



GLOBAL UAV
TECHNOLOGIES

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 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 year ended October 31, 2018. The MD&A takes into account information available up to and including February 26, 2018, and should be read together with the annual audited consolidated financial statements for the year ended October 31, 2018 and 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 designated as a Technology issuer. 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 Light Detection and Ranging (LiDAR) surveys, including providing perspectives and images which cannot be obtained by full-sized manned aircraft 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 drone-based geophysical survey technology as a service for various industries and applications including mining and exploration, underground infrastructure detection and Unexploded Ordnance detection ("UXO"). Pioneer accomplishes this using some of the most advanced UAV systems in the world that are custom built in Canada and capable of long flights with highly advanced 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 geophysical survey system on the market. Pioneer Aerial currently holds a beyond visual line of sight ("BVLOS") special flight operating certificate ("SFOC") for BVLOS flights at the Foremost Alberta test range. Pioneer Aerial has been active as a service provider to the mining industry in 4 continents and 10 countries.

- **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’s primary product is easysfoc.com, an online platform that assists UAV users to apply to Transport Canada for a Special Flight Operating Certificate, “SFOC”). UAV Regulatory assists clients with obtaining special regulatory permissions and authorizations, as well as managing the regulatory requirements of Pioneer Aerial and High Eye.
- **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-rotor helicopter-style and multi-rotor unmanned aerial vehicles.

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

- **Aerial Imaging Resources Inc., (“AIR”):** The Company acquired a 100% interest in AIR for 12,000,000 shares of the Issuer valued at \$1,140,000, and payments totaling \$600,000. The final balance of \$125,000 was renegotiated such that \$20,825 will be settled via an asset disposition and the balance was extended to May 31, 2018. AIR was consolidated under Pioneer since AIR provides similar services to Pioneer. As a result, this acquisition will further strengthen the Company’s expertise, operational capability and customer base. The consolidation of all of the assets, personnel and business opportunities into Pioneer will form one of, if not the, largest UAV centered geophysics company in the world.

The Company continues to improve organization structure, streamline processes and optimize workflow, while also on reducing the reliance on contractors. Continuation of streamlining and process optimization will continue into Q3 of 2019.

Performance Summary for the Fourth Quarter

Net loss for the fourth quarter was \$2,702,910 (2017 - \$1,001,885), which included revenue of \$558,231 (2017 - \$490,261). Significant items for the fourth quarter included:

- The Company recorded a recovery from a change in estimate on the contingency provision of \$430,215 (2017 - \$Nil). Based on the lower margins achieved during 2018 the Company updated the projections and the estimated contingent consideration decreased. In addition, the Company recorded accretion of \$146,989 (2017 - \$Nil) relating to the contingent consideration.
- The Company recorded an impairment loss of \$1,981,201 (2017 - \$66,000) relating to the write-down of goodwill and intangibles on various acquisitions. Refer to note 7 and 12 of the financial statements for additional information.
- The Company recorded a deferred income tax recovery of \$105,885 (2017 - \$nil).

As at October 31, 2018 the Issuer had cash totaling \$178,450 (2017 - \$130,936). As at October 31, 2018, the Issuer had working capital deficiency of \$442,055 (2017 - working capital of \$468,958).

However, management anticipates that with the continued growth of its subsidiaries the financial commitments may be dealt with from internal sources. If this as well as the Issuer’s cash on hand is not sufficient to fund the Issuer’s operating expenses and business activities in the medium to long term, additional funds will need to be raised through equity markets to provide additional financing for operating expenses and business activities.

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. This combined with repeat customer work positions the Company well for future development.

The Company is uniquely positioned, being a fully vertically integrated UAV solutions provider. The Company sells commercial-grade drones which are designed, engineered, manufactured and serviced through Novaerial, advanced remote sensing and geophysical surveys through Pioneer and High-Eye, and assistance with the airspace regulatory compliance 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 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 September 17, 2018, the Issuer announced that its subsidiary Pioneer Aerial Surveys Ltd. ("Pioneer") received authorization for Beyond Visual Line of Sight ("BVLOS") flight testing at the Unmanned Aerial System's test range in Foremost, Alberta. This authorization was awarded in the means of a Special Flight Authorization Certificate ("SFOC") by Transport Canada and allows Pioneer to demonstrate the BVLOS delivery of payloads using the Procyon 800E and perform various tests related to communications and telemetry in a controlled BVLOS environment to further the development of the Issuer's technology and services.
- On September 20, 2018, the Issuer announced that its subsidiary Pioneer Aerial Surveys Ltd. ("Pioneer") secured a survey contract in Africa marking the Issuer's expansion of services into the African Continent. The UAV-MAG™ survey contract was in a remote area of North Sudan for Axiom Group of Companies Ltd., a repeat customer.
- On October 4, 2018 the Issuer announced its membership as a drone technology partner in the Southwest Innovation Cluster ("SWIC") and its participation in the Subterranean Project ("SubT").

Membership and involvement in the SWIC alongside co-members such as Raytheon, Boeing, Northrop Grumman and others presents an opportunity to develop the Issuer's exposure to the US Defence market and to further advance its technology in a collaborative environment.

The issuer's involvement in the SubT project alongside co-partners including representatives of the US Army, The Space and Naval Warfare Systems Command, Ardent Eagle, Max Robotics and ADS Inc. is aimed at developing drone technology solutions to operate in GPS denied environments such as underground cave or tunnel systems.

- On October 9, 2018 the Issuer announced the autonomous takeoff and landing of a research and development helicopter drone from a moving platform. The drone is one of Novaerial Robotics Inc's and the flight cycle was completed as part of an ongoing project with Planck Aerosystems Inc. ("Planck") as the Issuer works towards integrating Planck's Autonomous take-off and landing software into their drone technology including the Procyon 800E.

The integration of this capability increases the applications where the Issuer's technology may be the most suitable technology solution. In particular for rapid deployment and safe landing of a UAV from a moving boat or vehicle.

- On October 23, 2018 the Issuer announced working with a major telecom company and VineView to perform a 4G network supported UAV based survey over Jost Vineyards in Nova Scotia.
- On November 5, 2018, the Issuer announced that its subsidiary High Eye Aerial Imaging Inc. ("High Eye") secured a multi-site survey contract with a major aggregate provider with survey sites across central Ontario.
- On November 15, 2018, the Issuer announced that its subsidiary Pioneer Aerial Surveys Ltd. ("Pioneer") secured its first survey contract in Brazil. The UAV-MAG™ survey contract marks the expansion of the Issuer's service division into Brazil.
- On December 12, 2018 the Issuer announced its consideration of Empirical Systems Aerospace Inc. ("ESAero") to evaluate their potential as a USA based outsourced manufacturing solution. The development of a cellular system of manufacturing, costing, and manufacturing workflow are considerations in the discussions.

- On January 24, 2019 the Issuer announced that its subsidiary Pioneer Aerial Surveys Ltd. (“Pioneer”) in collaboration with Hummingbird Drones Inc. completed the Issuer’s first drone-based geothermal energy exploration survey for Borealis GeoPower Inc. This survey represents the first time the Issuer has combined UAV-MAG™ with thermal imagery surveying to produced detailed results for a client.
- On February 7, 2019 the Company announced it has secured two separate unexploded ordnance (UXO) survey contracts through different end customers in the United States.

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 September 5, 2018, the Issuer announced its membership in the 8020 Connect Inc. social media platform. The purpose of this membership is to facilitate the Issuer to engage and maintain open lines of communication providing shareholders and interested investors up to date information on corporate developments.
- On October 26, 2018 the Issuer announced the departure of Robert Lefebvre as Managing Director from its wholly owned subsidiary NOVAerial Robotics Inc.
- On November 30, 2018 the Issuer provided a detailed shareholder update in the form of a news release which provided updates for each of the operating divisions and corporate organization and streamlining activities. Please refer to the release for full information.
- On January 17, 2019 the Issuer announced the resignation of Stewart Baillie from its board of directors.

Results of Operations

During the year ended October 31, 2018 the Company earned revenue of \$1,816,301 compared to \$1,027,379 during the year ended October 31, 2017, an increase of \$788,922 (76%).

Net loss for the year was \$4,716,096 compared to \$3,021,998 during the year ended October 31, 2017. Net loss included significant non-cash expenditures for impairment of goodwill of \$1,783,128 (2017 - \$66,000), impairment of intangibles \$198,073 (2017 - \$nil) share-based payments of \$769,785 (2017 - \$575,626), gain from change in estimate for contingent consideration of \$430,215 (2017 - \$nil), accretion of \$146,989 (2017 - \$nil) and depreciation of \$303,457 (2017 - \$69,815).

As discussed above, during 2017 the Company completed four acquisitions and during 2018 the Company completed one additional acquisition. Due to the increased operations the activity has increased significantly year over year. Significant variances in the Company’s operational expenditures for the year ended October 31, 2018 compared to the year ended October 31, 2017, were as follows:

- Consultants’ fees decreased by \$87,122 to \$605,053 from \$692,175 in 2017. This was due to a reduction in one-time costs associated with the acquisition activity during the period as the Company focused on integrating its operations.
- Accounting, audit and legal expenses increased by \$146,357 to \$220,613 from \$74,256 in 2017 due to an increase in one-time costs associated with the legal and accounting work performed in respect of acquisitions and increased activity.
- Share-based payments increased by \$194,159 to \$769,785 from \$575,626. 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.
- Office and miscellaneous increased by \$200,560 to \$292,988 from \$92,428 in 2017 due to increased office-related activities due to and including the expenses of its subsidiaries.
- Accretion increased by \$146,989 to \$146,989 from \$nil in 2017. During 2018 the Company commenced accretion of the contingent consideration.

- vi. Investor relations and promotion increased by \$180,747 to \$303,335 from \$122,588. The increase is due to increased activities as the Company raised awareness of the Company and due to funding activities.
- vii. Travel increased by \$211,096 to \$317,835 from \$106,739. Travel increased due to the increase business activities, the acquisitions, and due to the fund-raising activity and investor relations activity over the period.
- viii. Conference and tradeshow increase by \$52,443 to \$52,443 from \$nil in 2017 due to increased activity as the Company raises awareness of the services it offers.
- ix. Depreciation increased by \$233,642 to \$303,457 from \$69,815 in 2017 due to the increase investment and acquisitions in both 2017 and 2018.
- x. Repairs and maintenance increased by \$92,089 to \$97,334 from \$5,245 in 2017 due to an increase in operations and related repairs to UAV's.
- xi. Research and development increase by \$516,045 to \$516,045 from \$nil in 2017 due to acquisitions of companies that actively develop and build UAV's.
- xii. Salaries and wages increased by \$152,862 to \$210,312 from \$57,450 due to acquisitions of companies with staff on payroll.

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

- i. Cash increased by \$47,514 to \$178,450 from \$130,936. Refer to the cash-flow discussion below for a description of operating, investing and financing activities.
- ii. Equipment increased by \$656,887 to \$998,185 from \$341,298. The increase relates to the assets acquired in the AIR acquisition and the purchase of new equipment including sensors, some of which will be one-time purchases, 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 \$162,682 to \$821,227 from \$658,545. The increase mainly relates to the amounts owing to AIR (\$250,000) relating to the final acquisition payments.
- iv. Contingent consideration decreased by \$283,226 to \$256,774 from \$540,000. The movement includes accretion of \$146,989 less a change in estimate based on updated projections of \$430,215.

Selected Annual Information

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

	Oct. 31, 2018	Oct. 31, 2017	Oct. 31, 2016
	\$	\$	\$
Total revenue	1,816,004	1,027,379	Nil
Loss for the year	(4,762,820)	(3,021,998)	(2,586,960)
Basic and diluted loss per share	(0.04)	(0.04)	(0.09)
Total assets	2,069,244	1,843,712	418,819
Total long-term financial liabilities	183,137	576,730	Nil

Summary of Quarterly Results

	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Revenue	\$527,904	\$401,197	\$537,153	\$349,750
Income (Loss) for the quarter	(\$2,702,910)	(\$1,221,173)	(\$328,670)	(\$470,270)
Basic and diluted earnings (loss) per share	(\$0.02)	(\$0.01)	(\$0.00)	(\$0.01)
	October 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017
Revenue	\$490,261	\$333,529	\$181,203	\$22,386
Income (Loss) for the quarter	(\$1,938,622)	\$154,956	(\$463,994)	(\$774,338)
Basic and diluted earnings (loss) per share	(\$0.01)	\$0.00	(\$0.01)	(\$0.02)

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.

Related Party Transactions

Transactions with management and related parties during the year ended October 31, 2018 and 2017 were as follows:

Supplier	2018	2017
101252103 Saskatchewan Ltd. ⁽ⁱ⁾	\$ 203,675	\$ 147,500
Longford Capital Corporation ⁽ⁱⁱ⁾	\$ 136,375	\$ 69,500
Westridge Management International Ltd ⁽ⁱⁱⁱ⁾	\$ 57,000	\$ -
Stewart Baillie ^(iv)	\$ 8,085	\$ -
BridgeMark Financial Corporation ^(v)	\$ 28,700	\$ 28,000
Robert Lefebvre ^(vi)	\$ 112,000	\$ 20,000
Red Fern Consulting Ltd ^(vii)	\$ 13,197	\$ -
Share based compensation ^(viii)	\$ 399,290	\$ -
Timeline Filing Services Ltd ^(ix)	\$ -	\$ 9,000
Catalyst X Media Corporation ^(x)	\$ -	\$ 44,000
Jackson and Company ^(v)	\$ -	\$ 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 International 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. Robert Lefebvre is a former director of the Company.
- VII. Red Fern Consulting Ltd is a private company controlled by the Company's CFO, Jonathan Richards.
- VIII. During the year ended October 31, 2018, the Company granted 3,300,000 (2017 - nil) options to directors and officers of the Company at exercise prices ranging from \$0.12 to \$0.18 per share valued with a total fair value of \$399,290.
- IX. Timeline Filing Services Ltd. is a private enterprise controlled by the Company's former Corporate Secretary, Laara Shaffer.
- X. Catalyst X Media Corporation is a private enterprise controlled by the Company's former president and CEO, Jason Springett.

Accounts payable to related parties:

Included in accounts payable and accrued liabilities is \$225,312 (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. Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

Liquidity and Capital Resources

As at October 31, 2018, the Issuer had cash totaling \$178,450 compared to \$130,936 as at October 31, 2017. During the year ended October 31, 2018 the Company received \$3,267,256 (2017 - \$1,425,989) from financing activities, incurred \$2,265,919 (2017 - \$713,530) in operating activities and invested \$953,823 (2017 -\$895,503) relating to the acquisition of AIR and the purchase of equipment. As at October 31, 2018 the Company had working capital of \$371,139 (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 year ended October 31, 2018 compared to the year ended October 31, 2017, were as follows:

- i. Cash used in operating activities increased by \$1,552,389 to \$2,265,919 from \$713,530 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 \$58,320 to \$953,823 from \$895,503. During the year ended October 31, 2018 the Company acquired \$603,823 of new equipment (2017 \$251,935) and closed the acquisition of AIR (2017 – Pioneer, UAV Regulatory Services, and High Eye Aerial).
- iii. Cash provided by financing activities increased by \$1,841,267 to \$3,267,256 from \$1,425,989 in 2017. During the current period the Company raised funds via a private placement (net proceeds of \$1,635,156), 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:

	October 31, 2018	October 31, 2017
Financial assets		
Fair value through profit or loss		
Cash	\$ 178,450	\$ 130,936
Loans and receivables		
Amounts receivable	196,461	162,912
Available-for-sale		
Marketable securities	-	1,341
Total financial assets	\$ 374,911	\$ 295,189
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 821,227	\$ 658,545
Deferred revenues	7,015	65,444
Contingent consideration	256,774	540,000
Deferred income tax liability	18,290	119,730
Total financial liabilities	\$ 1,103,306	\$ 1,383,719

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 October 31, 2018, the Company had cash in the amount of \$178,450 (October 31, 2017 - \$130,936) and accounts payable and accrued liabilities of \$821,227 (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:

	October 31, 2018		October 31, 2017	
	MXN	US	MXN	US
Accounts receivable	-	\$ -	131,381	\$ -
Accounts payable and accrued liabilities	(3,383,411)	-	(2,501,869)	-
Rate to convert \$1 CAD	0.065	1.3120	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 not exposed to any material other price risk,

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 year ended October 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 October 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 year ended October 31, 2018, the Company recognized share-based compensation of \$769,785 (2017 - \$575,626).

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 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.

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, UAV Regulatory and AIR 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.

Utilization of deferred income tax assets

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	136,755,634
Stock options (vested and unvested)	9,450,000
Warrants	24,581,862
Fully diluted shares outstanding	170,787,496

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.