



GLOBAL UAV  
TECHNOLOGIES

**(A Technology Company)**

**Condensed Consolidated Interim Financial Statements**

**For the Nine Months Ended July 31, 2018 and 2017**

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

This notice is being provided in accordance with National Instrument 51-102 – Continuous Disclosure Obligations.

**GLOBAL UAV TECHNOLOGIES LTD.**

Condensed Consolidated Interim Statements of Financial Position

As at July 31, 2018 and October 31, 2017

(Unaudited - Expressed in Canadian Dollars)

	July 31, 2018	October 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,034,041	\$ 130,936
Amounts receivable (Note 3)	137,456	162,912
Marketable securities (Note 4)	1,341	1,341
Prepaid expenses	71,038	7,941
Inventory	121,091	34,901
	1,364,967	338,031
<b>Non-current</b>		
Deposit	1,500	1,500
Equipment (Notes 5 and 11)	1,093,420	341,298
Intangible assets (Notes 6 and 11)	415,425	434,850
Other assets (Note 11)	2,195,433	728,033
	3,705,778	1,505,681
<b>TOTAL ASSETS</b>	<b>\$ 5,070,745</b>	<b>\$ 1,843,712</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 8 and 12)	\$ 903,787	\$ 658,545
Deferred revenue	-	65,444
Current portion of contingent consideration (Note 11)	164,000	83,000
	1,067,787	806,989
<b>Non-current</b>		
Contingent consideration payable (Note 11)	376,000	457,000
Deferred income tax liability	107,945	119,730
	483,945	576,730
<b>TOTAL LIABILITIES</b>	<b>1,551,732</b>	<b>1,383,719</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	25,017,571	20,261,737
Reserves	2,878,703	2,555,404
Accumulated deficit	(24,377,261)	(22,357,148)
	3,519,013	459,993
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 5,070,745</b>	<b>\$ 1,843,712</b>

Approved and authorized by the Board on September 28, 2018:

"James Rogers" (signed)

..... Director

"Michael Burns" (signed)

..... Director

**GLOBAL UAV TECHNOLOGIES LTD.**

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

For the Three and Nine Months Ended July 31, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017
<b>Revenues</b>				
Services	\$ 401,197	\$ 333,529	\$ 1,251,353	\$ 537,118
Sales	-	-	36,748	-
	401,197	333,529	1,288,101	537,118
<b>Cost of Sales</b>	4,716	-	19,061	-
<b>Gross Margin</b>	396,481	333,529	1,269,040	537,118
<b>Operating Expenses</b>				
Accounting, audit and legal	88,974	9,247	177,621	60,370
Automotive	15,793	-	35,873	-
Consultants' fees (Notes 9 and 12)	225,687	109,187	447,848	367,955
Depreciation (Notes 5 and 6)	23,890	11,720	66,911	26,491
Exploration expenditures (Note 7)	-	43,638	6,896	53,129
Insurance	6,518	8,540	15,761	10,337
Investor relations and promotion	75,441	19,938	172,203	88,572
Office and miscellaneous	69,316	34,255	163,382	64,008
Regulatory fees	18,358	2,778	28,209	26,572
Rent	17,491	9,431	55,266	22,372
Repairs and maintenance	13,283	6,789	20,150	6,789
Research and development	18,549	-	18,549	-
Salaries and wages	180,484	10,997	365,665	15,986
Share-based payment (Note 9(e))	291,987	(31,500)	671,877	162,663
Subcontractor	321,342	-	620,689	-
Telephone	1,154	356	3,680	776
Transfer agent and listing fees	7,499	4,134	14,242	7,447
Travel	238,316	27,065	338,231	53,397
	(1,614,082)	(266,575)	(3,223,053)	(966,864)
<b>Other Items</b>				
Foreign exchange gain (loss)	(15,357)	4,808	(8,339)	1,024
Gain (loss) on disposal of equipment	-	83,194	(62,482)	85,524
Impairment loss	-	-	(7,064)	-
Impairment loss on acquisition (Note 11)	-	-	-	(740,178)
	(15,357)	88,002	(77,885)	(653,630)
<b>Net Income (Loss) before taxes</b>	\$ (1,232,958)	\$ 154,956	\$ (2,031,898)	\$ (1,083,376)
Deferred income tax recovery	11,785	-	11,785	-
<b>Net Income (Loss) and Comprehensive Income (Loss) for the Period</b>	\$ (1,221,173)	\$ 154,956	\$ (2,020,113)	\$ (1,083,376)
<b>Income (Loss) per Share, Basic and Diluted</b>	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ (0.02)
<b>Weighted Average Number of Common Shares Outstanding</b>	110,175,031	74,587,705	104,898,994	62,660,013

See notes to condensed consolidated interim financial statements.

**GLOBAL UAV TECHNOLOGIES LTD.**

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves			Obligation to Issue Shares	Accumulated Deficit	Total Shareholders' Equity
			Equity Settled Share-based Payments	Warrants	Total			
<b>Balance – October 31, 2016</b>	<b>46,203,755</b>	<b>\$ 17,241,516</b>	<b>\$ 1,778,139</b>	<b>\$ 348,288</b>	<b>\$ 2,126,427</b>	<b>\$ -</b>	<b>\$ (19,335,150)</b>	<b>\$ 32,793</b>
Net loss for the period	-	-	-	-	-	-	(1,083,376)	(1,083,376)
Common shares issued in private placements	11,000,000	550,000	-	-	-	-	-	550,000
Share issue costs	-	(17,039)	-	8,489	8,489	-	-	(8,550)
Exercise of options	1,800,000	180,000	-	-	-	-	-	180,000
Exercise of warrants	5,150,000	389,750	-	-	-	-	-	389,750
Share-based compensation	-	-	162,663	-	162,663	-	-	162,663
Common shares issued for asset acquisition of Pioneer Exploration Consultants	6,000,000	300,000	-	-	-	150,000	-	450,000
Common shares issued to Gridline	525,000	31,500	-	-	-	-	-	31,500
Common shares issued for acquisition in High Eye	4,500,000	225,000	-	-	-	-	-	225,000
Common shares issued for acquisition in UAV Regulatory Services	329,670	30,000	-	-	-	-	-	30,000
<b>Balance – July 31, 2017</b>	<b>75,508,425</b>	<b>\$ 18,930,727</b>	<b>\$ 1,940,802</b>	<b>\$ 356,777</b>	<b>\$ 2,297,579</b>	<b>\$ 150,000</b>	<b>\$ (20,418,526)</b>	<b>\$ 959,780</b>
<b>Balance – October 31, 2017</b>	<b>89,503,180</b>	<b>\$ 20,261,737</b>	<b>\$ 2,073,115</b>	<b>\$ 482,289</b>	<b>\$ 2,555,404</b>	<b>\$ -</b>	<b>\$ (22,357,148)</b>	<b>\$ 459,993</b>
Net loss for the period	-	-	-	-	-	-	(2,020,113)	(2,020,113)
Common shares issued in private placements	19,681,454	1,771,331	-	-	-	-	-	1,771,331
Share issue costs	-	(240,697)	-	104,522	104,522	-	-	(136,175)
Exercise of warrants	11,171,000	1,117,100	-	-	-	-	-	1,117,100
Exercise of options	4,400,000	968,100	(453,100)	-	(453,100)	-	-	515,000
Common shares issued for acquisition in AIR	12,000,000	1,140,000	-	-	-	-	-	1,140,000
Share-based compensation	-	-	671,877	-	671,877	-	-	671,877
<b>Balance – July 31, 2018</b>	<b>136,755,634</b>	<b>\$ 25,017,571</b>	<b>\$ 2,291,892</b>	<b>\$ 586,811</b>	<b>\$ 2,878,703</b>	<b>\$ -</b>	<b>\$ (24,377,261)</b>	<b>\$ 3,519,013</b>

See notes to condensed consolidated interim financial statements.

**GLOBAL UAV TECHNOLOGIES LTD.**  
Condensed Consolidated Interim Statements of Cash Flows  
For the Three and Nine Months Ended July 31, 2018 and 2017  
(Unaudited - Expressed in Canadian Dollars)

	<b>Nine Months Ended</b>	
	<b>July 31, 2018</b>	<b>July 31, 2017</b>
<b>Operating Activities</b>		
Net loss	\$ (2,020,113)	\$ (1,083,376)
Items not affecting cash:		
Depreciation	66,912	26,491
Share-based compensation	671,877	162,663
Deferred income tax recovery	(11,785)	-
Impairment loss - Pioneer (Note 11)	-	454,489
Impairment loss - High Eye (Note 11)	-	285,689
Changes in non-cash working capital:		
Amounts receivable	25,457	(151,943)
Prepaid expenses	(63,097)	8,038
Inventory	(86,190)	-
Accounts payable and accrued liabilities	(4,758)	(221,828)
Deferred revenue	(65,444)	-
<b>Cash Used in Operating Activities</b>	<b>(1,487,141)</b>	<b>(519,777)</b>
<b>Investing Activities</b>		
Purchase of equipment	(527,009)	(181,873)
Acquisition of AIR	(350,000)	-
Acquisition of Pioneer assets	-	(300,000)
Acquisition of UAV Regulatory Services	-	(70,000)
Acquisition of High Eye Aerial	-	27,576
<b>Cash Used in Investing Activities</b>	<b>(877,009)</b>	<b>(524,297)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares, net of share issue costs	1,635,155	541,450
Proceeds from exercise of warrants	1,117,100	389,750
Proceeds from exercise of options	515,000	180,000
Loan payable	-	12,716
<b>Cash Provided by Financing Activities</b>	<b>3,267,255</b>	<b>1,123,916</b>
<b>Increase in Cash</b>	<b>903,105</b>	<b>79,842</b>
<b>Cash, Beginning of Period</b>	<b>130,936</b>	<b>313,980</b>
<b>Cash, End of Period</b>	<b>\$ 1,034,041</b>	<b>\$ 393,822</b>

Supplemental Cash Flow Information – Note 10

**GLOBAL UAV TECHNOLOGIES LTD.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2018 and 2017**  
(Unaudited - Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Global UAV Technologies 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”.

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”), acquired assets of Pioneer Explorations Consultants Inc. (“Pioneer”), acquired a 100% interest in NOVAerial Robotics Ltd. (“NOVAerial”), and acquired a 100% interest in UAV Regulatory Services Ltd. (“UAV Regulatory”) (Note 11). As a result of these acquisitions the Company entered into the unmanned aerial vehicle (“UAV”) business and completed a change of business to a technology company.

On June 19, 2018 the Company closed the acquisition of Aerial Imaging Resources Inc. (‘AIR’) and issued 12,000,000 common shares of the Company and is required to make payments totaling \$600,000, of which \$350,000 was paid as at July 31, 2018 and \$125,000 was paid subsequent to period end. The remaining \$125,000 will be paid on, or before, October 5, 2018.

As a result of the Company’s previous business of mineral exploration, the Company has sustained recurring losses and negative cash flows from its operations. As at July 31, 2018, the Company had cash of \$1,034,041 (October 31, 2017 - \$130,936), working capital of \$297,180 (October 31, 2017 - \$(468,958)) and an accumulated deficit of \$24,377,261 (October 31, 2017 - \$22,357,148). 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 wholly owned subsidiaries and/or the Company’s ability to obtain the necessary financing. If the Company is unable to 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 condensed consolidated interim 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**

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**GLOBAL UAV TECHNOLOGIES LTD.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2018 and 2017**  
(Unaudited - Expressed in Canadian Dollars)

**2. BASIS OF PRESENTATION** (cont'd...)

**Basis of presentation**

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

The accounting policies applied in preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended October 31, 2017.

**Basis of consolidation**

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

		Percentage owned*	
		July 31, 2018	October 31, 2017
Minera Alta Vista SA de CV	Mexico	100%	100%
Pioneer Aerial Surveys Ltd.	Saskatchewan, Canada	100%	100%
High Eye Aerial Imaging Inc.	Ontario, Canada	100%	100%
UAV Regulatory Services Ltd.	BC, Canada	100%	100%
NOVAerial Robotics Ltd.	Ontario, Canada	100%	100%
Aerial Imaging Resources Inc.	Manitoba, 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. 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.

**New accounting standards and interpretations 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, 2018. 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.



## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

### **New accounting standards and interpretations adopted (cont'd...)**

#### **IFRS 9 *Financial Instruments (continued)***

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 Company's annual periods beginning November 1, 2018. The Company does not expect this amendment to have a material impact on the Company.

#### **IFRS 15 *Revenue from Contract 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. The Company is currently analysing the impact of the amendments

#### **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 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 annual period beginning on or after November 1, 2019. The Company does not expect this amendment to have a material impact on the Company.

**GLOBAL UAV TECHNOLOGIES LTD.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2018 and 2017**  
(Unaudited - Expressed in Canadian Dollars)

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**3. AMOUNTS RECEIVABLE**

Amounts receivable are comprised of the following:

	<b>July 31, 2018</b>	<b>October 31, 2017</b>
Trade receivable	\$ 109,528	\$ 154,070
Sales tax receivable	8,556	-
Other amounts receivable	19,372	8,842
<b>Total amounts receivable</b>	<b>\$ 137,456</b>	<b>\$ 162,912</b>

**4. MARKETABLE SECURITIES**

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

	<b>July 31, 2018</b>		<b>October 31, 2017</b>	
	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

**GLOBAL UAV TECHNOLOGIES LTD.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2018 and 2017**  
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**5. EQUIPMENT**

	Vehicles	Unmanned Aerial Vehicles	Office Equipment	Computer Software and Equipment	Leasehold Improvements	Total
<b>COST</b>						
Balance, October 31, 2016	\$ -	\$ 10,263	\$ 30,201	\$ 23,162	\$ -	\$ 63,626
Additions from acquisition	52,825	150,665	12,444	12,515	2,310	230,759
Additions	117,344	109,839	18,362	6,390	-	251,935
Disposals	-	(46,048)	-	-	-	(46,048)
Balance, October 31, 2017	170,169	224,719	61,007	42,067	2,310	500,272
Acquisitions (Note 11(e))	113,600	106,400	4,000	48,600	-	272,600
Additions	70,649	502,218	25,948	38,637	-	637,452
Disposals	(33,141)	(97,562)	(16,818)	(553)	-	(148,074)
<b>Balance, July 31, 2018</b>	<b>\$ 321,277</b>	<b>\$ 735,775</b>	<b>\$ 74,137</b>	<b>\$ 128,751</b>	<b>\$ 2,310</b>	<b>\$ 1,262,250</b>
<b>ACCUMULATED DEPRECIATION</b>						
Balance, October 31, 2016	\$ -	\$ -	\$ 27,435	\$ 21,953	\$ -	\$ 49,388
Acquisition	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
Depreciation	15,406	16,700	5,555	9,580	245	47,486
Disposals	(2,747)	(33,201)	(1,682)	-	-	(37,630)
<b>Balance, July 31, 2018</b>	<b>\$ 28,461</b>	<b>\$ 54,423</b>	<b>\$ 40,825</b>	<b>\$ 44,200</b>	<b>\$ 921</b>	<b>\$ 168,830</b>
<b>CARRYING AMOUNTS</b>						
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
<b>At July 31, 2018</b>	<b>\$ 292,816</b>	<b>\$ 681,352</b>	<b>\$ 33,312</b>	<b>\$ 84,551</b>	<b>\$ 1,389</b>	<b>\$ 1,093,420</b>

**GLOBAL UAV TECHNOLOGIES LTD.**  
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**For the Three and Nine Months Ended July 31, 2018 and 2017**  
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**6. INTANGIBLE ASSETS**

	<b>Trademark</b>	<b>Intellectual Property</b>	<b>Website</b>	<b>Client List</b>	<b>Total</b>
<b>COST</b>					
Balance, October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions from acquisitions	250	152,000	49,500	259,000	460,750
<b>Balance, October 31, 2017 and July 31, 2018</b>	<b>\$ 250</b>	<b>\$ 152,000</b>	<b>\$ 49,500</b>	<b>\$ 259,000</b>	<b>\$ 460,750</b>
<b>ACCUMULATED DEPRECIATION</b>					
Balance, October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	25,900	25,900
<b>Balance, October 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,900</b>	<b>\$ 25,900</b>
Depreciation	-	-	-	19,425	19,425
<b>Balance, July 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,325</b>	<b>\$ 45,325</b>
<b>CARRYING AMOUNTS</b>					
At October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
At October 31, 2017	\$ 250	\$ 152,000	\$ 49,500	\$ 233,100	\$ 434,850
<b>At July 31, 2018</b>	<b>\$ 250</b>	<b>\$ 152,000</b>	<b>\$ 49,500</b>	<b>\$ 213,675</b>	<b>\$ 415,425</b>

**7. MINERAL PROPERTY INTERESTS**

During the nine months ended July 31, 2018, the Company incurred \$6,896 (2017 - \$9,491) in exploration expenditures relating to camp and exploration support costs on its properties held in Mexico. The Company has completed a change of business to a technology company and is in the process of selling its mineral property interests and settling its liabilities.

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 was recorded as a gain on disposal of assets.

During the nine months ended July 31, 2018, the Company sold its interests in the Carol property, located in Sonora State, Mexico to a private Mexican Company for net proceeds of 100,000 Mexican Pesos (\$6,927). The book value of the property was \$nil prior to the sale and after costs of \$6,927 the Company recorded a gain of \$nil on disposal of the property. This sale removes any potential liabilities related to the property from the Company.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

	<b>July 31, 2018</b>	<b>October 31, 2017</b>
Trade payables *	\$ 626,917	\$ 581,051
Accrued liabilities	31,500	48,000
Taxes payable (receivable)	(4,630)	29,494
AIR Acquisition	250,000	
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 903,787</b>	<b>\$ 658,545</b>

\*Included in trade payables is \$172,792 related to the inactive Mexican subsidiary, of which \$110,169 (October 31, 2017 - \$108,064) owed to the Mexican Government for withholding taxes on salaries that were not remitted in prior years.

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**9. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares without par value.

**b) Issued**

***Nine Months Ended July 31, 2018***

On June 25, 2018, the Company completed a non-brokered private placement and issued 19,681,454 units at a price of \$0.09 per unit for total proceeds of \$1,771,330. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company until June 24, 2020 at a price of \$0.15 per share. The Company issued a total of 2,368,762 agent warrants with a fair value of \$104,522 and paid cash finder's fees of \$5,750. The warrants were valued using the Black-Scholes option pricing model with a volatility of 117%, expected life of 2 year, risk free rate of 1.77% and dividend rate of 0%. Each warrant has terms consistent with the warrant described above.

During the nine months ended July 31, 2018:

- i. 11,171,000 warrants were exercised for total proceeds of \$1,117,100; and
- ii. 4,400,000 options were exercised for total proceeds of \$515,000.

On June 19, 2018, the Company acquired a 100% interest in Aerial Imaging Resources Inc. On closing, the Company issued 12,000,000 common shares to the vendors for a fair value of \$1,140,000. Refer to Note 11 for additional details on the acquisition.

***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 11 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 11 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 11 for details on acquisitions during the year.

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**9. SHARE CAPITAL** (cont'd...)

**b) Issued (continued)**

*Year Ended October 31, 2017* (cont'd...)

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 \$265,234. 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 11 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.

**c) Share purchase warrants**

A continuity schedule of outstanding common share purchase warrants for the nine months ended July 31, 2018 and year ended October 31, 2017 is as follows:

	<b>July 31, 2018</b>		<b>October 31, 2017</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	16,943,646	\$ 0.080	23,652,148	\$ 0.090
Issued	22,050,216	0.150	14,062,646	0.100
Exercised	(11,171,000)	0.100	(5,752,000)	0.076
Expired	(3,241,000)	0.076	(15,019,148)	0.098
Outstanding, end of period	24,581,862	\$ 0.190	16,943,646	\$ 0.080

At July 31, 2018 the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	<b>Outstanding at July 31, 2018</b>
\$0.120	October 4, 2022	2,531,646
\$0.150	June 24, 2020	22,050,216
		24,581,862
Weighted average remaining contractual life (in years)		2.14

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**9. SHARE CAPITAL (cont'd...)**

**d) Share options**

A continuity schedule of outstanding share options for the nine months ended July 31, 2018 and year ended October 31, 2017 is as follows:

	<b>July 31, 2018</b>		<b>October 31, 2017</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	9,507,500	\$ 0.104	7,610,000	\$ 0.107
Granted	6,400,000	0.120	8,900,000	0.100
Cancelled	(750,000)	0.100	(1,727,500)	0.108
Expired	(257,500)	0.110	(475,000)	0.110
Exercised	(4,400,000)	0.144	(4,800,000)	0.100
Outstanding and exercisable, end of period	10,500,000	\$ 0.122	9,507,500	\$ 0.104

As at July 31, 2018 the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Outstanding at July 31, 2018</b>
\$ 0.100	August 6, 2018	500,000
\$ 0.140	December 29, 2018	550,000
\$ 0.100	July 15, 2019	500,000
\$ 0.100	August 29, 2019	550,000
\$ 0.100	September 21, 2019	200,000
\$ 0.100	March 23, 2020	1,400,000
\$ 0.100	August 2, 2020	250,000
\$ 0.100	October 4, 2020	3,150,000
\$ 0.120	January 2, 2021	600,000
\$ 0.125	January 9, 2021	550,000
\$ 0.180	February 13, 2021	2,250,000
		10,500,000
Weighted average remaining contractual life (in years)		1.66

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**9. SHARE CAPITAL (cont'd...)**

**e) Share-based compensation**

The fair value of share options granted and vested during the nine months ended July 31, 2018 and 2017 was recognized as share-based compensation in the condensed consolidated interim statements of operations and comprehensive loss, and was allocated as follows:

	<b>2018</b>	<b>2017</b>
Total share-based compensation	\$ 671,877	\$ 162,663

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:

	<b>July 31, 2018</b>	<b>July 31, 2017</b>
Risk free interest rate	1.77%	1.34%
Expected annual volatility	201.36%	202.05%
Expected life	3 years	3years
Expected dividend yield	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

During nine months ended July 31, 2018, the Company entered into the following non-cash transactions.

- i) The Company issued 12,000,000 common shares as part of the consideration to acquire Aerial Imaging Resources Inc., which were fair valued at \$1,140,000.

During nine months ended July 31, 2017, the Company entered into the following non-cash transactions.

- i) The Company issued 9,000,000 common shares to close the Asset Purchase Agreement for the UAV assets of Pioneer Exploration Consultants totaling \$300,000.
- ii) The Company issued 4,500,000 common shares to close the Share Purchase Agreement for a 100% interest in High Eye Aerial Imaging Inc. totaling \$225,000.



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**11. 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-MAGTM 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 paid	\$	500,000
Common shares issued		495,000
Contingent consideration		540,000
Finder’s fees		15,212
<b>Total consideration paid</b>	<b>\$</b>	<b>1,550,212</b>
Equipment	\$	75,260
Trademark		250
<b>Total value of the assets acquired</b>	<b>\$</b>	<b>75,510</b>
<b>Impairment loss</b>	<b>\$</b>	<b>1,474,702</b>

*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.

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**11. ACQUISITIONS** (cont'd...)

*b) High Eye Aerial Imaging Inc.* (cont'd...)

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
<b>Total consideration paid</b>	<b>\$ 347,500</b>
Fair value of net assets:	
Cash	\$ 26,067
Prepaid expenses	1,632
Accounts receivable	12,809
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)
<b>Total value of the assets acquired</b>	<b>\$ 122,298</b>
<b>Goodwill</b>	<b>\$ 225,202</b>

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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**11. ACQUISITIONS (cont'd...)**

*c) UAV Regulatory Services Ltd.* (cont'd...)

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

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

*d) NOVAerial Robotics Ltd.*

On August 9, 2017, the Company acquired a 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
<b>Total consideration paid</b>	<b>\$ 666,762</b>
Cash	\$ 14,841
Prepaid expenses	5,928
Taxes receivable	923
Due from shareholder	11,737
Inventory	56,814
Equipment	32,835
Client list	141,000
Brand	115,000
Accounts payable	(81,287)
Deferred revenue	(80,856)
Deferred income tax liability	(66,560)
<b>Total value of net assets acquired</b>	<b>\$ 150,377</b>
<b>Goodwill</b>	<b>\$ 516,385</b>

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**11. ACQUISITIONS** (cont'd...)

*e) Aerial Imaging Resources Inc.*

On June 19, 2018, the Company acquired a 100% interest in AIR. The Company issued 12,000,000 common shares with a fair value of \$1,140,000, made a payment of \$350,000 cash, and is required to make two further cash payments totaling \$250,000 on or before December 14, 2018 (\$125,000 was paid subsequent to period end).

For accounting purposes, the acquisition of Aerial Imaging Resources Inc. was considered a business acquisition. The results of operations from AIR are included in the consolidated financial statements since the date of acquisition.

Cash paid or accrued	\$	600,000
Common shares issued		1,140,000
<b>Total consideration paid</b>	<b>\$</b>	<b>1,740,000</b>
<hr/>		
Equipment	\$	272,600
<b>Total value of net assets acquired</b>	<b>\$</b>	<b>272,600</b>
<hr/>		
<b>Goodwill</b>	<b>\$</b>	<b>1,467,400</b>

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**12. RELATED PARTY TRANSACTIONS**

Transactions with management and related parties during the nine months ended July 31, 2018 and 2017 were as follows:

		<b>2018</b>		<b>2017</b>
101252103 Saskatchewan Ltd. <sup>(i)</sup>	\$	94,500	\$	-
Longford Capital Corporation <sup>(ii)</sup>	\$	94,500	\$	-
Westridge Management Ltd <sup>(iii)</sup>	\$	26,000	\$	-
Stewart Baillie <sup>(iv)</sup>	\$	8,085	\$	-
BridgeMark Financial Corporation <sup>(v)</sup>	\$	28,000	\$	-
Robert Lefebvre <sup>(vi)</sup>	\$	84,961	\$	-
Share based compensation	\$	399,222		
Timeline Filing Services Ltd <sup>(vii)</sup>	\$	-	\$	18,643
Catalyst X Media Corporation <sup>(viii)</sup>	\$	-	\$	35,440
Jackson and Company <sup>(v)</sup>	\$	-	\$	15,000

- i) 101252103 Saskatchewan Ltd. is a private enterprise controlled by the Company's current CEO, Michael Burns.
- ii) Longford Capital Corporation is a private enterprise controlled by the Company's current president, James Rogers.
- iii) Westridge Management Ltd is a private enterprise controlled by the Company's current COO, Andrew Male
- vi) Stewart Baillie is a director of the Company.
- v) BridgeMark Financial and Jackson and Company are private enterprises controlled by the Company's former CFO, Anthony Jackson.
- vi) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's former Corporate Secretary, Laara Shaffer.
- vii) Catalyst X Media Corporation is a private enterprise controlled by the Company's former president and CEO, Jason Springett.
- viii) Robert Lefebvre is a former director of the Company.

During the nine months ended July 31, 2018, the Company granted 550,000 (2017 - nil) options to a director of the Company at an exercise price of \$0.125 per share valued at \$66,441 and 500,000 (2017 - nil) options at an exercise price of \$0.12 per share valued at \$40,794.

***Accounts payable to related parties***

Included in accounts payable and accrued liabilities is \$166,430 (October 31, 2017 - \$234,850) due to officers, former officers and directors of the Company. During the year ended October 31, 2017, the Company settled \$109,000 of accounts payable owing to related parties through the issuance of 2,180,000 units, included in private placements.

***Other***

Mr. Burns is a shareholder of Pioneer Exploration Consultants Ltd., which sold its assets to the Company and retained a 10% royalty on future earnings before income taxes, depreciation, and amortization expenses of Pioneer (note 11(a)). Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

	<b>July 31, 2018</b>	<b>October 31, 2017</b>
<b>Financial assets</b>		
Fair value through profit or loss		
Cash	\$ 1,034,041	\$ 130,936
Loans and receivables		
Amounts receivable	137,456	162,912
Available-for-sale		
Marketable securities	1,341	1,341
<b>Total financial assets</b>	<b>\$ 1,172,838</b>	<b>\$ 295,189</b>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 903,787	\$ 658,545
Deferred Revenue	-	65,444
Contingent consideration*	540,000	540,000
<b>Total financial liabilities</b>	<b>\$ 1,443,787</b>	<b>\$ 1,263,989</b>

\*Estimated fair value of the 10% royalty payments on future earnings before income taxes, depreciation, and amortization expenses of Pioneer Aerial Surveys to be paid out over a five-year term (Note 11 (a)).

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.

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

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

**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 trade receivables, and Goods and Services Tax receivable from the Canadian 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 Company manages liquidity risk through the management of its capital structure.

At July 31, 2018, the Company had cash in the amount of \$1,034,041 (October 31, 2017 - \$130,936) and accounts payable and accrued liabilities of \$903,787 (October 31, 2017 - \$658,545).

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, 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, 2018		October 31, 2017	
	MXN	US	MXN	US
Accounts receivable	113,042	\$ -	131,381	\$ -
Accounts payable and accrued liabilities	(2,861,869)	-	(2,501,869)	-
Rate to convert \$1 CAD	0.070	1.3017	0.067	1.2893

Based on the Company's net exposure, a 23% change (October 31, 2017 - 23%) in the Canadian/Mexican peso exchange rate and a 12% change (October 31, 2017 - 12%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings.

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

**c) Market risk (cont'd...)**

*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% (October 31, 2017 - 100%) change in the market prices would impact the Company's earnings by approximately \$1,341 (October 31, 2017 - \$1,341).

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 Company's cash and marketable securities are classified at Level 1 of the fair value hierarchy. Contingent consideration is classified as Level 3 of the fair value hierarchy.

**14. 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'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 period ended July 31, 2018.