



DEVERON UAS CORP.
(FORMERLY DEVERON RESOURCES LTD.)

“INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS –
QUARTERLY HIGHLIGHTS”

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Deveron UAS Corp. (formerly Deveron Resources Ltd.) ("Deveron" or the "Company") for the three and six months ended June 30, 2016 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2015. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual financial statements for the years ended December 31, 2015, and December 31, 2014, together with the notes thereto, and unaudited condensed interim financial statements for the three and six months ended June 30, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 12, 2016, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Deveron common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company is available free of charge on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

This Interim MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Interim MD&A speak only as of the date of this Interim MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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Forward-looking statements	Assumptions	Risk factors
Development of Deveron’s new business in the deployment of Unmanned Aerial Systems (“UAS”, “UAV” or, more commonly, “drones”) sector will be positive	Financing will be available for the deployment of UAS sector	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
The Company’s ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2017 The Company expects to incur further losses in the development of its business Should the Company not raise sufficient capital, it may cease to be a reporting issuer	The operating activities of the Company for the twelve-month period ending June 30, 2017, and the costs associated therewith, will be consistent with Deveron’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Deveron	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
Greencastle Resources Ltd. (“Greencastle”) will not demand payment of its loan to Deveron	Common management and Greencastle controls Deveron	The Board of Greencastle demands repayment of the loan payable
As set out in this Interim MD&A, Deveron will require approximately \$295,000 to be used to achieve its objectives and milestones	Actual costs of the various line items of the budget are consistent with the costs that management anticipates	Costs could vary from management’s expectations

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Deveron’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Deveron’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Deveron was incorporated under the laws of the Province of Ontario on March 28, 2011.

At present, Deveron is a drone data services company providing farmers with the opportunity to increase yields and reduce costs through the use of sophisticated UAS, sensors, software and analytics. The service offering is targeted at farmers, agricultural retailers and independent agronomists using drones and sensors. The Company provides a strong value proposition to farmers through reduced costs and/or increased yields by optimizing input costs such as water, fertilizer and pesticides. On July 19, 2016, Deveron's common shares started trading on the Canadian Securities Exchange ("CSE") under the symbol "DVR". The primary office is located at 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

Operational Highlights

Corporate

On April 3, 2016, 50,000 stock options with an exercise price of \$0.25 expired unexercised.

Effective April 20, 2016, the Company entered into a promissory note with 2487473 Ontario Inc. (operating as Eagle Scout Imaging) ("Eagle Scout") in the amount of \$20,000. The promissory note incurs an interest rate of prime plus 1% per annum and is due on demand.

Effective April 28, 2016, Greencastle loaned Deveron \$100,000 which bears interest at prime plus one percent and is due on demand.

On June 23, 2016, Deveron completed a non-brokered private placement financing of 3,621,000 units (each, a "Unit") at a price of \$0.20 per Unit for gross proceeds of \$724,200 (the "Offering").

Each Unit is comprised of one common share and one-half of a common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.30 per common share for a period of twenty-four (24) months from the date of closing of the Offering.

In connection with the closing of the Offering, the Company paid finder's fees of \$28,210 in cash and issued 141,050 non-transferable finder's warrants. Each finder warrant entitles the holder thereof to purchase one share at a price of \$0.20 for a period of 18 months from the date of closing of the Offering.

The securities underlying the Units, including the shares, warrants, shares issuable upon the exercise of the warrants and shares issuable upon the exercise of the finder's warrants, will all be subject to a four-month statutory hold period which expires on October 23, 2016.

In connection with the Offering, Greencastle, subscribed to 875,000 units. After completion of the Offering, Greencastle owned 8,631,005 common shares of Deveron representing approximately 55.99% of Deveron's issued and outstanding common shares.

On July 13, 2016, the Company repaid \$200,000 and interest of \$77,051 on its loans to Greencastle.

On July 14, 2016, the Company changed its name from Deveron Resources Ltd. to Deveron UAS Corp. and common shares were delisted from the TSX Venture Exchange ("TSXV").

On July 14, 2016, the Company acquired all of the issued and outstanding shares of Eagle Scout pursuant to the term of the Share Exchange Agreement (the "Acquisition"). As a result, Eagle Scout is a wholly-owned subsidiary of the Company and Deveron owns 100% of the Eagle Scout shares and its assets.

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In connection with completion of the Acquisition, Eagle Scout shareholders received (a) 1,700,001 common shares (the "Common Shares") of Deveron at a deemed price of \$0.20 per Common Share; and (ii) 850,000 common share purchase warrants of the Company (the "Payment Warrants"). Each Payment Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.40 for a period of two years from the date of issuance. As additional consideration, Deveron may issue one (1) Common Share (each, an "Additional Payment Share") for each \$1.00 of gross revenue earned during each of the four fiscal years ending after the date hereof (each, an "Earn-out Period"), to a maximum of 1,000,000 Common Shares in the aggregate. The Additional Payment Shares will be issued in up to four installments on each date that is no later than five (5) business days following the date on which Deveron files its audited annual financial statements for the applicable Earn-out Period.

Also in connection with the completion of the Acquisition, Roger Dent has been appointed to the Board of Directors and David MacMillan, a director of the Company since April 2011, has been appointed President and Chief Executive Officer ("CEO") of the Company, effective July 14, 2016.

On July 14, 2016, the Company granted 400,000 incentive stock options to directors, officers and employees, pursuant to the Company's stock option plan, at an exercise price of \$0.25 per share, expiring on July 14, 2019.

On July 15, 2016, Deveron announced that the directors agreed to extend the expiry date of an aggregate of 7,256,090 common share purchase warrants exercisable at a price of \$0.30 per warrant with an original expiry date of July 31, 2016 to October 31, 2016.

On July 19, 2016, the Company's common shares were accepted for listing on the CSE, and its common shares commenced trading on the CSE under its existing symbol "DVR".

On August 11, 2016, 100,000 warrants of the Company with an exercise price of \$0.30 and an expiry date of October 31, 2016 were exercised.

UAS Update

On March 24, 2016, Deveron announced that it had been granted its Special Flight Operations certificate ("SFOC") from Transport Canada. The SFOC permits Deveron to operate small UAV for the purpose of surveying agricultural land in rural areas.

Deveron will be 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 announced that it had commenced commercial UAS flying for the 2016 agricultural season in Ontario.

Deveron has also hired additional licensed pilots to operate its fleet of drones. The Company is taking a proactive approach to its operations and setting a high standard for safety and responsibility with respect to operating UAS.

On July 26, 2016, the Company announced that it 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 has received approvals to expand into Western Canada with up to four different pieces of hardware.

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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.

Trends

Deveron's operations are focused within the agriculture marketplace. UAS technology could have a significant effect on this market by allowing farmers to reduce costs and strengthen yields therefore improving profitability. Other trend factors include applicable laws and regulations, political conditions, the hiring of qualified people and obtaining necessary services in jurisdictions where Deveron operates. The current trends relating to these factors could change at any time and negatively affect Deveron's operations and business.

Major Shareholder and Related Party Transactions

Major shareholder

The Company is controlled by Greencastle. At June 30, 2016, Greencastle owned and/or exercised control over 8,631,005 common shares (December 31, 2015 – 7,756,005 common shares) of Deveron, representing approximately 55.99% (December 31, 2015 - 65.8%) of the issued and outstanding common shares of the Company. The remaining 44.01% (December 31, 2015 – 34.2%) 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 55.99% (December 31, 2015 – 65.8%) 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.

Related party transactions

During the three and six months ended June 30, 2016, the Company incurred professional fees of \$7,313 and \$14,836, respectively (three and six months ended June 30, 2015 - \$6,930 and \$13,680, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Mr. Marrelli is the CFO 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 June 30, 2016, Marrelli Support is owed \$2,890 (December 31, 2015 - \$8,650) and this amount is included in amounts payable and other liabilities.

During the three and six months ended June 30, 2016, the Company incurred professional fees of \$2,843 and \$6,289, respectively (three and six months ended June 30, 2015 - \$2,418 and \$4,970, respectively) to DSA Corporate Services Inc. ("DSA"), an organization of which 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

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length transactions. As at June 30, 2016, DSA is owed \$1,161 (December 31, 2015 - \$1,999) and this amount is included in amounts payable and other liabilities.

During the three and six months ended June 30, 2016, the Company also incurred legal fees of \$17,205 and \$32,205, respectively (three and six months ended June 30, 2015 - \$(474) and \$3,248, respectively) 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 June 30, 2016 amounts payable and other liabilities is \$38,526 due to Irwin Lowy LLP (December 31, 2015 - \$6,321).

During the three and six months ended June 30, 2016, salaries of \$55,000 (three and six months ended June 30, 2015 - \$nil) were paid to David MacMillan, a director of the Company. Included in the June 30, 2016 amounts payable and other liabilities is \$20,318 due to a director of the Company (December 31, 2015 - \$nil).

On January 21, 2015, the Company amended the letter agreement with its parent company, Greencastle, to include 10 additional claims for a total of 21 claims in the Rockstone Property.

In connection with the Offering completed on June 23, 2016, the following transactions occurred:

- C. Marrelli Services Limited, an entity controlled by Carmelo Marrelli, the CFO of the Company, subscribed for 25,000 Units of the Company; and
- Greencastle subscribed for 875,000 Units of the Company.

Greencastle loaned Deveron \$400,000 on May 22, 2013 and \$200,000 on October 29, 2014, which bears interest at prime plus two percent and is due on demand. In addition, Greencastle loaned Deveron \$100,000 on April 28, 2016, which bears interest at prime plus one percent and is due on demand. As security for the loan, Deveron granted Greencastle a security interest over all assets of the Company. The carrying value of all the assets are \$793,159, being the value of the investments in Boreal Agrominerals Inc. ("Boreal"), cash, amounts receivable and other assets and property, plant and equipment. Included in due to related party as at June 30, 2016 is \$846,051 due to Greencastle (December 31, 2015 - \$662,351). For the three and six months ended June 30, 2016, interest of \$7,669 and \$14,700, respectively (three and six months ended June 30, 2015 - \$7,255 and \$14,431, respectively) has been accrued or paid and is included in interest expense in the unaudited condensed interim statements of comprehensive loss. During the three and six months ended June 30, 2016, the Company incurred rent expense of \$30,000 (three and six months ended June 30, 2015 - \$nil) to Greencastle which is included in office and general in the unaudited condensed interim statements of comprehensive loss. During the three and six months ended June 30, 2016, the Company reimbursed salaries and benefits of \$39,000 (three and six months ended June 30, 2015 - \$nil) to Greencastle which is included in salaries and benefits in the unaudited condensed interim statements of comprehensive loss. Subsequent to June 30, 2016, the Company repaid \$200,000 and interest of \$77,051 on its loans to Greencastle.

Financial Highlights

Financial Performance

Deveron's net loss totalled \$230,297 for the three months ended June 30, 2016, with basic and diluted loss per share of \$0.02. This compares with a net loss of \$27,640 with basic and diluted loss per share of \$0.00 for the three months ended June 30, 2015. The Company had no revenue in both periods presented. The increase of \$202,657 in net loss was principally due to the following:

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- Professional fees increased by \$7,932 for the three months ended June 30, 2016, compared to the three months ended June 30, 2015. The increase is attributable to increased corporate activity requiring external professional support.
- Interest expense increased by \$1,296 for the three months ended June 30, 2016, compared to the three months ended June 30, 2015. The increase is attributable to the \$80,000 promissory note issued on March 4, 2016 and the \$20,000 promissory note issued on April 20, 2016. The rate of interest assigned to the promissory note is prime plus 1% per annum. In addition, Greencastle loaned Deveron \$100,000 effective April 28, 2016, which bears interest at prime plus one percent.
- Office and general increased by \$37,057 for the three months ended June 30, 2016, compared to the three months ended June 30, 2015, and consisted of costs such as advertising and promotion, supplies, internet, rent and bank service charges.
- Salaries and benefits increased by \$84,346 for the three months ended June 30, 2016, compared to the three months ended June 30, 2015. The increase is attributable to the Company hiring employees during the current period while there were no employees in the comparative period.
- Shareholder relations increased by \$52,788 for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. The increase is attributable to change of business of the Company during the current period.
- Depreciation increased by \$13,925 for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. The increase is attributable to depreciation recorded on computer equipment and drones acquired during the current period.
- All other expenses related to general working capital expenditures.

In general, the Company's increased operating expenses can be attributed to the Company's focus on developing the business of Eagle Scout as it applies to the introduction of UAS to precision agriculture.

Deveron's total assets at June 30, 2016 were \$793,159 (December 31, 2015 - \$40,667) against total liabilities of \$1,045,462 (December 31, 2015 - \$687,212). The increase in total assets of \$752,492 resulted from cash received from the promissory note in the amount of \$100,000, loan received from Greencastle in the amount of \$100,000, net proceeds from the Offering of \$681,369, which was offset by acquisition of property, plant and equipment of \$117,417 and cash spent on operating costs. The Company does not have sufficient current assets to pay its existing liabilities of \$1,045,462 at June 30, 2016. The Company has a need for equity capital and financing for working capital and exploration and development of the UAS business.

Cash Flow

At June 30, 2016, the Company had cash of \$604,029. The increase in cash of \$567,543 from the December 31, 2015 cash balance of \$36,486 was as a result of cash outflow in operating activities of \$265,409, cash outflow in investing activity of \$117,417 and cash inflow from financing activities of \$950,369. Operating activities were affected by adjustments of interest expense of \$15,801 and net change in non-cash working capital balances of \$8,008 because of an increase in amounts receivable and other assets of \$81,457 and an increase in amounts payable and other liabilities of \$73,449. The Company also recorded depreciation of \$13,925. Investing activities were affected by the acquisition of property, plant and equipment of \$117,417. Financing activities were affected by the issue of a \$100,000

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promissory note at prime plus 1% per annum, loan received from Greencastle in the amount of \$100,000, \$69,000 in cost recoveries, and net proceeds from the Offering of \$681,369.

Liquidity and Financial Position

The Company expects to be financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. No options or warrants were exercised during the three months ended June 30, 2016. The Company completed an equity offering during the six months ended June 30, 2016 for net proceeds of \$681,369. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

As at June 30, 2016, the Company had a working capital deficit of \$355,796 (December 31, 2015 – working capital deficit of \$646,546). The Company's continuing operations are dependent on its ability to secure equity and/or debt financing. Refer to the subheading "Corporate" under the heading "Operational Highlights" above.

In the following 12-month period, the business objective of Deveron is to further establish credibility and gain market awareness of the service offering to growers in the province of Ontario. Deveron intends to do this by accomplishing the following business objectives:

- (a) Complete initial development and deployment of the UAS network to provide on demand imagery to the agricultural industry across Ontario;
- (b) Complete provincial marketing campaign of service offering through sales network of agents and UAS pilots;
- (c) Hire key management personnel (CEO and Head of Agriculture); and
- (d) Complete three product feasibility studies with strategic partners.

Deveron anticipates that in order to accomplish its business objectives, it will have to meet the following milestones:

Event	Cost	Timing
Complete development of on-demand UAS imagery network	\$60,000	3 months
Pilot training	\$5,000	2 months
Ongoing Provincial Marketing Campaign	\$50,000	9 months
Management Personnel Hiring	\$120,000	9 months
Product Feasibility Testing with Partners	\$60,000	9 months
Total	\$295,000	

Deveron may need to adjust the timeframe for meeting various business objectives and milestones depending on the availability of funds. Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of Deveron. For these reasons, it is considered to be in the best interests of Deveron and its shareholders to afford management a reasonable degree of flexibility as to how the funds are deployed among the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates.

In addition, the Company has made a \$600,000 investment in Boreal for a 13.6% interest, to assist Boreal in pursuing its business plan of producing and selling its agromineral fertilizers and soil amendment products. The plan projects that Boreal will produce future cash flows, which can be distributed to its shareholders through dividends although this is not anticipated in the near term. As this is unlikely, the Company has taken an impairment charge of \$599,999 on the Boreal investment at December 31, 2015.

Based on the rate of expenditure above, the Company will have to raise equity capital in fiscal 2017 in amounts sufficient to fund operations. The major variables are expected to be the success of the Company's drone business and its ability to continue to access capital to fund its ongoing operations. The Company's cash balance at June 30, 2016, is sufficient to fund its operating expenses at current levels for twelve months if Greencastle defers payment of its related party loan. Management expects this to be the case at the date of this MD&A.

Outlook

For the immediate future, the Company intends to develop the UAS business. The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. See "Cautionary Note Regarding Forward-Looking Statements".

The Company will need to secure additional financing to meet its ongoing obligations; however, there is no assurance that the Company will be able to do so. See "Trends" and "Risk Factors".

Risk Factors

Deveron operates in evolving markets, which makes it difficult to evaluate its business and future prospects.

Deveron's UASs are involved in new and rapidly evolving markets. The commercial UAS market is in early stages of customer adoption. Accordingly, Deveron's business and future prospects may be difficult to evaluate. Deveron cannot accurately predict the extent to which demand for its services will increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact Deveron's ability to do the following:

- generate sufficient revenue to maintain profitability;
- acquire and maintain market share;
- achieve or manage growth in its operations;
- develop and renew contracts;
- attract and retain other highly-qualified personnel;
- successfully develop and commercially market new services;
- adapt to new or changing policies; and
- access additional capital when required and on reasonable terms.

If Deveron fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed.

If critical components or raw materials used to manufacture Deveron's equipment become scarce or unavailable, then Deveron may incur delays in the delivery of its services, which could damage its business.

Deveron obtains hardware components, various subsystems and systems from a limited group of suppliers. Deveron does not have long-term agreements with any of these suppliers that obligate it to continue to sell components, subsystems, systems or products to Deveron. Deveron's reliance on these suppliers involves significant risks and uncertainties, including whether its suppliers will provide an adequate supply of required components, subsystems, or systems of sufficient quality, will increase prices for the components, subsystems or systems and will perform their obligations on a timely basis.

In addition, certain raw materials and components used in the manufacture of the products used by Deveron are periodically subject to supply shortages, and its business is subject to the risk of price increases and periodic delays in delivery. Similarly, the market for electronic components is subject to cyclical reductions in supply. If Deveron is unable to obtain components from third-party suppliers in the quantities and of the quality that it requires, on a timely basis and at acceptable prices, then it may not be able to deliver its products on a timely or cost-effective basis to its customers, which could cause customers to terminate their contracts with Deveron, increase Deveron's costs and seriously harm its business, results of operations and financial condition. Moreover, if any of Deveron's suppliers become financially unstable, then it may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign Deveron's products to accommodate components from different suppliers. Deveron cannot predict if it will be able to obtain replacement components within the time frames that it requires at an affordable cost, if at all.

Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, or limitations put on the use of UASs in response to public privacy concerns, may prevent Deveron from expanding the sales of Deveron's services.

The regulation of small UAS for commercial use in Canada is undergoing substantial change and the ultimate treatment is uncertain. Currently, the operation of UASs with a maximum take-off weight not exceeding 2kg., operated within visual line-of-sight are exempt from the regulations promulgated under the Aeronautics Act (Canada). The Company has been granted a Special Flight Operations Certificate (SFOC) for a one year period from Transport Canada which permits the Company to operate UASs over this weight limit and carry out its UAS services.

Transport Canada is responsible for establishing, managing, and developing safety and security standards and regulations for civil aviation in Canada, including unmanned civil aviation. Civil operations include law enforcement, scientific research, or use by private sector companies for commercial purposes.

UAS operations for civil or commercial purposes are only authorized to fly with a SFOC issued by Transport Canada. The Canadian Aviation Regulations (CARs) govern civil aviation safety and security in Canada, and by extension govern operation of UASs in Canada to an equivalent level of safety as manned aircraft.

Transport Canada has acknowledged that the current regulatory regime in Canada has not kept pace with the rapid development in technology and the growing demand for commercial UAS use. In 2010, the Canadian Aviation Regulation Advisory Council ("CARAC") established the Unmanned Aircraft System Program Design Working Group to develop new regulations to increase the safety, scope and regulatory efficiency of commercial UAS applications in Canada. In 2012, the working group released its phase 1 report which outlines the overall proposed revisions to the Canadian regulatory regime. The working

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group is currently in the process of drafting the revised regulations contemplated in the phase 1 report with the objective of introducing the new regulations before 2017. The new regulations are intended to be consistent with the international UAS regulatory model established by the International Commercial Aviation Organization ("ICAO"). In addition, there exists public concern regarding the privacy implications of Canadian commercial and law enforcement use of small UAS. This concern has included calls to develop explicit written policies and procedures establishing usage limitations.

There is no assurance that the response from regulatory agencies, customers and privacy advocates to these concerns will not delay or restrict the adoption of small UAS by operators.

The markets in which Deveron competes are characterized by rapid technological change, which requires it to test new products and product enhancements, and could render its existing equipment obsolete.

Continuing technological changes in the market for Deveron's services could make its services less competitive or obsolete, either generally or for particular applications. Deveron's future success will depend upon its ability to develop and introduce a variety of new capabilities and enhancements to its existing service offerings, as well as introduce a variety of new service offerings, to address the changing needs of the markets in which it offers services.

If Deveron is unable to devote adequate resources to evaluate new systems or cannot otherwise successfully test new systems or enhancements that meet customer requirements on a timely basis, its services could lose market share, its revenue and profits could decline, and Deveron could experience operating losses.

Deveron expects to incur research and development costs and devote resources to identifying and commercializing new services, which could significantly reduce its profitability and may never result in revenue to Deveron.

Deveron's future growth depends on penetrating new markets, adapting existing services to new applications, and introducing new services that achieve market acceptance. Deveron plans to incur research and development costs as part of its efforts to develop and commercialize new services and enhance existing products. Deveron believes that there are significant investment opportunities in a number of business areas. Because Deveron accounts for research and development as an operating expense, these expenditures will adversely affect its earnings in the future. Further, Deveron's research and development programs may not produce successful results, and its new services may not achieve market acceptance, create additional revenue or become profitable, which could materially harm its business, prospects, financial results and liquidity.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Deveron's credit risk is primarily attributable to cash 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. Amounts receivable are in good standing as of June 30, 2016. Management believes that the credit risk with respect to these amounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that Deveron will not have sufficient cash resources to meet its financial obligations as they come due. Deveron'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 Deveron. Deveron generates cash flow primarily from its financing activities. As at June 30, 2016, Deveron had cash of \$604,029 (December 31, 2015 - \$36,486) to settle current liabilities of \$1,045,462 (December 31, 2015 - \$687,212). All of Deveron'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. Deveron regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

On May 22, 2013, Deveron obtained a \$400,000 loan from Greencastle. On October 29, 2014, Deveron obtained an additional \$200,000 loan from Greencastle. The loans bear interest at prime annual rate plus two percent (2%), calculated on a monthly basis. In addition, Greencastle loaned Deveron \$100,000 on April 28, 2016, which bears interest at prime plus one percent and is due on demand. The principal and unpaid interest shall become due and be paid in full on demand.

Deveron obtained its financing through the equity market. Negative trend in the general equity market can adversely impact Deveron's ability to obtain financing at favourable terms. If Deveron cannot obtain the necessary financing to fund its operating and exploration activities, Deveron 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 Deveron.

Market risk

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

Interest rate risk

Deveron has cash balances and interest-bearing debt. Deveron'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. Deveron periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. Deveron is exposed to interest rate risk on the amount due to related party bearing interest at prime rate plus two percent (2%) per annum.

Foreign currency risk

Deveron's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, Deveron is not exposed to foreign currency risk.

Price risk

Deveron is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on Deveron's loss due to movements in individual equity prices or general movements in the level of stock market.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements; and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Events After the Reporting Period

- (i) On July 13, 2016, the Company repaid \$200,000 and interest of \$77,051 on its loans to Greencastle.
- (ii) On July 14, 2016, the Company changed its name from Deveron Resources Ltd. to Deveron UAS Corp. and common shares were delisted from the TSXV.
- (iii) On July 14, 2016, the Company acquired all of the issued and outstanding shares of Eagle Scout pursuant to the term of the Share Exchange Agreement. As a result, Eagle Scout is a wholly-owned subsidiary of the Company and Deveron owns 100% of the Eagle Scout shares and its assets.

In connection with completion of the Acquisition, Eagle Scout shareholders received (a) 1,700,001 Common Shares of Deveron at a deemed price of \$0.20 per Common Share; and (ii) 850,000 Payment Warrants. Each Payment Warrant entitles the holder thereof to acquire one Common Share for a period of two years from the date of issuance. As additional consideration, Deveron may issue one Additional Payment Share for each \$1.00 of gross revenue earned during each Earn-out Period, to a maximum of 1,000,000 Common Shares in the aggregate. The Additional Payment Shares will be issued in up to four

Deveron UAS Corp. (Formerly Deveron Resources Ltd.)
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installments on each date that is no later than five (5) business days following the date on which Deveron files its audited annual financial statements for the applicable Earn-out Period.

Also in connection with the completion of the Acquisition, Roger Dent has been appointed to the Board of Directors and David MacMillan, a director of the Company since April 2011, has been appointed President and Chief Executive Officer of the Company, effective July 14, 2016.

(iv) On July 14, 2016, the Company granted 400,000 incentive stock options to directors, officers and employees, pursuant to the Company's stock option plan, at an exercise price of \$0.25 per share, expiring on July 14, 2019.

(v) On July 15, 2016, Deveron announced that the directors agreed to extend the expiry date of an aggregate of 7,256,090 common share purchase warrants exercisable at a price of \$0.30 per warrant with an original expiry date of July 31, 2016 to October 31, 2016.

(vi) On July 19, 2016, the Company common shares were accepted for listing on the CSE, and its common shares commenced trading on the CSE under its existing symbol "DVR".

(vii) On July 26, 2016, the Company announced that it 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 has 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.

(viii) On August 11, 2016, 100,000 warrants of the Company with an exercise price of \$0.30 and an expiry date of October 31, 2016 were exercised.