GLOBAL UAV TECHNOLOGIES

(A Technology Company)

Consolidated Financial Statements

For the Years Ended October 31, 2022 and 2021

(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, 2022 and 2021, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' 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, 2022 and 2021, 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 had a working capital deficit of $1,102,053 and an accumulated deficit of $29,225,009 as at October 31, 2022. 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.

Davidson & Company LLP

Vancouver, Canada　　　　Chartered Professional Accountants

January 27, 2023

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

	2022	2021
ASSETS		
Current		
Cash	$ 287	$ 9,989
Amounts receivable and prepaid expenses (Note 4)	136,775	27,066
	137,062	37,055
Non-current		
Equipment (Note 5)	10,226	282,339
TOTAL ASSETS	$ 147,288	$ 319,394
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 1,239,115	$ 1,307,706
Non-current		
Loan payable (Note 7)	60,000	60,000
TOTAL LIABILITIES	1,299,115	1,367,706
SHAREHOLDERS' DEFICIT		
Share capital (Note 8)	25,104,124	25,025,124
Reserves	2,969,058	2,969,058
Accumulated deficit	(29,225,009)	(29,042,494)
	(1,151,827)	(1,048,312)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 147,288	$ 319,394

Nature of operations and going concern (Note 1)
Contingency (Note 15)
Subsequent events (Note 16)

Approved and authorized by the Board on January 27th, 2023

"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 Income (Loss)
For the Years Ended October 31
(Expressed in Canadian Dollars)

		2022		2021
Revenues				
Lease of equipment	$	-	$	14,063
Operating Expenses				
Accounting, audit and legal (Note 10)		79,169		96,209
Consultants' fees		6,367		148,957
Depreciation (Notes 5)		68,862		94,804
Insurance		11,942		15,034
Investor relations and promotion		8,208		3,580
Office and miscellaneous		17,138		21,653
Regulatory, listing, transfer agent fees		10,459		19,485
Rent		-		6,927
		(202,145)		(406,649)
Other Items				
Foreign exchange gain (loss)		(261)		517
Gain on settlement of debt (Note 6, 8 and 10)		104,382		313,863
Recovery on Mexico liability provision (Note 15)		-		219,972
Recovery of accounts payable		18,760		-
Impairment of equipment (Note 5)		(132,750)		-
Gain on sale of equipment		29,499		-
		19,630		534,352
Net Income (Loss) and Comprehensive Income (Loss) for the Year	$	(182,515)	$	141,766
Income (Loss) per Share, Basic and Diluted	$	(0.17)	$	0.14
Weighted Average Number of Common Shares Outstanding, Basic and Diluted		1,066,844		1,013,167

See notes to the consolidated financial statements

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

					Reserves										
	Number of Shares		**Share Capital**		**Equity Settled Share-based Payments**		**Warrants**		**Total**		**Accumulated Deficit**		**Total Shareholders' Deficit**
Balance – October 31, 2020	1,013,167	$	25,025,124	$	2,389,800	$	579,258	$	2,969,058	$	(29,184,260)	$	(1,190,078)
Net income for the year	-		-		-		-		-		141,766		141,766
Balance – October 31, 2021	1,013,167	$	25,025,124	$	2,389,800	$	579,258	$	2,969,058	$	(29,042,494)	$	(1,048,312)
Shares issued in settlement of debt	158,000		79,000		-		-		-		-		79,000
Net loss for the year	-		-		-		-		-		(182,515)		(182,515)
Balance – October 31, 2022	1,171,167	$	25,104,124	$	2,389,800	$	579,258	$	2,969,058	$	(29,225,009)	$	(1,151,827)

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)

	2022	2021
Operating Activities		
Net income (loss)	$ (182,515)	$ 141,766
Items not affecting cash:		
Depreciation	68,862	94,804
Gain on settlement of debt	(104,382)	(313,863)
Gain on recovery of Mexico liability provision	-	(219,972)
Recovery of accounts payable	(18,760)	-
Gain on sale of equipment	(29,499)	-
Impairment of equipment	132,750	-
Changes in non-cash working capital:		
Amounts receivable	(10,501)	(3,459)
Prepaid expenses	792	(59)
Accounts payable and accrued liabilities	133,551	223,921
Cash Used in Operating Activities	(9,702)	(76,862)
Financing Activities		
Proceeds from loans	-	20,000
Cash Provided by Financing Activities	-	20,000
Change in Cash	(9,702)	(56,862)
Cash, Beginning of Year	9,989	66,851
Cash, End of Year	$ 287	$ 9,989

Non-cash transactions:

During the year ended October 31, 2022, the Company issued 158,000 common shares valued at $79,000 in settlement of $183,382 of debt.

The Company did not enter into any material non-cash transactions during the year ended October 31, 2021.

See notes to the consolidated financial statements.

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".

During the year ended October 31, 2021, the Board of Directors authorized a 135-for-1 share consolidation. The number of issued and outstanding shares and all per share disclosures have been retrospectively restated for all periods presented unless otherwise stated.

The Company has sustained recurring losses and negative cash flows from its operations. As at October 31, 2022, the Company had cash of $287 (October 31, 2021 - $9,989), working capital deficit of $1,102,053 (October 31, 2021 – deficit of $1,270,651) and an accumulated deficit of $29,225,009 (October 31, 2021 - $29,042,494). The Company will need to raise additional capital to fund operations and settle its debts. The Company expects to seek additional funding through equity financings. 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.

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.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (cont'd…)

b) Basis of consolidation

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

		Percentage owned*	
Subsidiary		**October 31, 2022**	**October 31, 2021**
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 Inc.	**Ontario, Canada**	100%	100%
Global UAV Leasing Ltd.	**Saskatchewan, 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.

c) 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.

d) 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:

2. BASIS OF PRESENTATION (cont'd…)

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

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 8.

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.

For the year ended October 31, 2022, management determined that there were indicators of impairment for its equipment held by Global UAV and its subsidiaries and recorded a write-down of $132,750 (2021 - $nil).

Mexico liabilities provision:
The Company recognizes a provision where it is probable that an outflow of resources embodying economic benefit is likely to be required to settle an obligation. During the year ended October 31, 2021, the Company recognized a recovery to reduce its outstanding provision associated with its inactive Mexican subsidiary to $nil. The recognition of this recovery involved judgement from management about the nature and likelihood of the associated provision.

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.

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

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.

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 amounts receivable 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, accrued liabilities and loan payable.

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.

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) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

d) 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.

f) 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.

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.

g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

h) 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.

i) 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.

j) Leases

IFRS 16 - Leases

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.

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

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

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

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

j) Leases (cont'd…)

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.

The Company has 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.

k) Recent accounting pronouncements

The Company has not identified any recent accounting pronouncements which could materially impact these consolidated financial statements.

4. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

Amounts receivable are comprised of the following:

	October 31, 2022	October 31, 2021
Trades receivable	$ 105,000	$ -
Sales tax receivable	31,775	26,274
Prepaid expenses	-	792
Total amounts receivable	$ 136,775	$ 27,066

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Vehicles	Unmanned Aerial Vehicles	Office Equipment	Computer Software and Equipment	Sensors*	Total
COST						
Balance, October 31, 2020 and 2021	$ 94,560	$ 437,138	$ 50,458	$ 106,404	$ 326,358	$ 1,014,918
Impairment	(31,586)	(101,164)	-	-	-	(132,750)
Disposals	-	-	-	-	(326,358)	(326,358)
Balance, October 31, 2022	$ 62,974	$ 335,974	$ 50,458	$ 106,404	$ -	$ 555,810
ACCUMULATED DEPRECIATION						
Balance, October 31, 2020	30,165	268,371	50,458	106,404	182,377	637,775
Depreciation	11,718	37,557	-	-	45,529	94,804
Balance, October 31, 2021	$ 41,883	$ 305,928	$ 50,458	$ 106,404	$ 227,906	$ 732,579
Disposals	-	-	-	-	(255,857)	(255,857)
Depreciation	10,865	30,046	-	-	27,951	68,862
Balance, October 31, 2022	$ 52,748	$ 335,974	$ 50,458	$ 106,404	$ -	$ 545,584
CARRYING AMOUNTS						
At October 31, 2020	$ 64,395	$ 168,767	$ -	$ -	$ 143,981	$ 377,143
At October 31, 2021	$ 52,677	$ 131,210	$ -	$ -	$ 98,452	$ 282,339
At October 31, 2022	$ 10,226	$ -	$ -	$ -	$ -	$ 10,226

*During the year ended October 31, 2022, the Company sold it's sensors for $100,000 (2021 - $nil) and recognized a gain on sale of equipment of $29,499 (2021 - $nil).

(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		October 31, 2022		October 31, 2021
Trade payables	$	1,208,984	$	1,267,569
Accrued liabilities		20,000		30,000
Other payables		10,131		10,137
Total accounts payable and accrued liabilities	$	1,239,115	$	1,307,706

During the year ended October 31, 2022, the Company settled accounts payable of $183,382 (2021 - $343,863) through the issuance of 158,000 common shares of the Company valued at $79,000 at the time of issuance (2021 – payment of $30,000), recorded a recovery of accounts payable of $18,760 (2021 - $nil), and recognized a gain of $104,382 (2021 - $313,863) on settlements of debt (Note 8 and 10).

7. 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 year ended October 31, 2021. The CEBA remains interest free until December 31, 2023 and has no fixed repayment schedule. If $40,000 is repaid on or before December 31, 2023, the remaining $20,000 will be forgiven. If at December 31, 2023, 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.

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

During the year ended October 31, 2022, the Company issued 158,000 common shares to creditors, valued at $79,000 at the time of issuance, for the settlement of debt in the amount of $183,382. The Company recorded a gain on settlement of $104,382.

The Company did not issue any shares during the year ended October 31, 2021.

c) Share purchase warrants

A continuity schedule of outstanding common share purchase warrants for the years ended October 31, 2022 and 2021 is as follows:

	October 31, 2022			October 31, 2021		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Outstanding, beginning of year	18,752	$	16.20	18,752	$	16.20
Expired	(18,752)		16.20	-		-
Outstanding, end of the year	-	$	-	18,752	$	16.20

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (Cont'd…)

d) Share options

A continuity schedule of outstanding share options for the years ended October 31, 2022 and 2021 is as follows:

	October 31, 2022		October 31, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of the year	-	$ -	11,852	$ 23.79
Expired	-	-	(11,852)	23.79
Outstanding and exercisable, end of year	-	$ -	-	$ -

9. CONTINGENT CONSIDERATION

	October 31, 2022	October 31, 2021
Opening balance	$ -	$ 31,775
Extinguishment of Royalty	-	(31,775)
Closing balance	$ -	$ -

Mr. Burns, a former director of the Company, is a shareholder of Pioneer Explorations Consultants Inc., 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 10).

During the year ended October 31, 2021, the Company entered into a debt settlement agreement with Mr. Burns and certain private corporations controlled by Mr. Burns, which resulted in the royalty being extinguished (Note 10).

10. RELATED PARTY TRANSACTIONS

Transactions with management and related parties during the years ended October 31, 2022 and 2021 were as follows:

Supplier	Nature of Transaction	2022	2021
Red Fern Consulting Ltd[(i)]	Accounting, audit and legal	$ 60,000	$ 60,000

I. Red Fern Consulting Ltd is a private company of which Stephen Sulis, the Company's CFO, is an employee.

Accounts payable to related parties

Included in accounts payable and accrued liabilities at October 31, 2022 is $943,179 (October 31, 2021 - $827,118) due to officers, former officers and directors of the Company.

Other – Gain on Settlement of Debt

During the year ended October 31, 2022, the Company issued 50,000 common shares to a former related party in settlement of debt of $46,531. The common shares had a fair value of $25,000 and the Company recognized a gain on settlement of debt of $21,531 and a recovery of accounts payable of $577. During the year ended October 31, 2021, the Company entered into a debt settlement agreement with Mr. Michael Burns, the former CEO and Director of the Company, and certain private corporations controlled by Mr. Burns. The Company agreed to pay Mr. Burns $30,000, in settlement of all outstanding balances owing to Mr. Burns and any private corporations controlled by Mr. Burns and for the extinguishment of the Royalty (Note 9). The Company recognized a gain of $289,105, which is included in gain on settlement of debt (Note 6).

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

		October 31, 2022		October 31, 2021
Financial assets				
Fair value through profit or loss				
Cash	$	287	$	9,989
Loans and receivables				
Amounts receivable		136,775		26,274
Total financial assets	$	137,062	$	36,263
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$	1,239,115	$	1,307,706
Loan payable		60,000		60,000
Total financial liabilities	$	1,299,115	$	1,367,706

The fair values of the Company's amounts receivable and accounts payable and accrued liabilities, and loan payable approximate their carrying values due to the short-term nature of these instruments.

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, 2022, the Company had cash in the amount of $287 (October 31, 2021 - $9,989) and accounts payable and accrued liabilities of $1,239,115 (October 31, 2021 - $1,307,706).

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.

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

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 in US dollars as follows:

	October 31, 2022		October 31, 2021	
		US		US
Accounts payable and accrued liabilities	$	3,562	$	5,850
Rate to convert $1 CAD		1.3649		1.2384

Based on the Company's net exposure, a 10% change in the Canadian/US exchange rate would result in $486 (October 31, 2021 - $724) gain or loss on foreign exchange.

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 is classified at Level 1 of the fair value hierarchy.

(Expressed in Canadian Dollars)

12. 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' 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 year ended October 31, 2022.

13. INCOME TAXES

As at October 31, 2022, the Company has non-capital losses of approximately $10,607,000 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 $10,607,000 expire through 2041.

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

		2022		2021
Income (loss) before income taxes	$	(182,515)	$	141,766
Income tax at statutory rates		27.00%		27.00%
Expected income tax recovery		(46,000)		38,166
Permanent differences		1,000		-
Change in statutory, foreign tax, foreign exchange rates and other		10,000		41,682
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(135,000)		-
Change in unrecognized deductible temporary differences		170,000		(79,848)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		2022		2021
Non-capital losses carried forward (expiring 2026 to 2041)	$	10,573,000	$	10,299,000
Capital losses carried forward		88,000		88,000
Mineral property interests		3,718,000		3,718,000
Investment in oil and gas interests		74,000		74,000
Share issuance costs (expiring 2041 to 2041)		-		27,000
Equipment		1,044,000		758,000

14. SEGMENT REPORTING

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

15. CONTINGENCY

During the year ended October 31, 2022, the Company recognized a recovery of $nil (2021 - $219,972) to reduce its outstanding provision associated with its inactive Mexican subsidiary to $nil. As at October 31, 2021, it has become highly unlikely that there will be any future outflows of resources related to legacy operations within this subsidiary since the Company has begin the proceedings to wind up the inactive Mexican subsidiary. This is a matter of judgement on behalf of the Company and its management. In the event that the likelihood of settlement of these matters change, the Company may be required to recognize a liability in the future associated with these legacy operations.