(A Technology Company)

Condensed Consolidated Interim Financial Statements

For the Six Months Ended April 30, 2020 and 2019

(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 Canadian Institute of Chartered Accountants 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
(Unaudited - Expressed in Canadian Dollars)

	April 30, 2020	October 31, 2019
ASSETS		
Current		
Cash	$ 73,388	$ 14,744
Amounts receivable (Note 4)	39,535	362,571
Prepaid expenses	7,258	-
Marketable securities (Note 5)	23,683	18,946
	143,864	396,261
Non-current		
Equipment (Notes 6)	573,225	656,321
TOTAL ASSETS	$ 717,089	$ 1,052,582
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 1,375,873	$ 1,498,476
Deferred revenue	9,737	50,249
Current portion of contingent consideration (Note 13)	39,370	39,370
	1,424,980	1,588,095
Non-current		
Contingent consideration payable (Note 13)	37,751	57,405
Loan payable (Note 9)	40,000	-
	77,751	57,405
TOTAL LIABILITIES	1,502,731	1,645,500
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 10)	25,025,124	25,025,124
Reserves	2,969,058	2,969,058
Accumulated deficit	(28,779,824)	(28,587,100)
	(785,642)	(592,918)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 717,089	$ 1,052,582

Nature of operations and going concern (Note 1)
Subsequent Event (Note 18)

Approved and authorized by the Board on June 26, 2020

"James Rogers" (signed)
……………………………………...… Director
"Andrew Male" (signed)
………………………………...…… Director

See notes to the condensed consolidated interim financial statements

GLOBAL UAV TECHNOLOGIES LTD.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	For the Three Months Ended April 30, 2020	For the Three Months Ended April 30, 2019	For the Six Months Ended April 30, 2020	For the Six Months Ended April 30, 2019
Revenues				
Services	$ 141,375	$ 372,280	$ 493,439	$ 859,972
	141,375	372,280	493,439	859,972
Cost of Sales	136,566	225,793	310,091	524,181
Gross Margin	4,809	146,487	183,348	335,791
Operating Expenses				
Accounting, audit and legal	46,633	111,900	94,027	192,150
Accretion (Note 13)	6,068	15,585	12,136	31,170
Automotive	2,431	752	8,103	4,317
Conferences and tradeshows	-	-	-	23,052
Consultants' fees (Note 14)	93,215	167,318	124,971	351,409
Depreciation (Notes 6 and 7)	41,438	76,188	82,876	155,316
Insurance	4,323	28,477	4,523	34,544
Investor relations and promotion	1,290	72,504	8,610	109,865
Office and miscellaneous	17,192	81,633	33,022	127,532
Regulatory, listing, transfer agent fees	5,930	4,618	13,630	10,094
Rent	5,504	25,574	12,779	48,307
Repairs and maintenance	1,748	8,481	5,075	38,867
Research and development	-	48,902	-	175,363
Salaries and wages	5,918	24,833	12,906	118,422
Travel	6,137	41,730	14,690	82,827
	(237,827)	(708,495)	(427,348)	(1,503,235)
Other Items				
Foreign exchange (loss) gain	(7,254)	1,992	(11,960)	1,771
Gain (loss) on settlement of debt	21,913	(6,420)	26,855	(6,420)
Gain on fair value of marketable securities (Note 5)	-	-	4,737	-
Change of estimate – contingent consideration (note 13)	31,790	-	31,790	-
Gain (loss) disposal of assets		(35,949)	(146)	5,597
	(191,378)	(748,872)	(376,072)	(1,502,287)
Net Profit Loss and Comprehensive Loss for the period	$ (186,569)	$ (602,385)	$ (192,724)	$ (1,166,496)
Loss per Share, Basic and Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted Average Number of Common Shares Outstanding	136,755,634	136,755,634	136,755,634	136,755,634

See notes to the condensed consolidated interim financial statements

GLOBAL UAV TECHNOLOGIES LTD.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

			Reserves				
	Number of Shares	Share Capital	Equity Settled Share-based Payments	Warrants	Total	Accumulated Deficit	Total Shareholders' Equity
Balance – October 31, 2018	**136,755,634**	**$ 25,025,124**	**$ 2,389,800**	**$ 579,258**	**$ 2,969,058**	**$ (27,073,244)**	**$ 920,938**
Net loss for the period	-	-	-	-	-	(564,111)	(564,111)
Balance – April 30, 2019	**136,755,634**	**$ 25,025,124**	**$ 2,389,800**	**$ 579,258**	**$ 2,969,058**	**$ (27,637,355)**	**$ 356,827**
Balance – October 31, 2019	**136,755,634**	**$ 25,025,124**	**$ 2,389,800**	**$ 579,258**	**$ 2,969,058**	**$ (28,587,100)**	**$ (592,918)**
Net loss for the period	-	-	-	-	-	(192,724)	(192,724)
Balance – April 30, 2020	**136,755,634**	**$ 25,025,124**	**$ 2,389,800**	**$ 579,258**	**$ 2,969,058**	**$ (28,779,824)**	**$ (785,642)**

See notes to the condensed consolidated interim financial statements.

GLOBAL UAV TECHNOLOGIES LTD.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

		For the six months ended April 30, 2020		For the six months ended April 30, 2019
Operating Activities				
Net loss	$	(192,724)	$	(1,166,496)
Items not affecting cash:				
Depreciation		82,876		155,316
Loss on disposal of equipment		-		(5,597)
Gain on settlement of accounts payable		26,855		(6,420)
Unrealized gain on marketable securities		(4,737)		-
Change in estimate of contingent consideration		(31,790)		-
Accretion of contingent consideration		12,136		31,170
Changes in non-cash working capital:				
Amounts receivable		323,036		84,060
Prepaid expenses		(7,258)		20,172
Inventory		-		(2,350)
Accounts payable and accrued liabilities		(149,458)		772,428
Deferred revenue		(40,512)		92,889
Cash Used in Operating Activities		18,424		(24,828)
Investing Activities				
Proceeds on sale of assets		220		42,636
Purchase of property, plant and equipment, net				(28,274)
Cash Used in Investing Activities		220		14,362
Financing Activities				
Proceeds from loans		40,000		-
Cash Received from Financing Activities		40,000		-
Change in Cash		58,644		(10,466)
Cash, Beginning of Period		14,744		178,450
Cash, End of Period	$	73,388	$	167,984

Supplemental Cash Flow Information – Note 11

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 488 – 1090 West Georgia St., Vancouver, British Columbia, Canada, V6E 3V7. The Company's stock is listed on the Canadian Securities Exchange under the symbol "UAV".

During the years ended October 31, 2017 and 2018, 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"), acquired a 100% interest in UAV Regulatory Services Ltd. ("UAV Regulatory") and acquired a 100% interest in Aerial Imaging Resources ("AIR") (Note 12). 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.

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 April 30, 2020, the Company had cash of $73,388 (October 31, 2019 - $14,744), working capital deficit of $1,281,116 (October 31, 2019 – deficit of $1,191,834) and an accumulated deficit of $28,779,824 (October 31, 2019 - $28,587,100). 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak has decreased spending, limited travelling, adversely affecting demand for and the ability of the Company to provide its services. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

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

a) 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").

b) Basis of presentation

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

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (CONTINUED)

c) Basis of consolidation

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

		Percentage owned*	
Subsidiary		**April 30, 2020**	**October 31, 2019**
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%	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.

d) Foreign currencies

i) Presentation and functional currency

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

ii) Foreign currency transactions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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, 2019, except for the following:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

IFRS 16 – Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on May 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there has been no change to the opening deficit balance as at May 1, 2019.

The following leases accounting policies have been applied as of May 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases and IFRS 4, Determining Whether an Arrangement Contains a Lease.

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We asses weather the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

IFRS 16 – Leases (cont'd...)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

		April 30, 2020		**October 31, 2019**
Trade receivable	$	19,289	$	290,334
Sales tax receivable		20,246		72,237
Total amounts receivable	$	39,535	$	362,571

5. MARKETABLE SECURITIES

As at April 30, 2020, marketable securities included investment in shares of a publicly traded company. The Company received marketable securities with a fair value of $23,683 (2019 - $18,946) for services performed. Marketable securities are measured at fair value by reference to quoted stock prices on established exchanges. During the period ended April 30, 2020, the Company recorded an unrealized gain of $4,737 (2019 – $nil).

(Unaudited - Expressed in Canadian Dollars)

6. EQUIPMENT

	Vehicles	Unmanned Aerial Vehicles	Office Equipment	Computer Software and Equipment	Sensors	Total
COST						
Balance, October 31, 2018	$ 266,951	$ 449,707	$ 91,640	$ 134,021	$ 366,314	$ 1,308,633
Additions	-	81,045	4,570	531	-	86,146
Disposals	(114,190)	(80,945)	(8,172)	(23,200)	(39,956)	(266,463)
Balance, October 31, 2019	152,761	449,807	88,038	111,352	326,358	1,128,316
Disposals	-	-	(220)	-	-	(220)
Balance, April 30, 2020	**$ 152,761**	**$ 449,807**	**$ 87,818**	**$ 111,352**	**$ 326,358**	**$ 1,128,096**
ACCUMULATED DEPRECIATION						
Balance, October 31, 2018	$ 31,388	$ 126,101	$ 43,311	$ 73,017	$ 36,631	$ 310,448
Depreciation	16,442	86,309	7,793	29,727	88,090	228,361
Disposals	(24,158)	(23,156)	(7,070)	(8,423)	(4,007)	(66,814)
Balance, October 31, 2019	23,672	189,254	44,034	94,321	120,714	471,995
Depreciation	3,246	39,545	3,212	6,042	30,831	82,876
Balance, April 30, 2020	**$ 26,918**	**$ 228,799**	**$ 47,246**	**$ 100,363**	**$ 151,545**	**$ 554,871**
CARRYING AMOUNTS						
At October 31, 2018	$ 235,563	$ 323,606	$ 48,329	$ 61,004	$ 329,683	$ 998,185
At October 31, 2019	$ 129,089	$ 260,553	$ 44,004	$ 17,031	$ 205,644	$ 656,321
At April 30, 2020	**$ 125,843**	**$ 221,008**	**$ 40,572**	**$ 10,989**	**$ 174,813**	**$ 573,225**

(Unaudited - Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS

	Trademark	Intellectual Property	Website	Client List	Total
COST					
Balance, October 31, 2018	**$ 250**	**$ 115,000**	**$ 49,500**	**$ 71,000**	**$ 235,750**
Impairment	(250)	(115,000)	(49,500)	(71,000)	(235,750)
Balance, October 31, 2019 and April 30, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
ACCUMULATED DEPRECIATION					
Balance, October 31, 2018	**$ 54**	**$ 28,230**	**$ 20,252**	**$ 7,774**	**$ 56,310**
Depreciation	50	23,000	16,500	14,200	53,750
Impairment	(104)	(51,230)	(36,752)	(21,974)	(110,060)
Balance, October 31, 2019 and April 30, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
CARRYING AMOUNTS					
At October 31, 2018	$ 196	$ 86,770	$ 29,248	$ 63,226	$ 179,440
At October 31, 2019 and April 30, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	April 30, 2020	October 31, 2019
Trade payables *	$ 1,255,823	$ 1,299,359
Accrued liabilities	35,000	35,000
Other payables	10,163	56,325
AIR Acquisition	74,887	104,168
Total accounts payable and accrued liabilities	$ 1,375,873	$ 1,494,852

*Included in trade payables is $219,972 related to the inactive Mexican subsidiary, of which $110,169 (October 31, 2019 - $110,169) owed to the Mexican Government for withholding taxes on salaries that were not remitted in prior years.

9. LOAN PAYABLE

As part of the Government of Canada's response to the COVID-19 global pandemic, certain businesses are eligible to apply for the Canada Emergency Business Account (the "CEBA"). The CEBA provides companies with a $40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the period, the Company applied for the CEBA and received the $40,000 loan. The CEBA remains interest free until December 31, 2022 and has no fixed repayment schedule. If $30,000 is repaid on or before December 31, 2022, the remaining $10,000 will be forgiven. If at December 31, 2022, any amount remains unpaid, the Company will enter into an extension agreement whereby it will accrue interest at a rate of 5% per annum, with a repayment schedule to be determined at that time.

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

The Company did not issue any shares during the six months period ended April 30, 2020 or during the year ended October 31, 2019.

c) Share purchase warrants

A continuity schedule of outstanding common share purchase warrants for the six months ended April 30, 2020 and year ended October 31, 2019 is as follows:

	April 30, 2020		October 31, 2019	
	Number outstanding	**Weighted average exercise price**	**Number outstanding**	**Weighted average exercise price**
Outstanding, beginning and end of period	24,581,862	$ 0.15	24,581,862	$ 0.190

At April 30, 2020 the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at April 30, 2020	Outstanding at October 31, 2019
$0.12	October 4, 2022	2,531,646	2,531,646
$0.15	June 24, 2020*	22,050,216	22,050,216
		24,581,862	24,581,862
Weighted average remaining contractual life (in years)		0.39	0.89

*Expired unexercised subsequent to period end

c) Share options

A continuity schedule of outstanding share options for the six months ended April 30, 2020 and year ended October 31, 2019 is as follows:

	April 30, 2020		October 31, 2019	
	Number outstanding	**Weighted average exercise price**	**Number outstanding**	**Weighted average exercise price**
Outstanding, beginning of year	5,400,000	$ 0.13	10,000,000	$ 0.12
Cancelled	(1,550,000)	0.14	(2,800,000)	0.11
Expired	(800,000)	0.10	(1,800,000)	0.11
Outstanding and exercisable,end of period	3,050,000	$ 0.14	5,400,000	$ 0.13

As at April 30, 2020 and October 31, 2019 the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (cont'd…)

c) Share options (cont'd)

Exercise Price		Expiry Date	Outstanding at April 30, 2020	Outstanding at October 31, 2019
$	0.100	March 23, 2020	-	800,000
$	0.100	October 4, 2020	500,000	2,250,000
$	0.120	January 2, 2021	100,000	100,000
$	0.180	February 13, 2021	1,450,000	2,250,000
			3,050,000	5,400,000
Weighted average remaining contractual life (in years)			0.62	1.00

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended April 30, 2020 and April 30, 2019, the Company did not enter into any material non-cash transactions.

12. ACQUISITIONS

The following table summarizes movements in goodwill for the six months ended April 30, 2020 and the year ended October 31, 2019.

	April 30, 2020	October 31, 2019
Opening balance	$ -	$ 368,505
Impairment	-	(368,505)
Closing balance	$ -	$ -

a) Pioneer Aerial Surveys Ltd.

On October 4, 2017, the Company completed the asset purchase agreement to acquire a 100% interest in the UAV assets of Pioneer Exploration Consultants Ltd. ("Pioneer"), a company that provides UAV based aeromagnetic surveys through its trademarked UAV-MAG™ system an. 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 Aerial Surveys Ltd., for five years from the date of acquisition. Management has estimated the fair value of the royalty stream which has been included as contingent consideration in the total consideration.

During the year ended October 31, 2019, the Company recognized an impairment on intangible assets of $146 (2018 - $Nil)

12. ACQUISITIONS (cont'd…)

b) UAV Regulatory Services Ltd.

On July 11, 2017, the Company completed the purchase of UAV Regulatory Services Ltd. ("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 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.

During the year ended October 31, 2019 the Company recognized an impairment of intangible assets of $18,673.

d) NOVAerial Robotics Ltd.

On August 9, 2017, the Company acquired a 100% interest in NOVAerial Robotics Ltd. ("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 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.

During the year ended October 31, 2019, the Company recognized an impairment of intangibles of $63,770.

e) Aerial Imaging Resources Inc.

On June 19, 2018, the Company acquired a 100% interest in Aerial Imaging Resources Inc. ("AIR"). The Company issued 12,000,000 common shares with a fair value of $1,140,000, made payments totaling $475,000 cash, and was required to make one further cash payment of $125,000 on or before December 14, 2018. Subsequent to October 31, 2018 the final $125,000 was renegotiated such that $20,825 was settled via an asset disposition and the balance was extended to May 31, 2019. During the year ended October 31, 2019, $nil was paid towards the outstanding balance. Subsequent to the year ended October 31, 2019, $24,000 was paid and the remaining $80,175 has been renegotiated such that $4,000 will be paid on the first of every month until the balance has been extinguished.

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

From the date of acquisition on June 19, 2018 until October 31, 2018 the Company recognized revenue of $127,651 and a net loss of $2,805 from AIR.

(Unaudited - Expressed in Canadian Dollars)

12. ACQUISITIONS (cont'd…)

e) Aerial Imaging Resources Inc.

Cash paid or accrued	$	600,000
Common shares issued		1,140,000
Total consideration paid	**$**	**1,740,000**
Customer list	$	60,000
Equipment		272,600
Deferred income tax liability		(16,200)
Total value of net assets acquired	**$**	**316,400**
Goodwill	**$**	**1,423,600**

During the year ended October 31, 2019, the Company recognized an impairment on intangible assets of $43,101 and goodwill of $368,505

13. CONTINGENT CONSIDERATION

		April 30, 2020		October 31, 2019
Opening balance	$	96,775	$	256,774
Accretion		12,136		57,175
Change in estimate		(31,790)		(217,174)
Closing balance	$	77,121	$	96,775
Current	$	39,370	$	39,370
Non-current	$	37,751	$	57,405

The Company estimates its contingent consideration payable relating to the royalty will be $105,809 (2019 - $130,362). The Company discounted the estimated royalty payable using a discount rate of 30% (2019 – 30%). During the period ended April 30, 2020 the Company recorded a change in estimate due to the impact of COVID-19.

Mr. Burns, a former director of the Company, is a shareholder of Pioneer, 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 13(a)). Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

14. RELATED PARTY TRANSACTIONS

Transactions with management and related parties during the six months ended April 3, 2020 and 2019 were as follows:

Supplier	Nature of Transaction		2020		2019
101252103 Saskatchewan Ltd. (i)	Consulting Fees	$	25,000	$	90,000
Longford Capital Corporation (ii)	Consulting Fees	$	37,500	$	75,000
Westridge Management International Ltd (iii)	Consulting Fees	$	37,500	$	75,000
Red Fern Consulting Ltd(iv)	Professional Services	$	56,638	$	53,057

I. 101252103 Saskatchewan Ltd. is a private enterprise controlled by the Company's former CEO, Michael Burns.
II. Longford Capital Corporation is a private enterprise controlled by the Company's current president and interim CEO, James Rogers.
III. Westridge Management International Ltd is a private enterprise controlled by the Company's current COO, Andrew Male
IV. Red Fern Consulting Ltd is a private company controlled by the Company's former CFO, Jonathan Richards.

(Unaudited - Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (cont'd…)

Accounts payable to related parties

Included in accounts payable and accrued liabilities is $904,856 (October 31, 2019 - $825,443) due to officers, former officers and directors of the Company.

Other

Mr. Burns, the former CEO and director of the Company, is a shareholder of Pioneer, 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 13(a)). Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	April 30, 2020	October 31, 2019
Financial assets		
Fair value through profit or loss		
Cash	$ 73,388	$ 14,744
Marketable securities	23,683	18,946
Loans and receivables		
Amounts receivable	39,535	362,571
Total financial assets	$ 136,606	$ 396,261
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	$ 1,375,873	$ 1,498,476
Deferred Revenue	9,737	50,249
Contingent consideration*	77,121	96,775
Loans payable	40,000	-
Total financial liabilities	$ 1,502,731	$ 1,645,500

*Estimated fair value of the 10% royalty payments on future earnings before income taxes, depreciation, and amortization expenses of Pioneer Aerial Surveys Ltd., to be paid out over a five-year term (Note 13).

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.

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 a. Management considers the risk of non-performance related to cash and amounts receivable to be minimal.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd…)

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 April 30, 2020, the Company had cash in the amount of $73,388 (October 31, 2019 - $14,744) and accounts payable and accrued liabilities of $1,375,873 (October 31, 2019 - $1,498,476).

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:

	April 30, 2020		**October 31, 2019**	
	MXN	US	MXN	US
Accounts receivable	-	-	-	$ 122,484
Accounts payable and accrued liabilities	(3,383,411)	4,350	(3,383,411)	43,129
Rate to convert $1 CAD	0.058	1.3910	0.068	1.3160

Based on the Company's net exposure, a 23% change (October 31, 2019 - 23%) in the Canadian/Mexican peso exchange rate and a 12% change (October 31, 2019 - 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 significant market risk.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd…)

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.

16. MANAGEMENT OF CAPITAL

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

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

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process.

The Company'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 six months ended April 30, 2020.

17. SEGMENT REPORTING

The Company has one reportable operating segment, being sales of UAV equipment and providing UAV related services around the globe. The Company's assets are located in Canada.

18. SUBSEQUENT EVENT

Subsequent to April 30, 2020 the Company entered into a non-binding letter of intent ("LOI") with Draganfly Inc. for the sale of its wholly owned subsidiaries, Pioneer Aerial Surveys Ltd. and High Eye Aerial Imaging Inc.

Under the terms of the LOI:

- On signing Draganfly will pay the Company a refundable deposit of $25,000;
- On closing of the proposed transaction, Draganfly will pay the Company aggregate consideration of $350,000, which will consist of:
    - (i) a cash payment of $125,000 made pursuant to a private placement for common shares of the Company, and
    - (ii) $225,000 in common shares of Draganfly.

18. SUBSEQUENT EVENT (Cont'd…)

- Draganfly will grant Global UAV a royalty of 7.5 per cent of gross revenue generated from UAV magnetometer and lidar systems for a period of 18 months from closing and assume $50,000 in certain liabilities that have been incurred by the Company's subsidiaries.

The proposed transaction, will be subject to, among other things, satisfactory due diligence, the negotiation and execution of a definitive agreement, and approval by the CSE and by the shareholders of the Company.