200,000 Mexican Pesos, which represents a gain on the disposal of an asset.

### **Oil and Gas Investment**

During the year ended October 31, 2006, the Company acquired, for investment purposes, a 2.78% (one-half unit) interest in an oil and gas joint venture for cash consideration of \$52,598. The joint venture has an interest in two producing oil and gas wells located in Texas and Louisiana, United States. Subsequent to the Company's original investment, the interest was written down to \$33,611, and then again to \$9,000. Given the decline in oil prices and reduction in oil reserves, revenues received from its investment were \$nil (2015 - \$269). During the year ended October 31, 2015, the Company considered the prevalent market conditions and recorded an impairment loss of \$9,000 to reduce the carrying value to \$nil measured using Level 3 of the fair value hierarchy. This reflects management's estimate of the recoverable amount.

### **Corporate Events**

Summary:

Global UAV's corporate activities during the quarter were dominated by closing the acquisition of UAV Regulatory Services and NOVAerial Robotics.

Details:

The following are the detailed corporate events that occurred during the quarter and up to the filing date of this MD&A (for additional information all news releases are available either on the Issuer's website or [www.sedar.com](http://www.sedar.com)):

On May 15, 2017, the Issuer announced that the Company's Board of Directors has approved a change of name to Global UAV Technologies Ltd. The shares will commence trading on the Canadian Securities Exchange under the new name on May 17, 2017. The Company's trading symbol will remain as UAV.

The name change better reflects the Company's commitment to be a consolidator in the UAV sector as well as its growing

technical expertise and expanding reach globally.

On May 17, 2017, the Issuer announced that it had a new website at [www.globaluavtech.com](http://www.globaluavtech.com).

On May 19, 2017, the Issuer reported that all 4,570,000 warrants set to expire on May 20, 2017 have been exercised. This has resulted in \$342,750 added to the Company's treasury. The exercise of an additional 2,380,000 warrants and stock options contributed another \$227,000 to the Company since April 1, 2017.

On July 11, 2017, the Issuer announced that it had formally closed the purchase of UAV Regulatory Services Ltd., the owner of Easy SFOC (see news release dated May 17, 2017).

In order to accommodate potential future expansion plans, a new company called UAV Regulatory Services Ltd. was created and Easy SFOC was incorporated into it. As a result, Global UAV Technologies purchased UAV Regulatory Services. Terms of the purchase did not change. UAV Regulatory Services is now Global UAV Technologies' third wholly owned subsidiary in the UAV sector.

Total consideration paid was \$100,000 - payable as \$70,000 in cash and the issuance of 329,670 common shares of Global UAV Technologies valued at \$0.091. The shares issued have a standard hold period of four months and one day.

"We are very pleased to have completed this purchase. The incorporation of a new company prior to purchase made for a cleaner structure such that we will have added flexibility for business that we can create through that division," stated Jason Springett, president of Global UAV Technologies.

On July 17, 2017, the Issuer reported that it had signed the definitive agreement for the purchase of a 100% interest in NOVAerial Robotics Ltd. (see news release dated May 25, 2017).

The Company is purchasing the 100% undivided interest in NOVAerial Robotics for \$300,000 in cash (with \$10,000 having been paid on signing of the LOI) and the issuance of 4,584,527 common shares of Global UAV Technologies. The payment will be made from funds that the Company currently has. The shares will be released per a three year escrow period with the initial 10% to be issued with a standard four month hold period.

"I am very pleased to welcome Robert Lefebvre of NOVAerial to the Global UAV Technologies group. This acquisition represents a strategic step for Global UAV Technologies as we enter the business of design, engineering, and production of professional grade UAV'S. NOVAerial's Procyon 800E is at the leading edge of both performance and cost compared to those of the closest market competitor," stated Mr. Jason Springett, President of Global UAV Technologies.

"I am excited to join Global UAV Technologies, they have built an enviable group of high quality individuals and companies with the goal of providing technical and high-performance UAV services. This is exactly the market that NOVAerial builds products for. The synergy of having a manufacturer working directly with flight operators will result in better products and should open up new system and service offerings," stated Robert Lefebvre, Managing Director of NOVAerial Robotics.

Closing is anticipated to take approximately two weeks, during which time all the appropriate filings will be made with the CSE, common shares of Global UAV Technologies will be issued per the escrow agreement, funds will be paid to the underlying shareholder of NOVAerial and the shares in NOVAerial will be formally transferred to Global UAV Technologies.

On August 3, 2017, the Issuer announced that 3,909,148 warrants had expired. The warrants were issued one year ago and were priced at \$0.10.

On August 9, 2017, the Issuer reported that it had formally closed the purchase of a 100% interest in NOVAerial Robotics Ltd. (see news release dated May 25 and July 17, 2017). With this formal closing, NOVAerial become the fourth wholly owned subsidiary of Global UAV Technologies.

Robert Lefebvre has signed a new contract with NOVAerial to act as Managing Director and will continue to operate the business under the guidance of Global UAV Technologies.

## **Results of Operations**



Certain of the key risk factors of the Issuer's operating results are the following: the state of capital markets, which affects the ability of the Issuer to finance its exploration activities.

Significant variances in the Issuer's operational results for the quarter ended July 31, 2017 compared with July 31, 2016, were as follows:

- i. Exploration expenditures, net of recoveries increased by \$32,383 to \$43,638 from \$11,255 in 2016 due to the Issuer moving its focus away from mineral exploration.
- ii. Consultants' fees increased by \$24,187 to \$109,187 from \$85,000 in 2016 due to the Issuer's changes in business and the expertise required by its subsidiaries.
- iii. Accounting, audit and legal expenses decreased by \$66,755 to \$9,247 from \$76,002 in 2016 due to decrease in legal work performed in respect of private placements, stock options, and changes in business and the Issuer being billed for legal services performed during the current period.
- iv. Issuer Share-based compensation decreased by \$65,500 to \$(31,500) from \$34,000 in 2016 due to share-based payments made to consultants in conjunction with fees paid in cash, and a higher volatility number used in the Black-Scholes calculation to value more stock options granted in 2016.
- v. Office and miscellaneous increased by \$30,020 to \$34,255 from \$4,235 in 2016 due to increased office-related activities and including the expenses of its subsidiaries.
- vi. Regulatory fees increased by \$1,178 to \$2,778 from \$1,600 in 2016 due to multiple private placements, stock options issuances, and the changes in business during the period.
- vii. Investor relations and promotion increased by \$18,642 to \$19,938 from \$1,296 in 2016 due to Issuer incorporating its subsidiaries business during the period.
- viii. Loss on sale of marketable securities decreased by \$282 to \$nil from \$282 in 2016.

Significant variances in the Issuer's financial position for the quarter ended July 31, 2017 compared with July 31, 2016, were as follows:

- i. Cash increased by \$392,016 to \$393,822 from \$1,806 in 2016 due to exercise of warrants.
- ii. Amounts receivable increased by \$165,007 to \$212,263 from \$47,256 in 2016, due primarily to an increase in refundable taxes and other receivable expected to be received by the Issuer and its subsidiaries for the current quarter.
- iii. Marketable securities decreased by \$40 to \$1,341 from \$1,381 in 2016 due to a decrease in the value of shares held by the Issuer.
- iv. Property, plant and equipment increased by \$355,604 to \$360,102 from \$4,498 in 2016 due to the acquisition of additional assets.
- v. Accounts payable and accrued liabilities increased by \$294,212 to \$581,250 from \$287,038 in 2016 due to the amount owed to Pioneer Exploration Consultants and including the payables of its subsidiaries.

Significant variances in the Issuer's cash flows for the quarter ended July 31, 2017 compared to the quarter ended July 31, 2016, were as follows:

- i. Cash used in operating activities decreased by \$79,967 to \$27,368 from \$107,337 in 2016 due to incorporating the Issuer's new subsidiaries.
- ii. Cash provided by investing activities decreased by \$118,155 to \$118,025 use of cash from \$130 source of cash in 2016 primarily due to the acquisition of assets for the subsidiaries.
- iii. Cash provided by financing activities increased by \$142,318 to \$242,408 from \$100,090 in 2016 due to exercise of

warrants.

## Selected Annual Information

The following selected financial information is taken from the Annual Consolidated Financial Statements and should be read in conjunction with those statements.

	OCT. 31, 2016 \$	OCT. 31, 2015 \$	OCT. 31, 2014 \$
Total revenue	Nil	Nil	Nil
Loss for the year	(2,586,960)	(508,087)	(623,443)
Basic and diluted loss per share	(0.09)	(0.05)	(0.08)
Total assets	418,819	43,152	119,294
Total long-term financial liabilities	Nil	Nil	Nil

## Summary of Quarterly Results

	Jul. 31, 2017	Apr. 30, 2017	Jan. 31, 2017	Oct. 31, 2016	Jul. 31, 2016	Apr. 30, 2016	Jan. 31, 2016	Oct. 31, 2015
Revenue	\$333,529	\$181,203	\$22,386	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Income (Loss) for the quarter	\$154,956	(\$463,994)	(\$774,338)	(\$403,683)	(\$941,974)	(\$350,408)	(\$890,895)	(\$243,099)
Basic and diluted earnings (loss) per share	\$0.00	(\$0.01)	(\$0.02)	(\$0.00)	(\$0.04)	(\$0.01)	(\$0.05)	(\$0.02)

## Related Party Transactions

### a) Management transactions

Management transactions with related parties for the nine months ended July 31, 2017 and 2016 were as follows:

	2017			2016		
	Cash-based payments	Share-based payments	Total	Cash-based payments	Share-based payments	Total
Ian Foreman(i)	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000
Timeline Filing Services Ltd(ii)	\$ 18,643	\$ -	\$ 18,643	\$ 11,300	\$ -	\$ 11,300
Schindler & Company(iii)	\$ 8,420	\$ -	\$ 8,420	\$ 21,552	\$ -	\$ 21,552
Shaxon Enterprises Ltd(iv)	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ 75,000
Don Shaxon(v)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Catalyst X Media Corporation(vi)	\$ 35,440	\$ -	\$ 35,440	\$ -	\$ -	\$ -
Jason Springett(vii)	\$ 457	\$ -	\$ 457	\$ -	\$ -	\$ -
Jackson and Company(viii)	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -	\$ -

- i) Ian Foreman was the Company's President until March 2, 2016, and accordingly, amounts described above are up until this date, after which he was no longer a related party. The amounts shown represent amounts paid to two companies controlled by Mr. Foreman: Foremost Management Services Inc. and Foremost Geological Consulting.
- ii) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's former Corporate Secretary, Laara Shaffer.

- iii) Schindler & Company is a private enterprise controlled by the Company's former CFO, Jennifer Schindler.
- iv) Shaxon Enterprises Ltd is a private enterprise controlled by the Company's former Director, Don Shaxon.<sup>(v)</sup>
- vi) Catalyst X Media Corporation is a private enterprise controlled by the Company's current president and CEO, Jason Springett.<sup>(vii)</sup>
- viii) Jackson and Company is a private enterprise controlled by the Company's current CFO, Anthony Jackson.

#### ***Accounts payable to related parties***

Foremost Management Services Inc. is a private enterprise controlled by the Company's former president and CEO, Ian Foreman. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$9,609). Foremost Management Services Inc. is no longer a related party as of March 2, 2016.

Timeline Filing Services Ltd. is a private enterprise controlled by the Company's corporate secretary, Laara Shaffer. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$3,950).

Schindler & Company is a private enterprise controlled by the Company's former CFO, Jennifer Schindler. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$9,803). Schindler & Company is no longer a related party as of March 20, 2017.

Shaxon Enterprises Ltd is a private enterprise controlled by the Company's former Director, Don Shaxon. Included in accounts payable and accrued liabilities is \$7,730 (October 31, 2016 - \$11,865).

Don Shaxon is a former Director of the Company. Included in accounts payable and accrued liabilities is \$12,500 (October 31, 2016 - \$nil).

Jason Springett is the Company's current president and CEO. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$nil).

Catalyst X Media Corporation is a private enterprise controlled by the Company's current president and CEO, Jason Springett. Included in the accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$nil).

Jackson & Company is a private enterprise controlled by the Company's CFO, Anthony Jackson. Included in accounts payable and accrued liabilities is \$2,625 (October 31, 2016 - \$nil).

As at July 31, 2017, included in accounts payable and accrued liabilities is \$200,000 (October 31, 2016 - \$nil) payable to Pioneer Exploration Consultants for the final payment of the purchase of the UAV assets the formed the basis of Pioneer Aerial Surveys Ltd.

During the nine months ended July 31, 2017, the Company settled \$nil (October 31, 2016 - \$423,991) of accounts payable owing to related parties with units (Note 12(b)).

#### **b) Loans payable**

During the period ended July 31, 2017, the Issuer settled \$nil (October 31, 2016 - \$65,100) of loans payable to related parties with units.

Also included in accounts payable and accrued liabilities are loans of \$12,500 (October 31, 2016 - \$12,500) borrowed from the current president of the Issuer. The loans are non-interest-bearing and without fixed terms of repayment.

#### **Liquidity and Capital Resources**

As at July 31, 2017, the Issuer had cash of \$393,822 (October 31, 2016 - \$313,980).

As at July 31, 2017 the Issuer had working capital of \$46,428 as compared to \$17,055 as at October 31, 2016. The Issuer will require continued financing or outside participation, to undertake its business plans in the UAV sector.

The Issuer's objectives when managing capital are to safeguard the Issuer's ability to continue as a going concern in order to pursue the development of its new businesses, and to maintain a flexible capital structure, which optimizes the costs of capital at

an acceptable risk.

The Issuer's capital consists of shareholders' equity.

The Issuer manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Issuer may issue new shares or debt or acquire or dispose of assets.

In order to maximize ongoing development efforts, the Issuer does not pay out dividends.

### Financial Instruments and Risk Management

The Issuer's financial assets and liabilities were categorized as follows:

	July 31, 2017	October 31, 2016
<b>Financial assets</b>		
Fair value through profit or loss		
Cash	\$ 393,822	\$ 313,980
Loans and receivables		
Amounts receivable*	163,873	3,849
Available-for-sale		
Marketable securities	1,341	1,341
<b>Total financial assets</b>	<b>\$ 559,036</b>	<b>\$ 319,170</b>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 581,250	\$ 386,026
<b>Total financial liabilities</b>	<b>\$ 581,250</b>	<b>\$ 386,026</b>

\*Excluding sales tax receivable

The fair values of the Issuer's amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. Marketable securities are recorded at market value based on quoted market prices.

The Issuer's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

#### a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Issuer is exposed to credit risk with respect to its cash and amounts receivable.

The Issuer deposits substantially all of its cash at a Canadian chartered bank. The Issuer's amounts receivable consist primarily of Goods & Services Tax receivable from the Canadian government and Value Added Tax from the Mexican government. Management considers the risk of non-performance related to cash and amounts receivable to be minimal.

#### b) Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Issuer manages liquidity risk through the management of its capital structure.

At July 31, 2017, the Issuer had cash in the amount of \$393,822 (October 31, 2016 - \$313,980) and accounts payable and accrued liabilities of \$581,250 (October 31, 2016 - \$386,026). Trade payables are due within twelve months of the financial position date.

The Issuer ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term financial obligations,

after taking into account the Issuer's holdings of cash.

### c) Market risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed below:

#### *Interest rate risk*

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Issuer's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Issuer is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Issuer's monetary assets and liabilities, the Issuer is exposed to interest rate price risk.

The Issuer is not exposed to significant interest rate risk.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Issuer is exposed to foreign currency risk with respect to cash, amounts receivable, and accounts payable and accrued liabilities, as a portion of these amounts are denominated in MXN pesos and US dollars as follows:

	July 31, 2017		October 31, 2016	
	MXN	US	MXN	US
Cash	-	\$ -	-	\$ -
Accounts payable and accrued liabilities	(2,911,864)	\$ -	(3,013,108)	\$ -
Rate to convert \$1 CAD	0.070	1.2485	0.071	1.338

Based on the Issuer's net exposure, a 22% change (October 31, 2016 - 22%) in the Canadian/Mexican peso exchange rate and a 15% change (October 31, 2016 - 15%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Issuer is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Issuer's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Issuer's sensitivity analysis suggests a 24% (October 31, 2016 - 24%) change in the market prices would impact the Issuer's earnings by approximately \$310 (October 31, 2016 - \$310). As this sensitivity analysis does not take into account any variables other than the marketable securities rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

### d) Fair value of financial instruments

IFRS 7 Financial Instruments: Disclosure establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Issuer’s cash and marketable securities are classified at Level 1 of the fair value hierarchy. The Issuer had no Level 2 or 3 financial assets at July 31, 2017 or October 31, 2016. As the carrying values of the Issuer’s remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

### **Management of Capital**

The Issuer’s objectives when managing capital are to safeguard the Issuer’s ability to continue as a going concern in order to pursue development of the Issuer’s UAV business, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Issuer’s capital consists of shareholders’ equity.

The Issuer manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Issuer may issue new shares or debt or acquire or dispose of assets.

### **Off-Balance Sheet Arrangements**

The Issuer does not have any off-balance sheet arrangements.

### **Proposed Transactions**

There are currently no proposed transactions contemplated by the Issuer.

### **Risks Related to Nature of Ownership of Common Shares**

#### **Dilution**

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Issuer growth.

#### **Market Volatility**

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Issuer.

#### **Critical Accounting Estimates**

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

##### ***Critical accounting estimates***

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

##### ***Share-based compensation***

Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the quarter ended July 31, 2017, the Company recognized share-based compensation of \$nil (2016 - \$34,000).

##### ***Critical judgments used in applying accounting policies***

In the preparation of the consolidated 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 consolidated financial statements.

#### *Impairment of assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Management has determined that there were indicators of impairment for its mineral property interests in the year ended October 31, 2015 and recorded a write-down of \$44,002. For the year ended October 31, 2016, management has determined that there were indicators of impairment for its investments in RedeCan Pharm and Thor Pharma and recorded a write-down of \$1,455,054. For the nine months ended July 31, 2017, management has determined that there were indicators of impairment for its acquisitions in Pioneer Exploration Consultants and High Eye and recorded a write-down of \$740,178 on the assets of the acquired subsidiaries.

#### *Impairment of marketable securities*

At each reporting date, the Company conducts a review to determine whether there are indications of impairment on its marketable securities. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. Factors include the financial health and short-term business outlook of the investee, industry and sector performance, and operational and financing cash flows. If the decline in fair value below cost is considered significant or prolonged, the Company recognizes an impairment, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, to profit or loss.

Management determined that there were indicators of impairment for its marketable securities in the year ended October 31, 2015 and recorded a write-down of \$1,301.

#### *Income taxes*

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 consolidated financial statements.

#### *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

### **New accounting standards and interpretations not yet adopted**

At the date of authorization of these consolidated financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective as at July 31, 2017. Management is assessing the effects of these future standards on its consolidated financial statements. All of the new and revised standards described below may be early-adopted.

#### **IFRS 9 Financial Instruments**

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- **Classification and measurement of financial liabilities:**  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets:**  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:**  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

This standard is effective for the Issuer's annual periods beginning November 1, 2018.

#### **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)**

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This standard is effective for the Issuer's annual periods beginning November 1, 2018.

#### **Disclosure of Outstanding Share Data**

As at September 20, 2017, the Issuer had the following common shares, stock options and warrants outstanding:

Common shares	80,092,952
Stock options (vested and unvested)	7,912,500
Warrants	25,764,000
<b>Fully diluted shares outstanding</b>	<b>113,769,452</b>

The Issuer's ongoing business development is dependent on raising additional capital to develop its properties and the Issuer is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Issuer and its shareholders.