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**DEVERON UAS CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
**Deveron UAS Corp.**

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Deveron UAS Corp. (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

#### Basis for Opinion

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

#### Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$1,479,416 during the year ended December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

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

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

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

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

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

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



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

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

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

SDVC LLP

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario  
April 4, 2019

# DEVERON UAS CORP.

## Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

As at December 31,	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,923,191	\$ 1,147,869
Amounts receivable and other assets (note 8)	436,685	302,606
<b>Total current assets</b>	<b>3,359,876</b>	<b>1,450,475</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 9)	85,278	243,304
Right-of-use assets (note 10)	29,155	-
Long-term investments (note 11)	-	1
Goodwill (note 6)	1,427,307	612,741
<b>Total non-current assets</b>	<b>1,541,740</b>	<b>856,046</b>
<b>Total assets</b>	<b>\$ 4,901,616</b>	<b>\$ 2,306,521</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 12 and 20)	\$ 386,469	\$ 136,264
Deferred revenue	-	35,516
Due to related party (note 20)	-	500,000
Lease liabilities (note 13)	6,355	-
<b>Total current liabilities</b>	<b>392,824</b>	<b>671,780</b>
<b>Non-current liabilities</b>		
Lease liabilities (note 13)	22,624	-
<b>Total liabilities</b>	<b>415,448</b>	<b>671,780</b>
<b>Shareholders' equity</b>		
Share capital (note 14(a)(b))	5,216,042	3,446,473
Reserves (notes 15 and 16)	3,457,798	1,864,946
Deficit	(4,187,672)	(3,676,678)
<b>Total shareholders' equity</b>	<b>4,486,168</b>	<b>1,634,741</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,901,616</b>	<b>\$ 2,306,521</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Nature of operations and going concern** (note 1)

**Event after the reporting period** (note 22)

**Approved on behalf of the Board:**

(Signed) "James Pirie" \_\_\_\_\_, Director

(Signed) "David MacMillan" \_\_\_\_\_, Director

**DEVERON UAS CORP.****Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)**

	Year Ended December 31,	
	2018	2017
<b>Revenues</b>		
Drone revenues	\$ 288,445	\$ 209,022
Agronomic services	212,181	-
<b>Total revenues</b>	<b>500,626</b>	<b>209,022</b>
<b>Cost of services</b>		
Cost of services (note 18)	(356,432)	(145,738)
<b>Gross margin</b>	<b>144,194</b>	<b>63,284</b>
<b>Operating expenses (income)</b>		
Salaries and benefits (note 20)	668,822	329,748
Share-based payments (note 15(i)(ii)(iii))	356,731	867,922
Business development	261,277	169,843
Depreciation (notes 9 and 10)	231,034	158,914
Shareholder relations	214,380	241,533
Office and general	214,386	137,496
Professional fees (note 20)	103,880	99,054
Travel	87,670	65,924
Equipment maintenance	41,568	6,560
Interest expense (notes 13 and 20)	37,332	47,040
Consulting fees (note 20)	-	175,000
Gain on debt settlement (note 14(c))	-	(240,000)
Interest income	(36,339)	-
Gain on long-term investment (note 11)	(507,131)	(360,000)
	<b>1,673,610</b>	<b>1,699,034</b>
<b>Loss for the period from continuing operations</b>	<b>(1,529,416)</b>	<b>(1,635,750)</b>
<b>Net income for the period from discontinued operations (note 7)</b>	<b>50,000</b>	<b>50,000</b>
<b>Loss before taxes</b>	<b>(1,479,416)</b>	<b>(1,585,750)</b>
Income tax recovery (note 19)	-	-
<b>Total comprehensive loss for the year</b>	<b>\$ (1,479,416)</b>	<b>\$ (1,585,750)</b>
<b>Net loss per common share - continuing operations (note 17)</b>		
- basic and diluted	\$ (0.04)	\$ (0.07)
<b>Net income per common share - discontinuing operations (note 17)</b>		
- basic	\$ 0.00	\$ 0.00
- diluted	\$ 0.00	\$ 0.00
<b>Basic and diluted net loss per common share (note 17)</b>	<b>\$ (0.04)</b>	<b>\$ (0.07)</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**DEVERON UAS CORP.****Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)**

	Year Ended December 31,	
	2018	2017
<b>Operating activities</b>		
Net loss for the year	\$ (1,479,416)	\$ (1,585,750)
Adjustments for:		
Depreciation (notes 9 and 10)	231,034	158,914
Share-based payments (note 15(i)(ii)(iii))	356,731	867,922
Interest expense (note 13)	1,026	-
Gain on long-term investments (note 11)	(507,131)	(360,000)
Gain on debt settlement (note 14(c))	-	(240,000)
Net income from discontinued operations (note 7)	(50,000)	(50,000)
Changes in non-cash working capital items:		
Amounts receivable and other assets	370,057	(145,684)
Amounts payable and other liabilities	69,230	81,948
Deferred revenue	(35,516)	35,516
Lease payments	(1,447)	-
<b>Net cash used in operating activities</b>	<b>(1,045,432)</b>	<b>(1,237,134)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (note 9)	(48,453)	(318,137)
Cash payment for the Acquisition (note 6)	(320,000)	-
Proceeds from long-term investments (note 11)	507,132	360,000
<b>Net cash used in investing activities</b>	<b>138,679</b>	<b>41,863</b>
<b>Financing activities</b>		
Cash acquired from the Acquisition (note 6)	41,177	-
Repayment to related party (note 20)	(500,000)	-
Issue of common shares for private placements (note 14(b)(i)(ii))	3,269,659	2,024,976
Share issue costs	(178,761)	(224,630)
Exercise of warrants	-	28,210
Exercise of options	-	256,250
<b>Net cash provided by financing activities</b>	<b>2,632,075</b>	<b>2,084,806</b>
<b>Net change in cash from continuing operations</b>	<b>1,725,322</b>	<b>889,535</b>
<b>Net change in cash from discontinued operations</b>	<b>50,000</b>	<b>50,000</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,147,869</b>	<b>208,334</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,923,191</b>	<b>\$ 1,147,869</b>
<b>Cash</b>	<b>\$ 909,747</b>	<b>\$ 1,147,869</b>
<b>Cash equivalents</b>	<b>2,013,444</b>	<b>-</b>
<b>Cash and cash equivalents</b>	<b>\$ 2,923,191</b>	<b>\$ 1,147,869</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**DEVERON UAS CORP.****Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)**

	Share capital	Shares to be issued	Reserves		Deficit	Total
			Warrants	Share-based payments		
<b>Balance, December 31, 2016</b>	<b>\$ 1,822,930</b>	<b>\$ 240,000</b>	<b>\$ 260,404</b>	<b>\$ 291,033</b>	<b>\$ (2,106,604)</b>	<b>\$ 507,763</b>
Common shares issued for private placements (note 14(b)(i))	2,024,976	-	-	-	-	2,024,976
Warrants issued for private placements (note 14(b)(i))	(579,358)	-	579,358	-	-	-
Share issue costs (note 14(b)(i))	(333,355)	-	108,725	-	-	(224,630)
Change in shares to be issued (note 14(c))	-	(240,000)	-	-	-	(240,000)
Exercise of warrants	40,793	-	(12,583)	-	-	28,210
Exercise of stock options	470,487	-	-	(214,237)	-	256,250
Stock options expired	-	-	-	(15,676)	15,676	-
Share-based payments (note 15(i))	-	-	-	867,922	-	867,922
Net loss for the year	-	-	-	-	(1,585,750)	(1,585,750)
<b>Balance, December 31, 2017</b>	<b>3,446,473</b>	<b>-</b>	<b>935,904</b>	<b>929,042</b>	<b>(3,676,678)</b>	<b>1,634,741</b>
Common shares issued for private placements (note 14(b)(ii))	3,269,659	-	-	-	-	3,269,659
Warrants issued for private placements (note 14(b)(ii))	(2,007,609)	-	2,007,609	-	-	-
Share issue costs (note 14(b)(ii))	(279,981)	-	101,220	-	-	(178,761)
Common shares to be issued pursuant to the Acquisition (note 6)	787,500	-	-	-	-	787,500
Warrants issued pursuant to the Acquisition (note 6)	-	-	95,714	-	-	95,714
Warrants expired	-	-	(935,904)	-	935,904	-
Stock options expired	-	-	-	(32,518)	32,518	-
Share-based payments (note 15(i)(ii)(iii))	-	-	-	356,731	-	356,731
Net loss for the year	-	-	-	-	(1,479,416)	(1,479,416)
<b>Balance, December 31, 2018</b>	<b>\$ 5,216,042</b>	<b>\$ -</b>	<b>\$ 2,204,543</b>	<b>\$ 1,253,255</b>	<b>\$ (4,187,672)</b>	<b>\$ 4,486,168</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.



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# DEVERON UAS CORP.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 1. Nature of operations and going concern

Deveron UAS Corp. ("Deveron" or the "Company") was incorporated under the laws of the Province of Ontario on March 28, 2011. On November 27, 2012, Deveron's common shares started trading on the TSX Venture Exchange ("TSXV") under the symbol "DVR". The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

As at December 31, 2018, 22.5% of the Company's issued and outstanding shares are owned by Greencastle Resources Ltd. ("Greencastle"). During the year ended December 31, 2017, Deveron ceased to be a subsidiary of Greencastle and became an investment in associate (refer to note 20).

On March 24, 2016, Deveron obtained its Special Flight Operations Certificate ("SFOC") from Transport Canada. The SFOC permits Deveron to operate small unmanned aerial systems ("UAS", "UAV" or, more commonly, "drones") for the purpose of surveying agricultural land in rural areas of Ontario. Deveron is operating under a standing SFOC which allows Deveron to operate on an annual basis rather than a per flight basis. To use a UAV for work or research in Canada, companies are legally required to hold an SFOC.

On April 13, 2016, Deveron commenced commercial UAS flying for the 2016 agricultural season in Ontario. Deveron also hired additional licensed pilots to operate its fleet of drones.

On July 14, 2016, the Company changed its name from Deveron Resources Ltd. to Deveron UAS Corp., completed the acquisition of 2487473 Ontario Inc. (operating as Eagle Scout Imaging) ("Eagle Scout") and the Company's common shares were delisted from the TSXV. On July 19, 2016, the Company's common shares were accepted for listing on the Canadian Securities Exchange ("CSE"), and its common shares commenced trading on the CSE under its existing symbol "DVR".

On July 26, 2016, the Company received authority to operate under a SFOC, for its UAS in Alberta, Saskatchewan and Manitoba as a Restricted Operator - Complex Operations. The SFOC has been issued under the authority of Transport Canada pursuant to the Aeronautics Act. Under its SFOC, Deveron received approvals to expand into Western Canada with up to four different pieces of hardware.

A Standing SFOC is issued to allow operations within a defined geographical boundary (e.g. province) and removes the requirement to submit individual sites for prior approval, subject to certain conditions. A Standing SFOC is not issued until the UAV operator has gained sufficient experience and demonstrates a history of safe operations.

On December 15, 2016, the Company signed a multi-year commitment to working with Thompson Ltd. to provide leading-edge remote sensing data solutions to its growers. This contract has expired.

On May 29, 2017, the Company announced that it was granted approval as a Compliant Operator under its SFOC for the operation of drone within visual line-of-sight, issued under the authority of the Minister, Transport Canada, pursuant to the Aeronautics Act. The certificate is valid for aerial data collection and surveying throughout Canada, and meets the highest level of approvals under Transport Canada's regulatory environment related to UAV activities.

On September 14, 2018, the Company completed the acquisition of Veritas Farm Management Inc. ("Veritas") (refer to note 6).

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# DEVERON UAS CORP.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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### 1. Nature of operations and going concern (continued)

#### Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realized its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in these consolidated financial statements.

As at December 31, 2018, the Company had an accumulated deficit of \$4,187,672 (2017 - \$3,676,678). Comprehensive loss for the year ended December 31, 2018 was \$1,479,416 (2017 - \$1,585,750). These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the financing necessary to fund its planned revenue growth and working capital requirements.

The Company has raised funds throughout the current and period fiscal periods and has utilized these funds for non-current asset investments and working capital requirements. The ability of the Company to arrange additional financing in future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company, nor achieve desired sales growth. If additional financing is raised by the issuance of common shares from treasury of the Company, control of the Company may change and existing shareholders may have their ownership diluted. If adequate funding is not available, the Company may be required to relinquish rights to certain of its assets and/or terminate its operations.

### 2. Significant accounting policies

#### (a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2018. The policies set out below are based on IFRS issued and outstanding as of April 4, 2019, the date the Board of Directors approved the statements.

#### (b) *Basis of presentation*

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(t).

#### (c) *Functional and presentation currency*

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### (d) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

#### (e) Business combination

Business combinations are accounted for using the acquisition method where the acquisitions of companies and assets meet the definition of a business under IFRS 3. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in net earnings. Associated transaction costs are expensed when incurred.

#### (f) Financial instruments

IFRS 9 - Financial Instruments ("IFRS 9") replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Company has assessed this new standard and there has been no impact to the consolidated financial statements from this adoption.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, FVTPL, or fair value through other comprehensive income ("FVTOCI"). Financial liabilities are classified in the following measurement categories: FVTPL, or amortized cost.

The following table summarizes the changes in the classification of the Company's financial instruments upon adoption of IFRS 9. The adoption of the new classification did not result in any changes in the measurement or carrying amount of the consolidated financial instruments.

Financial instruments	Category under IAS 39	Category under IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Long-term investments	Available-for-sale	FVTPL
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Due to related party	Other financial liabilities	Amortized cost

The accounting for these instruments and the line item in which they are included in the consolidated statements of financial position are unaffected by the adoption of IFRS 9, and no measurement adjustments are required to the Company's financial assets and liabilities. The adoption of IFRS 9 does not have a material impact on impairment of the Company's financial assets.

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017  
(Expressed in Canadian Dollars)

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### 2. Significant accounting policies (continued)

#### (f) Financial instruments (continued)

For amounts receivable, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no reasonable expectation of recovery.

As a result of the adoption of IFRS 9, the accounting policy for financial instruments has been updated as follows:

#### Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

##### i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash and cash equivalents and long-term investments are classified as financial assets measured at FVTPL.

##### ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's amounts receivable are classified as financial assets measured at amortized cost.

##### iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

##### i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and other liabilities and due to related party do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

##### ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

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## DEVERON UAS CORP.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant accounting policies (continued)

### (f) *Financial instruments (continued)*

#### **Transaction costs**

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

#### **Subsequent measurement**

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

#### **Derecognition**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### **Expected credit loss impairment model**

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

For amounts receivable, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no reasonable expectation of recovery.

### (g) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and with a Canadian chartered bank.

### (h) *Property, plant and equipment*

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive loss.

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
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### 2. Significant accounting policies (continued)

(h) *Property, plant and equipment (continued)*

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

<b>Class of property, plant and equipment</b>	<b>Amortization rate</b>
Computer equipment	3.33 years
Drone	2 years
Vehicles	3.33 years

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.

The recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the pre-tax time value of money and the risks specific to the asset. If the recoverable amount of an asset 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 statements of loss

(i) *Long-term investments*

Long-term investments are designated as financial assets under the category of FVTPL. These investments are recognized and measured as described in financial instrument policy above.

(j) *Impairment of goodwill*

Goodwill is tested for impairment at the cash-generating unit ("CGU") level annually or more frequently if events or circumstances suggest that there may be impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. A write-down is recognized if the recoverable amount of the CGU, determined as the greater of the estimated fair value less costs to sell or its value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value of the CGU.

(k) *Income taxes*

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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 regards to previous years.

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## DEVERON UAS CORP.

### Notes to Consolidated Financial Statements

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#### 2. Significant accounting policies (continued)

##### (k) *Income taxes (continued)*

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### (l) *Share-based payment transactions*

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in shareholders' 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, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. 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.

##### (m) *Provision*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
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### 2. Significant accounting policies (continued)

#### (n) Revenue recognition

The Company adopted IFRS 15, Revenue from Contracts with Customers, in the prior year. The Company has performed an assessment of revenue from data services revenues that falls within the scope of IFRS 15. Management has determined that the implementation of these amendments was immaterial.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 establishes a new five-step model that applies to revenue from contracts with customers.

The Company generates revenue by providing Canadian and United States enterprises drone data services to agriculture.

Revenue generated from providing data services is recognized as revenue in the period in which the data is delivered. At this point the company has no further performance obligations to the client. Where payment is received in advance of delivering the data, the amount received is recognized as deferred revenue.

#### (o) Leases and right-of-use assets

The Company has early adopted IFRS 16 – Leases, which is effective for annual reporting periods beginning on or after January 1, 2018. Previously, the Company classified leases as operating or finance leases based on IAS 17 - Leases.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2018. The Company has determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.



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## DEVERON UAS CORP.

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### 2. Significant accounting policies (continued)

#### (o) *Leases and right-of-use assets (continued)*

There was no impact on the consolidated statement of financial position at January 1, 2018 as the Company did not have any operating lease at that time. However, the Company entered into operating leases in December 2018 which are accounted for as leases giving rise to right-of-use assets. Refer to notes 10 and 13 of the audited consolidated financial statements of the Company.

#### (p) *Discontinued operations*

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes, and the value of this component is expected to be recovered primarily through sale rather than continuing use.

Results of operations and any gain or loss from disposal are excluded from income from continuing operations and are reported separately as income/loss from discontinued operations.

#### (q) *Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the 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 computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years.

#### (r) *Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### (s) *Critical accounting estimates and judgments*

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. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

##### i) Critical accounting estimates

Impairment of property, plant and equipment - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto.

Impairment of goodwill - goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The recoverable value of a cash-generating unit ("CGU") is determined from internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable value of a CGU or a group of CGUs. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable.

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
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### 2. Significant accounting policies (continued)

(s) *Critical accounting estimates and judgments (continued)*

i) Critical accounting estimates (continued)

Share-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Warrants – management is required to make a number of estimates when measuring the value of warrants including the forfeiture rate and expected life of the instruments.

Property, plant and equipment - management is required to estimate the useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

ii) Critical judgments in applying accounting policies

Income taxes – 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 become 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 involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

(t) *Recent accounting pronouncements*

(i) On June 7, 2017, the IASB issued IFRS Interpretations Committee 23 - Uncertainty Over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company does not expect the Interpretation to have a material impact on the consolidated financial statements.

### 3. Capital risk management

The Company includes equity, comprising issued share capital, shares to be issued, reserves and deficit, in the definition of capital, which as at December 31, 2018, totaled an equity of \$4,486,168 (December 31, 2017 - \$1,634,741).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its research and development costs and devote resources to identifying and commercializing new services. To secure the additional capital necessary to continue with its operating and research and development activities, the Company may attempt to raise additional funds through the issuance of debt or equity.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

There were no changes in the Company's objective, process, policies and approach to capital management during the year ended December 31, 2018 and 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
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### 4. Financial instruments and risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

#### *(i) Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada and amounts receivable from drone income. Sales tax receivable are in good standing as of December 31, 2018. Management believes that the credit risk with respect to these amounts receivable is minimal. As at December 31, 2018, the provision for amounts receivable is \$12,806 (December 31, 2017 - \$nil).

#### *(ii) Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2018, the Company had cash of \$2,923,191 (December 31, 2017 - \$1,147,869) to settle current liabilities of \$392,824 (December 31, 2017 - \$671,780). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms except for the amount due to related party which bears interest at prime plus two percent and is due on demand. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company obtained its financing through the equity market. Negative trend in the general equity market and the fall in commodity prices can adversely impact the Company's ability to obtain financing at favourable terms. If the Company cannot obtain the necessary financing to fund its operating and exploration activities, the Company might not be able to continue as a going concern entity.

There can be no assurance that additional financing or shareholder loans from Greencastle, if and when required, will be available or on terms acceptable to the Company.

#### *(iii) Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

##### **(a) Interest rate risk**

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. As at December 31, 2018, the Company did not have any surplus cash in high yield savings accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. The Company is not exposed to interest rate risk.

##### **(b) Foreign currency risk**

The Company's functional and presentation currency is the Canadian dollar. Certain of the Company's revenues and expenses are incurred in USD and are therefore subject to gains and losses due to fluctuations against the functional currency.

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**DEVERON UAS CORP.**

Notes to Consolidated Financial Statements  
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**4. Financial instruments and risk factors (continued)**

(iii) *Market risk (continued)*

**(c) Price risk**

The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities.

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents and amounts receivable and amounts payable and other liabilities that are denominated in USD. As at December 31, 2018, had the USD weakened/strengthened by 10% against the CAD with all other variables held constant, the Company's consolidated statements of comprehensive loss for the year ended December 31, 2018 would have been approximately \$1,300 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2018, shareholders' equity would have been approximately \$1,300 higher/lower had the USD weakened/strengthened by 10% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

**5. Fair value measurements**

Fair value is the price that would be received to dispose of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(a) Assets and liabilities measured at fair value on a recurring basis:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
<b>As at December 31, 2018</b>				
Cash and cash equivalents	\$ 2,923,191	\$ -	\$ -	\$ 2,923,191
<b>As at December 31, 2017</b>				
Cash and cash equivalents	\$ 1,147,869	\$ -	\$ -	\$ 1,147,869
Long-term investments	\$ -	\$ -	\$ 1	\$ 1

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**DEVERON UAS CORP.**

**Notes to Consolidated Financial Statements**  
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**5. Fair value measurements (continued)**

(b) Categories of financial instruments:

<b>As at December 31,</b>	<b>2018</b>	<b>2017</b>
	<b>Carrying amount</b>	<b>Carrying amount</b>
Financial assets:		
Cash and cash equivalents	\$ 2,923,191	\$ 1,147,869
Amounts receivable	390,746	85,288
Long-term investments	-	1
	<b>\$ 3,313,937</b>	<b>\$ 1,233,158</b>
Financial liabilities:		
Amounts payable and other liabilities	\$ 386,469	\$ 136,264
Due to related party	-	500,000
	<b>\$ 386,469</b>	<b>\$ 636,264</b>

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's amounts receivable, amounts payable and other liabilities and due to related party is close to fair value due to their short-term maturity.

**6. Acquisition of Veritas**

On August 27, 2018, the Company signed a definitive agreement (the "Agreement") with South West Ag Inc. (the "Vendor") to acquire all the issued and outstanding shares of Veritas. Veritas is a data analytics company which provides recurring data consulting and precision agriculture services to large enterprises and large-scale farmers. The combination of the two companies will create a leading data analytics company providing North American farmers with access to data driven insights as well as access to Deveron's leading drone data network, which is in line with the Company's vision in building Deveron as a leading drone data company in North America.

On September 14, 2018, the Company acquired all of the issued and outstanding shares of Veritas pursuant to the term of the Agreement (the "Acquisition"). As a result, Veritas is a wholly-owned subsidiary of the Company and Deveron owns 100% of the Veritas shares and its assets. In connection with completion of the Acquisition, Veritas shareholders received a cash payment of \$320,000 and 3,750,000 units ("Units") of the Company. Each Unit consists of one common share of the Company and one-quarter of a common share purchase warrant. Each whole warrant entitles the holder to acquire a common share at an exercise price of \$0.50 per common share for a period of two years. Under the terms of the Agreement, the Unit will be released from escrow in five equal tranches of 750,000 Units, every three months, with the initial release occurring on the sixth month following the closing of the acquisition, and the final tranche being released on the eighteenth month after closing.

All securities issued in connection with the Acquisition are subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation.

In addition, Deveron has to pay Veritas a sum equal to 50% of the EBITDA of Veritas during the period from April 1, 2018 to August 31, 2018 ("Earn-Out-Period").

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## DEVERON UAS CORP.

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### 6. Acquisition of Veritas (continued)

The allocation of the purchase price is as follows:

#### Purchase price allocation

Issuance of common shares (i)	\$	787,500
Issuance of warrants (ii)		95,714
Cash payment		320,000
Additional cash payment accrued (iii)		109,719
<b>Total consideration</b>	<b>\$</b>	<b>1,312,933</b>

#### Allocation of purchase price

Cash	\$	41,177
Amounts receivable and other assets		504,136
Property, plant and equipment		24,310
Goodwill		814,566
Amounts payable and other liabilities		(71,256)
<b>Veritas net assets received</b>	<b>\$</b>	<b>1,312,933</b>

(i) For the purpose of determining the value of the purchase price consideration, the 3,750,000 common shares were valued at \$0.21 per share based on Deveron's closing price as of September 14, 2018.

(ii) The fair value of Deveron's 937,500 warrants was estimated to be \$95,714 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.21; exercise price of \$0.50; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 130.04%; risk-free interest rate - 2.13%; and an expected life - 2 years.

(iii) The Company has estimated that an additional \$109,719 will be paid to Veritas which is the sum equal to 50% of the EBITDA of Veritas during the Earn-Out-Period.

(iv) The net loss of Veritas since the acquisition date (September 14, 2018) included in the consolidated statement of comprehensive loss for the reporting period is \$153,230.

### 7. Discontinued operations

As a result of the acquisition of Eagle Scout on July 14, 2016, the business of the Company was changed from mineral exploration to the drone data service sector. Therefore, all operations related to mineral exploration were transferred to discontinued operations.

There were no assets or liabilities for discontinued operations as at December 31, 2018 and December 31, 2017.

Discontinued operations for the years presented include:

Statements of Comprehensive Loss	Year Ended December 31,	
	2018	2017
Property option revenue (i)	\$ 50,000	\$ 50,000

# DEVERON UAS CORP.

## Notes to Consolidated Financial Statements Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

### 7. Discontinued operations (continued)

(i) On August 1, 2016, the Company entered into an agreement with Parlane Resource Corp. ("Parlane") for the sale of undivided 100% right, title and interest in the Nechako Property. Under the terms of the agreement, Parlane shall, upon signing of this agreement, pay \$50,000 to Deveron (received), and Deveron shall, within 3 days thereafter, transfer title of the Nechako Property, to Parlane.

- On the first anniversary of this agreement, should Parlane continue to hold any part of the Nechako Property by keeping it in good standing, it shall pay to Deveron an additional \$50,000 (received in August 2017); and
- On the second anniversary of this agreement, should Parlane continue to hold any part of the Nechako Property by keeping it in good standing, it shall make a further and last payment of \$50,000 (received in August 2018) to Deveron.

There was no impact on the consolidated statements of cash flows from discontinued operations.

### 8. Amounts receivable and other assets

As at December 31,	2018	2017
Sales tax receivable - (Canada) (i)	\$ 10,283	\$ 961
Account receivable - drone income	380,463	84,327
Prepays	45,939	217,318
	<b>\$ 436,685</b>	<b>\$ 302,606</b>

(i) Sales tax receivable is not past due.

### 9. Property, plant and equipment

COST	Computer equipment	Drones	Vehicles	Total
Balance, December 31, 2016	\$ 15,048	\$ 113,612	\$ -	\$ 128,660
Additions	37,410	280,727	-	318,137
Balance, December 31, 2017	52,458	394,339	-	446,797
Additions	9,686	38,767	-	48,453
Additions pursuant to the Acquisition (note 6)	11,910	-	12,400	24,310
Balance, December 31, 2018	<b>\$ 74,054</b>	<b>\$ 433,106</b>	<b>\$ 12,400</b>	<b>\$ 519,560</b>

ACCUMULATED DEPRECIATION	Computer equipment	Drones	Vehicles	Total
Balance, December 31, 2016	\$ 3,386	\$ 41,193	\$ -	\$ 44,579
Depreciation	11,270	147,644	-	158,914
Balance, December 31, 2017	14,656	188,837	-	203,493
Depreciation	18,761	210,168	1,860	230,789
Balance, December 31, 2018	<b>\$ 33,417</b>	<b>\$ 399,005</b>	<b>\$ 1,860</b>	<b>\$ 434,282</b>

CARRYING AMOUNT	Computer equipment	Drones	Vehicles	Total
Balance, December 31, 2017	\$ 37,802	\$ 205,502	\$ -	\$ 243,304
Balance, December 31, 2018	<b>\$ 40,637</b>	<b>\$ 34,101</b>	<b>\$ 10,540</b>	<b>\$ 85,278</b>

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## DEVERON UAS CORP.

### Notes to Consolidated Financial Statements

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#### 10. Right-of-use assets

	<b>Vehicles</b>
<b>Balance, January 1, 2018</b>	\$ -
Additions	29,400
Depreciation	(245)
<b>Balance, December 31, 2018</b>	<b>\$ 29,155</b>

#### 11. Long-term investments

On April 4, 2013, and May 27, 2013, Deveron acquired 1,000,000 and 2,000,000 common shares respectively, for a total of 3,000,000 common shares of Boreal Agrominerals Inc. ("Boreal") for \$600,000. The investment represents a 13.6% interest in Boreal.

Boreal is a private company that owns and operates a carbonatite quarry near Sudbury, Ontario.

This investment has been categorized as a long-term investment under the category of available-for-sale and was originally measured at cost because there is no active market for Boreal's shares.

During the year ended December 31, 2015, management had decided to record an impairment of \$599,999 and as a result the long-term investments carrying value decreased to \$1 due to Boreal's inability to advance the project and liquidity issues.

In December 2016, the Company tendered 100% of its shareholdings in Boreal, by exercising their Dissent Rights, to an offer from a third party to acquire 100% of Boreal by Plan of Arrangement. The obligations of Boreal and the purchaser (together the "Parties") to complete the arrangement are subject to the fulfillment of certain mutual conditions precedent, including: (a) the arrangement shall have been duly approved by the Boreal shareholders; (b) the court shall have approved the arrangement by granting the interim order and final order; (c) the Ministry Consent will have been received; (d) no person has filed or communicated to the Parties that they intend to file an appeal of the final order; (e) no governmental entity shall have enacted, issued, promulgated, enforced or entered any law which is then in effect and has the effect of making the arrangement illegal or otherwise preventing or prohibiting consummation of the arrangement; and (f) the arrangement agreement shall not have been terminated in accordance with its terms. There are additional obligations of the Parties to complete the arrangement. However such additional conditions may be waived in whole or in part by the Parties.

The purchaser will pay a total cash purchase price of \$0.32 per Boreal share after the payment of certain obligations of Boreal. Such amounts are to be paid in three tranches over a 12 month period, which could be extended by the purchaser to a 24 month period as follows:

- \$0.03 per share immediately after December 30, 2016 ("Effective Date")(received in January 2017);
- \$0.12 per share on or before the six-month anniversary of the Effective Date <sup>(1)</sup> (received in October 2017);
- \$0.17 per share on or before the one-year anniversary of the Effective Date, which could be extended to the second anniversary of the Effective Date.

The arrangement agreement calls for total cash consideration to Deveron of \$960,000.

During the year ended December 31, 2016, Deveron recorded a gain on long-term investment of \$90,000 in the consolidated statements of comprehensive loss, being the amount of consideration for the first tranche of \$0.03 per Boreal share.



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**DEVERON UAS CORP.****Notes to Consolidated Financial Statements  
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**11. Long-term investments (continued)**

In January 2017, the Company received \$90,000 from the sale of Boreal.

(1) In June 2017, the new owners of Boreal were granted an extension period of three months on the second payment by the Shareholder Representatives of Boreal. Payment #2 was due on June 30, 2017 and was extended to September 30, 2017.

In October 2017, the Company received \$360,000 from the sale of Boreal.

During the year ended December 31, 2017, Deveron recorded a gain on long-term investment of \$360,000 in the consolidated statements of comprehensive loss, being the amount of consideration for the second tranche of \$0.12 per Boreal share.

During the year ended December 31, 2018, the Company received final payment for its previously reported tendering of its shareholdings in Boreal. The Company received final payment of approximately \$0.17 per share on its original holdings of 3 million shares, totaling \$507,132 and recorded a gain on long-term investment of \$507,131

**12. Amounts payable and other liabilities**

Amounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to general operating activities.

<b>As at December 31,</b>	<b>2018</b>	<b>2017</b>
Amounts payable	\$ 218,156	\$ 110,050
Accrued liabilities	168,313	26,214
<b>Total amounts payable and other liabilities</b>	<b>\$ 386,469</b>	<b>\$ 136,264</b>

The following is an aged analysis of the amounts payable and other liabilities:

<b>As at December 31,</b>	<b>2018</b>	<b>2017</b>
Less than 1 month	\$ 350,674	\$ 58,823
1 to 3 months	697	2,754
Greater than 3 months	35,098	74,687
<b>Total amounts payable and other liabilities</b>	<b>\$ 386,469</b>	<b>\$ 136,264</b>

**13. Lease liabilities**

<b>As at December 31,</b>	<b>2018</b>
<b>Balance, January 1, 2018</b>	\$ -
Additions	29,400
Interest expense	1,026
Lease payments	(1,447)
<b>Balance, December 31, 2018</b>	<b>\$ 28,979</b>
<b>Allocated as:</b>	
Current	\$ 6,355
Long-term	22,624
<b>Balance, December 31, 2018</b>	<b>\$ 28,979</b>

# DEVERON UAS CORP.

## Notes to Consolidated Financial Statements Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

### 14. Share capital

#### a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### b) Common shares issued

	Number of common shares	Amount
<b>Balance, December 31, 2016</b>	<b>17,837,506</b>	<b>\$ 1,822,930</b>
Private placements (i)	5,785,644	2,024,976
Warrant valuation (i)	-	(579,358)
Broker warrant valuation (i)	-	(108,725)
Share issue costs	-	(224,630)
Exercise of options	1,025,000	470,487
Exercise of warrants	141,050	40,793
<b>Balance, December 31, 2017</b>	<b>24,789,200</b>	<b>3,446,473</b>
Private placements (ii)	9,341,886	3,269,659
Warrant valuation (ii)	-	(2,007,609)
Broker warrant valuation (ii)	-	(101,220)
Share issue costs	-	(178,761)
Shares issued pursuant to the Acquisition (note 6)	3,750,000	787,500
<b>Balance, December 31, 2018</b>	<b>37,881,086</b>	<b>\$ 5,216,042</b>

(i) On April 21, 2017, the Company completed the first tranche of a brokered private placement of 3,739,288 units at a price of \$0.35 per unit, for aggregate gross proceeds of \$1,308,751. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.50 per warrant for a period of 18 months after the closing of this first tranche. The 1,869,642 warrants were valued at \$378,517 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.35; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 150.13%; risk-free interest rate - 0.70%; and an expected life - 1.5 years.

As consideration for the services provided for the first tranche, the agents received a cash commission equal to in the aggregate \$117,788 and an aggregate of 336,535 compensation warrants. Each compensation warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.35 for a period of 18 months after the closing of the first tranche. The 336,535 compensation warrants were valued at \$75,876 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.35; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 150.13%; risk-free interest rate - 0.70%; and an expected life - 1.5 years.

On June 2, 2017, the Company completed its second and final tranche of the brokered private placement of 2,046,356 units for gross proceeds of \$716,225. 1,023,176 warrants were issued and valued at \$200,841 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.35; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 145.49%; risk-free interest rate - 0.69%; and an expected life - 1.5 years.

As consideration for the services provided for the second and final tranche, the agents received cash commissions equal to the aggregate of \$52,210 and an aggregate of 149,172 compensation warrants. The 149,172 compensation warrants were valued at \$32,849 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.35; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 145.49%; risk-free interest rate - 0.69%; and an expected life - 1.5 years.

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## **DEVERON UAS CORP.**

### **Notes to Consolidated Financial Statements**

**Years Ended December 31, 2018 and 2017**

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#### **14. Share capital (continued)**

##### b) Common shares issued (continued)

(ii) On February 23, 2018, Deveron completed the first tranche of a non-brokered private placement financing of 8,180,172 units at a price of \$0.35 per unit for gross proceeds of \$2,863,060. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.50 per common share for a period of 24 months from the date of closing of the financing. The 8,180,172 warrants were valued at \$1,761,500 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.35; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 137.77%; risk-free interest rate - 1.78%; and an expected life - 2 years.

In connection with the closing of the financing, the Company paid finder's fees of \$146,163 in cash and issued 417,610 non-transferable finder's warrants. Each finder warrant entitles the holder thereof to purchase one share at a price of \$0.35 for a period of 24 months from the date of closing of the financing. The 417,610 finder warrants were valued at \$91,805 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.33; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 137.77%; risk-free interest rate - 1.78%; and an expected life - 2 years.

On March 22, 2018, the Company completed its second and final tranche of the non-brokered private placement of 1,161,714 units for gross proceeds of \$406,599. 1,161,714 warrants were issued and valued at \$246,109 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.35; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 135.21%; risk-free interest rate - 1.82%; and an expected life - 2 years.

(iii) As consideration for the services provided for the second and final tranche, the Company paid finder's fees of \$19,146 in cash and issued 54,702 non-transferable finder's warrants. Each finder warrant entitles the holder thereof to purchase one share at a price of \$0.35 for a period of 24 months from the date of closing of the financing. The 54,702 finder warrants were valued at \$9,415 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.275; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 135.21%; risk-free interest rate - 1.82%; and an expected life - 2 years.

##### (c) Shares to be issued

During the year ended December 31, 2017, the acquisition agreement with Eagle Scout was amended to remove the additional payment shares consideration which resulted in a gain on debt settlement of \$240,000 recorded in the consolidated statement of comprehensive loss.

#### **15. Stock options**

On June 7, 2017, the directors of the Company adopted the revised stock option plan (the "Stock Option Plan"). The purpose of the Stock Option Plan is to advance the interests of the Company and its shareholders by attracting, retaining and motivating the performance of selected directors, officers, employees or consultants of the Company and to encourage and enable such persons to acquire and retain a proprietary interest in the Company through ownership of common shares.

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## DEVERON UAS CORP.

### Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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#### 15. Stock options (continued)

The Stock Option Plan will be administered by the Board, which shall have full and final authority with respect to the granting of all options thereunder. Options will be granted under the Stock Option Plan to directors, officers, employees or consultants of the Company. The exercise price of any options granted under the Stock Option Plan will be determined by the Board, but in no event will the price be less than the Discounted Market Price (as that term is defined in the policies of the TSXV). The term of any options granted under the Stock Option Plan will be determined by the Board at the time of grant but, subject to earlier termination in the event of dismissal for cause, termination other than for cause or in the event of death, the term of any options granted under the Stock Option Plan will not exceed five (5) years. Options granted under the Stock Option Plan will not be transferable or assignable except as permitted by the Stock Option Plan. Subject to certain exceptions, in the event that a director or officer ceases to hold office, vested options granted to such director or officer under the Stock Option Plan will expire ninety (90) days after such director or officer ceases to hold office. Subject to certain exceptions, in the event that an employee or consultant ceases to act in that capacity in relation to the Company, vested options granted to such employee or consultant under the Stock Option Plan will expire ninety (90) days after such individual or entity ceases to act in that capacity in relation to the Company. In the event of death of an option holder, vested options granted under the Stock Option Plan will expire on the earlier of one (1) year from the date of the death of the option holder or the date of the expiration of the term otherwise applicable to the option.

The following table reflects the continuity of options for the years ended December 31, 2018 and 2017:

	Number of options	Weighted average exercise price (\$)
<b>Balance, December 31, 2016</b>	<b>1,500,000</b>	<b>0.25</b>
Granted (i)	3,560,000	0.365
Expired	(75,000)	0.25
Exercised	(1,025,000)	0.25
<b>Balance, December 31, 2017</b>	<b>3,960,000</b>	<b>0.35</b>
Granted (ii)(iii)	800,000	0.37
Expired	(300,000)	0.37
<b>Balance, December 31, 2018</b>	<b>4,460,000</b>	<b>0.36</b>

(i) On November 22, 2017, the Company granted 3,560,000 incentive stock options to certain directors, officers and advisors to the Company, pursuant to the Company's stock option plan, at an exercise price of \$0.365 per share, expiring on November 22, 2022. A fair value of \$1,142,048 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.365; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 136.80%; risk-free interest rate - 1.64%; and an expected life - 5 years. 2,560,000 options vested immediately and 1,000,000 options will vest over two years in quarterly amounts. During the year ended December 31, 2018, \$226,455 (year ended December 31, 2017 - \$867,922) was expensed to share-based payments.

(ii) On January 5, 2018, the Company granted 300,000 stock options to a consultant with each option exercisable into one common share of the Company at an exercise price of \$0.365 per share until November 22, 2022. A fair value of \$65,036 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.255; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 136.50%; risk-free interest rate - 1.91%; and an expected life - 4.88 years. 25% of the options vested immediately with the balance vesting quarterly. During the year ended December 31, 2018, the 300,000 stock options were cancelled and \$32,518 (year ended December 31, 2017 - \$nil) was expensed to share-based payments.

## DEVERON UAS CORP.

### Notes to Consolidated Financial Statements Years Ended December 31, 2018 and 2017 (Expressed in Canadian Dollars)

#### 15. Stock options (continued)

(iii) On January 19, 2018, the Company granted 500,000 stock options to a consultant with each option exercisable into one common share of the Company at an exercise price of \$0.37 per share until April 19, 2019. A fair value of \$99,047 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.37; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 129.35%; risk-free interest rate - 1.93%; and an expected life - 1.25 years. The options vest quarterly over one year. During the year ended December 31, 2018, \$97,758 (year ended December 31, 2017 - \$nil) was expensed to share-based payments.

Details of the stock options outstanding as at December 31, 2018 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
99,047	0.30	375,000	500,000	0.37	April 19, 2019
61,120	0.53	400,000	400,000	0.25	July 14, 2019
1,142,048	3.90	3,060,000	3,560,000	0.37	November 22, 2022
1,302,215	3.19	3,835,000	4,460,000	0.36	

#### 16. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2018 and 2017:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2016</b>	<b>2,801,550</b>	<b>0.33</b>
Issued for private placements (note 14(b)(i))	3,378,525	0.48
Exercised	(141,050)	0.20
<b>Balance, December 31, 2017</b>	<b>6,039,025</b>	<b>0.41</b>
Issued for private placements (note 14(b)(ii))	9,814,198	0.49
Issued pursuant to the Acquisition (note 6)	937,500	0.50
Expired	(6,039,025)	0.41
<b>Balance, December 31, 2018</b>	<b>10,751,698</b>	<b>0.49</b>

The following table reflects the warrants issued and outstanding as of December 31, 2018:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
8,180,172	1,761,500	0.50	February 23, 2020
417,610	91,805	0.35	February 23, 2020
1,161,714	246,109	0.50	March 22, 2020
54,702	9,415	0.35	March 22, 2020
937,500	95,714	0.50	September 14, 2020
10,751,698	2,204,543		

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**DEVERON UAS CORP.**

Notes to Consolidated Financial Statements  
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**17. Net loss per common share**

	Year Ended December 31,	
	2018	2017
Weighted average shares outstanding - basic	33,772,653	21,751,116
Dilutive effect of stock options and warrants	-	248,840
Weighted average shares outstanding - diluted	33,772,653	21,999,956

Basic and diluted loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year.

**18. Cost of services**

	Year Ended December 31,	
	2018	2017
Salaries and benefits	\$ 96,070	\$ 81,300
Consulting fees	57,821	-
Travel	74,243	32,941
Agronomic services	63,931	-
Drone equipment	39,219	-
Office and general	2,418	11,860
Software	16,774	17,298
Training	4,425	-
Processing fees	1,531	-
Drone data collection	-	2,339
<b>Cost of services</b>	<b>\$ 356,432</b>	<b>\$ 145,738</b>

**19. Income tax**

A reconciliation between tax expense and the product of accounting loss multiplied by the Company's domestic tax rate is as follows:

	2018	2017
Loss before income tax	\$ (1,479,416)	\$ (1,585,750)
Statutory tax rate	26.50%	26.50%
Tax benefit of statutory rate	(394,808)	(420,311)
Permanent differences	(322,894)	172,230
Tax benefits not recognized	717,702	248,081
Total tax recovery	\$ -	\$ -

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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
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### 19. Income tax (continued)

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements as they are not probable to be recovered.

<b>Deductible (taxable) temporary differences</b>	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Tax loss carry-forwards	\$ 1,241,292	\$ 535,434
Investments	-	20,273
Non-current assets	111,857	102,668
Share issue costs	79,744	56,817
Tax benefit not recognized	(1,432,893)	(715,192)
Net deferred tax assets	\$ -	\$ -

As at December 31, 2018, the Company has the unclaimed non-capital losses that expire as follows:

Expires	2031	\$ 162,000
	2032	179,000
	2033	324,000
	2034	458,000
	2035	427,000
	2036	638,000
	2037	935,000
	2038	<u>1,561,000</u>
		<u>\$ 4,684,000</u>

The Company has also \$3,000 of net capital losses which can be carried forward indefinitely.

### 20. Major shareholder and related party transactions

#### Major shareholder

At December 31, 2018, Greencastle owned and/or exercised control over 8,524,505 common shares (December 31, 2017 - 8,329,005 common shares) of Deveron, representing approximately 22.5% (December 31, 2017 - 33.6%) of the issued and outstanding common shares of the Company. The remaining 77.5% (December 31, 2017 - 66.4%) of the shares are widely held, which includes various small holdings which are owned by directors of Deveron. These holdings can change at any time at the discretion of the owner.

The Company's major shareholder does not have different voting rights than other holders of the Company's common shares.

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, other than Greencastle, which owns or controls, directly or indirectly, approximately 22.5% (December 31, 2017 - 33.6%) of the issued and outstanding shares of the Company, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

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## DEVERON UAS CORP.

### Notes to Consolidated Financial Statements

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#### 20. Major shareholder and related party transactions (continued)

##### Related party transactions

During the year ended December 31, 2018, the Company incurred professional fees of \$36,016 (year ended December 31, 2017 - \$36,594) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Mr. Marrelli is the Chief Financial Officer of Deveron. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2018, Marrelli Support is owed \$8,970 (December 31, 2017 - \$9,080) and this amount is included in amounts payable and other liabilities.

During the year ended December 31, 2018, the Company incurred professional fees of \$15,600 (year ended December 31, 2017 - \$18,001) to DSA Corporate Services Inc. ("DSA"), an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2018, DSA is owed \$824 (December 31, 2017 - \$1,550) and this amount is included in amounts payable and other liabilities.

During the year ended December 31, 2018, the Company also incurred legal fees of \$38,682 (year ended December 31, 2017 - \$88,991) to Irwin Lowy LLP for legal services. Chris Irwin is the controlling party of Irwin Lowy LLP and a director of Deveron. Included in the December 31, 2018 amounts payable and other liabilities is \$3,502 due to Irwin Lowy LLP (December 31, 2017 - \$7,236).

During the year ended December 31, 2018, salaries and benefits of \$162,500 (year ended December 31, 2017 - \$130,000) were paid to the Chief Executive Officer ("CEO") and director of the Company. Included in the December 31, 2018 amounts payable and other liabilities is \$12,811 due to the CEO and director of the Company (December 31, 2017 - \$491).

During the year ended December 31, 2018, salaries and benefits of \$30,000 (year ended December 31, 2017 - \$nil) were paid to a director of Deveron.

During the year ended December 31, 2018, salaries and benefits of \$nil (year ended December 31, 2017 - \$15,000) were paid to a director of its parent company, Greencastle.

During the year ended December 31, 2018, director fees of \$30,000 (year ended December 31, 2017 - \$nil) were paid to directors of the Company.

Greencastle loaned Deveron \$500,000 which bears interest at prime plus 5.3% and is due on demand. As security for the loans, Deveron granted Greencastle a security interest over all assets of the Company. Included in due to related party as at December 31, 2018 is \$nil due to Greencastle (December 31, 2017 - \$500,000). (i) On October 2, 2018, Deveron repaid in full the \$500,000 loan to Greencastle. For the year ended December 31, 2018, interest of \$32,664 (year ended December 31, 2017 - \$40,986) was recorded and included in interest expense in the consolidated statements of comprehensive loss. Included in December 31, 2018 amounts payable and other liabilities is \$nil due to Greencastle (December 31, 2017 - \$10,712) for interest payable.

During the year ended December 31, 2018, the Company incurred rent expense of \$30,000 (year ended December 31, 2017 - \$30,000) to Greencastle which is included in office and general in the consolidated statements of comprehensive loss. Included in December 31, 2018 amounts payable and other liabilities is \$7,500 due to Greencastle (December 31, 2017 - \$8,475) for rent payable.



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## DEVERON UAS CORP.

Notes to Consolidated Financial Statements  
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### 20. Major shareholder and related party transactions (continued)

#### Related party transactions

During the year ended December 31, 2018, the Company incurred corporate development service expense of \$nil (year ended December 31, 2017 - \$23,000) to Greencastle which is included in business development in the consolidated statements of comprehensive loss.

During the year ended December 31, 2018, the Company incurred consulting expense of \$nil (year ended December 31, 2017 - \$175,000) to Greencastle which is included in consulting fees in the consolidated statements of comprehensive loss. These fees are related to Greencastle providing an option to purchase one million shares of the Company at \$0.30 to the Head - UAS Agriculture of the Company.

In connection with the second tranche completed on June 2, 2017 (refer to note 14(b)(i)), the following transaction occurred:

- Greencastle subscribed for 500,000 units of the Company.

### 21. Segmented information

As at December 31, 2018, the Company's operations comprise one reporting operating segment: drone data services in Canada and in the USA. Segmented information on a geographic basis is as follows:

Operating segment	USA	Canada	Total
<b>As at December 31, 2018</b>			
Current assets	\$ 36,474	\$ 3,323,402	\$ 3,359,876
Non-current assets	-	1,541,740	1,541,740
Revenues	104,711	395,915	500,626
Cost of services	208,124	148,308	356,432
Operating expenses	-	1,673,610	1,673,610
<b>As at December 31, 2017</b>			
Current assets	\$ -	\$ 1,450,475	\$ 1,450,475
Non-current assets	-	856,046	856,046
Revenues	-	209,022	209,022
Cost of services	-	145,738	145,738
Operating expenses	-	1,699,034	1,699,034

### 22. Event after the reporting period

On March 25, 2019, the Company granted 2,575,000 stock options to certain officers, employees and advisors to the Company. The stock options, at a price of \$0.30 per share, will expire in three and five years from the issue date.