



GLOBAL UAV  
TECHNOLOGIES

**(formerly Alta Vista Ventures Ltd.)**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS**

**YEAR ENDED OCTOBER 31, 2017**

**Date Submitted: FEBRUARY 28, 2018**

## **Introduction**

The following discussion and analysis, prepared as of February 27, 2018 is prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the consolidated financial statements of Global UAV Technologies Ltd. (formerly Alta Vista Ventures Ltd.) (the “Company”, “Issuer” or “Global UAV”) for the year ended October 31, 2017.

Additional information related to the Issuer is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

## **Forward Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “designed”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Issuer believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

## **Description of Business**

The Issuer trades on the Canadian Securities Exchange (CSE) under the symbol UAV, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLF.

In January of 2017, the Issuer moved into the Unmanned Aerial Vehicle (“UAV”) sector and completed a Change in Business with the Canadian Securities Exchange and is now in the Technology Sector. In May of 2017 the Issuer changed its name to Global UAV Technologies in order to better reflect its business.

The Issuer acquired a one hundred percent interest in High Eye Aerial Imaging (“High Eye”) for 4,500,000 shares of the Issuer and \$100,000 in the form of a promissory note. The promissory note was paid in full in March of 2017.

The Issuer signed a definitive agreement for the acquisition of a one hundred percent interest in the UAV assets of Pioneer Exploration Consultants (“Pioneer”) for a total of 9,000,000 shares of the Issuer and \$500,000 in cash, which are to be paid in three installments over 12 months from closing. The Issuer issued 6,000,000 shares and paid \$300,000 to Pioneer as an initial payment with the final of 3,000,000 shares and \$200,000 due on, or before, the twelve month anniversary. Once the final payment is made the Issuer will grant a 10% royalty on the profits of Pioneer Aerial Surveys, a subsidiary, for a period of five years to Pioneer.

The final payment of \$200,000 was renegotiated to be paid with 2,531,646 units of the Issuer with each unit consisting of a share and a share purchase warrant that can be exercised to purchase one addition share for \$0.12 for a period of five years. The shares and units were subsequently issued in October of 2017. As such, the UAV assets, which form the core of Pioneer Aerial Surveys, are now wholly owned by the Issuer.

The Issuer signed a Letter of Intent for the purchase of a one hundred percent interest in Aeromao Inc. (“Aeromao”), a manufacturer of fixed wing UAVs. The Issuer agreed to acquire Aeromao for \$1,400,000 in cash and 2,200,000 shares of the Issuer in one payment due three months after signing of a definitive agreement. A definitive agreement has yet to be signed between the two parties. The Letter of Intent has since expired.

The Issuer signed a definitive agreement to purchase a 100% interest in UAV Regulatory Services for a total consideration of CAD \$100,000 - payable as \$70,000 in cash and \$30,000 in shares of Global UAV Technologies. UAV Regulatory Services' primary product is easysfoc.com, an online platform that assists UAV users to apply to Transport Canada for a SFOC (Special Flight Operating Certificate).

In addition, the Issuer signed a definitive agreement to purchase a 100% interest in NOVAerial Robotics Inc. for a total consideration of CAD \$700,000 - payable as \$300,000 in cash and \$400,000 in shares of Global UAV Technologies with the shares being released per a three year escrow period. NOVAerial Robotics is a Canadian-based company that designs and manufactures single rotor helicopter-style unmanned aerial vehicles. The principal product is the Procyon 800E.

These four wholly owned subsidiaries form the core of the Issuers business.

In early 2016, prior to the Issuer moving into the technology sector, the Issuer made a foray into the medical marijuana sector. It signed a definitive agreement for the purchase of an early stage Marijuana for Medical Purposes Regulations (MMPR) applicant called Thor Pharma and a letter of intent for the purchase of a 90% interest in a licensed MMPR producer called Redecan Pharm. The Issuer subsequently cancelled the agreement for the purchase of Redecan Pharm and terminated the agreement for the purchase of Thor Pharma. The Issuer has no ongoing participation in the medical marijuana sector. In connection with these definitive agreements, the Company issued 7,000,000 shares and made cash payments of \$125,000. During the year ended October 31, 2016, the Company recorded an impairment expense to investments of \$1,455,054.

Prior to 2016, the Issuer's previous principal business activity was the acquisition and exploration of mineral properties with a focus on northwest Mexico. The Issuer utilized the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Issuer acquired early stage, under developed properties with high potential and then optioned a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments. The Issuer had six projects in its portfolio, which remain in the Issuer's wholly owned Mexican subsidiary. Biannual taxes have not been paid on the properties for several years and portions of properties are currently in the process of being cancelled. As a result of a change in its business, the Issuer no longer intends to use its resources on its mineral exploration properties and wrote them down to \$nil in the year ended October 31, 2015. The Orofino property was sold to a third party during the third quarter of 2017 and the proceeds from that sale were used to pay down a portion of the debt within the Mexican subsidiary.

#### **Performance Summary for the Fourth Quarter**

The Issuer had \$490,261 of revenue during the quarter.

As at October 31, 2017 the Issuer had cash totaling \$130,936.

Net loss for the quarter was \$1,938,622, which included gain from foreign exchange of \$3,940. Operating loss from the operation of the Issuer's UAV related businesses during the quarter totaled \$970,224. Other items during the quarter were impairment recognized with respect to certain acquisitions based upon an assessment of recoverable values.

Given the financial write downs, debts and future financial commitments, as at October 31, 2017, the Issuer had working capital deficiency of \$468,958 (2016 - working capital of \$17,055).

However, management anticipates that with the continued growth of its subsidiaries the financial commitments may be dealt with from internal sources. If this as well as the Issuer's cash on hand is not sufficient to fund the Issuer's operating expenses and business activities in the medium to long term, additional funds will need to be raised through equity markets to provide additional financing for operating expenses and business activities.

#### **Unmanned Aerial Vehicle Sector Activities:**

Summary:

This was the third quarter that the Issuer has incorporated the financials of its wholly owned subsidiaries – High Eye Aerial Imaging and Pioneer Aerial Surveys, second quarter incorporating UAV Regulatory Services and first quarter incorporating NOVAerial Robotics Ltd.

Details:

The following is the detailed breakdown of Global UAV's activities in the Unmanned Aerial Vehicle sector that occurred during the year and up to the filing date of this MD&A (for additional information all news releases are available either on the Issuer's website or [www.sedar.com](http://www.sedar.com)):

**On August 24, 2017**, the Issuer reported that it, or its wholly owned subsidiaries, will be attending and presenting at multiple drone related conferences through the fall.

The current slate of conferences is:

September 6 to 8<sup>th</sup> - InterDrone - Rio Hotel, Las Vegas

- This is North America's second largest Unmanned Aerial Vehicle conference. Global UAV Technologies will be at booth 712 and Robert Lefebvre, managing director of NOVAerial Robotics, will be a featured speaker again this year after a well-received speaking session last year. This year he will be presenting a workshop entitled UAV Systems Comparison – Planes, Frames and Autopilots. This session will compare and contrast the large variety of different aircraft types. It will cover the strengths and weaknesses of each of the vehicle types and help operators decide which is best suited to meet the needs of their particular UAV operation. Robert will also be taking part in an Ardupilot open-source autopilot software round-table discussion.

For more information on InterDrone please visit their website at [www.interdrone.com](http://www.interdrone.com)

September 29<sup>th</sup> - Society of Exploration Geophysics Conference - George R Brown Convention Centre - Houston TX

- Michael Burns, president of Pioneer Aerial Surveys, and Robert Lefebvre, managing director of NOVAerial Robotics, have both been invited to present at a one day post conference workshop organized to bring together experts in geophysical data acquisition, sensor systems, and UAVs.

November 1 to 3<sup>rd</sup> - Unmanned Canada 2017 - the Sheraton Parkway Toronto North Hotel & Suites.

- This is Canada's premier unmanned aerial vehicle conference. Global UAV Technologies will be at booth 16 and Robert Lefebvre, managing director of NOVAerial Robotics, will be a speaker. For more information on Unmanned Canada please visit their website at [www.unmannedsystems.ca](http://www.unmannedsystems.ca)

**On August 28, 2017**, the Issuer announced that its wholly owned subsidiary, Pioneer Aerial Surveys ('Pioneer Aerial'), had successfully completed a survey to identify buried infrastructure and Unexploded Ordnance (UXO) near Pearl Harbor, Hawaii.

Pioneer completed the contract for DUDEK, a nation-wide environmental and engineering consulting firm based in San Diego, California, for the state's largest utility, Hawaiian Electric Company. The survey was conducted on a 102-acre site at Joint Base Pearl Harbor-Hickam's West Loch Annex where construction on a 20-megawatt (MW) solar energy facility is expected to start in January 2018.

Previously this phase of the environmental study would involve the clearing of vegetation and rocks, then surveyors would wheel a 180-lb. electromagnetic metal detector across the area to identify abandoned waste – such as steel drums or unexploded ordnance – below the soil surface. This could take up to 3-4 weeks to complete with three, two-man crews on the job, working 8-10 hours a day. Pioneer Aerial completed the survey in only 3 days.

"We were able to demonstrate the first ever use in Hawai'i of an advanced UAV technology for this type of geophysical survey. It was accomplished efficiently and safely using the right approach, people, technology and equipment. Ultimately, every dollar saved is a benefit for our customers," said John Lu'uwai, project developer, Hawaiian Electric.

"This contract highlights the utility of Pioneer Aerial's technology and its continued adoption by diverse industry applications such as UXO detection, mineral exploration, and infrastructure detection surveys. The demand for new, safe, efficient and effective UXO detection is growing worldwide and our UAV-MAG™ based technology is very well suited for this application", stated Michael Burns, President of Pioneer Aerial.

**On October 13, 2017**, the issuer announced that it is in the process of advancing NOVAerial as an authorized reseller of Electro Optical/Infrared (“EO/IR”), Lidar and Multispectral sensors. The Company’s subsidiary also announces it has completed a large-scale high-resolution survey on a diamond project in Northern Saskatchewan.

### **NOVAerial Robotics Update**

Global UAV’s wholly-owned subsidiary NOVAerial Robotics Inc. (“NOVAerial”) has started discussions on agreements to become an authorized reseller of remote sensing equipment. The advancements are focused on multi-spectral, Lidar and EO/IR sensors. This will allow NOVAerial to offer fully integrated high-end sensor packages as turnkey solutions for its customers. The sensors are widely used in the security, environmental, agriculture and natural resource industries.

Global UAV’s President & Director James Rogers states “The Global UAV team projects there will be an increase in demand for security specific UAV’s equipped with thermal and optical sensors. By becoming an authorized reseller of these and other sensor technologies, the Company aims to be well positioned to provide a wide range of industries with turnkey UAV solutions.”

NOVAerial’s primary UAV is the Procyon 800E Helicopter. The easy-to-fly Procyon is an ideal platform for these specialized payload instruments and applications due to its reliability, endurance and fast launch capability.

NOVAerial is also currently developing a multi-rotor UAV which will be competitive in price and capability to the current high market demand systems. In addition, NOVAerial products offer a more secure control on user collected data by utilizing Ardupilot open source flight control software.

### **Pioneer Aerial Update**

The Company would also like to announce its wholly-owned subsidiary Pioneer Aerial Surveys Ltd. (“Pioneer Aerial”) has completed a UAV-MAGTM survey on a northern Saskatchewan diamond project. This marks the 3rd and largest diamond-focused survey conducted by the Company.

Pioneer Aerial completed a 573-line km survey in the Fort a la Corne diamond district in Northern Saskatchewan. The survey was focused on identifying potential kimberlite targets for diamond exploration. The survey was flown with 20m line spacing and at low altitudes for high resolution. The survey was completed in 4 days by a team of two people.

**On October 16, 2017**, the Issuer announced that it had been chosen by the Fallen American Veterans Foundation, Inc. (“FAVF”) to provide survey services and custom UAV solutions to aid in their efforts to search and recover U.S. Military Personnel Missing in Action (MIA) worldwide. Global UAV will commit the availability of its specialized UAV-MAGTM system and other technology and equipment to assist in the search and recovery of the missing aircraft and their crews. FAVF has received funding and logistics support for its search and recovery efforts from both private donors, the U.S. Department of Defense and the U.S. Coast Guard.

Global UAV was selected based on the proven experience of its field personnel and survey methods to work in harsh environments like the high arctic, and in international jurisdictions with specialized UAV-based geophysical solutions. Pioneer Aerial Surveys Ltd. will be the main participating partner from the Global UAV Group for these projects. The first search and recovery project will be focused on locating a US Coast Guard J2F-4 Grumman Duck which crashed in a remote area of Greenland on the 29th of November 1942, and is now covered in ice.

“We are proud to work with the Fallen American Veterans Foundation on these missions. This organization puts real efforts and resources onto the ground to “Honor the Promise” of “Leave No Man Behind” that applies to all U.S Military Personnel Missing in Action. Our survey technology and remote-location work capabilities are world class, and we are pleased to utilize them in such an important recovery effort.” stated Michael Burns, CEO of Global UAV Technologies.

“We are pleased to have Global UAV and Pioneer Aerial Surveys commit to join our efforts in these searches. Pioneer brings a unique technology solution that will make our searches on the Greenland ice cap more efficient, safer and cost effective.” stated Lou Sapienza, Fallen American Veterans Foundation’s Board Chairman and Expedition Lead.

### **About the Fallen American Veterans Foundation, Inc.**

The Fallen American Veterans Foundation, Inc. (“FAVF”) is a 501c3 non-profit charitable Non-Governmental Organization (NGO) formed to “Honor the Promise” of “Leave No Man Behind.”

Cofounded by surviving family members of 3 Antarctic US Navy airmen from Operation Highjump and a leading polar deep glacier aircraft search & recovery expert, FAVF is a Subject Matter Expert (“SME”) to the US Coast Guard (“USCG”) and US Department of Defense (“DOD”) conducting polar recoveries outside the normal DOD recovery parameters in some of the most remote and inhospitable areas of Greenland, Antarctica, the Philippines, Vietnam, the Gulf of Tonkin and Alaska.

With over 83,000 US Military Personnel Missing In Action since WWII, FAVF remains committed to honoring those “who have given America the fullest measure of their devotion” while providing their families with the closure they deserve. FAVF executes a combination of intense “old-fashioned” investigative work with cutting edge remote sensing science deployed by the foremost experts in the world.

For more information about the Foundation, please visit [www.favf.us](http://www.favf.us) or their “FallenAmericanVeteransFoundation” Facebook page.

**On October 18, 2017**, the Issuer announced that its wholly owned subsidiary Pioneer Aerial Surveys Ltd. had been contracted to perform additional UAV-MAGTM survey work for SSR Mining Inc. (formerly Silver Standard Resources Inc.) (“SSRM”).

On July 25, 2017, Global UAV announced the completion of a 525-line kilometer survey on SSRM’s Seabee Gold Operation. SSRM has signed an additional contract adding more than 1,300-line kilometers to the survey area previously completed.

Global UAV President, James Rogers’s comments, “The company is proud to be building long term relationships with our clients who are pleased with the quality of the UAV services we offer. It is a bode of confidence to our operational teams and the UAV-MAGTM system to be brought back to a project for additional surveys based on the excellent results obtained previously.”

**On November 22, 2017**, the Issuer announced that its wholly owned subsidiary NOVAerial Robotics had moved into a new, expanded production and manufacturing facility. The new 1,700 square foot NOVAerial headquarters is now near Ottawa, Ontario and will provide room for production, research and development and furthermore provides better access to gain employees from the high-tech labor force in Ottawa.

In addition, NOVAerial recently began developing and producing two new Unmanned Aerial Vehicle (“UAV”) models to meet consumer demand in North and South America. The new UAV types include a weather proof multirotor UAV, and a heavy lift – high altitude single rotor helicopter named the Procyon 900E.

The Company has already received orders for both new models.

“The large new facility signifies the expansion of NOVAerial, and will allow it to continue to meet the demand of their growing customer and user base. With the introduction of two new UAV models to the lineup, NOVAerial is broadening their reach into the professional consumer market with UAV types and sizes that have been in high demand. The new systems offer payload, range and endurance capacities for airborne survey providers with high value payload sensors, as well as drone delivery service providers.” Stated Michael Burns, CEO, Global UAV Technologies Ltd.

**On November 30, 2017**, the Issuer announced that on November 21, 2017 NOVAerial demonstrated the flight capabilities of the Procyon 800E to the National Research Council of Canada (NRC) and various members of the Department of National Defence. The Company was represented at the invite-only event by Robert Lefebvre (NOVAerial), Michael Burns (Global UAV / Pioneer Aerial), and Sales Manager Greg Hollyer (Global UAV). A presentation and live flight demonstrations and tasks were successfully performed by the NOVAerial team and Procyon 800E helicopter UAV at a secure Department of National Defence facility in Class F restricted airspace.

The Procyon was being evaluated as a UAV platform for a wide range of uses and end users including security and surveillance, emergency response and humanitarian support and delivery.

“Being able to demonstrate the NOVAerial Procyon 800E UAV capability to the NRC, DND and other organizations is a direct result of the professional quality UAV systems that NOVAerial produces, and the increased exposure support that Global UAV has been able to provide through trade shows and high-level marketing and networking,” stated Michael Burns, CEO of Global UAV Technologies Ltd.

**On December 6, 2017**, the Issuer announced that its survey division, Pioneer Aerial Surveys (“Pioneer Aerial”) had received authorization from Transport Canada to conduct night UAV operations in every jurisdiction across Canada except Quebec, where the application is currently still being processed.

The night operations are significant to Pioneer Aerial, as the geophysical survey services will not be affected by shorter daylight hours during the winter months in Canada. Pioneer Aerial is working throughout Canada during the winter as this division of Global UAV continues to grow. The Company now operates 5 UAV’S and has expanded its fleet with an order of 3 additional drones from Global UAV’s manufacturer, NOVAerial. The weatherproof, night flight capable, NOVAerial helicopters and multi rotor UAV systems will provide further advantages such as the ability to fly in harsh environments, with an increased range and payload over the current UAV’S in use.

In addition, Global UAV has begun working with Transport Canada on Beyond Visual Line of Sight (“BVLOS”) flight approval for Pioneer Aerial. Further information on this front will be released as progress and developments occur.

“The night operation approvals are very significant for our geophysics survey division. The geophysical survey methods and sensor technology does not need light to operate, and it benefits from night operations due to more stable air, calm weather conditions, and less solar storm noise. The result is better data quality and increased productivity. As we work toward BVLOS approval, the night operations authorization provides the flexibility to significantly grow our operations in Canada where we remain the leader in this space.” Stated CEO of Global UAV Technologies Ltd., Michael Burns.

**On January 4, 2018**, the Issuer announced that it is working with the Canadian Trade Commissioner Service and offices of Global Affairs Canada including the Deputy High Commission of Canada in Africa to expand its services and sales throughout the continent. The Company is currently in discussions with several national-scale companies that are interested in UAV based geophysics surveying, security solutions, agriculture and LiDAR services and systems. Global UAV is also pursuing opportunities in Mexico with private sector companies.

These opportunities are driven from high demand and underserved markets, and present significant opportunities for Global UAV and its operating divisions to become the leaders in Unmanned Aerial Vehicle technology in emerging markets.

“Global UAV remains focused on accelerating the growth of its regulatory, manufacturing and services divisions in 2018. There has been a significant increase in the demand and interest in our products and services from emerging markets such as South America, Mexico and Africa. We are entering these markets with strong business relationships using a low-risk approach by developing strategic partnerships with established, in-country companies. This is an exciting time for Global UAV as our operating divisions are all growing significantly, and experiencing strong market support for products and services,” stated Michael Burns, CEO of Global UAV. “We would like to thank our shareholders for their support in 2017 as we look forward to another exciting year for the Company!”

**On January 18, 2018**, the Issuer reported on the progress of each operating division, and provide an update on the corporate activities of the Company. A significant number of new contracts, sales and clients have been secured in Q4 2017 compared to the previous quarter. In addition, strategic transitions and expansion of our operating divisions continue to take place as the Company supports the rapid growth of its subsidiaries.

“2017 was a significant year for Global UAV, we completed all 4 acquisitions, restructured management and strengthened the Board of Directors to accommodate the rapid growth the Company is experiencing. Our divisions have been expanding both operationally and in terms of revenue, allowing us to reinvest cash to further accelerate growth. We have also restructured our news distribution, branding and marketing strategy. The Company is beginning to see the results of increased investor reach and awareness as a result of our transformation and management’s efforts. We are pleased to see the recent market interest and look forward to a successful 2018” stated Michael Burns, CEO and Director of Global UAV.

## **Global UAV**

Management has made significant advancements in news distribution, marketing and brand exposure of the Company, including regularly presenting and introducing the Company to key brokers and strategic investors. These changes are resulting in a fast-growing, strong market presence and better investor reach worldwide. In addition, significant reinvestment of operating cash-flow into our divisions has shown excellent growth results including increases in sales and revenue. Global UAV continues to expand using cash on hand, reducing investor dilution.

## **Upcoming Trade Shows:**

### **Roundup 2018 – Vancouver**

The Company was invited to participate in the first ever Innovation Hub at the 2018 AME Roundup conference at the Vancouver Convention Centre West from January 22 to 25. AME Roundup is one of the largest resource investing and technical conferences in Canada. This is an excellent opportunity to showcase our UAV solutions to natural resource companies, service providers as well as government representatives. We will have a NOVAerial Robotics Procyon 800E helicopter UAV on display for conference participants to view up close and we encourage attending investors to take the opportunity to meet the Global UAV management.

### **WEST 2018 – San Diego**

In addition, the Company is proud to announce that it has been invited by the Canadian Trade Commissioner Service to attend the WEST 2018 conference as a Canadian UAV technology and services provider. The conference will take place in San Diego, California from February 6-8. WEST is the premier Sea Service conference on the West Coast that brings military, government and industry leaders together. The conference is co-sponsored by AFCEA International (The Armed Forces Communications and Electronics Association), and the U.S. Naval Institute. Global UAV will have several pre-conference meetings with the US Department of Defence, Industry and other stakeholders through introductions by the Canadian Trade Commissioner. For more information on the trade show please visit [www.westconference.org](http://www.westconference.org)

### **High Eye Aerial Surveys:**

The Company would like to introduce Mr. Ramiro Cotarelo as the new President of High Eye Aerial Surveys (“High Eye”). Mr. Cotarelo has been active in the unmanned aerial vehicle sector since 2013. He draws on nearly 25 years of experience in management from manufacturing to mining. These insights allowed him to leverage the use of UAVs in commercial environments with a focus on safety and accurate data collection. A lifelong remote-control hobbyist, Mr. Cotarelo has built and enjoys remote controlled air, land and sea craft.

“I am excited to join High Eye Aerial,” stated Mr. Cotarelo. “I will continue expanding High Eye’s profile as I feel strongly that UAVs will be playing a greater role in commercial applications where an aerial perspective produces clean, seemingly objective data collection. We are just beginning to understand the potential as additional technology is tailored for UAVs.” Other changes at High Eye Aerial include moving its base of operations to a joint facility with NOVAerial Robotics. This move reduces overhead costs and increases the synergy between companies while giving High Eye a robust base of operations.

High Eye will continue to offer photogrammetry and video services, but is re-focusing its core business on Light Detection and Ranging (“LiDAR”), thermal and specialty survey and also inspection services. These changes will place High Eye as a professional UAV services company in several niche markets with a focus on large scale government and industrial clients.

High Eye Aerial has recently ordered both a Procyon 900E and a new multicopter from NOVAerial Robotics as they modernize their UAV fleet and increase operational capacity.

### **Pioneer Aerial Surveys:**

Pioneer Aerial completed a record number of surveys and has expanded its client base significantly in 2017. New clients continue to request surveys while the company’s scope of services is diversifying into infrastructure and UXO detection. Pioneer Aerial has successfully flown in excess of 12,000-line kilometres of surveys since its inception. This includes flights for resource exploration, infrastructure detection, and unexploded ordinance (“UXO”).

Pioneer Aerial achieved many significant milestones in 2017, which include:

- 21 contracts completed world wide;
- the largest survey completed to date consisting of 1300-line kilometres;
- expansion of fleet and trained field crews;
- two contracts completed in South America;
- first contract completed for the detection of unexploded ordinance and buried infrastructure;
- completion of contracts for multiple ‘major’ mining companies including Rio Tinto, New Gold, Osisko, SSR Mining and IAMGOLD.
- completion of surveys for different deposit types including lithium, diamonds, gold, nickel, copper, silver and base metals.

Pioneer Aerial has purchased several UAV's from NOVAerial Robotics and has commissioned the design and manufacture of a weather resistant multi-rotor UAV as it is in the process of modernizing its UAV fleet and increasing operational capacity.

### **NOVAerial Robotics:**

With the move to a larger facility complete, NOVAerial Robotics has been expanding its operations. This has included the introduction of new staff, and a skilled worker hiring campaign to increase the manufacturing capacity and fulfill orders. NOVAerial has received multiple orders from 3rd parties and Global UAV subsidiaries for their UAVs including the new models, the Procyon 900E and the weather-proof multicopter.

### **Medical Marijuana Sector Activities**

In early 2016, the Issuer signed a definitive agreement for the purchase of an early stage Marijuana for Medical Purposes Regulations (MMPR) applicant called Thor Pharma and a letter of intent for the purchase of a 90% interest in a licensed MMPR producer called Redecan Pharm. The Issuer subsequently cancelled the agreement for the purchase of Redecan Pharm and terminated the agreement for the purchase of Thor Pharma. The Issuer has no ongoing participation in the medical marijuana sector. In connection with these definitive agreements, the Company issued 7,000,000 shares and made cash payments of \$125,000. During the year ended October 31, 2016, the Company recorded an impairment expense to investments of \$1,455,054. Please refer to the Issuer's consolidated financial statements for the year ending October 31, 2016 for further details.

With the approval of the Issuer's Change of Business, as reported on January 18, 2017, the Issuer restated that it no longer has any interests in the Medical Marijuana sector.

### **Exploration Sector Activities**

Prior to 2016, the Issuer's previous principal business activity was the acquisition and exploration of mineral properties with a focus on northwest Mexico. The Issuer utilized the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Issuer acquired early stage, under developed properties with high potential and then optioned a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments. The Issuer has a wholly owned subsidiary in Mexico named Minera Alta Visa S.A. de C.V. ('MAV'). MAV has eight projects in its portfolio. All of these exploration properties were written down to \$nil in 2015 after consideration of the prevalent poor market conditions.

Bi-annual taxes have not been paid on the properties as the Issuer does not intend to keep the properties in good standing. No work was performed on the properties during the quarter.

Management 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. Please refer to the Issuer's consolidated financial statements for the year ending October 31, 2016 for further details.

During the year ended October 31, 2017, the Company sold its interests in the Orofino property located in Mexico to a private Mexican company for net proceeds of 1,200,000 Mexican Pesos. The Company value of the property was \$nil prior to the sale and \$85,524 (2016 - \$nil) has been recorded as a gain on disposal of assets, which represents a gain on the disposal of an asset.

### **Corporate Events**

Summary:

Global UAV's corporate activities during the year were dominated by closing the acquisition of UAV Regulatory Services and NOVAerial Robotics.

Details:

The following are the detailed corporate events that occurred during the year and up to the filing date of this MD&A (for additional information all news releases are available either on the Issuer's website or [www.sedar.com](http://www.sedar.com)):

On August 3, 2017, the Issuer announced that 3,909,148 warrants had expired. The warrants were issued one year ago and were priced at \$0.10.

On August 9, 2017, the Issuer reported that it had formally closed the purchase of a 100% interest in NOVAerial Robotics Ltd. (see news release dated May 25 and July 17, 2017). With this formal closing, NOVAerial become the fourth wholly owned subsidiary of Global UAV Technologies.

Robert Lefebvre has signed a new contract with NOVAerial to act as Managing Director and will continue to operate the business under the guidance of Global UAV Technologies.

**On September 21, 2017**, the Issuer announced that it has posted its financial statements for the quarter ending July 31, 2017 – its second quarter operating within the unmanned aerial vehicle (UAV) sector. Highlights from the financial statements were:

- Revenues totalling \$333,529 - an 84% increase over the previous quarter.

- Operating profits of \$66,954

“For the Company to be able to post an operating profit in only its second full quarter is testament to the hard work and dedication of our team and I thank them for their commitment,” stated Jason Springett, president of Global UAV Technologies, “it also speaks to the potential for the emerging UAV sector and I’m very excited about the Company’s future.”

Other corporate highlights from the quarter ending July 31, 2017 include the rebranding of the Company to better reflect its commitment to the unmanned aerial vehicle sector; the purchase of UAV Regulatory Services Ltd.; and the signing of the definitive agreement for the purchase of NOVAerial Robotics Ltd.

It was a significant period of growth and change for the Company’s wholly owned subsidiaries, High Eye Aerial Imaging and Pioneer Aerial Surveys, as well. High Eye continued with its ongoing association with the University of Guelph and positioning itself as a go-to UAV services company. Pioneer Aerial expanded its staff and fleet to meet the increasing demand for its services and reported its best month to date. Pioneer Aerial also signed its first South American contract.

Michael Burns, president of Pioneer Aerial Surveys, stated, “The rapid growth of Pioneer Aerial speaks to the potential for the company, and reflects the strong exposure of Global UAV Technologies’ group of companies. In the 3rd quarter, Pioneer Aerial was able to exceed our growth goals by significantly expanding our equipment inventory and field crews by only using operating cash flow, in addition to posting record profits and expanding into new markets internationally and new industries.”

**On October 4, 2017**, the Issuer announced that it had completed the purchase of Pioneer Exploration Consultants Ltd.’s (“Pioneer”) unmanned aerial vehicle (“UAV”) assets (see news releases dated July 19, November 15, 2016 and January 3, 2017).

The Company and Pioneer agreed to amend the cash payment by converting it into shares (“Units”) of the Company. Each Unit will consist of one volume weighted average price share of the Company - based on the 20 days of trading prior to September 26, 2017 – and one share purchase warrant exercisable into one common share of the Company at a price of \$0.12 per share for a period of five years.

The volume weighted average price is equal to \$0.079, which will result in the issuance of 2,531,646 Units to Pioneer in addition to the 3,000,000-share final issuance as per the terms of the original Agreement.

“This is an important amendment for Global UAV and its shareholders as it removes any payables for the acquisition and shows Pioneer’s principals’ commitment to the further success of Pioneer Aerial Surveys & Global UAV Technologies. Upon closing of this transaction Global UAV will own 100% of all its subsidiaries and is well poised for growth after posting positive financials in the last quarter. As of today, Global UAV is in a very strong position relative to other specialized UAV public companies, with positive cash flow and sitting well positioned for growth”, stated James Rogers, Director of Global UAV Technologies.

As part of the original finders’ fee agreement for the asset acquisition, the Company will issue 276,582 shares as final payment.

**On November 8, 2017**, the Issuer provided a corporate update.

## **Board of Directors**

Mr. Robert Lefebvre has been appointed as director of the Company.

Mr. Lefebvre is one of the foremost experts in UAV technology in Canada. He is a mechanical engineer with a diverse set of skills including product development and program management gained in the automotive industry. Mr. Lefebvre was one of the original developers of Ardupilot, the world's leading open-source UAV/drone operating system with now over 1,000,000 systems in operation around the world. A frequent invited speaker at UAV industry conferences, he has also consulted to the UAV industry internationally, assisting clients to deploy Ardupilot on their commercial systems. Sensing a need for more robust UAV platforms for commercial applications, Mr. Lefebvre founded NOVAerial Robotics Inc. and successfully launched commercial production of their first aircraft, the Procyon 800E helicopter.

Mr. Jason Springett has stepped down as a director. Mr. Springett has contributed greatly to the growth and rebranding of Global UAV Technologies and the Board thanks Mr. Springett for his hard work and efforts and being instrumental in bringing Global UAV Technologies to its current state of profitability.

## **Loan Repayment**

Pioneer Aerial Surveys Ltd. has paid back to Global UAV Technologies in full, \$126,024 of interest-free loans that were provided to accelerate Pioneer Aerial's growth plans. Pioneer Aerial repaid the loans faster than expected.

"Global UAV is excited to welcome Mr. Lefebvre onto the Board of Directors. Robert is extremely dedicated to the growth and success of NOVAerial and Global UAV, and brings vast industry knowledge and insight to the Company. We are also pleased to report the full payback of loans by Pioneer Aerial. The success of Pioneer is a true testament to their rapid growth and emergence as the top UAV geophysics survey company in the world," stated Michael Burns, CEO of Global UAV Technologies.

## **Warrants**

1,042,000 of the warrants set to expire on November 5, 2017 were exercised for total proceeds of \$78,150. 3,560,000 warrants at \$0.075 have since expired.

## **Marketing Making Services**

The Company also announces that it has retained market-making services.

The Company has, subject to regulatory approval, retained Venture Liquidity Providers Inc. (VLP) to initiate its market-making service to provide assistance in maintaining an orderly trading market for the common shares of the Company.

The market-making service will be undertaken by VLP through a registered broker, W.D. Latimer Co. Ltd., in compliance with the applicable policies of the TSX Venture Exchange and other applicable laws. For its services, the corporation has agreed to pay VLP \$5,000 per month for a period of 12 months. The agreement may be terminated at any time by the corporation or VLP. The corporation and VLP act at arm's length, and VLP has no present interest, directly or indirectly, in the corporation or its securities. The finances and the shares required for the market-making service are provided by W.D. Latimer. The fee paid by the company to VLP is for services only.

In addition, the Company reports that Mr. Stephen Litwin is no longer acting as investor relations for the Company. The Company thanks Mr. Litwin for his hard work and wishes him well in his future endeavours.

**On January 11, 2018**, the Issuer announced that Stewart W. Baillie has been appointed to the Board of Directors.

"We are excited to announce the addition of Mr. Baillie as a Director of Global UAV. Stewart brings an immense amount of broad industry experience to our company from many aspects of his successful career. Mr. Baillie was instrumental in the development of Transport Canada's current Small Unmanned Aircraft System ("sUAS") Design Standard, and will add significant value and guidance to Global UAV's future developments." stated Global UAV President and Director, Mr. James Rogers.

Mr. Baillie received his Bachelor of Science in Aeronautics and Astronautics from the University of Washington in 1981 and

his Masters of Science in Aeronautics from the California Institute of Technology in 1982.

For over 30 years Mr. Baillie worked for the National Research Council (“NRC”) of Canada at the Flight Research Laboratory (“FRL”) serving initially as a Research Officer and then a Program Manager and, finally, as Lab Director for 15 years. During this period, he also had a 9-month assignment to Industry Canada where he served as a Director within the Aerospace, Defence and Marine Branch.

From 2003 to 2013, Mr. Baillie was the main proponent of unmanned aircraft technology at the NRC and led the development of the NRC’s Civil Unmanned Aircraft System (“UAS”) Program. From 2010 to 2016 Mr. Baillie served the UAS industry as the Chair of the Airworthiness Subgroup of the Canadian Aviation Regulation Advisory Council (“CARAC”) UAV Program Design Working Group. In this capacity he played a major role in the development of the current sUAS Design Standard that is currently found in the Transport Canada Staff Instruction as well as the development of a similar regulatory proposal concerning sUAS for Beyond Visual Line of Sight (“BVLOS”) operations.

Mr. Baillie’s expertise includes both fixed and rotary wing aircraft with special emphasis on aircraft operations, handling qualities and flight testing. As a professional researcher, Mr. Baillie has authored over 90 technical publications. As Director of the FRL, Mr. Baillie had the unique responsibilities of managing both a research organization and serving as the Transport Canada “Accountable Executive” for the operations of the NRC experimental aircraft fleet, the associated Aircraft Maintenance Organizations and the in-house “design and modification approval organization”.

Mr. Baillie has been a member of the American Institute for Aeronautics and Astronautics (“AIAA”) and the American Helicopter Society, a Fellow of the Canadian Aeronautics and Space Institute and has served as that organization’s President and as the Editor of the Canadian Aeronautics and Space Journal. He represented Canada in the NATO-Research and Technology Organisation and its predecessor organization, Advisory Group for Aerospace Research and Development (“AGARD”) and was a Canadian member of the International Congress of the Aeronautical Sciences (“ICAS”). From 2012 to 2017, Mr. Baillie was a board member of Unmanned Systems Canada and served as its Chairman of the Board of Directors from 2013 to 2015.

Mr. Baillie retired from NRC in January 2013 and is now an independent consultant.

**On February 05, 2018**, the Issuer reported it had received a total of \$1,148,300 from the exercise of warrants and stock options during the month of January. The total is the result of the exercise of 6,783,000 warrants at \$0.10 and 3,950,000 stock options valued between \$0.10 and \$0.125.

Currently there are 4,388,000 warrants at \$0.10 remaining which are set to expire on March 6 and March 17 of 2018. Another 2,531,646 warrants, issued for the acceleration of the purchase of the UAV assets from Pioneer Exploration (see news release dated October 4, 2017), are set to expire in October of 2022.

“The recent exercise of warrants and stock options provides a significant amount of capital to continue the support and growth of our operating divisions. To date, reinvestment in our core businesses has resulted in increased revenues and exposure for the company. The market support and growing investor exposure has been excellent as we continue to work on new developments for 2018 and beyond.” stated Michael Burns, CEO and Director of Global UAV.

### **Management Changes**

On October 4, 2017, the Issuer appointed Michael Burns as Chief Executive Officer and James Rogers as President.

On November 8, 2017, the Issuer appointed Robert Lefebvre as a director of the company.

On January 11, 2018, the Issuer appointed Stewart W. Baillie to the board of directors.

On January 19, 2018, the Issuer introduced Ramiro Cotarelo as the new president of High Eye Aerial Surveys.

## Results of Operations

Certain of the key risk factors of the Issuer's operating results are the following: the state of capital markets, which affects the ability of the Issuer to finance its exploration activities.

Significant variances in the Issuer's operational results for the year ended October 31, 2017 compared to the year ended October 31, 2016, were as follows:

- i. Exploration expenditures, increased by \$26,831 to \$59,344 from \$32,513 in 2016 due to the Issuer actively working at selling its exploration properties in Mexico.
- ii. Consultants' fees increased by \$361,949 to \$692,175 from \$330,226 in 2016 due to the Issuer's changes in business and the expertise required by its subsidiaries.
- iii. Accounting, audit and legal expenses decreased by \$87,979 to \$74,256 from \$162,235 in 2016 due to decrease in legal work performed in respect of private placements, stock options, and changes in business and the Issuer being billed for legal services performed during the current year.
- iv. Issuer Share-based compensation decreased by \$132,624 to \$575,626 from \$708,250 in 2016 due to share-based payments made to consultants in conjunction with fees paid in cash, and a higher volatility number used in the Black-Scholes calculation to value more stock options granted in 2016.
- v. Office and miscellaneous increased by \$69,405 to \$91,096 from \$21,691 in 2016 due to increased office-related activities and including the expenses of its subsidiaries.
- vi. Regulatory fees increased by \$12,811 to \$28,075 from \$15,264 in 2016 due to multiple private placements, stock options issuances, and the changes in business during the year.
- vii. Investor relations and promotion increased by \$110,615 to \$122,588 from \$11,973 in 2016 due to Issuer incorporating its subsidiaries business during the year.
- viii. Gain on sale of marketable securities decreased by \$13,488 to \$nil from \$13,488 in 2016.

Significant variances in the Issuer's financial position for the year ended October 31, 2017 compared with October 31, 2016, were as follows:

- i. Cash decreased by \$183,044 to \$130,936 from \$313,980 in 2016 due to acquisition of subsidiaries.
- ii. Amounts receivable increased by \$115,401 to \$162,912 from \$47,511 in 2016, due primarily to an increase in trade receivables, refundable taxes and other receivable expected to be received by the Issuer and its subsidiaries for the current year.
- iii. Property, plant and equipment increased by \$37,060 to \$341,298 from \$14,238 in 2016 due to the acquisition of additional assets.
- iv. Accounts payable and accrued liabilities increased by \$272,519 to \$658,545 from \$386,026 in 2016 due to the amount owed to Pioneer Exploration Consultants and including the payables of its subsidiaries.

Significant variances in the Issuer's cash flows for the year ended October 31, 2017 compared to the year ended October 31, 2016, were as follows:

- i. Cash used in operating activities increased by \$222,654 to \$713,530 from \$490,876 in 2016 due to incorporating the Issuer's new subsidiaries.
- ii. Cash used in investing activities increased by \$744,904 to \$895,503 from \$150,599 primarily due to the acquisition of assets for the subsidiaries.
- iii. Cash provided by financing activities increased by \$473,068 to \$1,425,989 from \$952,921 in 2016 due to proceeds from

private placements and exercise of warrants and options.

## Selected Annual Information

The following selected financial information is taken from the Annual Consolidated Financial Statements and should be read in conjunction with those statements.

	OCT. 31, 2017 \$	OCT. 31, 2016 \$	OCT. 31, 2015 \$
Total revenue	1,027,379	Nil	Nil
Loss for the year	(3,021,998)	(2,586,960)	(508,087)
Basic and diluted loss per share	(0.04)	(0.09)	(0.05)
Total assets	1,843,712	418,819	43,152
Total long-term financial liabilities	576,730	Nil	Nil

## Summary of Quarterly Results

	Oct. 31, 2017	Jul. 31, 2017	Apr. 30, 2017	Jan. 31, 2017	Oct. 31, 2016	Jul. 31, 2016	Apr. 30, 2016	Jan. 31, 2016
Revenue	\$490,261	\$333,529	\$181,203	\$22,386	\$Nil	\$Nil	\$Nil	\$Nil
Income (Loss) for the quarter	(\$1,938,622)	\$154,956	(\$463,994)	(\$774,338)	(\$403,683)	(\$941,974)	(\$350,408)	(\$890,895)
Basic and diluted earnings (loss) per share	(\$0.01)	\$0.00	(\$0.01)	(\$0.02)	(\$0.00)	(\$0.04)	(\$0.01)	(\$0.05)

## Related Party Transactions

### a) Management transactions

Management transactions with related parties during the years ended October 31, 2017 and 2016 were as follows:

	2017	2016
Ian Foreman(i)	\$ -	\$ 46,000
Timeline Filing Services Ltd.(ii)	\$ 9,000	\$ 19,579
Schindler & Company(iii)	\$ 8,420	\$ 27,052
Shaxon Enterprises Ltd.(iv)	\$ 10,500	\$ 166,500
Don Shaxon(v)	\$ 12,500	\$ -
Catalyst X Media Corporation(vi)	\$ 44,000	\$ -
Jason Springett(vii)	\$ 457	\$ -
BridgeMark Financial Corporation (viii)	\$ 28,000	\$ -
101252103 Saskatchewan Ltd.(ix)	\$ 147,500	\$ -
Longford Capital Corporation(x)	\$ 69,500	\$ -
Robert Lefebvre(xi)	\$ 20,000	\$ -

- 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 former president and CEO, Jason Springett.

- viii) BridgeMark Financial is a private enterprise controlled by the Company's current CFO, Anthony Jackson.
- ix) 101252103 Saskatchewan Ltd. is a private enterprise controlled by the Company's current CEO, Michael Burns
- x) Longford Capital Corporation is a private enterprise controlled by the Company's current president, James Rogers
- xi) Robert Lefebvre is a current director of the Company and president of NOVAerial Robotics.

#### **Accounts payable to related parties**

Included in accounts payable and accrued liabilities is \$nil (2016 - \$9,609) payable to Foremost Management Services Inc.

Included in accounts payable and accrued liabilities is \$nil (2016 - \$3,950) payable to Timeline Filing Services Ltd.

Included in accounts payable and accrued liabilities is \$nil (2016 - \$9,803) payable to Schindler & Company.

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

Included in accounts payable and accrued liabilities is \$87,034 (2016 - \$nil) payable to 101252103 Saskatchewan Ltd.

Included in accounts payable and accrued liabilities is \$69,500 (2016 - \$nil) payable to Longford Capital Corporation.

Included in accounts payable and accrued liabilities is \$7,350 (2016 - \$nil) payable to BridgeMark Financial Corporation.

Included in accounts payable and accrued liabilities of \$58,466 (2016 - \$nil) payable to Michael Burns, CEO of the Company, relating to expense reimbursements.

During the year ended October 31, 2017, the Company settled \$109,000 (2016 - \$423,991) of accounts payable owing to related parties with units (Note 10(b)).

#### **b) Loans payable**

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

Also included in accounts payable and accrued liabilities are loans of \$44,121 (2016 - \$12,500) borrowed from the current president and from the current director of the Company. The loans are non-interest-bearing and without fixed terms of repayment.

#### **Liquidity and Capital Resources**

As at October 31, 2017, the Issuer had cash of \$130,936 (2016 - \$313,980).

As at October 31, 2017 the Issuer had working capital deficiency of \$468,958 as compared to a working capital of \$17,055 as at October 31, 2016. The Issuer will require continued financing or outside participation, to undertake its business plans in the UAV sector.

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

The Issuer's capital consists of shareholders' equity.

The Issuer 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 Issuer may issue new shares or debt or acquire or dispose of assets.

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

#### **Financial Instruments and Risk Management**

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

	October 31, 2017	October 31, 2016
<b>Financial assets</b>		
Fair value through profit or loss		
Cash	\$ 130,936	\$ 313,980
Loans and receivables		
Amounts receivable*	162,912	3,849
Available-for-sale		
Marketable securities	1,341	1,341
<b>Total financial assets</b>	<b>\$ 295,189</b>	<b>\$ 319,170</b>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 477,359	\$ 386,026
Deferred revenues	65,444	
Contingent consideration	540,000	
Deferred income tax liability	119,730	
<b>Total financial liabilities</b>	<b>\$ 1,383,719</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. Contingent consideration is recorded at fair value based on estimated future performance and discount rates. 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.

The Issuer'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 Issuer is exposed to credit risk with respect to its cash and amounts receivable.

The Issuer deposits substantially all of its cash at a Canadian chartered bank. The Issuer's amounts receivable consist primarily of Goods & 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 Issuer manages liquidity risk through the management of its capital structure.

At October 31, 2017, the Company had cash in the amount of \$130,936 (2016 - \$313,980) and accounts payable and accrued liabilities of \$658,545 (2016 - \$386,026). Contingent consideration of \$540,000 is contingent on the Company earning revenues in the future.

The Issuer ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term financial obligations, after taking into account the Issuer's holdings of cash.

**c) Market risk**

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed below:

*Interest rate risk*

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Issuer's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Issuer 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 Issuer's monetary assets and liabilities, the Issuer is exposed to interest rate price risk.

The Issuer 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 Issuer 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:

	October 31, 2017		October 31, 2016	
	MXN	US	MXN	US
Accounts receivable	131,381	\$ -	\$ -	-
Accounts payable and accrued liabilities	(2,861,869)	-	(3,013,108)	-
Rate to convert \$1 CAD	0.067	1.2893	0.071	1.338

Based on the Company's net exposure, a 23% change (2016 - 22%) in the Canadian/Mexican peso exchange rate and a 12% change (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 100% (2016 - 24%) change in the market prices would impact the Company's earnings by approximately \$1,341 (2016 - \$310).

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;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are classified at Level 1 of the fair value hierarchy. Contingent consideration are classified as Level 3 of the fair value hierarchy. 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.

## **Management of Capital**

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

The Issuer's capital consists of shareholders' equity.

The Issuer 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 Issuer may issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Issuer maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Issuer 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 Issuer does not pay dividends.

The Issuer'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 Issuer's approach to capital management during the year ended October 31, 2017.

## **Off-Balance Sheet Arrangements**

The Issuer does not have any off-balance sheet arrangements.

## **Proposed Transactions**

There are currently no proposed transactions contemplated by the Issuer.

## **Risks Related to Nature of Ownership of Common Shares**

### **Dilution**

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Issuer growth.

### **Market Volatility**

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Issuer.

### **Critical Accounting Estimates**

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

#### ***Critical accounting estimates***

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

#### ***Allowances for doubtful accounts***

The Company must make an assessment of whether trade receivables are collectible from customers. Accordingly, management

establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

#### *Share-based compensation*

Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the year ended October 31, 2017, the Company recognized share-based compensation of \$575,626 (2016 - \$708,250).

#### ***Critical judgments used in applying accounting policies***

In the preparation of the 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, 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 year ended October 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 \$763,753 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.

Management determined that there were indicators of impairment for its marketable securities in the year ended October 31, 2015 and recorded a write-down of \$1,301.

#### *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 consolidated 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.

### **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 October 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.
- **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 Issuer's annual periods beginning November 1, 2018.

#### **IFRS 15 Revenue from Contract with Customers**

The IASB issued the standard to replace IAS 18 which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for the annual periods beginning on January 1, 2018, with the required retrospective application and earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements.

#### **IFRS 16 Leases**

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are 'capitalized' by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the standard on its financial statements.

#### **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 Issuer's annual periods beginning November 1, 2018.

#### **Disclosure of Outstanding Share Data**

As at February 27, 2018, the Issuer had the following common shares, stock options and warrants outstanding:

Common shares	100,236,180
Stock options (vested and unvested)	11,637,500
Warrants	4,509,646
Fully diluted shares outstanding	<b>116,383,326</b>

The Issuer’s ongoing business development is dependent on raising additional capital to develop its properties and the Issuer is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Issuer and its shareholders.