



GLOBAL UAV
TECHNOLOGIES

(A Technology Company)

Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended April 30, 2021 and 2020

(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)

As at,

	April 30, 2021	October 31, 2020
ASSETS		
Current		
Cash	\$ 26,312	\$ 66,851
Amounts receivable and prepaid expenses (Note 4)	24,677	23,548
	<u>50,989</u>	<u>90,399</u>
Non-current		
Equipment (Notes 6)	328,320	377,143
TOTAL ASSETS	\$ 379,309	\$ 467,542
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 1,589,943	\$ 1,585,845
Current portion of contingent consideration (Note 11)	31,775	31,775
	<u>1,621,718</u>	<u>1,617,620</u>
Non-current		
Loan payable (Note 8)	60,000	40,000
TOTAL LIABILITIES	<u>1,681,718</u>	<u>1,657,620</u>
SHAREHOLDERS' DEFICIT		
Share capital (Note 9)	25,025,124	25,025,124
Reserves	2,969,058	2,969,058
Accumulated deficit	(29,296,591)	(29,184,260)
	<u>(1,302,409)</u>	<u>(1,190,078)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 379,309	\$ 467,542

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on June 21, 2021

"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, 2021	For the three months ended April 30, 2020	For the six months ended April 30, 2021	For the six months ended April 30, 2020
Revenues				
Services	\$ -	\$ 141,375	\$ -	\$ 493,439
Lease of equipment (Note 6)	-	-	14,063	-
	-	141,375	14,063	493,439
Cost of Sales	-	(136,566)	-	(310,091)
Gross Margin	-	4,809	14,063	183,348
Operating Expenses				
Accounting, audit and legal	15,000	46,633	35,997	94,027
Accretion (Note 11)	-	6,068	-	12,136
Automotive	395	2,431	796	8,103
Consultants' fees (Note 12)	7,940	93,215	24,055	124,971
Depreciation (Note 6)	24,412	41,438	48,823	82,876
Insurance	2,375	4,323	4,692	4,523
Investor relations and promotion	1,416	1,290	2,196	8,610
Office and miscellaneous	3,762	17,192	12,426	33,022
Regulatory, listing, transfer agent fees	7,919	5,930	11,834	13,630
Rent	1,575	5,504	3,150	12,779
Repairs and maintenance	-	1,748	-	5,075
Salaries and wages	-	5,918	-	12,906
Travel	-	6,137	-	14,690
	(64,794)	(237,827)	(143,969)	(427,348)
Other Items				
Foreign exchange gain (loss)	259	(7,254)	575	(11,960)
Gain on settlement of debt	-	21,913	17,000	26,855
Gain on fair value of marketable securities (Note 5)	-	-	-	4,737
Change of estimate – contingent consideration (Note 11)	-	31,790	-	31,790
Loss on disposal of assets	-	-	-	(146)
	259	46,449	17,575	51,276
Net Loss and Comprehensive Loss for the Period	\$ (64,535)	\$ (186,569)	\$ (112,331)	\$ (192,724)
<i>Loss per Share, Basic and Diluted</i>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<i>Weighted Average Number of Common Shares Outstanding</i>	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' Deficit
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves			Accumulated Deficit	Total Shareholders' Deficit
			Equity Settled Share-based Payments	Warrants	Total		
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)
Balance – October 31, 2020	136,755,634	\$ 25,025,124	\$ 2,389,800	\$ 579,258	\$ 2,969,058	\$ (29,184,260)	\$ (1,190,078)
Net loss for the period	-	-	-	-	-	(112,331)	(112,331)
Balance – April 30, 2021	136,755,634	\$ 25,025,124	\$ 2,389,800	\$ 579,258	\$ 2,969,058	\$ (29,296,591)	\$ (1,302,409)

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

	For the six months ended April 30, 2021	For the six months ended April 30, 2020
Operating Activities		
Net loss	\$ (112,331)	\$ (192,724)
Items not affecting cash:		
Depreciation	48,823	82,876
Gain on settlement of accounts payable	17,000	26,855
Gain (loss) on write-down of marketable securities	-	(4,737)
Change in estimation of contingent consideration	-	(31,790)
Accretion of contingent consideration	-	12,136
Changes in non-cash working capital:		
Amounts receivable	3,680	323,036
Prepaid expenses	(4,809)	(7,258)
Accounts payable and accrued liabilities	(12,902)	(149,458)
Deferred revenue	-	(40,512)
Cash (Used in) Provided by Operating Activities	(60,539)	18,424
Investing Activities		
Proceeds on sale of assets	-	220
Cash Provided by Investing Activities	-	220
Financing Activities		
Proceeds from loans	20,000	40,000
Cash Provided by Financing Activities	20,000	40,000
Change in Cash	(40,539)	58,644
Cash, Beginning of Period	66,851	14,744
Cash, End of Period	\$ 26,312	\$ 73,388

Supplemental Cash Flow Information – Note 10

See notes to the condensed consolidated interim financial statements.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - 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 is a technology issuer and is listed on the Canadian Securities Exchange under the symbol “UAV”.

The Company has sustained recurring losses and negative cash flows from its operations. As at April 30, 2021, the Company had cash of \$26,312 (October 31, 2020 - \$66,851), working capital deficit of \$1,570,729 (October 31, 2020 – deficit of \$1,527,221) and an accumulated deficit of \$29,296,591 (October 31, 2020 - \$29,184,260). 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 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”).

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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

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 fair value through other comprehensive income (“FVOCI”), 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.

c) Basis of consolidation

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

Subsidiary	Percentage owned*		
	April 30, 2021	October 30, 2020	
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.

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, 2020.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

4. AMOUNTS RECEIVABLE AND PREPAIDS

Amounts receivable are comprised of the following:

	April 30, 2021	October 31, 2020
Sales tax receivable	\$ 19,135	\$ 22,815
Prepaid expenses	5,542	733
Total amounts receivable	\$ 24,677	\$ 23,548

5. MARKETABLE SECURITIES

During the year ended October 31, 2019, the Company received marketable securities of a publicly traded company 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. During the period ended April 30, 2020 the Company recognized an unrealized gain of \$4,737.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

6. EQUIPMENT

	Vehicles	Unmanned Aerial Vehicles	Office Equipment	Computer Software and Equipment	Sensors	Total
COST						
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 and April 30, 2021	\$ 94,560	\$ 437,138	\$ 50,458	\$ 106,404	\$ 326,358	\$ 1,014,918
ACCUMULATED DEPRECIATION						
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
Depreciation	1,597	24,461	-	-	22,765	48,823
Balance, April 30, 2021	\$ 31,762	\$ 292,832	\$ 50,458	\$ 106,404	\$ 205,142	\$ 686,598
CARRYING AMOUNTS						
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
At April 30, 2021	\$ 62,798	\$ 144,306	\$ -	\$ -	\$ 121,216	\$ 328,320

During the year ended October 31, 2020, the Company entered into a Letter of Intent (“LOI”) and lease and purchase agreements to sell its UAV operations and all related equipment to Dronelogics Systems Inc., (“Dronelogics”). Based on the valuations in the agreements the Company recognized an impairment loss of \$113,178 and wrote its equipment down to a fair value of \$352,732. During the period, Dronelogics terminated the agreements. The fair value used for this impairment charge calculation is considered a level 1 fair value measurement.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	April 30, 2021		October 31, 2020	
Trade payables*	\$	1,465,216	\$	1,472,371
Accrued liabilities		28,425		28,425
Other payables		96,302		85,049
Total accounts payable and accrued liabilities	\$	1,589,943	\$	1,585,845

*Included in trade payables is \$219,972 related to the inactive Mexican subsidiary, of which \$110,169 (October 31, 2020 - \$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.

8. 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 \$60,000 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 ended October 31, 2020, the Company applied for the CEBA and received a \$40,000 loan and applied for an additional \$20,000 which it received during the period ended April 30, 2021. The CEBA remains interest free until December 31, 2022 and has no fixed repayment schedule. If \$50,000 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.

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

The Company did not issue any shares during the six-month period ended April 30, 2021 or during the year ended October 31, 2020.

c) Share purchase warrants

A continuity schedule of outstanding common share purchase warrants for the six months ended April 30, 2021 and the year ended October 31, 2020 is as follows:

	April 30, 2021		October 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	-	\$ -	24,581,862	\$ 0.19
Expired	-	-	(24,581,862)	0.19
Outstanding, end of the period	-	\$ -	-	\$ -

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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

c) Share options

A continuity schedule of outstanding share options for the six months ended April 30, 2021 and the year ended October 31, 2020 is as follows:

	April 30, 2021		October 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	1,600,000	\$ 0.18	5,400,000	\$ 0.13
Cancelled	-	-	(1,550,000)	0.11
Expired	(1,600,000)	0.18	(2,250,000)	0.11
Outstanding and exercisable, end of period	-	\$ -	1,600,000	\$ 0.18

As at April 30, 2021 and October 31, 2020 the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

Exercise Price	Expiry Date	Outstanding at April 30, 2021	Outstanding at October 31, 2020
\$ 0.120	January 2, 2021	-	100,000
\$ 0.180	February 13, 2021	-	1,500,000
		-	1,600,000
Weighted average remaining contractual life (in years)		-	

10. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended April 30, 2021 and 2020, the Company did not enter into any material non-cash transactions.

11. CONTINGENT CONSIDERATION

	April 30, 2021	October 31, 2020
Opening balance	\$ 31,775	\$ 96,775
Change in estimate	-	(65,000)
Closing balance	\$ 31,775	\$ 31,775

The Company estimates its contingent consideration payable relating to the royalty will be \$31,775 (October 31, 2020- \$31,775). The Company discounted the estimated royalty payable using a discount rate of 30% (2020 – 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 Exploration Consultants Ltd. (“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. Mr. Burns joined the Company as CEO subsequent to completion of the asset purchase.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Transactions with management and related parties during the six months ended April 30, 2021 and 2020 were as follows:

Supplier	Nature of Transaction	2021		2020	
101252103 Saskatchewan Ltd. ⁽ⁱ⁾	Consulting Fees	\$	-	\$	25,000
Longford Capital Corporation ⁽ⁱⁱ⁾	Consulting Fees	\$	-	\$	37,500
Westridge Management International Ltd ⁽ⁱⁱⁱ⁾	Consulting Fees	\$	-	\$	37,500
Red Fern Consulting Ltd ^(iv)	Professional Services	\$	30,000	\$	56,638

- 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 April 30, 2021 is \$1,066,315 (October 31, 2020 - \$1,041,644) 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. 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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	April 30, 2021		October 31, 2020	
Financial assets				
Fair value through profit or loss				
Cash	\$	26,312	\$	66,851
Loans and receivables				
Amounts receivable		24,677		22,815
Total financial assets	\$	50,989	\$	89,666
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	\$	1,589,943	\$	1,585,845
Contingent consideration*		31,775		31,775
Loan payable		60,000		40,000
Total financial liabilities	\$	1,681,718	\$	1,657,620

*Estimated fair value of the 10% royalty payments on future earnings before income taxes, depreciation, and amortization expenses of Pioneer Aerial Surveys Ltd. (Note 11).

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.

GLOBAL UAV TECHNOLOGIES LTD.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended April 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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

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.

As at April 30, 2021, the Company had cash in the amount of \$26,312 (October 31, 2020 - \$66,851) and accounts payable and accrued liabilities of \$1,589,943 (October 31, 2020 - \$1,585,845).

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, 2021		October 31, 2020	
	MXN	US	MXN	US
Accounts payable and accrued liabilities	(3,383,411)	\$ 5,850	(3,383,411)	\$ 5,850
Rate to convert \$1 CAD	0.061	1.2285	0.063	1.3318

Based on the Company's net exposure, a 23% change (October 31, 2020 - 23%) in the Canadian/Mexican peso exchange rate and a 12% change (October 31, 2020 - 12%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings.

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

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.

14. MANAGEMENT OF CAPITAL

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

The Company's capital consists of shareholders' deficit. 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, 2021.

15. SEGMENT REPORTING

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