GLOBAL UAV TECHNOLOGIES

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

**QUARTER ENDED JULY 31, 2018**

## Introduction

This Management's Discussion and Analysis ("MD&A") of Global UAV Technologies Ltd., including its wholly owned subsidiaries, is the responsibility of management and covers the three and nine month period ended July 31, 2018. The MD&A takes into account information available up to and including September 27, 2018, and should be read together with the condensed consolidated interim financial statements for the period ended July 31, 2018 and the annual audited consolidated financial statements for the year ended October 31, 2017. Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Throughout this document the terms we, us, our, the Company, the Issuer and UAV refer to Global UAV Technologies Ltd. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise indicated.

## Forward Looking Statements

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

## Description of Business

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

In January of 2017, the Company moved into the Unmanned Aerial Vehicle ("UAV") sector and completed a Change of Business, (COB), with the CSE and is now in the Technology Sector. In May of 2017 the Company changed its name to Global UAV Technologies Ltd. in order to better reflect its business. Since completion of the COB the Company has acquired various key businesses to accelerate the Company's target of being a leader in the UAV sector. These acquisitions include:

During the year ended October 31, 2017 the Company entered into the following transactions:

- **High Eye Aerial Imaging Inc., ("High Eye")**: The Company acquired a 100% interest by issuing 4,500,000 common shares valued at $247,500 of the Issuer and $100,000 in the form of a promissory note. High Eye has been operating for over five years and provides aerial images and surveys, including providing perspectives and images which cannot be obtained by full-sized manned aircrafts or by ground based gathering techniques.

- Pioneer Aerial Surveys Ltd**., ("Pioneer"):** Is an entity that was incorporated in order to represent 100% of the UAV assets that the Company purchased from **Pioneer Exploration Consultants Ltd., ("PEC").** The Company paid consideration of a total of 9,000,000 shares of the Issuer and a total of $500,000 in cash to PEC. The final payment of $200,000 was subsequently renegotiated to 2,531,646 Units of the Issuer with each Unit consisting of a share and a share purchase warrant that can be exercised to purchase one addition share for $0.12 for a period of up to five years. The Company also granted a 10% royalty on EBITDA of Pioneer, for a period of five years to PEC. As such, the UAV assets, which form the core of Pioneer, are now wholly owned by the Issuer. Pioneer offers mining and exploration industry UAV based remote sensing solutions. They do this using some of the most advanced UAV systems in the world that are custom built in Canada and capable of long flights with diverse sensor payloads. Included in the suite of solutions, Pioneer specializes in aeromagnetic surveys utilizing their proprietary, and proudly developed, UAV-Mag™ system – the first commercially available UAV supported system on the market.

- **UAV Regulatory Services Ltd., ("UAV Regulatory"):** The Company acquired a 100% interest in UAV Regulatory by paying $70,000 in cash and issuing 329,670 common shares valued at $26,374. UAV Regulatory primary product is easysfoc.com, an online platform that assists UAV users to apply to Transport Canada for a Special Flight Operating Certificate, "SFOC").

- **NOVAerial Robotics Inc., ("NOVAerial).**: The Company acquired a 100% interest in NOVAerial by paying $300,000 in cash and issuing 4,584,527 common shares valued at $366,762. NOVAerial Robotics is a Canadian-based company that designs, engineers and manufactures single and multi-rotor helicopter-style unmanned aerial vehicles.

During the period ended July 31, 2018, the Company entered into the following transaction:

- **Aerial Imaging Resources Inc., ("AIR"):** The Company acquired a 100% interest in AIR for twelve million shares of the Issuer and payments totaling $600,000. A balance of $125,000 is due on, or before, October 5, 2018. AIR was consolidated under Pioneer since AIR provides similar services to Pioneer. With this acquisition however, it will further strengthen the Company's expertise and customer base as a result. The consolidation of all of the assets, personnel and business opportunities into Pioneer will form one of, if not the, largest UAV centred geophysics company in the world.

Following a busy period with key business acquisitions the Company has grown to a work force of 31. The Company is working to improve organization structure, streamline processes and optimize workflow, while also on reducing the reliance on contractors.

**Outlook**

The use and application of unmanned aerial vehicles as an effective business tool and solution for complex problems in various industries continues to experience rapid growth. Following the Company's expansion over the past 12 months the Company is well positioned to gain a share of the growth and has greater exposure to target markets.

The Company is uniquely positioned, being a fully vertically integrated UAV solutions provider. The Company offers design, engineering, manufacturing and servicing through Novaerial, advanced remote sensing and surveys through Pioneer and High-Eye, and assistance with the preparation of SFOC's through UAV Regulatory.

The Company is gaining the attention of small and large customers across the globe. In line with this customer attention, the Company will continue its growth strategy through the expansion and development of the already well established business units, as well as developing a capital markets awareness through key opportunities with investors. The Company has an overall goal of being the fully-integrated market leader, covering all aspects of the UAV industry.

**Performance Summary and Subsequent Events**

**UAV Activities:**

The following is the summary of Global UAV's activities in the UAV sector that occurred during the quarter ended July 31, 2018, for additional information please refer to the applicable news release:

- On July 10, 2018, the Company reported that together with InDro Robotics Inc. ("InDro"), a compliant UAV mapping, training, and consulting business, and High Eye Aerial Imaging Inc. ("High Eye"), concluded the first UAV mapping mission over a major Canadian metropolitan city. The first of its kind operation, flown over the downtown core of Victoria, B.C. on June 14th, 2018, was completed for the City of Victoria's Emergency Management Division and conducted alongside members of Transport Canada.

- On July 26, 2018, the Company announced that its research & development ("R&D"), engineering and manufacturing division; NOVAerial had successfully test flown a UAV (an "Unmanned Aviation Vehicle") using the 4G cellular network for command and control as well as flight data telemetry feedback.

- On June 19, 2018, the Company reported that it had closed the purchase for a 100% interest in Aerial Imaging Resources Inc., ("AIR"),

  The Company issued 12,000,000 common shares of the Company to the shareholders of AIR. The shares are subject to resale restrictions over 24 months from the date of closing with the first set of shares having a hold period of four months and one day. In concert with the issuance of the shares for purchase consideration, the Company also paid the initial cash payment of $350,000. The remaining cash payments will be made as follows: $125,000 on, or before, August 14, 2018 (paid) and $125,000 on, or before, October 5, 2018.

As part of the transaction, Peter Dueck, President of Aerial, will become President of Global UAV's wholly-owned subsidiary Pioneer Aerial Surveys Ltd. and Thomas Stanley-Jones, a principal of Aerial will be engaged as a Pilot-GIS-Programmer

Please refer to Note 11 of the Condensed Consolidated Financial Statements for a summary of the transaction.

**Corporate Events**

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

- On May 22, 2018, the Issuer announced the formation of a Technical Advisory Board. The focus of the Technical Advisory Board is to facilitate business growth opportunities and provide Global UAV a knowledge base within certain and specific sectors of the Company's business opportunities. Each of the new members of the Technical Advisory Board have been carefully selected as experts within their realm of knowledge and access.

  Global UAV have chosen Ms. Monica England, Mr. Del Kintner, Mr. Adam Allouba and Mr. Robert Lefebvre to form the initial Advisory Board. Each of the members have significant experience in the UAV industry within their diverse backgrounds that include the US Military, defense contracting and manufacturing, legal and the mining industry. Please refer to the news release for the member biographies.

- On June 27, 2018, the Issuer announced the closing of its non-brokered private placement which was oversubscribed. The Company issued 19,681,454 units at a price of $0.09 per Unit for gross proceeds of CDN$1.77 million (the "Offering"), exceeding its goal of CDN$1.5 million.

  Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder to purchase one Common Share at a price of $0.15 for a period of 24 months from the date of issuance, being June 25, 2018.

- On September 5, 2018, the Issuer announced that it recently became a member of the 8020 Connect Inc., ("8020 Connect"), investor community. The Issuer invited all shareholders and stakeholders to join the Global UAV portal on 8020 Connect at: https://bit.ly/2MpsHaH. Through the 8020 platform, Global UAV will engage with open lines of communication to ensure each shareholder and interested investor can stay up to date with corporate developments as well as have an opportunity to be engaged through a social media portal.

**Management Changes**

During the quarter ended July 31, 2018:

i. The Issuer appointed Jonathan Richards as interim CFO. Please refer to the news release dated July 24, 2018 for Mr. Richards's biography.

ii. The Issuer appointed Andrew Male as Chief Operating Officer. Please refer to the news release dated July 24, 2018 for Mr. Male's biography.

iii. The Issuer accepted the resignation of Robert Lefebvre from its board of directors.

**Results of Operations**

During the quarter ended July 31, 2018 the Company earned revenue of $401,197 compared to $333,529 during the comparative quarter, an increase of $67,668, (20%). Total revenue for the nine-month period was $1,288,101 compared to $537,118, an increase of $750,983. (140%).

Net loss for the quarter was $1,232,958, which included non-cash expenditures for share-based payments of $291,987 and for depreciation of $23,890. Net loss for the nine-month period ended July 31, 2018 was $2,031,898, which included non-cash expenditures for share-based payments of $671,877 and for depreciation of $66,911.

Significant variances in the Issuer's operational expenditures for the quarter ended July 2018 compared to the quarter ended July 31, 2017, were as follows:

i. Consultants' fees increased by $116,500 to $225,687 from $109,187 in 2017 due to the increase in activity due to the acquisitions and growth in the Company's business.

ii. Accounting, audit and legal expenses increased by $79,727 to $88,974 from $9,247 in 2017 due to increase in legal work performed in respect of acquisitions and increased activity.

iii. Share-based payments increased by $323,487 to $291,987 from (31,500). The expenditure amount relates to the timing of granting stock options and the fair value of the options granted to directors and consultants in the respective period.

iv. Office and miscellaneous increased by $35,061 to $69,316 from $34,255 in 2017 due to increased office-related activities and including the expenses of its subsidiaries.

v. Subcontractor increased by $321,342 to $321,342 from $nil. Subcontractors are used to complete projects. The increase is due to the increased activities and from the business and asset acquisitions.

vi. Investor relations and promotion increased by $55,503 to $75,441 from $19,938. The increase is due to increased activities resulting from the business and asset the acquisitions completed and the fund-raising activities.

vii. Travel increased by $211,251 to $238,316 from $27,065. Travel increased due to the increase business activities, the acquisitions, and due to the fund-raising activity and investor relations activity over the period.

Significant variances in the Issuer's financial position for July 31, 2018 compared with October 31, 2017 were as follows:

i. Cash increased by $903,105 to $1,034,041 from $130,936. Refer to the cash-flow discussion below for a description of operating, investing and financing activities.

ii. Property, plant and equipment increased by $752,122 to $1,093,420 from $341,298. The increase relates to the assets acquired in the AIR acquisition and the purchase of new equipment, offset by depreciation for the period. The Company continues to acquire new equipment as it strives to be a market leader in the UAV sector.

iii. Accounts payable and accrued liabilities increased by $245,242 to $903,787 from $658,545. The increase mainly relates to the amounts owing to AIR ($250,000) relating to the final acquisition payments.

**Summary of Quarterly Results**

| | **Jul. 31, 2018** | **Apr. 30, 2018** | **Jan. 31, 2018** | **Oct. 31, 2017** | **Jul. 31, 2017** | **Apr. 30, 2017** | **Jan. 31, 2017** | **Oct. 31, 2016** |
|---|---|---|---|---|---|---|---|---|
| Revenue | $401,197 | $537,153 | $349,750 | $490,261 | $333,529 | $181,203 | $22,386 | $Nil |
| Income (Loss) for the quarter | ($1,221,173) | ($328,670) | ($470,270) | ($1,938,622) | $154,956 | ($463,994) | ($774,338) | ($403,683) |
| Basic and diluted earnings (loss) per share | ($0.01) | ($0.00) | ($0.01) | ($0.01) | $0.00 | ($0.01) | ($0.02) | ($0.00) |

The variability in the Company's net income (loss) over the last eight quarters resulted primarily from:

- The growth strategy of the Company and the key asset and business acquisitions completed, as discussed in the Description of Business section above. Each acquisition is one-off in nature and has significant investigation and due diligence related costs in advance of closing. Once completed, general activity for the company increases due to the consolidation of the Company or assets.
- The sales activities of the company

- General corporate activities. During the quarter ended January 31, 2018 the Company had a number of one-off transactions, as discussed above, which impacted the results and activity level for the Company.

**Related Party Transactions**

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

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

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
iv. 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.

***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 PEC Exploration Consultants Ltd., which sold its UAV assets to the Company and retained a 10% royalty on EBITDA. Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

**Liquidity and Capital Resources**

As at July 31, 2018, the Issuer had cash totaling $1,034,041, compared to $130,936 as at October 31, 2017. During the 9-month period ended July 31, 2018 the Company received $3,267,255 (2017 - $1,123,916) from financing activities, incurred $1,487,141 (2017 - $519,777) in operating activities and invested $877,009 (2017 - $524,297) relating to the acquisition of AIR and the purchase of plant and equipment. As at July 31, 2018 the Company had working capital of $297,180 (October 31, 2017 – deficit of $468,958)

Depending on the growth and success of its recent acquisitions and the demand for UAV services, the Company may require additional capital. To maintain liquidity in the future, the Company continues to investigate additional acquisitions and financing opportunities and would consider raising capital via share issuances, debt facilities, or a combination of these options.

Significant variances in the Issuer's cash flows for the quarter ended July 31, 2018 compared to the quarter ended July 31, 2017, were as follows:

i. Cash used in operating activities increased by $967,364 to $1,487,141 from $519,777 in 2017 due to a significant increase in activities following all the acquisitions and the financing activity.

ii. Cash used in investing activities increased by $352,712 to $877,009 from $524,297. During the period ended July 31, 2018 the Company acquired $527,009 of new equipment (2017 $181,873) and closed the acquisition of AIR (2017 – Pioneer, UAV Regulatory Services, and High Eye Aerial).

iii. Cash provided by financing activities increased by $2,143,339 to $3,267,255 from $1,123,916 in 2017. During the current period the Company raised funds via a private placement (net proceeds of $1,635,155), the exercise of warrants ($1,117,100) and the exercise of options ($515,000).

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

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

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

**Financial Instruments and Risk Management**

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

| | | **July 31, 2018** | | **October 31, 2017** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| 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 |
| **Total financial assets** | $ | 1,172,838 | $ | 295,189 |
| | | | | |
| **Financial liabilities** | | | | |
| Other financial liabilities | | | | |
| Accounts payable and accrued liabilities | $ | 903,787 | $ | 658,545 |
| Deferred revenues | | - | | 65,444 |
| Contingent consideration | | 540,000 | | 540,000 |
| **Total financial liabilities** | $ | 1,443,787 | $ | 1,263,989 |

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 Issuer 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.

**b) Liquidity risk**

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

At July 31, 2018, the Company had cash in the amount of $1,034,042 (October 31, 2017 - $130,936) and accounts payable and accrued liabilities of $903,787 (October 31, 2017 - $658,545).

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

ii) To the extent that changes in prevailing market rates differ from the interest rate in the Issuer’s monetary assets and liabilities, the Issuer is exposed to interest rate price risk.

The Issuer is not exposed to significant interest rate risk.

*Foreign currency risk*

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

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

| | **July 31, 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.

*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 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.

**Management of Capital**

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

The Issuer's capital consists of shareholders' equity.

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

To effectively manage its resources and minimize risk, the Issuer maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Issuer 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. In order to maximize ongoing development efforts, the Issuer does not pay dividends.

The Issuer'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 Issuer's approach to capital management during the period ended July 31, 2018.

**Off-Balance Sheet Arrangements**

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

**Proposed Transactions**

There are currently no proposed transactions contemplated by the Issuer.

**Contractual Obligations**

Except as described herein or in the Company's condensed consolidated interim financial statements at July 31, 2018, the Company had no material contractual obligations.

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

**Dilution**

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

**Market Volatility**

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

**Critical Accounting Estimates**

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

***Critical accounting estimates***

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

*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 compensation*

Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the nine months ended July 31, 2018, the Company recognized share-based compensation of $671,877 (2017 - $162,663).

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

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

*Impairment of assets*

When there are indications that an asset may be impaired, the Company is required to estimate the asset’s recoverable amount. 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. During the year ended October 31, 2017, management determined that there were indicators of impairment for its acquisitions in Pioneer and High Eye and recorded a write-down of $763,753 on the assets of the acquired subsidiaries.

*Impairment of marketable securities*

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

*Income taxes*

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

*Going concern*

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

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

At the date of authorization of these consolidated financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective as at July 31, 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.

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

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

- Classification and measurement of financial liabilities:
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:
  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:
  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

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

**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 annual periods beginning on January 1, 2018, with the required retrospective application and earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements.

**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 fiscal periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the standard on its financial statements.

**Disclosure of Outstanding Share Data**

As at the date of this report the Company had the following common shares, stock options and warrants outstanding:

| | |
|---|---:|
| Common shares | 117,074,180 |
| Stock options (vested and unvested) | 10,500,000 |
| Warrants | 24,581,862 |
| Fully diluted shares outstanding | **136,755,634** |

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