

**Global UAV Technologies Ltd.**  
**(formerly Alta Vista Ventures Ltd.)**  
**(A Technology Company)**

**Condensed Consolidated Interim Financial Statements**

**For the Nine Months Ended July 31, 2017 and 2016**

(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. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As at July 31, 2017 and October 31, 2016**  
(Unaudited - Expressed in Canadian Dollars)

	July 31, 2017	October 31, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 393,822	\$ 313,980
Amounts receivable (Note 4)	212,263	47,511
Marketable securities (Note 5)	1,341	1,341
Prepays and deposit (Note 9)	32,968	40,249
	640,394	403,081
<b>Non-current</b>		
Prepaid expenses	1,500	1,500
Property, plant and equipment (Note 6 and 15)	360,102	14,238
Intangible assets (Note 7 and 15)	494,750	-
Other assets (Note 15)	25,500	-
	881,852	15,738
<b>TOTAL ASSETS</b>	<b>\$ 1,522,246</b>	<b>\$ 418,819</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 10 and 16)	\$ 581,250	\$ 386,026
Loan payable (Note 11)	12,716	-
	593,966	386,026
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 12)	18,899,227	17,241,516
Reserves	2,297,579	2,126,427
Obligation to issue shares (Note 12)	150,000	-
Accumulated deficit	(20,418,526)	(19,335,150)
	928,280	32,793
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,522,246</b>	<b>\$ 418,819</b>

Approved by the Board:

*"Jason Springett" (signed)*  
..... Director

*"Michael Burns" (signed)*  
..... Director

**GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)**  
**For the Three and Nine Months Ended July 31, 2017 and 2016**  
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016
<b>Revenues</b>				
Sales	\$ 333,529	\$ -	\$ 537,118	\$ -
<b>Operating Expenses</b>				
Accounting, audit and legal	9,247	76,002	60,370	106,401
Consultants' fees (Note 16)	109,187	85,000	367,955	242,248
Depreciation (Note 6)	11,720	372	26,491	1,380
Exploration expenditures, net of recoveries (Note 8)	43,638	11,255	53,129	23,210
Insurance	8,540	-	10,337	-
Investor relations and promotion	19,938	1,296	88,572	1,296
Office and miscellaneous	34,255	4,235	64,008	14,977
Regulatory fees	2,778	1,600	26,572	12,164
Rent	9,431	4,500	22,372	13,500
Repairs and maintenance	6,789	-	6,789	-
Salaries and wages	10,997	-	15,986	-
Share-based compensation (Notes 12(e) and 16)	(31,500)	34,000	162,663	531,950
Telephone	356	416	776	656
Transfer agent and listing fees	4,134	872	7,447	4,336
Travel	27,065	-	53,397	697
	(266,575)	(219,548)	(966,864)	(952,815)
<b>Other Items</b>				
Foreign exchange gain	4,808	3,923	1,024	17,533
Gain on disposal of assets	83,194	-	85,524	918
Gain on settlement of debt	-	198,634	-	198,634
Impairment on investment of RedeCan Pharm	-	(925,000)	-	(1,444,862)
Impairment loss on acquisition of Pioneer Exploration Consultants and High Eye (Note 15)	-	-	(740,178)	-
Oil and gas income; net	-	17	-	17
Realized loss on sale of securities	-	-	-	(2,702)
<b>Net Income (Loss) for the Period</b>	154,956	(941,974)	(1,083,376)	(2,183,277)
<b>Item of Comprehensive Income (Loss)</b>				
Unrealized loss on marketable securities	-	(282)	-	(555)
<b>Comprehensive Income (Loss) for the Period</b>	\$ 154,956	\$ (942,256)	\$ (1,083,376)	\$ (2,183,832)
<b>Earnings (Loss) per Share, Basic and Diluted</b>	\$ 0.00	\$ (0.04)	\$ (0.02)	\$ (0.08)
<b>Weighted Average Number of Common Shares Outstanding</b>	74,587,705	25,710,478	62,660,013	25,710,478

See notes to condensed consolidated interim financial statements.

**GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)**  
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves			Obligation to Issue Shares	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
			Equity Settled Share-based Payments	Warrants	Total				
<b>Balance – October 31, 2016</b>	<b>46,203,755</b>	<b>\$ 17,241,516</b>	<b>\$ 1,778,139</b>	<b>\$ 348,288</b>	<b>\$ 2,126,427</b>	<b>\$ -</b>	<b>\$ (19,335,150)</b>	<b>\$ -</b>	<b>\$ 32,793</b>
Net loss for the period	-	-	-	-	-	-	(1,083,376)	-	(1,114,876)
Common shares issued in private placements	11,000,000	550,000	-	-	-	-	-	-	550,000
Exercise of options	1,800,000	180,000	-	-	-	-	-	-	180,000
Exercise of warrants (Note 12)	5,150,000	389,750	-	-	-	-	-	-	389,750
Share-based compensation (Note 12(e))	-	-	162,663	-	162,663	-	-	-	162,663
Common shares issued / to be issued for asset acquisition of Pioneer Exploration Consultants (Note 12)	6,000,000	300,000	-	-	-	150,000	-	-	450,000
Share issuance costs (Note 12)	525,000	(17,039)	-	8,489	8,489	-	-	-	(8,550)
Common shares issued for acquisition in High Eye (Note 12)	4,500,000	225,000	-	-	-	-	-	-	225,000
Common shares issued for acquisition in UAV Regulatory Services (Note 12)	329,670	30,000	-	-	-	-	-	-	30,000
<b>Balance – July 31, 2017</b>	<b>75,508,425</b>	<b>\$ 18,930,727</b>	<b>\$ 1,940,802</b>	<b>\$ 356,777</b>	<b>\$ 2,297,579</b>	<b>\$ 150,000</b>	<b>\$ (20,418,526)</b>	<b>\$ -</b>	<b>\$ 928,280</b>
<b>Balance – October 31, 2015</b>	<b>12,841,958</b>	<b>\$ 14,499,595</b>	<b>\$ 1,224,086</b>	<b>\$ 332,542</b>	<b>\$ 1,556,628</b>	<b>\$ -</b>	<b>\$ (16,748,190)</b>	<b>\$ 8,498</b>	<b>\$ (683,469)</b>
Net loss for the period	-	-	-	-	-	-	(2,183,278)	-	(2,183,278)
Items of other comprehensive loss	-	-	-	-	-	-	-	(3,680)	(3,680)
Common shares issued in private placement (Note 12)	5,580,000	279,000	-	-	-	-	-	-	279,000
Share issue costs	-	(33,952)	-	-	-	-	-	-	(33,952)
Exercise of warrants	3,220,000	241,500	-	-	-	-	-	-	241,500
Exercise of options	112,500	15,375	-	-	-	-	-	-	15,375
Common shares issued for purchase RedeCan Pharm (Note 14)	2,000,000	400,000	-	-	-	-	-	-	400,000
Common shares issued for purchase of Thor Pharma (Note 14)	5,000,000	900,000	-	-	-	-	-	-	900,000
Common shares issued for consulting services	1,500,000	175,000	-	-	-	-	-	-	175,000
Common shares issued for debt	2,320,000	116,000	-	-	-	-	-	-	116,000
Share-based compensation	-	-	356,950	-	356,950	-	-	-	356,950
Obligation to issue shares	-	-	-	-	-	195,457	-	-	195,457
<b>Balance – July 31, 2016</b>	<b>32,574,458</b>	<b>\$ 16,592,518</b>	<b>\$ 1,581,036</b>	<b>\$ 332,542</b>	<b>\$ 1,913,578</b>	<b>\$ 195,457</b>	<b>\$ (18,931,468)</b>	<b>\$ 4,818</b>	<b>\$ (225,097)</b>

See notes to condensed consolidated interim financial statements.

**GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the Three and Nine Months Ended July 31, 2017 and 2016**  
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016
<b>Operating Activities</b>				
Net income (loss)	\$ 154,956	\$ (941,974)	\$ (1,083,376)	\$ (2,183,277)
Items not affecting cash				
Depreciation	11,720	373	26,491	1,380
Loss on sale of marketable securities	-	-	-	2,702
Share-based compensation	-	34,000	162,663	356,950
Consulting fees paid with shares	-	-	-	175,000
Gain on disposal of equipment	-	-	-	(918)
Gain on settlement of debt	-	(198,634)	-	(198,634)
Impairment on investments	-	925,000	-	1,444,862
Impairment loss - Pioneer (Note 15)	-	-	454,489	-
Impairment loss - High Eye (Note 15)	-	-	285,689	-
	166,676	(181,235)	(154,044)	(401,935)
Changes in non-cash working capital				
Amounts receivable	(109,368)	(2,460)	(151,943)	(26,380)
Prepaid expenses	(9,928)	(5,500)	8,038	(8,126)
Accounts payable and accrued liabilities	(74,750)	81,858	(221,828)	87,008
	(194,046)	73,898	(365,733)	52,502
<b>Cash Used in Operating Activities</b>	<b>(27,370)</b>	<b>(107,337)</b>	<b>(519,777)</b>	<b>(349,433)</b>
<b>Investing Activities</b>				
Purchase of property, plant and equipment	(48,025)	130	(181,873)	1,232
Acquisition of Pioneer Exploration Consultants	-	-	(300,000)	-
Acquisition of High Eye	-	-	27,576	-
Acquisition of UAV Regulatory Services	(70,000)	-	(70,000)	-
Investment in Thor Pharma	-	-	-	(25,000)
Investment in RedeCan Pharma	-	-	-	(119,862)
Proceeds on sale of marketable securities	-	-	-	1,912
<b>Cash Provided by (Used in) Investing Activities</b>	<b>(118,025)</b>	<b>130</b>	<b>(524,297)</b>	<b>(141,718)</b>
<b>Financing Activities</b>				
Due to directors	-	(11,810)	-	(11,500)
Loans	(342)	-	12,716	-
Warrants exercised	242,750	-	389,750	-
Options exercised	-	-	180,000	-
Proceeds from issuance of common shares, net of share issue costs	-	111,900	541,450	501,923
<b>Cash Provided by Financing Activities</b>	<b>242,408</b>	<b>100,090</b>	<b>1,123,916</b>	<b>490,423</b>
<b>Increase (Decrease) in Cash</b>	<b>97,013</b>	<b>(7,117)</b>	<b>79,842</b>	<b>(728)</b>
<b>Cash, Beginning of Period</b>	<b>296,809</b>	<b>8,923</b>	<b>313,980</b>	<b>2,534</b>
<b>Cash, End of Period</b>	<b>\$ 393,822</b>	<b>\$ 1,806</b>	<b>\$ 393,822</b>	<b>\$ 1,806</b>

Supplemental Cash Flow Information – Note 13

See notes to condensed consolidated interim financial statements. 5

**GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2017 and 2016**  
(Unaudited - Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.) (the “Company”) was incorporated under the laws of British Columbia. The Company’s principal and registered place of business is located at 459 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2. The Company’s stock is listed on the Canadian Securities Exchange under the symbol “UAV”.

On May 15, 2017, the Company has changed its name to Global UAV Technologies Ltd., the symbol will remain UAV.

Prior to 2016, the Company’s business was to acquire interests in mineral properties in Mexico and over the years has spent significant funds exploring these properties. Due to prevailing market conditions at the time and lack of work performed on the properties the Company’s mineral property interests were written down to \$nil in fiscal 2015.

During the nine months ended July 31, 2017, the Company acquired a 100% interest in High Eye Aerial Imaging Inc. (“High Eye”), acquired assets of Pioneer Explorations Consultants Inc. (“Pioneer”), and acquired a 100% interest in UAV Regulatory Services Ltd. As a result of these acquisitions the Company entered into the unmanned aerial vehicle (“UAV”) business and the Company no longer intends to use its resources on its mineral exploration properties. .

As a result of the Company’s previous business of mineral exploration, the Company has sustained recurring losses and negative cash flows from its operations. As at July 31, 2017, the Company had cash of \$393,822 (October 31, 2016 - \$313,980), working capital of \$46,428 (October 31, 2016 - \$17,055) and an accumulated deficit of \$20,418,526 (October 31, 2016 - \$19,335,150). The Company will need to raise additional capital to accomplish its business plan over the next several years. The Company expects to seek additional funding through equity financing or the exercise of existing warrants. There can be no assurance as to the availability or terms upon which such financing might be available.

The ability of the Company to continue as a going concern and meet its commitments as they become due is dependent on the success of the Company’s wholly owned subsidiaries and/or the Company’s ability to obtain the necessary financing. If the Company is unable to obtain additional financing, the Company will be unable to finance itself to continue operations. There can be no assurance that management’s plans will be successful.

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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Condensed Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September \*, 2017.

**b) Basis of presentation**

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

**GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2017 and 2016**  
(Unaudited - Expressed in Canadian Dollars)

**2. BASIS OF PRESENTATION (CONTINUED)**

**c) Basis of consolidation**

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

		Percentage owned*	
		April 30, 2017	April 30, 2016
Minera Alta Vista SA de CV	Mexico	100%	-
Pioneer Aerial Surveys LTD	Saskatchewan, Canada	100%	-
High Eye Aerial Imaging Inc	Ontario, Canada	100%	-
UAV Regulatory Services LTD	BC, Canada	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 subsidiary 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 period.

**e) Significant accounting judgments and estimates**

The preparation of the condensed consolidated interim 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:

*Critical judgments used in applying accounting policies*

In the preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements.

**GLOBAL UAV TECHNOLOGIES LTD. (FORMERLY ALTA VISTA VENTURES LTD.)**  
**(A Technology Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Three and Nine Months Ended July 31, 2017 and 2016**  
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**2. BASIS OF PRESENTATION (CONTINUED)**

**e) Significant accounting judgments and estimates (continued)**

*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. Management has determined that there were indicators of impairment for its mineral property interests in the year ended October 31, 2015 and recorded a write-down of \$44,002. For the year ended October 31, 2016, management has determined that there were indicators of impairment for its investments in RedeCan Pharm and Thor Pharma and recorded a write-down of \$1,455,054. For the nine months ended July 31, 2017, management has determined that there were indicators of impairment for its acquisitions in Pioneer Exploration Consultants and High Eye and recorded a write-down of \$740,178 on the assets of the acquired subsidiaries.

*Impairment of marketable securities*

At each reporting date, the Company conducts a review to determine whether there are indications of impairment on its marketable securities. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. Factors include the financial health and short-term business outlook of the investee, industry and sector performance, and operational and financing cash flows. If the decline in fair value below cost is considered significant or prolonged, the Company recognizes an impairment, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, to profit or loss.

*Income taxes*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, 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) Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Alta Vista, S.A. de C.V. ("MAV"), a company incorporated under the laws of Mexico, High Eye Aerial Imaging Ltd., Pioneer Aerial Surveys Ltd., and UAV Regulatory Services Ltd. Subsidiaries are all entities over which the Company has control. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

All material intercompany transactions and balances, including unrealized income and expenses arising from intercompany transactions have been eliminated on consolidation.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **b) Financial instruments**

Financial assets and financial liabilities are recognized on the condensed consolidated interim statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

##### ***Financial assets***

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period. Cash is included in this category of financial assets.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Other receivables are included in this category of financial assets.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss for the period. The Company has no assets classified as held-to-maturity.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income and recognized in profit or loss for the period. The Company's marketable securities are classified as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, other than those at FVTPL, are subject to review for impairment at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets may not be recoverable. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

##### ***Financial liabilities***

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss for the period.

*Other financial liabilities* - This category includes accounts payable and accrued. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

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**(A Technology Company)**  
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**For the Three and Nine Months Ended July 31, 2017 and 2016**  
(Unaudited - Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Property, plant and equipment**

Property, plant and equipment is carried at cost, less accumulated depreciation.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and 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 of property, plant and 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 property, plant and 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	30%
Office equipment	20%
Computer software and equipment	45%
Unmanned Aerial Vehicles	20%

**d) Intangible assets**

Intangible assets consist mainly of trademarks, domain name and similar intangibles, including certain intellectual property, acquired by the Company. Acquired trademarks, 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. Estimated useful lives of intangible assets are 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 statement of financial position 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.

**e) Mineral property interests**

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis.

The recoverability of the carrying amount of mineral property interests is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **f) 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 the consolidated statement of operations and comprehensive loss.

#### **g) Share capital**

##### *Common shares*

Common shares are classified as equity. Transaction costs directly attributable to the issue 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.

#### **h) Revenue recognition**

The Company recognizes the revenues from the sale of products 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. 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.

#### **i) 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 non-employees are recorded at the fair value of goods or services received in the consolidated statement of operations and comprehensive loss. The fair value of the options granted to employees is measured using the

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) Share-based compensation (continued)**

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.

**j) Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

**k) 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 year. 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.

**l) 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. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess. 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.

**m) 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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **m) Provisions (continued)**

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.

#### **n) New accounting standards effective February 1, 2016**

##### ***IAS 16 Property, plant and equipment***

In May 2014, the IASB amended IAS 16, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for property, plant and equipment that is based on revenue that is generated by an activity that includes the use of an asset is not allowed. The Company is evaluating the effect, if any, the amendment to IAS 16 will have on the Company's financial statements.

#### **o) New accounting standards and interpretations not yet adopted**

At the date of authorization of these consolidated financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective as at July 31, 2017. Management is assessing the effects of these future standards on its consolidated financial statements. All of the new and revised standards described below may be early-adopted.

##### ***IFRS 9 Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and *IFRIC 9 Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets:**  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets:**  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**o) New accounting standards and interpretations not yet adopted (continued)**

**IFRS 9 *Financial Instruments* (continued)**

- Hedge accounting:  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

This standard is effective for the Company's annual periods beginning November 1, 2018.

**Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)**

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This standard is effective for the Company's annual periods beginning November 1, 2018.

**4. AMOUNTS RECEIVABLE**

Amounts receivable are comprised of the following:

	<b>July 31, 2017</b>	<b>October 31, 2016</b>
Trade receivable	\$ 78,409	\$ -
Sales tax receivable	48,390	43,662
Other amounts receivable	85,464	3,849
<b>Total amounts receivable</b>	<b>\$ 212,263</b>	<b>\$ 47,511</b>

**5. MARKETABLE SECURITIES**

The Company holds marketable securities that are free-trading. Marketable securities are comprised of the following:

	<b>July 31, 2017</b>		<b>October 31, 2016</b>	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Sonora Resources Corp.	1,000,000	\$ 1,341	1,000,000	\$ 1,341
		\$ 1,341		\$ 1,341

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**6. PROPERTY, PLANT AND EQUIPMENT**

	Vehicles	Unmanned Aerial Vehicles	Office Equipment	Computer Software and Equipment	Total
<b>COST</b>					
Balance, October 31, 2014	\$ 14,472	\$ -	\$ 35,479	\$ 25,759	\$ 75,710
Disposals	(14,472)	-	(5,147)	-	(19,619)
Balance, October 31, 2015	-	-	30,332	25,759	56,091
Additions	-	10,263	-	-	10,263
Disposals	-	-	(131)	(2,597)	(2,728)
Balance, October 31, 2016	-	10,263	30,201	23,162	63,626
Additions	137,632	275,440	18,563	16,380	448,015
Disposals	-	(47,923)	(5,257)	(9,752)	(62,932)
<b>Balance, July 31, 2017</b>	<b>\$ 137,632</b>	<b>\$ 237,780</b>	<b>\$ 43,507</b>	<b>\$ 29,790</b>	<b>\$ 448,709</b>

**ACCUMULATED DEPRECIATION**

Balance, October 31, 2014	\$ 10,350	\$ -	\$ 28,155	\$ 21,427	\$ 59,932
Depreciation	618	-	1,417	1,950	3,985
Disposals	(10,968)	-	(3,051)	-	(14,019)
Balance, October 31, 2015	-	-	26,521	23,377	49,898
Depreciation	-	-	914	989	1,903
Disposals	-	-	-	(2,413)	(2,413)
Balance, October 31, 2016	-	-	27,435	21,953	49,388
Depreciation	7,815	42,302	1,326	4,561	56,004
Disposals	-	-	(6,024)	(10,761)	(16,785)
<b>Balance, July 31, 2017</b>	<b>\$ 7,815</b>	<b>\$ 42,302</b>	<b>\$ 22,737</b>	<b>\$ 15,753</b>	<b>\$ 88,607</b>

**CARRYING AMOUNTS**

At October 31, 2015	\$ -	\$ -	\$ 3,811	\$ 2,382	\$ 6,193
At October 31, 2016	\$ -	\$ 10,263	\$ 2,766	\$ 1,209	\$ 14,238
<b>At July 31, 2017</b>	<b>\$ 129,817</b>	<b>\$ 195,478</b>	<b>\$ 20,770</b>	<b>\$ 14,037</b>	<b>\$ 360,102</b>

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**7. INTANGIBLE ASSETS**

	<b>Trademark</b>	<b>Intellectual Property</b>	<b>Website</b>	<b>Client List</b>	<b>Total</b>
<b>COST</b>					
Balance, October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	250	441,000	49,500	4,000	494,750
<b>Balance, July 31, 2017</b>	<b>\$ 250</b>	<b>\$ 441,000</b>	<b>\$ 49,500</b>	<b>\$ 4,000</b>	<b>\$ 494,750</b>
<b>ACCUMULATED DEPRECIATION</b>					
Balance, October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
<b>Balance, July 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CARRYING AMOUNTS</b>					
At October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
<b>At July 31, 2017</b>	<b>\$ 250</b>	<b>\$ 441,000</b>	<b>\$ 49,500</b>	<b>\$ 4,000</b>	<b>\$ 494,750</b>

**8. MINERAL PROPERTY INTERESTS**

The Company incurred the following exploration expenditures, which were recognized in the consolidated statement of operations and comprehensive loss for the nine months ended July 31, 2017:

	<b>Carol-Balde</b>	<b>Orofino</b>	<b>Total</b>
Camp and exploration support	\$ 24,564	\$ 24,565	\$ 53,129
Net expenditures for the period	\$ 24,564	\$ 24,565	\$ 53,129

The Company incurred the following exploration expenditures, which were recognized in the consolidated statement of operations and comprehensive loss for the nine months ended July 31, 2016:

	<b>Carol-Balde</b>	<b>Orofino</b>	<b>Total</b>
Camp and exploration support	\$ 11,605	\$ 11,605	\$ 23,210
Net expenditures for the period	\$ 11,605	\$ 11,605	\$ 23,210

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**8. MINERAL PROPERTY INTERESTS (CONTINUED)**

**a) Carol-Balde Property, Mexico**

On September 25, 2006, the Company entered into an assignment of option agreement with Minera Canamex S.A. de C.V. to acquire a 100% interest in the mineral claims. By an agreement dated January 31, 2008, the Company renegotiated the remaining commitments and acquired 100% ownership and property rights, subject to the 3% net smelter return (“NSR”) royalty to the optionor, by making a cash payment of US\$70,000 (paid) and issuing 28,000 common shares (issued).

During the year ended October 31, 2015, the Company considered the prevalent market conditions and recorded an impairment loss of \$44,000 to reduce the carrying value to \$nil measured using Level 3 of the fair value hierarchy.

**b) Orofino Property, Mexico**

The Company entered into an assignment of option agreement on nine concessions dated July 24, 2009. Under the terms of the option agreement, the Company acquired a 100% interest for cash payments totaling \$200,000 (\$40,000 paid), issuing 100,000 common shares (30,000 issued) and paying taxes totaling Mexican pesos (“MXN”) MXN 114,232 (paid). The Company paid an additional \$10,000 for the extension of one payment.

The Company entered into an assignment of option agreement on an additional two concessions in 2009. The agreement gave the Company the option to acquire a 100% interest for cash payments of \$200,000 (\$80,000 paid) and issuing 100,000 common shares (640,000 issued).

As of February 2013, the Company and the owners of the concessions have agreed to suspend all consideration requirements until a mutually agreed upon future point in time. As such, the agreement is still in good standing.

During the year ended October 31, 2013, the Company considered the prevalent market conditions and recorded an impairment loss of \$132,265 to reduce the carrying value to \$nil measured using Level 3 of the fair value hierarchy.

During the quarter ended July 31, 2017, the Company sold its interests to a private Mexican company for net proceeds of 1,200,000 Mexican Pesos, which represents a gain on the disposal of an asset.

**c) Realization of assets**

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

**d) Environmental**

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on a property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

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**8. MINERAL PROPERTY INTERESTS (CONTINUED)**

**e) Title to mineral property interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements of transfers and title may be affected by undetected defects.

**9. PREPAIDS AND DEPOSIT**

	<b>July 31, 2017</b>	<b>October 31, 2016</b>
Prepaid expenses	\$ 22,968	\$ 40,249
Deposit*	10,000	-
<b>Total prepaids and deposit</b>	<b>\$ 32,968</b>	<b>\$ 40,249</b>

\*On July 17, 2017, the Company has signed the definitive agreement for the purchase of a 100% interest in NOVAerial Robotics Ltd. The Company is purchasing the 100% undivided interest in NOVAerial Robotics for \$300,000 in cash (with \$10,000 having been paid on signing of the letter of intent) and the issuance of 4,584,527 common shares of the Company. Subsequent to nine months ended July 31, 2017, the Company has formally closed this agreement (Note 19).

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities were comprised of the following:

	<b>July 31, 2017</b>	<b>October 31, 2016</b>
Trade payables *	\$ 523,420	\$ 297,526
Accrued liabilities	24,000	76,000
Due to directors (Note 16(b))	31,629	12,500
Taxes payable	2,201	-
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 581,250</b>	<b>\$ 386,026</b>

\*Included in trade payables is \$116,477 (October 31, 2016 - \$125,117) owed to the Mexican Government for withholding taxes on salaries that were not remitted in prior years.

**11. LOAN PAYABLE**

As at July 31, 2017, loan payable comprised amounts payable to PEC Ltd of \$12,716 (October 31, 2016 - \$nil). The loan is non-related, non-secured and is due on demand.

**12. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares without par value

**b) Issued**

***Nine Months Ended July 31, 2017***

On January 3, 2017, the Company has formally closed the asset purchase agreement for the UAV (unmanned aerial vehicle) assets of Pioneer Exploration Consultants. On closing, the Company combined the first two payments as contemplated in the asset purchase agreement by making payments totaling \$300,000 and issuing 6,000,000 shares to Pioneer Exploration at a deemed price of \$0.05 per share. In connection to the agreement, the Company has 3,000,000 outstanding shares to be issued at a deemed price of \$0.05 per share totaling to \$150,000.

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**12. SHARE CAPITAL (CONTINUED)**

**b) Issued (continued)**

*Nine Months Ended July 31, 2017 (continued)*

In connection to the closing of asset purchase agreement for the UAV (unmanned aerial vehicle) assets of Pioneer Exploration Consultants, the Company issued 525,000 common shares at \$0.06 per share totaling to \$31,500 as a finder's fee to Gridline Financial Solutions Inc.

On January 6, 2017, the Company formally closed the share purchase agreement for a 100-per-cent interest in High Eye Aerial Imaging Inc. On closing, the Company issued 4,500,000 million shares to the underlying owners of High Eye at a deemed price of \$0.05 per share.

On March 6, 2017, the Company issued 5,190,000 common shares by way of a private placement at a price of \$0.05 per unit totaling to \$259,500. Each unit consisted of one common share and one non-transferable purchase warrants. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company until March 6, 2018. The warrants will be exercisable at a price of \$0.10 per share. The Company issued a total of 115,000 agent warrants with a fair value of \$4,892 and paid cash finder's fees of \$5,750.

On March 16, 2017, the Company issued 5,810,000 common shares at a price of \$0.05 per unit totaling to \$290,500. Each unit consisted of one common share and one non-transferable purchase warrants. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company until March 17, 2018. The warrants will be exercisable at a price of \$0.10 per share. The Company issued a total of 56,000 agent warrants with a fair value of \$3,597 and paid cash finder's fees of \$2,800.

On July 11, 2017, the Company closed the purchase of UAV Regulatory Services Ltd., the owner of Easy SFOC, total consideration paid was \$100,000, payable as \$70,000 in cash and the issuance of 329,670 common shares of the Company at \$0.091.

During the nine months ended July 31, 2017, 5,010,000 warrants were exercised at \$0.075 per share to various warrant holders and 140,000 warrants were exercised at \$0.10 per share to various warrant holders for a total proceeds of \$389,750.

*Year Ended October 31, 2016*

On November 4, 2015, the Company completed a private placement comprised of 3,330,000 units at a price of \$0.05 per unit totaling \$166,500. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.075 for a period of twelve months from the date of issuance of the warrant. The warrants will have an acceleration clause so that if after the hold period the shares in the Company trade at or above \$0.12 per unit for ten consecutive days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants. The Company issued a total of 251,000 agent warrants with a fair value of \$17,093 and paid cash finder's fees of \$33,954.

Between the dates of November 12, 2015 and November 25, 2015, 720,000 warrants were exercised at \$0.075 per unit to various warrant holders for proceeds of \$54,000.

On November 27, 2015, the Company issued 5,000,000 shares at a fair market value of \$0.18 per share totaling \$900,000 to satisfy the first purchase requirement on Thor Pharma (Note 14).

On November 30, 2015, the Company issued 2,000,000 shares at a fair market value of \$0.20 per share totaling \$400,000 to satisfy the first requirement on RedeCan Pharm (Note 14).

Between the dates of December 7, 2015 and January 12, 2016, 2,100,000 warrants were exercised at \$0.075 per share to various warrant holders for total proceeds of \$157,500.

On January 18, 2016, 37,500 options were exercised at \$0.20 per unit for total proceeds of \$7,500.

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**12. SHARE CAPITAL (CONTINUED)**

**b) Issued (continued)**

*Year Ended October 31, 2016 (continued)*

On January 25, 2016, 50,000 warrants were exercised by shareholders at \$0.075 per unit for total proceeds of \$3,750.

On January 25, 2016, 500,000 shares were issued to Jacob Capital Management Inc. at a fair market value of \$0.19 per unit totaling \$95,000 to reimburse them for consulting services provided in connection with the Company's purchase of RedeCan Pharm.

On February 4, 2016, 75,000 options were exercised by a shareholder at \$0.105 per share for total proceeds of \$7,875.

On March 11, 2016, 50,000 warrants were exercised by a shareholder at \$0.075 per share for total proceeds of \$3,750.

On March 16, 2016, 200,000 warrants were exercised by a shareholder at \$0.075 per share for total proceeds of \$15,000.

On April 8, 2016, 1,000,000 shares were issued for services rendered by Jacob Capital Management Inc. at a fair market value of \$0.05 per share totaling \$50,000 to reimburse them for consulting services provided.

On April 14, 2016, 100,000 warrants were exercised by a shareholder at \$0.075 per share for total proceeds of \$7,500.

On May 20, 2016, the Company completed a private placement comprised of 2,250,000 at a price of \$0.05 per unit totaling \$112,500. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.075 for a period of twelve months from the date of issuance of the warrant. There were no finders' fees incurred on this private placement.

On May 20, 2016, the Company completed a share-for-debt transaction comprised of 2,320,000 units with a fair value of \$116,000 to settle total accounts payable outstanding of \$116,000. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.075 for a period of twelve months from the date of issuance of the warrants. There was no gain or loss recognized on the consolidated statements of loss and comprehensive loss from this transaction.

On August 2, 2016, the Company completed a shares-for-debt transaction comprised of 3,909,148 units with a fair value of \$234,549 to settle total accounts payable outstanding of \$394,091. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.10 for a period of twelve months from the date of issuance of the warrant. There was a gain of \$159,542 recognized on the consolidated statements of loss and comprehensive loss from this transaction.

On September 28, 2016, the Company completed a private placement comprised of 9,720,000 units at a price of \$0.05 per unit for proceeds of \$486,000. Each unit consists of one common share and one transferable warrant. Each warrant entitles the owner to purchase one additional common share of the Company at a price of \$0.10 for a period of twelve months from the date of issuance of the warrant. The Company issued a total of 90,000 agent warrants with a fair value of \$2,653 and paid cash finder's fees of \$35,000.

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**12. SHARE CAPITAL (CONTINUED)**

**c) Share purchase warrants**

A continuity schedule of outstanding common share purchase warrants for the nine months ended July 31, 2017 and year ended October 31, 2016 is as follows:

	July 31, 2017		October 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	23,652,148	\$ 0.090	8,547,000	\$ 0.085
Issued	11,171,000	0.100	21,870,148	0.091
Exercised	(5,150,000)	0.080	(3,220,000)	0.075
Outstanding, end of period	29,673,148	\$ 0.010	23,652,148	\$ 0.090

At July 31, 2017 and October 31, 2016, the Company had share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding at July 31, 2017	Outstanding at October 31, 2016
\$0.075	May 27, 2017	-	4,570,000
\$ 0.10	August 2, 2017	3,909,148	3,909,148
\$ 0.10	September 28, 2017	9,670,000	9,810,000
\$0.075	October 22, 2017*	1,682,000	1,782,000
\$0.075	November 3, 2017*	3,241,000	3,581,000
\$ 0.10	March 5, 2018	5,305,000	-
\$ 0.10	March 15, 2018	5,866,000	-
		29,673,148	23,652,148

\* During the year ended October 31, 2016, the expiry dates of these warrants were extended by one year. Expiry dates shown on the table reflect this one-year extension.

**d) Share options**

A continuity schedule of outstanding share options for the nine months ended July 31, 2017 and year ended October 31, 2016 is as follows:

	July 31, 2017		October 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	7,610,000	\$ 0.107	2,222,500	\$ 0.110
Granted	2,700,000	0.100	6,500,000	0.115
Expired	(475,000)	0.110	(1,000,000)	0.169
Exercised	(1,800,000)	0.100	-	-
Cancelled	-	-	(112,500)	0.137
Outstanding, end of period	8,035,000	\$ 0.106	7,610,000	\$ 0.107

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**12. SHARE CAPITAL (CONTINUED)**

**d) Share options (continued)**

As at July 31, 2017 and October 31, 2016, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Outstanding at July 31, 2017</b>	<b>Outstanding at October 31, 2016</b>
\$ 0.11	January 8, 2018	150,000	150,000
\$ 0.20	July 25, 2018	145,000	145,000
\$ 0.10	August 6, 2018	500,000	1,000,000
\$ 0.10	October 2, 2018	190,000	190,000
\$ 0.10	November 2, 2018	500,000	500,000
\$ 0.12	December 10, 2018	500,000	500,000
\$ 0.14	December 29, 2018	550,000	550,000
\$ 0.10	July 15, 2019	500,000	500,000
\$ 0.10	August 4, 2019	1,050,000	2,350,000
\$ 0.10	August 29, 2019	700,000	700,000
\$ 0.10	September 21, 2019	200,000	200,000
\$ 0.10	October 14, 2019	100,000	100,000
\$ 0.10	October 28, 2019	250,000	250,000
\$ 0.10	February 15, 2020	350,000	-
\$ 0.10	March 23, 2020	2,050,000	-
\$ 0.10	March 27, 2020	300,000	-
		<b>8,035,000</b>	<b>7,610,000</b>
	<b>Weighted average remaining contractual life (in years)</b>	<b>1.97</b>	<b>2.03</b>

**e) Share-based compensation**

The fair value of share options granted and vested during the nine months ended July 31, 2017 and 2016 was recognized as share-based compensation in the consolidated statements of operations and comprehensive loss, and was allocated as follows:

	<b>July 31, 2017</b>	<b>July 31, 2016</b>
Consultants' fees	\$ 162,663	\$ 443,950
Board compensation	-	88,000
<b>Total share-based compensation</b>	<b>\$ 162,663</b>	<b>\$ 531,950</b>

The fair value of the options granted and agent warrants issued was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	<b>March 6, 2017</b>	<b>March 16, 2017</b>	<b>March 24, 2017</b>	<b>October 31, 2016</b>
Risk free interest rate	0.76%	0.81%	75.0%	1.72%
Expected annual volatility*	273.67%	269.82%	268.69%	265.39%
Expected life	1 year	1 year	3 years	3 years
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

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Exercise price	\$0.100	\$0.100	\$0.100	\$0.115
Share price	\$0.055	\$0.080	\$0.080	\$0.137

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\* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

During the nine months ended July 31, 2017, the Company entered into the following non-cash transactions.

- i) The Company issued shares to close the Asset Purchase Agreement for the UAV (unmanned aerial vehicle) assets of Pioneer Exploration Consultants totaling \$300,000 (2016 - \$nil).
- ii) The Company issued shares to close the Share Purchase Agreement for a 100 per-cent interest in High Eye Aerial Imaging Inc. totaling \$225,000 (2016 - \$nil).
- iii) The Company issued shares to close the purchase of UAV Regulatory Services Ltd. totaling \$30,000 (2016 - \$nil).

**14. INVESTMENTS IN THOR PHARMA AND REDECAN PHARM*****Thor Pharma***

The Company signed a formal agreement to purchase Thor Pharma. Thor Pharma has a license application with Health Canada for the production and sale of up to 10,000,000 grams of dried marijuana per year. The Company had the right to purchase Thor Pharma via an Assignment and Novation Agreement from Shaxon Enterprises by paying \$1,000,000 and issuing 10,000,000 shares on a graduated basis as the Thor Pharma application moves through the licensing process with Health Canada. The Company had until December 18, 2015 to make a \$100,000 payment (\$25,000 paid) and issue 5,000,000 shares (issued). Shaxon Enterprises would have had a 10% royalty on profits from Thor Pharma. The shares issued had a fair value of \$900,000.

This investment was to be accounted for on a cost basis until such time as the Company completed its acquisition and controlled Thor Pharma. During the year ended October 31, 2016, the Company decided to terminate the agreement for the purchase of Thor Pharma so that it can concentrate on its new business venture in the UAV sector. As a result, an impairment of \$925,000 (2015 - \$nil), determined in accordance with Level 3 of the fair value hierarchy, has been recorded during the year ended October 31, 2016.

***RedeCan Pharm***

On January 28, 2016, the Company signed an amended LOI to purchase 90% of issued and outstanding shares of RedeCan Pharm, one of Canada's MMPR cultivation and sales licensees. The terms of the LOI required the Company to pay RedeCan Pharm an aggregate \$8,000,000 in cash and issue 9,000,000 shares. Upon signing the LOI, the Company paid a non-refundable deposit of \$100,000 and issued 2,000,000 shares to RedeCan Pharm. The 2,000,000 shares issued had a fair value of \$400,000.

The remaining payments were to be made in three stages:

- 1) The Company would purchase a minority interest of 20% on or before March 1, 2016 by paying \$1,900,000 and issuing 2,000,000 shares;
- 2) The Company would purchase an additional 20% interest (for a total 40% interest) on or before September 1, 2016 by paying \$2,000,000 and issuing 2,000,000 shares; and
- 3) The Company would purchase an additional 50% (for a total 90% interest) on or before March 1, 2017 by paying \$4,000,000 and issuing 3,000,000 shares.

In addition to the purchase price, the Company would pay a 2% royalty of the gross revenues to RedeCan Pharm on a quarterly basis to be paid 50% in cash and 50% in shares of the Company. The Company agreed to pay a finders' fee to Shaxon Enterprises upon successful completion of this transaction. Legal and professional fees incurred total \$30,054.

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On January 25, 2016, the Company signed an engagement letter with Jacob Capital Management Inc. (“JCMI”) for the purpose of completing the acquisition of RedeCan Pharm and expanding its operations. In consideration for acting as strategic advisor, the Company issued JCMI 500,000 shares. An additional 1,000,000 shares were issued March 6, 2016 and 2,500,000 shares were to be issued to JCMI upon successful completion of the acquisition of RedeCan Pharm.

**14. INVESTMENTS IN THOR PHARMA AND REDECAN PHARM (CONTINUED)**

*RedeCan Pharm (continued)*

During the year ended October 31, 2016, the Company failed to make the \$1,900,000 payment due to RedeCan Pharm under the terms of the LOI, and the LOI was terminated. As a result, an impairment of \$530,054, determined in accordance with Level 3 of the fair value hierarchy, was recorded on the investment during the year ended October 31, 2016.

**15. ACQUISITIONS**

*Pioneer Exploration Consultants*

On January 3, 2017, the Company closed the asset purchase agreement to own 100-per-cent interest in the UAV (Unmanned aerial vehicle) assets of Pioneer Exploration Consultants, in exchange for a cash payment of \$500,000 and the issuance of 9,000,000 common shares at a deemed price of \$0.05 per share of the Company. The Company has paid \$300,000 and issued 6,000,000 common shares to Pioneer Exploration Consultants and has \$200,000 outstanding cash payable and 3,000,000 outstanding shares to be issued at a deemed price of \$0.05 per share totaling to \$150,000.

The tangible and intangible assets included in the asset purchase agreement include:

- (i) 1 infinite jib UAV surveyor 630;
- (ii) 1 UAV-MAG sensor Gem Systems GSMP 35A;
- (iii) UAV-MAGTM Trademark;
- (iv) client list, contacts, and sensor development plans;
- (v) all inventories relating directly to the Vendor’s UAV survey equipment (the “Inventories”);
- (vi) the accounts receivable from UAV surveys completed after the closing date of this agreement, trade accounts, notes receivable and other debts owing to the Vendor in connection with the Vendor’s UAV surveys, and the full benefit of all securities for cash accounts, notes or debts (the “Receivables”);
- (vii) the benefit of all unfilled orders received by the Vendor in connection with the Vendor’s UAV surveys, and all other contracts, engagements or commitments, whether written or oral, to which the Vendor is entitled in connection with the Vendor’s UAV surveys (the “Material Contracts”);
- (viii) all right and interest of the Vendor to all registered and unregistered trademarks, trade or brand names, copyrights, designs, restrictive covenants and, including the right to use the name “Pioneer UAV”, “Pioneer Unmanned”, or any variation thereof, used in connection with the Vendor’s UAV surveys and equipment (the “naming rights”) and;
- (ix) all intangible assets of the Vendor’s UAV surveys including, but not limited to, other industrial or intellectual property and all customer lists and the right of the Purchaser to carrying on the Vendor’s quoted or contracted UAV surveys, if they exist at the time of closing, in the future (the “intangible assets”).

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**15. ACQUISITIONS (CONTINUED)**

*Pioneer Exploration Consultants (continued)*

The following table summarizes the consideration paid, the fair value of the identifiable assets acquired and intangible assets assumed as the date of acquisition:

Cash paid	\$ 500,000
Common shares issued	300,000
Common shares to be issued	150,000
<b>Total consideration paid</b>	<b>\$ 950,000</b>
Identifiable assets	\$ 75,261
Intangible assets	420,250
<b>Total value of the assets</b>	<b>\$ 495,511</b>
<b>Impairment loss</b>	<b>\$ 454,489</b>

*High Eye Aerial Imaging Inc.*

On January 6, 2017, the Company closed the share purchase agreement to own 100-per-cent interest in High Eye Aerial Imaging Inc., in exchange for a cash payment of \$100,000 and the issuance of 4,500,000 common shares at a deemed price of \$0.05 per share of the Company.

For accounting purposes, the acquisition of High Eye Aerial Imaging Inc. was considered a business combination and accounted for using the acquisition method. The results of operations from High Eye Aerial Imaging Inc. are included in the consolidated financial statements since the date of acquisition.

The following table summarizes the consideration paid, the fair value of the identifiable assets acquired and liabilities assumed as the date of acquisition:

Cash paid	\$ 100,000
Common shares issued	225,000
<b>Total consideration paid</b>	<b>\$ 325,000</b>
Identifiable assets	\$ 156,363
Liabilities	(117,052)
<b>Total value</b>	<b>\$ 39,311</b>
<b>Impairment loss</b>	<b>\$ 285,689</b>

*UAV Regulatory Services Ltd.*

On July 11, 2017, the Company has formally closed the purchase of UAV Regulatory Services Ltd., the owner of Easy SFOC, in exchange for a cash payment of \$70,000 and the issuance of 329,670 common shares at a deemed price of \$0.091 per share of the Company for total of \$30,000.

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For accounting purposes, the acquisition of UAV Regulatory Services Ltd. was considered a business combination and accounted for using the acquisition method. The results of operations from UAV Regulatory Services Ltd. are included in the consolidated financial statements since the date of acquisition.

The following table summarizes the consideration paid and the fair value of the intangible assets assumed as the date of acquisition:

**15. ACQUISITIONS (CONTINUED)**

*UAV Regulatory Services Ltd. (continued)*

Cash paid	\$ 70,000
Common shares issued	30,000
<b>Total consideration paid</b>	<b>\$ 100,000</b>
Intangible assets	74,500
<b>Total value</b>	<b>\$ 74,500</b>
<b>Goodwill</b>	<b>\$ 25,500</b>

**16. RELATED PARTY TRANSACTIONS**

**a) Management transactions**

Management transactions with related parties during the nine months ended July 31, 2017 and 2016 were as follows:

	2017			2016		
	Cash-based payments	Share-based payments	Total	Cash-based payments	Share-based payments	Total
Ian Foreman(i)	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000
Timeline Filing Services Ltd(ii)	\$ 18,643	\$ -	\$ 18,643	\$ 11,300	\$ -	\$ 11,300
Schindler & Company(iii)	\$ 8,420	\$ -	\$ 8,420	\$ 21,552	\$ -	\$ 21,552
Shaxon Enterprises Ltd(iv)	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ 75,000
Don Shaxon(v)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Catalyst X Media Corporation(vi)	\$ 35,440	\$ -	\$ 35,440	\$ -	\$ -	\$ -
Jason Springett(vii)	\$ 457	\$ -	\$ 457	\$ -	\$ -	\$ -
Jackson and Company(viii)	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -	\$ -

- i) Ian Foreman was the Company's President until March 2, 2016, and accordingly, amounts described above are up until this date, after which he was no longer a related party. The amounts shown represent amounts paid to two companies controlled by Mr. Foreman: Foremost Management Services Inc. and Foremost Geological Consulting.
- ii) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's former Corporate Secretary, Laara Shaffer.
- iii) Schindler & Company is a private enterprise controlled by the Company's former CFO, Jennifer Schindler.
- iv) Shaxon Enterprises Ltd is a private enterprise controlled by the Company's former Director, Don Shaxon.<sup>(v)</sup>
- vi) Catalyst X Media Corporation is a private enterprise controlled by the Company's current president and CEO, Jason Springett.<sup>(vii)</sup>
- viii) Jackson and Company is a private enterprise controlled by the Company's current CFO, Anthony Jackson.

*Accounts payable to related parties*

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Foremost Management Services Inc. is a private enterprise controlled by the Company's former president and CEO, Ian Foreman. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$9,609). Foremost Management Services Inc. is no longer a related party as of March 2, 2016.

Timeline Filing Services Ltd. is a private enterprise controlled by the Company's corporate secretary, Laara Shaffer. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$3,950).

**16. RELATED PARTY TRANSACTIONS (CONTINUED)**

**a) Management transactions (continued)**

Schindler & Company is a private enterprise controlled by the Company's former CFO, Jennifer Schindler. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$9,803). Schindler & Company is no longer a related party as of March 20, 2017.

Shaxon Enterprises Ltd is a private enterprise controlled by the Company's former Director, Don Shaxon. Included in accounts payable and accrued liabilities is \$7,730 (October 31, 2016 - \$11,865).

Don Shaxon is a former Director of the Company. Included in accounts payable and accrued liabilities is \$12,500 (October 31, 2016 - \$nil).

Jason Springett is the Company's current president and CEO. Included in accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$nil).

Catalyst X Media Corporation is a private enterprise controlled by the Company's current president and CEO, Jason Springett. Included in the accounts payable and accrued liabilities is \$nil (October 31, 2016 - \$nil).

Jackson & Company is a private enterprise controlled by the Company's CFO, Anthony Jackson. Included in accounts payable and accrued liabilities is \$2,625 (October 31, 2016 - \$nil).

As at July 31, 2017, included in accounts payable and accrued liabilities is \$200,000 (October 31, 2016 - \$nil) payable to Pioneer Exploration.

During the nine months ended July 31, 2017, the Company settled \$nil (October 31, 2016 - \$423,991) of accounts payable owing to related parties with units (Note 12(b)).

**b) Loans payable**

During the nine months ended July 31, 2017, the Company settled \$nil (October 31, 2016 - \$65,100).

Also included in accounts payable and accrued liabilities are loans of \$12,500 (October 31, 2016 - \$12,500) borrowed from the current president of the Company. The loans are non-interest-bearing and without fixed terms of repayment.

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

	<b>July 31, 2017</b>	<b>October 31, 2016</b>
<b>Financial assets</b>		
Fair value through profit or loss		
Cash	\$ 393,822	\$ 313,980
Loans and receivables		
Amounts receivable*	163,873	3,849
Available-for-sale		
Marketable securities	1,341	1,341
<b>Total financial assets</b>	<b>\$ 559,036</b>	<b>\$ 319,170</b>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 581,250	\$ 386,026
<b>Total financial liabilities</b>	<b>\$ 581,250</b>	<b>\$ 386,026</b>

\*Excluding sales tax receivable

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. The Company's investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

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 Goods and Services Tax receivable from the Canadian government and Value Added Tax from the Mexican government. Management considers the risk of non-performance related to cash and amounts receivable to be minimal.

**b) Liquidity risk**

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

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At July 31, 2017, the Company had cash in the amount of \$393,822 (October 31, 2016 - \$313,980) and accounts payable and accrued liabilities of \$581,250 (October 31, 2016 - \$386,026).

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.

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**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:

	July 31, 2017		October 31, 2016	
	MXN	US	MXN	US
Cash	-	\$ -	-	\$ -
Accounts payable and accrued liabilities	(2,911,864)	\$ -	(3,013,108)	\$ -
Rate to convert \$1 CAD	0.070	1.2485	0.071	1.338

Based on the Company's net exposure, a 22% change (October 31, 2016 - 22%) in the Canadian/Mexican peso exchange rate and a 15% change (October 31, 2016 - 15%) 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 exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 24% (October 31, 2016 - 24%) change in the market prices would impact the Company's earnings by approximately \$310 (October 31, 2016 - \$310).

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As this sensitivity analysis does not take into account any variables other than the marketable securities rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

**d) Fair value of financial instruments**

IFRS 7 *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**d) Fair value of financial instruments (continued)**

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. The Company had no Level 2 or 3 financial assets at July 31, 2017 or October 31, 2016. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

**18. 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 prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay dividends.

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 nine months ended July 31, 2017.

**19. SUBSEQUENT EVENTS**

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(Unaudited - Expressed in Canadian Dollars)

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On August 2, 2017, a total of 3,909,148 warrants of the Company had expired. The warrants were issued one year ago and were priced at 10 cents.

On August 9, 2017, the Company has formally closed the purchase of a 100% interest in NOVAerial Robotics Ltd. With this formal closing, NOVAerial becomes the fourth wholly owned subsidiary of the Company. The Company paid a total of \$300,000 and issued 4,584,527 shares to the underlying owner of NOVAerial at a deemed price of \$8.7 cents per share. The shares will be subject to a voluntary escrow release over the next three years with the first set of shares (10 per cent of the total) with a hold period of four months and one day. Immediately prior to the completion of the transaction, the previous owner of NOVAerial owned no shares of the Company.