



GLOBAL UAV
TECHNOLOGIES

(A Technology Company)

Consolidated Financial Statements

For the Years Ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Global UAV Technologies Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Global UAV Technologies Ltd. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has had sustained reoccurring losses and negative cash flows from its operations. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 1, 2021

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

	2020	2019
ASSETS		
Current		
Cash	\$ 66,851	\$ 14,744
Amounts receivable and prepaid expenses (Note 4)	23,548	362,571
Marketable securities (Note 5)	-	18,946
	<u>90,399</u>	<u>396,261</u>
Non-current		
Equipment (Notes 6)	377,143	656,321
TOTAL ASSETS	\$ 467,542	\$ 1,052,582
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 1,585,845	\$ 1,498,476
Deferred revenue	-	50,249
Current portion of contingent consideration (Note 13)	31,775	39,370
	<u>1,617,620</u>	<u>1,588,095</u>
Non-current		
Contingent consideration payable (Note 13)	-	57,405
Loan payable (Note 9)	40,000	-
TOTAL LIABILITIES	<u>1,657,620</u>	<u>1,645,500</u>
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 10)	25,025,124	25,025,124
Reserves	2,969,058	2,969,058
Accumulated deficit	(29,184,260)	(28,587,100)
	<u>(1,190,078)</u>	<u>(592,918)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$ 467,542	\$ 1,052,582

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on February 26, 2021

"James Rogers" (signed)

..... Director

"Andrew Male" (signed)

..... Director

See notes to the consolidated financial statements

GLOBAL UAV TECHNOLOGIES LTD.

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended October 31

(Expressed in Canadian Dollars)

	2020	2019
Revenues		
Services	\$ 493,439	\$ 1,909,537
Sales	-	26,964
	<u>493,439</u>	<u>1,936,501</u>
Cost of Sales	<u>(310,091)</u>	<u>(1,039,922)</u>
Gross Margin	<u>183,348</u>	<u>896,579</u>
Operating Expenses		
Accounting, audit and legal	169,670	235,155
Accretion (Note 13)	16,498	57,175
Automotive	9,063	22,259
Conferences and tradeshows	-	7,830
Consultants' fees (Note 14)	292,009	571,336
Depreciation (Notes 6 and 7)	165,780	282,111
Insurance	10,043	55,875
Investor relations and promotion	13,170	121,988
Office and miscellaneous	56,275	211,868
Regulatory, listing, transfer agent fees	20,031	17,400
Rent	15,268	68,993
Repairs and maintenance	11,055	25,876
Research and development	-	218,928
Salaries and wages	13,111	233,021
Travel	15,441	32,459
	<u>(807,414)</u>	<u>(2,162,274)</u>
Other Items		
Foreign exchange gain (loss)	(12,540)	8,273
Gain on settlement of debt	66,615	11,954
Gain (loss) on fair value of marketable securities (Note 5)	4,657	(4,737)
Loss on disposal of assets	(146)	(49,168)
Change of estimate – contingent consideration	81,498	217,174
Impairment loss – intangibles (Note 7)	-	(125,690)
Impairment loss – goodwill (Note 12)	-	(368,505)
Impairment loss – equipment (Note 6)	(113,178)	-
Interest and miscellaneous income	-	336
	<u>26,906</u>	<u>(310,363)</u>
Net Loss before taxes	<u>\$ (597,160)</u>	<u>\$ (1,576,058)</u>
Income tax recovery	-	43,912
Deferred income tax recovery	-	18,290
Net Loss and Comprehensive Loss for the Year	<u>\$ (597,160)</u>	<u>\$ (1,513,856)</u>
<i>Loss per Share, Basic and Diluted</i>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
<i>Weighted Average Number of Common Shares Outstanding</i>	<u>136,755,634</u>	<u>136,755,634</u>

See notes to the consolidated financial statements

GLOBAL UAV TECHNOLOGIES LTD.Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves			Accumulated Deficit	Total Shareholders' Equity (Deficit)
			Equity Settled Share-based Payments	Warrants	Total		
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 year	-	-	-	-	-	(1,513,856)	(1,513,856)
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 year	-	-	-	-	-	(597,160)	(597,160)
Balance – October 31, 2020	136,755,634	\$ 25,025,124	\$ 2,389,800	\$ 579,258	\$ 2,969,058	\$ (29,184,260)	\$ (1,190,078)

See notes to the consolidated financial statements.

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

	2020	2019
Operating Activities		
Net loss	\$ (597,160)	\$ (1,513,856)
Items not affecting cash:		
Depreciation	165,780	282,111
Deferred income tax recovery	-	(18,290)
Loss on disposal of equipment	-	49,168
Gain on settlement of accounts payable	66,615	11,954
Gain (loss) on write-down of marketable securities	(4,657)	4,737
Accretion of contingent consideration	16,498	57,175
Change in estimate of contingent consideration	(81,498)	(217,174)
Impairment loss – equipment	113,178	-
Impairment loss – intangibles and goodwill	-	494,195
Changes in non-cash working capital:		
Amounts receivable	339,756	(147,730)
Prepaid expenses	(733)	75,436
Inventory	-	27,767
Accounts payable and accrued liabilities	20,754	709,505
Deferred revenue	(50,249)	43,234
Cash Used in Operating Activities	(11,716)	(141,768)
Investing Activities		
Purchase of property, plant and equipment	-	(86,147)
Proceeds on sale of marketable securities	23,603	-
Proceeds on sale of equipment	220	64,209
Cash Provided by (Used in) Investing Activities	23,823	(21,938)
Financing Activities		
Proceeds from loans	40,000	-
Cash Provided by Financing Activities	40,000	-
Change in Cash	52,107	(163,706)
Cash, Beginning of Year	14,744	178,450
Cash, End of Year	\$ 66,851	\$ 14,744

Supplemental Cash Flow Information – Note 11

See notes to the consolidated financial statements.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

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.

The Company has sustained recurring losses and negative cash flows from its operations. As at October 31, 2020, the Company had cash of \$66,851 (2019 - \$14,744), working capital deficit of \$1,527,221 (2019 – deficit of \$1,191,834) and an accumulated deficit of \$29,184,260 (2019 - \$28,587,100). The Company will need to raise additional capital to fund operations and settle its debts. 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 consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of Compliance

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

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

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

b) Basis of presentation

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

c) Basis of consolidation

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

Subsidiary		Percentage owned*	
		October 31, 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 consolidated statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

e) Significant accounting judgments and estimates

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

Critical accounting estimates

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

Allowances for doubtful accounts

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

Share-based payments

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

Income taxes

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

Useful life of equipment and intangible assets

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

Critical judgments used in applying accounting policies

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

Impairment of assets

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.

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

e) Significant accounting judgments and estimates (cont'd...)

Critical accounting estimates (continued)

Impairment of assets (continued)

For the year ended October 31, 2020, management determined that there were indicators of impairment for its equipment held by Global UAV and its subsidiaries and recorded a write-down of \$113,178.

For the year ended October 31, 2019, management determined that there were indicators of impairment for its acquisitions in Aerial Imaging Resources and NOVAerial Robotics and recorded a write-down of \$494,195 on the assets of the acquired subsidiaries (note 12).

Utilization of deferred income tax assets

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

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.

Determination of purchase price allocations and contingent consideration

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

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and 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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

On January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9") which replaced IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The following accounting policies with respect to financial instruments reflect the adoption of IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

a) Financial instruments (cont'd...)

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss.

Financial assets recorded at FVTPL include marketable securities, which comprise shares held in public companies.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and cash equivalents, and receivables are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

b) Equipment

Equipment is carried at cost, less accumulated depreciation.

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

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

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

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

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

Vehicles	15%
Unmanned Aerial Vehicles	20%
Office equipment	20%
Sensors	30%
Computer software and equipment	55%

c) Intangible assets

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

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

d) Impairment of assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

d) Impairment of assets (cont'd...)

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

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

e) Share capital

Common shares

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

Equity units

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

e) Revenue recognition

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

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

g) Share-based compensation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

g) Share-based compensation (cont'd...)

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

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

h) Earnings Income (loss) per share

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

i) Income taxes

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

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

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

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

j) Provisions

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

k) New and revised standards and interpretations

IFRS 16 - Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on November 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

k) New and revised standards and interpretations (cont'd...)

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 November 1, 2019.

The following leases accounting policies have been applied as of November 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases and IFRIC 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 assess whether 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.

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.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. AMOUNTS RECEIVABLE AND PREPAIDS

Amounts receivable are comprised of the following:

	October 31, 2020	October 31, 2019
Trade receivable	\$ -	\$ 290,334
Sales tax receivable	22,815	72,237
Prepaid expenses	733	-
Total amounts receivable	\$ 23,548	\$ 362,571

5. MARKETABLE SECURITIES

As at October 31, 2020, marketable securities included investment in shares of a publicly traded company. The Company received marketable securities with a fair value of \$23,683 for services performed. Marketable securities were measured at fair value by reference to quoted stock prices on established exchanges. During the year ended October 31, 2020, the Company sold all the marketable securities for net proceeds of \$23,603 (2019 - \$nil) and recorded a realized gain of \$4,657 (2019 – unrealized loss of \$4,737).

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(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)
Impairment	(58,201)	(12,669)	(37,360)	(4,948)	-	(113,178)
Balance, October 31, 2020	\$ 94,560	\$ 437,138	\$ 50,458	\$ 106,404	\$ 326,358	\$ 1,014,918
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	6,493	79,117	6,424	12,083	61,663	165,780
Balance, October 31, 2020	\$ 30,165	\$ 268,371	\$ 50,458	\$ 106,404	\$ 182,377	\$ 637,775
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 October 31, 2020	\$ 64,395	\$ 168,767	\$ -	\$ -	\$ 143,981	\$ 377,143

During the year ended October 31, 2020, the Company recognized impairment of its equipment down to a fair value of \$377,143. The impairment of \$113,178 was recognized after the Company signed an LOI (Note 19) indicating the assets fair value was less than the book value. The fair value used for this impairment charge calculation is considered a level 1 fair value measurement. The equipment are all UAV and related assets.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(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 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 2020	\$ -	\$ -	\$ -	\$ -	\$ -
CARRYING AMOUNTS					
At October 31, 2018	\$ 196	\$ 86,770	\$ 29,248	\$ 63,226	\$ 179,440
At October 31, 2019 and 2020	\$ -	\$ -	\$ -	\$ -	\$ -

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	October 31, 2020	October 31, 2019
Trade payables *	\$ 1,472,371	\$ 1,299,359
Accrued liabilities	28,425	35,000
Other payables	10,162	56,325
AIR Acquisition	74,887	104,168
Total accounts payable and accrued liabilities	\$ 1,585,845	\$ 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. The Company has completed a change of business to a technology company and is in the process of selling its mineral property interests and settling its liabilities.

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 year, 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.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(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 years ended October 31, 2020 or 2019

c) Share purchase warrants

A continuity schedule of outstanding common share purchase warrants for the years ended October 31, 2020 and 2019 is as follows:

	October 31, 2020		October 31, 2019	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	24,581,862	\$ 0.19	24,581,862	\$ 0.19
Expired	(24,581,862)	(0.19)	-	-
Outstanding, end of year	-	\$ -	24,581,862	\$ 0.19

c) Share purchase warrants

At October 31, 2020 the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at October 31, 2020	Outstanding at October 31, 2019
\$0.12	October 4, 2020	-	2,531,646
\$0.15	June 24, 2020	-	22,050,216
		-	24,581,862
	Weighted average remaining contractual life (in years)	-	2.14

d) Share options

A continuity schedule of outstanding share options for the years ended October 31, 2020 and 2019 is as follows:

	October 31, 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)	0.11	(2,800,000)	0.11
Expired	(2,250,000)	0.11	(1,800,000)	0.11
Outstanding and exercisable, end of year	1,600,000	\$ 0.18	5,400,000	\$ 0.13

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd...)

e) Share options (Cont'd...)

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

Exercise Price	Expiry Date	Outstanding at October 31, 2020	Outstanding at October 31, 2019
\$ 0.100	March 23, 2020	-	800,000
\$ 0.100	October 4, 2020	-	2,250,000
\$ 0.120	January 2, 2021*	100,000	100,000
\$ 0.180	February 13, 2021*	1,500,000	2,250,000
		1,600,000	10,000,000
	Weighted average remaining contractual life (in years)	0.46	1.72

*Subsequent to the year ended October 31, 2020, 1,600,000 options expired unexercised

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended October 31, 2020, the Company did not enter into any non-cash transactions.

During the year ended October 31, 2019, the Company entered into the following non-cash transactions:

- i) The Company received marketable securities with a fair value of \$23,683 in exchange of services performed.
- ii) The Company settled debt of \$44,210 via the disposition of equipment, of which \$20,825 related to the AIR acquisition (Note 12).
- iii) The Company received \$33,563 from the disposition of a defective UAV which was recorded in accounts receivable and received subsequent to October 31, 2019

12. ACQUISITIONS

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

	October 31, 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. 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 during the year ended October 31, 2017. 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.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

12. ACQUISITIONS (cont'd...)

b) *Pioneer Aerial Surveys Ltd.* (cont'd...)

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, 2020, the Company recognized an impairment on intangible assets of \$nil (2019 - \$146)

c) *High Eye Aerial Imaging Inc.*

On January 6, 2017, the Company acquired a 100% interest in High Eye Aerial Imaging Inc. (“High Eye Aerial”), in exchange for a cash payment of \$100,000 and the issuance of 4,500,000 common shares with a fair value of \$247,500.

For accounting purposes, the acquisition of High Eye Aerial was considered a business combination and accounted for using the acquisition method. The results of operations from High Eye Aerial are included in the consolidated financial statements since the date of acquisition. Finder’s fees of 525,000 common shares with a fair value of \$31,500 were issued and recorded in profit and loss during the year ended October 31, 2018

During the year ended October 31, 2020, the Company recognized an impairment of intangibles of \$nil (2019 - \$91,686) and goodwill of \$nil (2019 - \$159,204)

b) *UAV Regulatory Services Ltd.*

On July 11, 2017, the Company completed the purchase of UAV Regulatory Services Ltd. (“UAV Regulatory”). 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, 2020 the Company recognized an impairment of intangible assets of \$nil (2019 - \$18,673).

d) *NOVAerial Robotics Ltd.*

On August 9, 2017, the Company acquired a 100% interest in NOVAerial Robotics Ltd. (“NOVAerial”). The Company made a cash payment of \$300,000 and issued 4,584,527 common shares with a fair value of \$366,762.

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, 2020, the Company recognized an impairment of intangibles of \$nil (2019 - \$63,770).

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

12. ACQUISITIONS (cont'd...)

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. During the year ended October 31, 2019 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, 2020, \$24,000 (2019 - \$nil) was paid towards the outstanding balance 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.

During the year ended October 31, 2020, the Company recognized an impairment on intangible assets of \$nil (2019 - \$43,101) and goodwill of \$nil (2019 - \$368,505).

13. CONTINGENT CONSIDERATION

	October 31, 2020	October 31, 2019
Opening balance	\$ 96,775	\$ 256,774
Accretion	-	57,175
Change in estimate	(65,000)	(217,174)
Closing balance	\$ 31,775	\$ 96,775
Current	\$ 31,775	\$ 39,370
Non-current	\$ -	\$ 57,405

The Company estimates its contingent consideration payable relating to the royalty will be \$31,775 (2019 - \$96,775). The Company discounted the estimated royalty payable using a discount rate of 30% (2019 – 30%). During the year ended October 31, 2020 the Company ceased operations. The \$31,775 relates to past consideration earned and the Company estimates there will be no further contingent consideration as it intends to cease operations in the UAV service industry.

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 12(a)). Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

Transactions with management and related parties during the years ended October 31, 2020 and 2019 were as follows:

Supplier	Nature of Transaction	2020		2019	
101252103 Saskatchewan Ltd. ⁽ⁱ⁾	Consulting Fees	\$	25,000	\$	180,000
Longford Capital Corporation ⁽ⁱⁱ⁾	Consulting Fees	\$	112,500	\$	150,000
Westridge Management International Ltd ⁽ⁱⁱⁱ⁾	Consulting Fees	\$	112,500	\$	150,000
Red Fern Consulting Ltd ^(iv)	Professional Services	\$	86,638	\$	107,013

- I. 101252103 Saskatchewan Ltd. is a private enterprise controlled by the Company's previous 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.

Accounts payable to related parties

Included in accounts payable and accrued liabilities at October 31, 2020 is \$1,041,644 (2019 - \$825,443) due to officers, former officers and directors of the Company.

Other

Mr. Burns 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 12(a)). Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase. During the year ended October 31, 2020, Mr. Burns resigned as officer and director of the Company.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	October 31, 2020	October 31, 2019
Financial assets		
Fair value through profit or loss		
Cash	\$ 66,851	\$ 14,744
Marketable securities	-	18,946
Loans and receivables		
Amounts receivable	22,815	362,571
Total financial assets	\$ 89,666	\$ 396,261
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 1,585,845	\$ 1,498,476
Deferred Revenue	-	50,249
Contingent consideration*	31,775	96,775
Loan payable	40,000	-
Total financial liabilities	\$ 1,657,620	\$ 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.(Note 12).

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

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

b) Liquidity risk

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

At October 31, 2020, the Company had cash in the amount of \$66,851 (October 31, 2019 - \$14,744) and accounts payable and accrued liabilities of \$1,585,845 (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:

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

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

c) Market risk (Cont'd...)

Foreign currency risk (Cont'd...)

	October 31, 2020		October 31, 2019	
	MXN	US	MXN	US
Accounts receivable	-	\$ -	-	\$ 122,484
Accounts payable and accrued liabilities	(3,383,411)	5,850	(3,383,411)	43,129
Rate to convert \$1 CAD	0.063	1.3318	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.

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 year ended October 31, 2020.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

17. INCOME TAXES

As at October 31, 2020, the Company has non-capital losses of approximately \$10,416,000 and capital losses of \$88,000; \$1,930,596 of non-capital losses and all of the capital losses may be applied against future income for Mexican income tax purposes.

The potential future tax benefits of these losses have not been recorded in these financial statements. The capital losses may be carried forward indefinitely. The non-capital losses of \$10,416,000 expire through 2039.

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

	2020	2019
Loss before income taxes	\$ 597,160	\$ 1,576,058
Income tax at statutory rates	27.00%	27.00%
Expected income tax recovery	161,233	425,536
Permanent differences	(34,029)	(115,380)
Change in statutory, foreign tax, foreign exchange rates and other	(42,129)	(45,372)
Adjustment to prior years provision versus statutory tax returns	-	97,085
Change in unrecognized deductible temporary differences	(85,075)	(299,667)
Total income tax expense (recovery)	\$ -	\$ (62,202)
Current income tax	\$ -	\$ (43,912)
Deferred tax expense (recovery)	\$ -	\$ (18,290)
	\$ -	\$ (62,202)

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

	2020	2019
Non-capital losses carried forward (expiring 2026 to 2040)	\$ 10,416,000	\$ 10,201,000
Capital losses carried forward	88,000	88,000
Mineral property interests	3,718,000	3,718,000
Marketable securities	-	-
Investment in oil and gas interests	74,000	74,000
Share issuance costs (expiring 2041 to 2041)	62,000	111,000
Intangible assets and contingent consideration	32,000	97,000
Equipment	843,000	680,000

18. SEGMENT REPORTING

The Company has one reportable operating segment, UAV services in Canada. The Company's assets are located in Canada.

19. SUBSEQUENT EVENTS

During the year ended October 31, 2020, the Company entered into a Letter of Intent (“LOI”) to sell its UAV operations. Subsequent to year end the Company entered into two lease agreements with Dronelogs Systems Inc., (“Dronelogs”). Pioneer and High Eye agreed to lease all of the operational assets to Dronelogs with the option to purchase the equipment at any time during the lease term. Subsequently Dronelogs terminated the lease and elected not to exercise their option to purchase the equipment.