

**Global UAV Technologies Ltd.
(formerly Alta Vista Ventures Ltd.)**

Consolidated Financial Statements

For the Years Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)

We have audited the accompanying consolidated financial statements of Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.), which comprise the consolidated statements of financial position as at October 31, 2017 and 2016 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.) as at October 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 27, 2018

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GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)
Consolidated Statements of Financial Position
As at October 31,
(Expressed in Canadian Dollars)

	2017	2016
ASSETS		
Current		
Cash	\$ 130,936	\$ 313,980
Amounts receivable (Note 4)	162,912	47,511
Marketable securities (Note 5)	1,341	1,341
Prepaid expenses	7,941	40,249
Inventory	34,901	-
	338,031	403,081
Non-current		
Prepaid expenses	1,500	1,500
Property, plant and equipment (Notes 6 and 13)	341,298	14,238
Intangible assets (Notes 7 and 13)	434,850	-
Goodwill (Note 13)	728,033	-
	1,505,681	15,738
TOTAL ASSETS	\$ 1,843,712	\$ 418,819
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 14)	\$ 658,545	\$ 386,026
Deferred revenue	65,444	-
Current portion of contingent consideration (Note 13)	83,000	-
	806,989	386,026
Non-current		
Contingent consideration payable (Note 13)	457,000	-
Deferred income tax liability (Note 17)	119,730	-
	576,730	-
TOTAL LIABILITIES	1,383,719	386,026
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	20,261,737	17,241,516
Reserves	2,555,404	2,126,427
Accumulated deficit	(22,357,148)	(19,335,150)
	459,993	32,793
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,843,712	\$ 418,819

Approved by the Board:

"James Rogers" (signed)

..... Director

"Michael Burns" (signed)

..... Director

See notes to consolidated financial statements.

GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended October 31,
(Expressed in Canadian Dollars)

	2017	2016
Revenues		
Services	\$ 956,600	\$ -
Sales	70,779	-
	1,027,379	
Cost of Sales	434,021	-
Gross Margin	593,358	-
Operating Expenses		
Accounting, audit and legal	74,256	162,235
Acquisition costs (Note 10)	31,500	-
Automotive	20,877	-
Consultants' fees (Notes 10 and 14)	692,175	330,226
Depreciation (Note 6 and 7)	69,815	1,903
Exploration expenditures (Note 8)	59,344	32,513
Insurance	11,947	-
Investor relations and promotion	122,588	11,973
Office and miscellaneous	91,096	21,691
Regulatory fees	28,075	15,264
Rent	35,477	18,000
Repairs and maintenance	5,245	-
Salaries and wages	57,450	-
Share-based compensation (Notes 10(e))	575,626	708,250
Telephone	1,332	848
Transfer agent and listing fees	9,786	10,680
Travel	106,739	3,853
	(1,993,328)	(1,317,436)
Other Items		
Foreign exchange gain (loss)	(3,940)	14,973
Gain (loss) on settlement of debt	(65,234)	159,542
Gain on disposal of assets (Note 8)	85,524	918
Gain on sale of marketable securities	-	13,488
Impairment of amounts receivable	(56,454)	(3,408)
Impairment loss on acquisition of Pioneer assets (Note 13)	(1,474,702)	-
Impairment loss – High Eye Aerial (Note 13)	(66,000)	-
Impairment of property, plant and equipment (Note 6)	(43,624)	-
Interest and miscellaneous income	2,402	17
Write-off of investments in Thor Pharma and RedeCan Pharm (Note 12)	-	(1,455,054)
	(3,615,356)	(2,586,960)
Net Loss for Year	(3,021,998)	(2,586,960)
Items of Comprehensive Income (Loss)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain on marketable securities	-	4,990
Transfer on sale of marketable securities	-	(13,488)
Other Comprehensive Loss	-	(8,498)
Comprehensive Loss for Year	\$ (3,021,998)	\$ (2,595,458)
Loss per Share, Basic and Diluted	\$ (0.04)	\$ (0.09)
Weighted Average Number of Common Shares Outstanding	73,384,256	28,886,099

See notes to consolidated financial statements.

GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves			Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
			Equity Settled Share-based Payments	Warrants	Total			
Balance – October 31, 2015	12,842,107	\$ 14,499,595	\$ 1,224,086	\$ 332,542	\$ 1,556,628	\$ (16,748,190)	\$ 8,498	\$ (683,469)
Net loss for the year	-	-	-	-	-	(2,586,960)	-	(2,586,960)
Items of other comprehensive loss	-	-	-	-	-	-	(8,498)	(8,498)
Common shares issued in private placement (Note 10)	15,300,000	765,000	-	-	-	-	-	765,000
Share issue costs	-	(88,700)	-	19,746	19,746	-	-	(68,954)
Exercise of warrants	3,220,000	245,500	-	(4,000)	(4,000)	-	-	241,500
Exercise of options	112,500	24,572	(9,197)	-	(9,197)	-	-	15,375
Share-based compensation	-	-	563,250	-	563,250	-	-	563,250
Common shares issued for purchase of RedeCan Pharm (Note 12)	2,000,000	400,000	-	-	-	-	-	400,000
Common shares issued for purchase of Thor Pharma (Note 12)	5,000,000	900,000	-	-	-	-	-	900,000
Common shares issued for consulting services	1,500,000	145,000	-	-	-	-	-	145,000
Common shares issued for debt	6,229,148	350,549	-	-	-	-	-	350,549
Balance – October 31, 2016	46,203,755	\$ 17,241,516	\$ 1,778,139	\$ 348,288	\$ 2,126,427	\$ (19,335,150)	\$ -	\$ 32,793
Net loss for the year	-	-	-	-	-	(3,021,998)	-	(3,021,998)
Common shares issued in private placements	11,000,000	550,000	-	-	-	-	-	550,000
Exercise of options (Note 10)	4,800,000	760,650	(280,650)	-	(280,650)	-	-	480,000
Exercise of warrants (Note 10)	5,752,000	446,002	-	(11,102)	(11,102)	-	-	434,900
Share-based compensation (Note 10(e))	-	-	575,626	-	575,626	-	-	575,626
Common shares issued for asset acquisition of Pioneer (Note 10)	9,276,582	510,213	-	-	-	-	-	510,213
Common share units issued for debt	2,531,646	139,240	-	125,994	125,994	-	-	265,234
Share issuance costs (Note 10)	-	(58,020)	-	19,109	19,109	-	-	(38,911)
Common shares issued for acquisition of High Eye Aerial (Note 10)	5,025,000	279,000	-	-	-	-	-	279,000
Common shares issued for acquisition of UAV Regulatory (Note 10)	329,670	26,374	-	-	-	-	-	26,374
Common shares issued for acquisition in NOV Aerial (Note 10)	4,584,527	366,762	-	-	-	-	-	366,762
Balance – October 31, 2017	89,503,180	\$ 20,261,737	\$ 2,073,115	\$ 482,289	\$ 2,555,404	\$ (22,357,148)	\$ -	\$ 459,993

See notes to consolidated financial statements.

GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)
Consolidated Statements of Cash Flows
For the Years Ended October 31,
(Expressed in Canadian Dollars)

	2017	2016
Operating Activities		
Net loss	\$ (3,021,998)	\$ (2,586,960)
Items not affecting cash		
Acquisition costs	31,500	-
Depreciation	69,815	1,903
Share-based compensation	575,626	563,250
Consulting fees paid with shares	-	145,000
Gain on sale of marketable securities	-	(13,488)
Gain on disposal of assets	(85,524)	(918)
(Gain) loss on settlement of debt	65,234	(159,542)
Impairment of amounts receivable	56,454	3,408
Impairment loss – Pioneer (Note 13)	1,474,702	-
Impairment loss - High Eye Aerial (Note 13)	66,000	-
Impairment of property, plant and equipment	43,624	-
Write-off of investments in Thor Pharma and RedeCan Pharm (Note 12)	-	1,455,054
	(724,567)	(592,293)
Changes in non-cash working capital		
Amounts receivable	(159,046)	(30,043)
Prepaid expenses	39,871	(37,875)
Inventory	21,913	-
Accounts payable and accrued liabilities	42,855	169,335
Deferred revenue	65,444	-
	11,037	101,417
Cash Used in Operating Activities	(713,530)	(490,876)
Investing Activities		
Purchase of property, plant and equipment	(251,935)	(10,263)
Acquisition of Pioneer assets	(300,000)	-
Acquisition of High Eye Aerial	(100,000)	-
Acquisition of UAV Regulatory Services	(70,000)	-
Acquisition of NOVAerial Robotics Ltd.	(300,000)	-
Cash acquired from acquisitions	40,908	-
Proceeds on sale of assets	85,524	-
Investment in Thor Pharma and RedeCan Pharm (Note 12)	-	(155,054)
Proceeds from sale of property, plant and equipment	-	1,233
Proceeds on sale of marketable securities	-	13,485
Cash Used in Investing Activities	(895,503)	(150,599)
Financing Activities		
Proceeds from units issued for cash, net of share issue costs	511,089	696,046
Proceeds from exercise of options	480,000	15,375
Proceeds from exercise of warrants	434,900	241,500
Cash Provided by Financing Activities	1,425,989	952,921
Increase (Decrease) in Cash	(183,044)	311,446
Cash, Beginning of Year	313,980	2,534
Cash, End of Year	\$ 130,936	\$ 313,980

Supplemental Cash Flow Information – Note 11

GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)

Notes to the Consolidated Financial Statements

For the Years Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.) (the “Company”) was incorporated under the laws of British Columbia. The Company’s principal and registered place of business is located at 459 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. The Company’s stock is listed on the Canadian Securities Exchange under the symbol “UAV”.

On May 15, 2017, the Company changed its name to Global UAV Technologies Ltd., the symbol remained UAV.

Prior to 2016, the Company’s business was to acquire interests in mineral properties in Mexico and over the years has spent significant funds exploring these properties. Due to prevailing market conditions at the time and lack of work performed on the properties, the Company’s mineral property interests were written down to \$nil in fiscal 2015.

During the year ended October 31, 2017, the Company acquired a 100% interest in High Eye Aerial Imaging Inc. (“High Eye Aerial”), acquired assets of Pioneer Exploration Consultants Inc. (“Pioneer”), acquired a 100% interest in NOVAerial Robotics Ltd. (“NOVAerial”), and acquired a 100% interest in UAV Regulatory Services Ltd. (“UAV Regulatory”). As a result of these acquisitions the Company entered into the unmanned aerial vehicle (“UAV”) business and the Company no longer intends to pursue resources on its mineral exploration properties.

As a result of the Company’s previous business of mineral exploration and development of its UAV business, the Company has sustained recurring losses and negative cash flows from its operations. As at October 31, 2017, the Company had cash of \$130,936 (2016 - \$313,980), working capital deficiency of \$468,958 (2016 - working capital of \$17,055) and an accumulated deficit of \$22,357,148 (2016 - \$19,335,150). The Company will need to raise additional capital to accomplish its business plan over the next several years. The Company expects to seek additional funding through equity financing or the exercise of existing warrants. There can be no assurance as to the availability or terms upon which such financing might be available.

The ability of the Company to continue as a going concern and meet its commitments as they become due is dependent on the success of the Company’s UAV business and/or the Company’s ability to obtain the necessary financing. If the Company is unable to achieve profitable operations or obtain additional financing, the Company will be unable to finance itself to continue operations. There can be no assurance that management’s plans will be successful.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee.

The consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2018.

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss (“FVTPL”) or available-for-sale (“AFS”), which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2017 and 2016
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (CONTINUED)

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiary	Location	Percentage owned*	
		October 31, 2017	October 31, 2016
Minera Alta Vista SA de CV	Mexico	100%	100%
Pioneer Aerial Surveys Ltd.	Saskatchewan, Canada	100%	-
High Eye Aerial Imaging Inc.	Ontario, Canada	100%	-
UAV Regulatory Services Ltd.	BC, Canada	100%	-
NOVAerial Robotics Ltd.	Ontario, Canada	100%	-

*Percentage of voting power is proportion to ownership.

Subsidiaries are entities that the Company controls, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. Subsidiaries are included in the consolidated financial statements from the date of acquisition of control. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

d) Foreign currencies

i) Presentation and functional currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

ii) Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on foreign currency translations are included in net loss for the year.

e) Significant accounting judgments and 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:

2. BASIS OF PRESENTATION (CONTINUED)

e) Significant accounting judgments and estimates (continued)

Critical accounting estimates (continued)

Allowances for doubtful accounts

The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 10.

Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax basis using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. These differences could materially impact earnings.

Useful life of property, plant and equipment and intangible assets

Depreciation and amortization of the Company's property, plant and equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates may change as market conditions change and the future economic benefits from the use of the asset changes, thereby impacting the useful life and residual value of the equipment or intangible asset. Any revisions to useful life are accounted for prospectively.

Critical judgments used in applying accounting policies

In the preparation of these 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 and intangible assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The 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. 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 year ended October 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 \$1,540,703 on the assets of the acquired subsidiaries.

Utilization of deferred income tax assets

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

2. BASIS OF PRESENTATION (CONTINUED)

e) Significant accounting judgments and estimates (continued)

Critical judgments (continued)

Assessment of the transactions as an asset acquisition or business combination

Management has had to apply judgment relating to the acquisitions of High Eye, Pioneer, NOVAerial, and UAV Regulatory with respect to whether the acquisitions were business combinations or an asset acquisitions. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

Determination of purchase price allocations and contingent consideration

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss

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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period. Cash is included in this category of financial assets.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Amounts receivable are included in this category of financial assets.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss for the period. The Company has no assets classified as held-to-maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income and recognized in profit or loss for the period. The Company's marketable securities are classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, other than those at FVTPL, are subject to review for impairment at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets may not be recoverable. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period.

Other financial liabilities - This category includes accounts payable and accrued liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

b) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated depreciation.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Material residual value estimates and estimates of useful life are updated annually.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of operations and comprehensive loss.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Depreciation is recorded on a declining basis at the following annual rates:

Vehicles	15%
Unmanned Aerial Vehicles	20%
Office equipment	20%
Computer software and equipment	55%

Leasehold improvements are depreciated on a straight-line basis over the term of the lease term of 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Intangible assets

Intangible assets consist mainly of trademarks, customer lists, domain name and similar intangibles, including certain intellectual property, acquired by the Company. Acquired trademarks, customer lists, domain name and similar assets are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized. Client list is amortized straight line over 10 years.

Estimated useful lives of intangible assets with finite lives are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each financial reporting date. At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

d) Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Share capital

Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity.

Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price, and the balance, if any, to the reserve for warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Revenue recognition

The Company recognizes the revenues from the sale of UAV equipment when the Company can measure the amount of revenue and costs in respect of the transaction reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership of the goods have been transferred to the buyer and the Company no longer retains control over the goods sold.

Revenue from provision of UAV-based services is recognized upon completion of the service based on terms of the contract and collectability is reasonably assured. Payments received from customers in advance of meeting all of the recognition criteria are recorded as deferred revenue and subsequently recognized as these criteria are met.

g) Share-based compensation

From time to time, the Company grants share-based awards to directors, officers, employees and consultants. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the option's grant date, and the fair value of non-employee options is measured at the date or over the period during which goods or services are received. Options granted to non-employees are recorded at the fair value of goods or services received in profit or loss. The fair value of the options granted to employees is measured using the Black- Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The fair value of each tranche of options granted, which do not vest immediately on grant, is recognized using the graded vesting method over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based compensation expense is credited to the equity-settled share-based payment reserve. Their fair value is transferred from the reserve to share capital when the options are later exercised.

h) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, excluding shares held in escrow. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares; the effect of any anti-dilutive potential common shares are not taken into account in this calculation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as a finance cost.

k) 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 October 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".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) New accounting standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

- **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 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 Company's annual periods beginning November 1, 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB issued the standard to replace IAS 18 which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for the Company's annual periods beginning on November 1, 2018, with the required retrospective application and earlier adoption permitted.

IFRS 16 Leases

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are 'capitalized' by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments. IFRS 16 is effective for the Company's annual period beginning on or after November 1, 2019.

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 Company's annual period beginning on November 1, 2018.

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4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	October 31, 2017	October 31, 2016
Trade receivable	\$ 154,070	\$ -
Sales tax receivable	-	43,662
Other amounts receivable	8,842	3,849
Total amounts receivable	\$ 162,912	\$ 47,511

5. MARKETABLE SECURITIES

The Company holds marketable securities that are free-trading. Marketable securities are comprised of the following:

	October 31, 2017		October 31, 2016	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Sonora Resources Corp.	1,000,000	\$ 1,341	1,000,000	\$ 1,341
		\$ 1,341		\$ 1,341

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6. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Unmanned Aerial Vehicles	Office Equipment	Computer Software and Equipment	Leasehold Improvements	Total
COST						
Balance, October 31, 2015	\$ -	\$ -	\$ 30,332	\$ 25,759	\$ -	\$ 56,091
Additions	-	10,263	-	-	-	10,263
Disposals	-	-	(131)	(2,597)	-	(2,728)
Balance, October 31, 2016	-	10,263	30,201	23,162	-	63,626
Additions from acquisitions	52,825	150,665	12,444	12,515	2,310	230,759
Additions	117,344	109,839	18,362	6,390	-	251,935
Impairment	-	(46,048)	-	-	-	(46,048)
Balance, October 31, 2017	\$ 170,169	\$ 224,719	\$ 61,007	\$ 42,067	\$ 2,310	\$ 500,272
ACCUMULATED DEPRECIATION						
Balance, October 31, 2015	\$ -	\$ -	\$ 26,521	\$ 23,377	\$ -	\$ 49,898
Depreciation	-	-	914	989	-	1,903
Disposals	-	-	-	(2,413)	-	(2,413)
Balance, October 31, 2016	-	-	27,435	21,953	-	49,388
Acquisitions	3,385	53,839	1,654	8,948	268	68,094
Depreciation	12,417	19,508	7,863	3,719	408	43,915
Impairment	-	(2,423)	-	-	-	(2,423)
Balance, October 31, 2017	\$ 15,802	\$ 70,924	\$ 36,952	\$ 34,620	\$ 676	\$ 158,974
CARRYING AMOUNTS						
At October 31, 2016	\$ -	\$ 10,263	\$ 2,766	\$ 1,209	\$ -	\$ 14,238
At October 31, 2017	\$ 154,367	\$ 153,795	\$ 24,055	\$ 7,447	\$ 1,634	\$ 341,298

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7. INTANGIBLE ASSETS

	Trademark	Brand	Website	Client List	Total
COST					
Balance, October 31, 2016 and 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Additions from acquisitions	250	152,000	49,500	259,000	460,750
Balance, October 31, 2017	\$ 250	\$ 152,500	\$ 49,500	\$ 259,000	\$ 460,750
ACCUMULATED DEPRECIATION					
Balance, October 31, 2016 and 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	(25,900)	(25,900)
Balance, October 31, 2017	\$ -	\$ -	\$ -	\$ (25,900)	\$ (25,900)
CARRYING AMOUNTS					
At October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
At October 31, 2017	\$ 250	\$ 152,500	\$ 49,500	\$ 233,100	\$ 434,850

8. MINERAL PROPERTY INTERESTS

During the year ended October 31, 2017, the Company incurred \$59,344 (2016 - \$32,513) in exploration expenditures relating to camp and exploration support costs on its properties held in Mexico.

During the year ended October 31, 2017, the Company sold its interests in the Orofino property located in Mexico to a private Mexican company for net proceeds of 1,200,000 Mexican Pesos (\$85,524). The carrying value of the property was \$nil prior to the sale and, accordingly, \$85,524 has been recorded as a gain on disposal of assets.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following for the years ended October 31:

	October 31, 2017	October 31, 2016
Trade payables *	\$ 536,930	\$ 297,526
Accrued liabilities	48,000	76,000
Due to directors (Note 14(b))	44,121	12,500
Taxes payable	29,494	-
Total accounts payable and accrued liabilities	\$ 658,545	\$ 386,026

*Included in trade payables is \$108,604 (2016 - \$125,117) owed to the Mexican Government for withholding taxes on salaries that were not remitted in prior years.

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

Year Ended October 31, 2017

On January 6, 2017, the Company closed the share purchase agreement for a 100% interest in High Eye Aerial. On closing, the Company paid \$100,000 cash and issued 4,500,000 common shares to the vendors for a fair value of \$247,500. In connection to the closing of acquisition, the Company issued 525,000 common shares with a fair value of \$31,500 as a finder's fee to Gridline Financial Solutions Inc. Refer to Note 13 for details on acquisitions during the year.

On March 6, 2017, the Company issued 5,190,000 units by way of a private placement at a price of \$0.05 per unit totaling to \$259,500. Each unit consisted of one common share and one non-transferable purchase warrant. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company until March 5, 2018 at a price of \$0.10 per share. The Company issued a total of 475,000 agent warrants with a fair value of \$15,248 and paid cash finder's fees of \$5,750.

On March 16, 2017, the Company issued 5,810,000 units at a price of \$0.05 per unit totaling to \$290,500. Each unit consisted of one common share and one non-transferable purchase warrant. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company until March 15, 2018 at a price of \$0.10 per share. The Company issued a total of 56,000 agent warrants with a fair value of \$3,861 and paid cash finder's fees of \$2,800. Legal expense of \$30,361 was recorded as share issuance expense.

On July 11, 2017, the Company closed the purchase of UAV Regulatory Services Ltd. for consideration of \$70,000 in cash and the issuance of 329,670 common shares at a price of \$0.08 per share for a fair value of \$26,374. Refer to Note 13 for details on acquisitions during the year.

On August 9, 2017, the Company closed the purchase of a 100% interest of NOVAerial Robotics Ltd. For consideration of \$300,000 and the issuance of 4,584,527 common shares with a fair value of \$366,762. The shares will be subject to a voluntary escrow release over the next three years with the first set of shares (10% of the total) having a hold period of four months and one day. Refer to Note 13 for details on acquisitions during the year.

On October 4, 2017, the Company completed the acquisition of Pioneer's unmanned aerial vehicle assets for consideration of \$500,000, and issuance of 9,000,000 common shares with a fair value of \$495,000. The Company settled \$200,000 through the issuance of 2,531,646 units with a fair value of \$265,2344. Each consists of one common share and one share purchase warrant exercisable into one common share of the Company at a price of \$0.12 per share for a period of five years. The Company issued 276,582 common shares with a fair value of \$15,212 as finder's fees. Refer to Note 13 for details on acquisitions during the year.

During the year ended October 31, 2017, 5,612,000 warrants were exercised at \$0.075 per share and 140,000 warrants were exercised at \$0.10 per share for total proceeds of \$434,900.

During the year ended October 31, 2017, 4,800,000 options were exercised at \$0.10 per share for total proceeds of \$480,000.

10. SHARE CAPITAL (CONTINUED)

b) Issued (continued)

Year Ended October 31, 2016

On November 4, 2015, the Company completed a private placement comprised of 3,330,000 units at a price of \$0.05 per unit totaling \$166,500. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.075 for a period of twelve months from the date of issuance of the warrant. The warrants will have an acceleration clause so that if after the hold period the shares in the Company trade at or above \$0.12 per share for ten consecutive days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants. The Company issued a total of 251,000 agent warrants with a fair value of \$17,093 and paid cash finder's fees of \$33,954.

Between the dates of November 12, 2015 and November 25, 2015, 720,000 warrants were exercised at \$0.075 per share to various warrant holders for proceeds of \$54,000.

On November 27, 2015, the Company issued 5,000,000 shares at a fair market value of \$0.18 per share totaling \$900,000 to satisfy the first purchase requirement on Thor Pharma (Note 12).

On November 30, 2015, the Company issued 2,000,000 shares at a fair market value of \$0.20 per share totaling \$400,000 to satisfy the first requirement on RedeCan Pharm (Note 12).

Between the dates of December 7, 2015 and January 12, 2016, 2,100,000 warrants were exercised at \$0.075 per share to various warrant holders for total proceeds of \$157,500.

On January 18, 2016, 37,500 options were exercised at \$0.20 per share for total proceeds of \$7,500.

On January 25, 2016, 50,000 warrants were exercised by shareholders at \$0.075 per share for total proceeds of \$3,750.

On January 25, 2016, 500,000 shares were issued to Jacob Capital Management Inc. at a fair market value of \$0.19 per share totaling \$95,000 to reimburse them for consulting services provided in connection with the Company's purchase of RedeCan Pharm.

On February 4, 2016, 75,000 options were exercised by a shareholder at \$0.105 per share for total proceeds of \$7,875.

On March 11, 2016, 50,000 warrants were exercised by a shareholder at \$0.075 per share for total proceeds of \$3,750.

On March 16, 2016, 200,000 warrants were exercised by a shareholder at \$0.075 per share for total proceeds of \$15,000.

On April 8, 2016, 1,000,000 shares were issued for services rendered by Jacob Capital Management Inc. at a fair market value of \$0.05 per share totaling \$50,000 to reimburse them for consulting services provided.

On April 14, 2016, 100,000 warrants were exercised by a shareholder at \$0.075 per share for total proceeds of \$7,500.

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10. SHARE CAPITAL (CONTINUED)

b) Issued (continued)

Year Ended October 31, 2016 (continued)

On May 20, 2016, the Company completed a private placement comprised of 2,250,000 units at a price of \$0.05 per unit totaling \$112,500. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.075 for a period of twelve months from the date of issuance of the warrant. There were no finders' fees incurred on this private placement.

On May 20, 2016, the Company completed a shares-for-debt transaction comprised of 2,320,000 units with a fair value of \$116,000 to settle total accounts payable outstanding of \$116,000. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.075 for a period of twelve months from the date of issuance of the warrants. There was no gain or loss recognized on the consolidated statements of loss and comprehensive loss from this transaction.

On August 2, 2016, the Company completed a shares-for-debt transaction comprised of 3,909,148 units with a fair value of \$234,549 to settle total accounts payable outstanding of \$394,091. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.10 for a period of twelve months from the date of issuance of the warrant. There was a gain of \$159,542 recognized on the consolidated statements of loss and comprehensive loss from this transaction.

On September 28, 2016, the Company completed a private placement comprised of 9,720,000 units at a price of \$0.05 per unit for proceeds of \$486,000. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.10 for a period of twelve months from the date of issuance of the warrant. The Company issued a total of 90,000 agent warrants with a fair value of \$2,653 and paid cash finder's fees of \$35,000.

c) Share purchase warrants

A continuity schedule of outstanding common share purchase warrants for the years ended October 31, 2017 and 2016 is as follows:

	October 31, 2017		October 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	23,652,148	\$ 0.090	8,547,000	\$ 0.085
Issued	14,062,646	0.010	21,870,148	0.091
Exercised	(5,752,000)	0.076	(3,220,000)	0.075
Expired	(15,019,148)	0.098	(3,545,000)	0.075
Outstanding, end of year	16,943,646	\$ 0.080	23,652,148	\$ 0.090

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10. SHARE CAPITAL (CONTINUED)

c) Share purchase warrants (continued)

At October 31, 2017 and 2016, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2017	Outstanding at October 31, 2016
\$0.075	May 27, 2017	-	4,570,000
\$0.100	August 2, 2017	-	3,909,148
\$0.100	September 28, 2017	-	9,810,000
\$0.075	October 22, 2017	-	1,782,000
\$0.075	November 3, 2017*	3,241,000	3,581,000
\$0.100	March 5, 2018	5,305,000	-
\$0.100	March 15, 2018	5,866,000	-
\$0.120	October 4, 2022	2,531,646	-
		16,943,646	23,652,148
	Weighted average remaining contractual life (in years)	0.68	0.84

* During the year ended October 31, 2016, the expiry dates of these warrants were extended by one year. Expiry dates shown on the table reflect this one-year extension.

d) Share options

A continuity schedule of outstanding share options for the years ended October 31, 2017 and 2016 is as follows:

	October 31, 2017		October 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	7,610,000	\$ 0.107	2,222,500	\$ 0.110
Granted	8,900,000	0.100	6,500,000	0.115
Cancelled	(1,727,500)	0.108	(1,000,000)	0.169
Expired	(475,000)	0.110	-	-
Exercised	(4,800,000)	0.100	(112,500)	0.137
Outstanding and exercisable, end of year	9,507,500	\$ 0.104	7,610,000	\$ 0.107

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10. SHARE CAPITAL (CONTINUED)

d) Share options (continued)

As at October 31, 2017 and 2016, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

Exercise Price	Expiry Date	2017	2016
\$ 0.11	June 3, 2017	-	475,000
\$ 0.11	January 8, 2018	150,000	150,000
\$ 0.20	July 25, 2018	107,500	145,000
\$ 0.10	August 6, 2018	500,000	1,000,000
\$ 0.10	October 2, 2018	-	190,000
\$ 0.10	November 2, 2018	500,000	500,000
\$ 0.12	December 10, 2018	-	500,000
\$ 0.14	December 29, 2018	550,000	550,000
\$ 0.10	July 15, 2019	500,000	500,000
\$ 0.10	August 4, 2019	550,000	2,350,000
\$ 0.10	August 29, 2019	700,000	700,000
\$ 0.10	September 21, 2019	200,000	200,000
\$ 0.10	October 14, 2019	-	100,000
\$ 0.10	October 28, 2019	-	250,000
\$ 0.10	February 15, 2020	350,000	-
\$ 0.10	March 23, 2020	1,700,000	-
\$ 0.10	March 27, 2020	250,000	-
\$ 0.10	October 4, 2020	3,450,000	-
		9,507,500	7,610,000
Weighted average remaining contractual life (in years)		2.19	2.30

e) Share-based compensation

The fair value of share options granted and vested during the years ended October 31, 2017 and 2016 was recognized as share-based compensation in the consolidated statements of operations and comprehensive loss, and was allocated as follows:

	October 31, 2017	October 31, 2016
Share-based compensation	\$ 575,626	\$ 563,250
Total share-based compensation	\$ 575,626	\$ 563,250

The fair value of the options granted and agent warrants issued was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	October 31, 2017	October 31, 2016
Risk free interest rate	1.34%	1.72%
Expected annual volatility*	202.05%	265.39%
Expected life	3 years	3 years
Expected dividend yield	0.00%	0.00%
Exercise price	\$0.100	\$0.115
Fair value price	\$0.068	\$0.137

* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During year ended October 31, 2017, the Company entered into the following non-cash transactions.

- i) The Company issued shares to close the purchase of UAV (unmanned aerial vehicle) assets of Pioneer Exploration Consultants totaling \$495,000. The Company settled debt owing of \$200,000 for units totaling \$265,234 (2016 - \$nil) (Note 10). Transaction cost consists of shares totaling \$15,212 (2016 - \$nil) that was included in impairment loss on acquisition.
- ii) The Company issued shares to close the purchase of High Eye Aerial Imaging Inc. totaling \$247,500. Transaction costs consists of shares totaling \$31,500 included as acquisition costs in profit and loss.
- iii) The Company issued shares to close the purchase of UAV Regulatory Services Ltd. totaling \$26,374.
- iv) The Company issued shares to close the purchase of NOVAerial Robotics Ltd. totaling \$366,762. The Company acquired inventory of \$56,814 on the acquisition date.

12. INVESTMENTS IN THOR PHARMA AND REDECAN PHARM

Thor Pharma

During the year ended October 31, 2016, the Company signed a formal agreement to acquire shares of Thor Pharma, a Company in the business of cultivating and producing medical marijuana.

The Company paid \$25,000 cash and issued 5,000,000 shares with a fair value of \$900,000 prior to deciding to terminate the agreement for the purchase of Thor Pharma so that it can concentrate on its new business venture in the UAV sector. As a result, an impairment of \$925,000, determined in accordance with Level 3 of the fair value hierarchy, was recorded during the year ended October 31, 2016.

RedeCan Pharm

During the year ended October 31, 2016, the Company signed an amended LOI to acquire 90% of the issued and outstanding shares of RedeCan Pharm, one of Canada's MMPR cultivation and sales licensees. The Company paid \$100,000 cash, issued 2,000,000 shares with a fair value of \$400,000 and incurred legal fees of \$30,054 prior to the LOI terminating as the Company failed to meet the required payments.

As a result, an impairment of \$530,054, determined in accordance with Level 3 of the fair value hierarchy, was recorded on the investment during the year ended October 31, 2016.

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13. ACQUISITIONS**a) Pioneer Exploration Consultants**

On October 4, 2017, the Company completed the asset purchase agreement to acquire a 100% interest in the UAV assets of Pioneer, a company that provides UAV based aeromagnetic surveys through its trademarked UAV-MAG™ system and also offers UAV based LiDAR (Light Detection and Ranging) surveys. As consideration, the Company made a cash payment of \$300,000 and issued 9,000,000 common shares with a fair value of \$495,000. The Company and Pioneer settled the final cash payment of \$200,000 through the issuance of 2,531,646 units (“Units”) of the Company. Each Unit consists of one common share of the Company and one share purchase warrant exercisable into one common share of the Company at a price of \$0.12 per share for a period of five years. The fair value of the Units issued is \$265,234, resulting in a loss on settlement of debts of \$65,234 recorded in profit and loss. The Company also issued 276,582 shares with a fair value of \$15,212 as finder’s fees that was allocated to the fair value of assets acquired at initial recognition and then subsequently impaired as impairment loss.

The asset purchase agreement also includes a 10% royalty on future earnings before income taxes, depreciation, and amortization expenses of Pioneer for five years. Management has estimated the fair value of the royalty stream which has been included as contingent consideration in the total consideration.

The following table summarizes the consideration paid, the fair value of the identifiable assets acquired on the date of acquisition:

Cash	\$	500,000
Common shares issued		495,000
Contingent consideration		540,000
Finder’s fees		15,212
Total consideration paid	\$	1,550,212
Property, plant and equipment	\$	75,260
Trademark		250
Total value of assets acquired	\$	75,510
Impairment loss	\$	1,474,702

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13. ACQUISITIONS (CONTINUED)

b) *High Eye Aerial Imaging Inc.*

On January 6, 2017, the Company acquired a 100% interest in High Eye Aerial, a company providing UAV surveying services, in exchange for a cash payment of \$100,000 and the issuance of 4,500,000 common shares with a fair value of \$247,500.

For accounting purposes, the acquisition of High Eye Aerial. was considered a business combination and accounted for using the acquisition method. The results of operations from High Eye Aerial are included in the consolidated financial statements since the date of acquisition.

The following table summarizes the consideration paid, the fair value of the identifiable assets acquired and liabilities assumed on the date of acquisition:

Cash paid	\$	100,000
Common shares issued		247,500
Total consideration paid	\$	347,500
Fair value of net assets:		
Cash	\$	26,067
Prepaid expenses		1,632
Accounts receivable		12,809
Property, plant and equipment		54,571
Client list		107,000
Brand		37,000
Bank loan		(22,506)
Accounts payable and other payables		(33,300)
Shareholder loan		(23,535)
Deferred income tax liability		(37,440)
Total value of net assets acquired	\$	122,298
Goodwill	\$	225,202

Finder's fees of 525,000 common shares with a fair value of \$31,500 were issued and recorded in profit and loss.

During the year ended October 31, 2017, the Company determined there were indicators of impairment related to the goodwill and recorded an impairment of \$66,000, determined using Level 3 inputs, based on value-in-use calculation using pre-tax cash flow projections prepared by senior management. Forecasts were prepared over a five-year period using a pre-tax discount rate of 28%.

c) *UAV Regulatory Services Ltd.*

On July 11, 2017, the Company completed the purchase of UAV Regulatory, a regulatory consulting company that assists clients with the preparation of Special Flight Operation Certificates (SFOCs) for UAV operations in Canada. The Company made a cash payment of \$70,000 and issued 329,670 common shares with a fair value of \$26,374.

For accounting purposes, the acquisition of UAV Regulatory Services Ltd. was considered a business combination and accounted for using the acquisition method. The results of operations from UAV Regulatory are included in the consolidated financial statements since the date of acquisition.

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13. ACQUISITIONS (CONTINUED)

c) UAV Regulatory Services Ltd. (continued)

The following table summarizes the consideration paid and the fair value of the intangible assets acquired at the date of acquisition:

Cash paid	\$ 70,000
Common shares issued	26,374
Total consideration paid	\$ 96,374
Website	49,500
Client list	11,000
Accounts payable	(840)
Deferred income tax liability	(15,730)
Total value of net assets acquired	\$ 43,930
Goodwill	\$ 52,444

d) NOVAerial Robotics Ltd.

On August 9, 2017, the Company acquired 100% interest in NOVAerial, a manufacturer of high performance UAV with a particular emphasis on single rotor helicopter-style UAVs. The Company made a cash payment of \$300,000 and issued 4,584,527 common shares with a fair value of \$366,762. The shares will be subject to a voluntary escrow release with the first set of shares (10 per cent of the total) issued immediately but subject to a hold period of four months and one day, and the balance issued over the next three years.

For accounting purposes, the acquisition of NOVAerial Robotics Ltd. was considered a business combination and accounted for using the acquisition method. The results of operations from NOVAerial are included in the consolidated financial statements since the date of acquisition.

Cash paid	\$ 300,000
Common shares issued	366,762
Total consideration paid	\$ 666,762
Cash	\$ 14,841
Prepaid expenses	5,928
Taxes receivable	923
Due from shareholder	11,737
Inventory	56,814
Property, plant and equipment	32,835
Client list	141,000
Brand	115,000
Accounts payable	(81,287)
Deferred revenue	(80,856)
Deferred income tax liability	(66,560)
Total value of net assets acquired	\$ 150,377
Goodwill	\$ 516,385

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14. RELATED PARTY TRANSACTIONS

Management transactions

Key management personnel compensation during the years ended October 31, 2017 and 2016 were as follows:

	2017	2016
Ian Foreman (i)	\$ -	\$ 46,000
Don Shaxon(v)	\$ 12,500	\$ -
Jason Springett(vii)	\$ 457	\$ -
Robert Lefebvre (xi)	\$ 20,000	\$ -

Management transactions with related parties during the years ended October 31, 2017 and 2016 were as follows:

	2017	2016
Timeline Filing Services Ltd. (ii)	\$ 9,000	\$ 19,579
Schindler & Company(iii)	\$ 8,420	\$ 27,052
Shaxon Enterprises Ltd. (iv)	\$ 10,500	\$ 166,500
Catalyst X Media Corporation (vi)	\$ 44,000	\$ -
BridgeMark Financial Corporation (viii)	\$ 28,000	\$ -
101252103 Saskatchewan Ltd. (ix)	\$ 147,500	\$ -
Longford Capital Corporation (x)	\$ 69,500	\$ -

- 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.^(v)
- vi) Catalyst X Media Corporation is a private enterprise controlled by the Company's former president and CEO, Jason Springett.
- viii) BridgeMark Financial is a private enterprise controlled by the Company's current CFO, Anthony Jackson.
- ix) 101252103 Saskatchewan Ltd. is a private enterprise controlled by the Company's current CEO, Michael Burns
- x) Longford Capital Corporation is a private enterprise controlled by the Company's current president, James Rogers
- xi) Robert Lefebvre is a current director of the Company and president of NOVAerial Robotics.

Accounts payable to related parties

Included in accounts payable and accrued liabilities are the following amounts:

1. \$nil (2016 - \$9,609) payable to Foremost Management Services Inc.
2. \$nil (2016 - \$3,950) payable to Timeline Filing Services Ltd.
3. \$nil (2016 - \$9,803) payable to Schindler & Company.
4. \$12,500 (2016 - \$nil) payable to Don Shaxon, a former director of the Company.
5. \$87,034 (2016 - \$nil) payable to 101252103 Saskatchewan Ltd.
6. \$69,500 (2016 - \$nil) payable to Longford Capital Corporation.
7. \$7,350 (2016 - \$nil) payable to BridgeMark Financial Corporation.
8. \$58,466 (2016 - \$nil) payable to Michael Burns, CEO of the Company, relating to expense reimbursements.

During the year ended October 31, 2017, the Company settled \$109,000 (2016 - \$423,991) of accounts payable owing to related parties through the issuance of 2,180,000 units, included in private placements.

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

Accounts payable to related parties (continued)

During the year ended October 31, 2017, the Company settled \$nil (2016 - \$65,100) of loans payable.

Also included in accounts payable and accrued liabilities are loans of \$44,121 (2016 - \$12,500) borrowed from the current president and from the current director of the Company. The loans are non-interest-bearing and without fixed terms of repayment.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	2017	2016
Financial assets		
Fair value through profit or loss		
Cash	\$ 130,936	\$ 313,980
Loans and receivables		
Amounts receivable*	162,912	3,849
Available-for-sale		
Marketable securities	1,341	1,341
Total financial assets	\$ 295,189	\$ 319,170
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities*	\$ 629,051	\$ 386,026
Deferred revenues	65,444	-
Contingent consideration	540,000	-
Deferred income tax liability	119,730	-
Total financial liabilities	\$ 1,383,719	\$ 386,026

*Excluding sales tax receivable and payable

The fair values of the Company'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. Contingent consideration is recorded at fair value based on estimated future performance and discount rates. Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Company'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 Company is exposed to credit risk with respect to its cash and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank. The Company's amounts receivable consist primarily of Goods and 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.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 Company manages liquidity risk through the management of its capital structure.

At October 31, 2017, the Company had cash in the amount of \$130,936 (2016 - \$313,980) and accounts payable and accrued liabilities of \$658,545 (2016 - \$386,026). Contingent consideration of \$540,000 is contingent on the Company earning revenues in the future.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term financial obligations, after taking into account the Company'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 Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company 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 Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

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

	October 31, 2017		October 31, 2016	
	MXN	US	MXN	US
Accounts receivable	131,381	\$ -	\$ -	-
Accounts payable and accrued liabilities	(2,501,869)	-	(3,013,108)	-
Rate to convert \$1 CAD	0.067	1.2893	0.071	1.338

Based on the Company's net exposure, a 23% change (2016 - 22%) in the Canadian/Mexican peso exchange rate and a 12% change (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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

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 Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 100% (2016 - 24%) change in the market prices would impact the Company's earnings by approximately \$1,341 (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 inputs 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 Company's cash and marketable securities are classified at Level 1 of the fair value hierarchy. Contingent consideration are classified as Level 3 of the fair value hierarchy. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

16. MANAGEMENT OF CAPITAL

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

The Company's capital consists of shareholders' equity. The Company 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 Company may issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the year ended October 31, 2017.

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17. INCOME TAXES

As at October 31, 2017, the Company has non-capital losses of approximately \$7,441,000 and capital losses of \$27,000; \$5,613,000 of non-capital losses and all of the capital losses may be applied against future income for Canadian income tax purposes, and \$1,828,000 of non-capital losses may be applied against future income for Mexican income tax purposes.

The potential future tax benefits of these losses have not been recorded in these financial statements. The capital losses may be carried forward indefinitely. The non-capital losses expire as follows:

2018	\$	726,000
2019		525,000
2022		41,000
2023		187,000
2024		198,000
2025		43,000
2026		512,000
2027		514,000
2028		598,000
2029		501,000
2030		547,000
2031		516,000
2032		304,000
2033		294,000
2034		310,000
2035		292,000
2036		433,000
2037		901,000
	\$	7,441,000

The reconciliation of income taxes computed at statutory rates to the reported income tax provision is as follows:

	2017	2016
Loss before income taxes	\$ 3,021,998	\$ 2,586,960
Income tax at statutory rates	26.00%	26.00%
Expected income tax recovery	785,720	672,610
Non-deductible expenses and other permanent differences	(441,795)	(188,056)
Other	(137,321)	(372,204)
Losses expired	(72,216)	-
Under/over provided in prior years	39,284	-
Impact of foreign exchange on tax assets and liabilities	(16,610)	(98,449)
Unused tax losses and tax offsets	(157,062)	(13,901)
Total income tax expense	\$ -	\$ -

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17. INCOME TAXES (CONTINUED)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at October 31, 2017 and 2016 are presented below:

	2017	2016
Deferred income tax liabilities		
Intangible assets	(119,730)	-
Deferred income tax liabilities, net	\$ (119,730) \$	-

The following are the deductible temporary differences for which no deferred tax assets are recognized in the consolidated financial statements:

	2017	2016
Non-capital losses carried forward	\$ 7,440,963 \$	6,520,546
Capital losses carried forward	26,969	26,969
Mineral property interests	3,717,802	3,926,112
Marketable securities	569	569
Investment in oil and gas interests	74,141	74,141
Share issuance costs	53,991	35,696
Intangible assets	221,641	221,892
Equipment	140,308	68,322
	\$ 11,676,384 \$	10,874,247

18. SEGMENT REPORTING

The Company has one reportable operating segment, being sales of UAV equipment and providing UAV related services in Canada. The Company's assets are located in Canada. Prior to 2016 the Company's business was to acquire interests in mineral properties in Mexico. During the year ended October 31, 2017 the Company sold a mineral property in Mexico and recorded a gain on disposal of assets of \$85,524. At October 31, 2017, the Company does not hold any other assets in Mexico.

19. SUBSEQUENT EVENT

On January 2, 2018, the Company granted 600,000 stock options to directors and consultants of the Company. The stock options are exercisable on or before January 2, 2021 at an exercise price of \$0.12 per stock option.

On February 5, 2018, the Company received a total of \$1,148,300 from the exercise of warrants and stock options during the month of January 2018. The total is the result of the exercise of 6,783,000 warrants at \$0.10 per share and 3,950,000 stock options valued between \$0.10 and \$0.125 per share.