DEVERON UAS CORP.
(FORMERLY DEVERON RESOURCES LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2016

(EXPRESSED IN CANADIAN DOLLARS)

## Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Deveron UAS Corp. (formerly Deveron Resources Ltd.) ("Deveron" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2016 and 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as of March 15, 2017, unless otherwise indicated.

For the purposes of preparing this 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 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 MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this 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.

| 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 December 31, 2017<br><br>The Company expects to incur further losses in the development of its business<br><br>Should the Company not raise sufficient capital or have adequate profits (defined as revenues less expenses), it may cease to be a reporting issuer | The operating activities of the Company for the twelve-month period ending December 31, 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 MD&A, Deveron will require approximately $265,000 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 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 82 Richmond Street East, Suite 201, Toronto, Ontario, M5C 1P1.

## 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 expired 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.

In connection with completion of the Acquisition, Eagle Scout shareholders received (a) 1,700,001 common shares (the "Common Shares") of Deveron valued at $0.24 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.

The allocation of the purchase price is as follows:

| | Amount ($) |
|---|---|
| **Purchase price allocation** | |
| Issuance of common shares (i) | 408,000 |
| Issuance of Payment Warrants (ii) | 85,239 |
| Additional Payment Shares (iii) | 240,000 |
| **Total consideration** | **733,239** |
| | |
| **Allocation of purchase price** | |
| Cash | 8,801 |
| Amounts receivable and other assets | 2,664 |
| Promissory notes receivable (iv) | 101,243 |
| Property, plant and equipment | 8,450 |
| Goodwill | 612,741 |
| Amounts payable and other liabilities | (660) |
| **Eagle Scout net assets acquired** | **733,239** |

(i) For the purpose of determining the value of the purchase price consideration, the 1,700,001 common shares were valued at $0.24 per share based on Deveron's closing price as of July 14, 2016.

(ii) The fair value of Deveron's 850,000 Payment Warrants was estimated to be $85,239 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.24; exercise price of $0.40; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 103.38%; risk-free interest rate - 0.54%; and an expected life - 2 years.

(iii) Management estimated that the Additional Payment Shares of 1,000,000 common shares will be issued and were valued at $0.24 (based on Deveron close price at July 14, 2016) per share, for a total contingent consideration of $240,000 which was determined by estimating the probability of future gross revenue during the Earn-out Period. This contingent consideration is included in the purchase price consideration.

(iv) The promissory notes receivable was due from Deveron.

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 July 19, 2016, 25,000 stock options of the Company with an exercise price of $0.25 and an expiry date of November 29, 2017 were exercised.

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 to the 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; 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 to Deveron.

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.

On October 31, 2016, 597,000 warrants of the Company with an exercise price of $0.30 and an expiry date of October 31, 2016 were exercised.

On October 31, 2016, 6,559,090 warrants with an exercise price of $0.30 expired unexercised.

In December 2016, the Company tendered 100% of its shareholdings in Boreal Agrominerals Inc. ("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 the 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; and
- $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.

On March 6, 2017, 10,500 warrants with an exercise price of $0.20 and an expiry date of December 23, 2017 were exercised.

On March 7, 2017, the Company announced a multi-year commitment to working with Thompson Ltd. to provide leading-edge remote sensing data solutions to its growers. The contract is expected to run through 2018.

**UAS Update**

On March 24, 2016, Deveron obtained 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 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 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 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 August 17, 2016, the Company announced that it commenced a field scale collaboration with Hensall District Cooperative and a leading agrochemical company with respect to variable rate fungicide applications. Drone data are being used to test the efficacy and potential return on investment for using variable rate fungicide applications on edible beans that are impacted by white mold.

On September 20, 2016, the Company announced that it secured a new contract with South West AG Partners Inc., a leading retail agri-business in southwestern Ontario, to provide on-demand drone data services.

On October 27, 2016, Deveron announced that it has completed its first commercial precision agriculture drone mission in the United States. After a successful grow season in Canada, the Company is excited to report the completion of an extensive survey covering almond and pistachio orchards in the state of California.

On November 10, 2016, the Company announced that it secured a new contract with Bonduelle North America ("Bonduelle"), part of the Bonduelle Group, the largest producer of ready-to-use vegetables in the world.

On February 27, 2017, the Company announced that it completed over 500 commercial, incident free, drone flights in 2016. Also the Company is adding to its team in western Canada and will be able to provide drone data solutions throughout the 2017 grow season to customers in Alberta, Saskatchewan and Manitoba.

## 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 December 31, 2016, Greencastle owned and/or exercised control over 9,228,005 common shares (December 31, 2015 – 7,756,005 common shares) of Deveron, representing approximately 51.73% (December 31, 2015 - 65.8%) of the issued and outstanding common shares of the Company. The remaining 48.27% (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 51.73% (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 year ended December 31, 2016, the Company incurred professional fees of $37,889 (year ended December 31, 2015 - $34,718) 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, 2016, Marrelli Support is owed $8,834 (December 31, 2015 - $8,650) and this amount is included in amounts payable and other liabilities.

During the year ended December 31, 2016, the Company incurred professional fees of $13,702 (year ended December 31, 2015 - $8,438) 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 length transactions. As at December 31, 2016, DSA is owed $748 (December 31, 2015 - $1,999) and this amount is included in amounts payable and other liabilities.

During the year ended December 31, 2016, the Company also incurred legal fees of $45,522 (year ended December 31, 2015 - $13,199) 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, 2016 amounts payable and other liabilities is $28,241 due to Irwin Lowy LLP (December 31, 2015 - $6,321).

During the year ended December 31, 2016, salaries and benefits of $110,000 (year ended December 31, 2015 - $nil) were paid to the CEO and director of the Company. For the year ended December 31, 2016, consulting fees of $nil (year ended December 31, 2015 - $6,000) were charged by this director of the Company, for performing advisory services for Deveron. Included in the December 31, 2016 amounts payable and other liabilities is $2,025 due to the CEO and 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 did bear interest at prime plus two percent and was due on demand. In addition, Greencastle loaned Deveron $100,000 on April 28, 2016, which did bear interest at prime plus one percent and was due on demand. During the year ended December 31, 2016, the Company repaid $200,000 and interest of $77,051 on its loans to Greencastle. On July 1, 2016, the loans were substituted for a new loan of $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. The carrying value of all the assets are $1,062,079, being the value of cash, amounts receivable and other assets, property, plant and equipment and goodwill. Included in due to related party as at December 31, 2016 is $500,000 due to Greencastle (December 31, 2015 - $662,351). For the year ended December 31, 2016, interest of $34,864 (year ended December 31, 2015 - $28,680) was recorded and included in interest expense in the consolidated statements of comprehensive loss.

During the year ended December 31, 2016, the Company incurred rent expense of $45,000 (year ended December 31, 2015 - $nil) to Greencastle which is included in office and general in the consolidated statements of comprehensive loss.

During the year ended December 31, 2016, the Company reimbursed salaries and benefits of $39,000 (year ended December 31, 2015 - $nil) to Greencastle which is included in salaries and benefits in the consolidated statements of comprehensive loss.

During the year ended December 31, 2016, the Company paid $15,000 (year ended December 31, 2015 - $nil) to Greencastle for management fees for warrants exercised which is included in share issue costs.

## Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company. However, the Company continues to develop the UAS business, as well as searching for a financing.

## 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".

## Selected Annual Financial Information

The following is selected financial data derived from the audited annual consolidated financial statements of the Company as at December 31, 2016, 2015 and 2014 and for the years then ended.

| | **Year ended December 31, 2016** | **Year ended December 31, 2015** | **Year ended December 31, 2014** |
|---|---:|---:|---:|
| Total revenues | $44,297 | $nil | $nil |
| Total loss | $(521,770) | $(793,323) | $(130,418) |
| Net loss per share – basic | $(0.04) | $(0.07) | $(0.01) |
| Net loss per share – diluted | $(0.04) | $(0.07) | $(0.01) |
| | **As at December 31, 2016** | **As at December 31, 2015** | **As at December 31, 2014** |
| Total assets | $1,062,079 | $40,667 | $797,337 |
| Total non-current financial liabilities | $nil | $nil | $nil |
| Distribution of cash dividends | $nil | $nil | $nil |

- The net loss for the year ended December 31, 2016, consisted primarily of (i) share-based payments of $61,120; (ii) professional fees of $94,149; (iii) salaries and benefits of $146,030; (iv) shareholder relations of $139,979; (v) depreciation of $44,579; (vi) discontinued operations income of $46,400; (vii) gain on long-term investments of $90,000 and (viii) other working capital expenditures incurred to maintain the operations of the Company.

- The net loss for the year ended December 31, 2015, consisted primarily of (i) share-based payments of $7,138; (ii) professional fees of $62,579; (iii) impairment of long-term investments of $599,999; and (iii) other working capital expenditures incurred to maintain the operations of the Company.

- The net loss for the year ended December 31, 2014, consisted primarily of (i) share-based payments of $1,968; (ii) professional fees of $62,245; and (iii) other working capital expenditures incurred to maintain the operations of the Company.

- As the Company has no significant recurring revenue from its drone operation at present, its ability to fund its operations is dependent upon securing financing. See "Trends" above and "Risk Factors" below.

## Selected Quarterly Information

| Three Months Ended | Total Revenue ($) | Profit or Loss | | Total Assets ($) |
|---|---|---|---|---|
| | | Total ($) | Basic and Diluted Loss Per Share ($) [9] | |
| 2015-March 31 | - | (79,514) [1] | (0.01) | 717,602 |
| 2015-June 30 | - | (27,640) [2] | (0.00) | 697,201 |
| 2015-September 30 | - | (32,421) [3] | (0.00) | 679,125 |
| 2015-December 31 | - | (653,748) [4] | (0.06) | 40,667 |
| 2016-March 31 | - | (56,830) [5] | (0.00) | 86,852 |
| 2016-June 30 | - | (230,297) [6] | (0.02) | 793,159 |
| 2016-September 30 | - | (166,765) [7] | (0.01) | 999,550 |
| 2016-December 31 | 44,297 | (67,878) [8] | (0.00) | 1,062,079 |

Notes:

(1) The Company's net loss totaled $79,514 for the three months ended March 31, 2015, with basic and diluted loss per share of $0.01. Activities for the three months ended March 31, 2015, principally involved shareholder relations of $14,731 pertaining to regulatory filing fees; professional fees of $14,898, representing costs incurred for general legal, accounting and audit services; interest expenses of $7,176; office and general of $1,201; and exploration and evaluation expenditures of $34,370.

(2) The Company's net loss totaled $27,640 for the three months ended June 30, 2015, with basic and diluted loss per share of $0.00. Activities for the three months ended June 30, 2015, principally involved shareholder relations of $9,498 pertaining to regulatory filing fees; professional fees of $10,628, representing costs incurred for general legal, accounting and audit services; interest expenses of $7,255; and office and general of $259.

(3) The Company's net loss totaled $32,421 for the three months ended September 30, 2015, with basic and diluted loss per share of $0.00. Activities for the three months ended September 30, 2015, principally involved shareholder relations of $8,254 pertaining to regulatory filing fees; professional fees of $16,822, representing costs incurred for general legal, accounting and audit services; interest expenses of $7,110; and office and general of $235.

(4) The Company's net loss totaled $653,748 for the three months ended December 31, 2015, with basic and diluted loss per share of $0.06. Activities for the three months ended December 31,

2015, principally involved shareholder relations of $20,116 pertaining to regulatory filing fees and consulting fees; professional fees of $20,231, representing costs incurred for general legal, accounting and audit services; consulting fees of $6,000; impairment of long-term investments of $599,999; interest expenses of $7,139; and office and general of $263.

(5) The Company's net loss totaled $56,830 for the three months ended March 31, 2016, with basic and diluted loss per share of $0.00. Activities for the three months ended March 31, 2016, principally involved shareholder relations of $17,571 pertaining to regulatory filing fees; professional fees of $27,204, representing costs incurred for general legal, accounting and audit services; interest expenses of $7,250; and office and general of $1,972.

(6) The Company's net loss totaled $230,297 for the three months ended June 30, 2016, with basic and diluted loss per share of $0.02. Activities for the three months ended June 30, 2016, principally involved shareholder relations of $62,286 pertaining to regulatory filing fees; professional fees of $18,560, representing costs incurred for general legal, accounting and audit services; salaries and benefits of $84,346; interest expenses of $8,551; depreciation of $13,925; and office and general of $37,316.

(7) The Company's net loss totaled $166,765 for the three months ended September 30, 2016, with basic and diluted loss per share of $0.01. Activities for the three months ended September 30, 2016, principally involved shareholder relations of $36,847 pertaining to regulatory filing fees; professional fees of $23,274, representing costs incurred for general legal, accounting and audit services; salaries and benefits of $68,846; share-based compensation of $61,120; interest expenses of $6,066; travel expenses of $22,733; depreciation of $15,323; office and general of $22,081; and income from discontinued operations of $46,400.

(8) The Company's net loss totaled $67,878 for the three months ended December 31, 2016, with basic and diluted loss per share of $0.00. Activities for the three months ended December 31, 2016, principally involved shareholder relations of $23,275 pertaining to regulatory filing fees and consulting fees; professional fees of $25,111, representing costs incurred for general legal, accounting and audit services; interest expenses of $14,240; depreciation of $15,331; gain on long-term investments of $90,000 from the tendering of Boreal; and office and general of $8,446.

(9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

## Discussion of Operations

*Year ended December 31, 2016, compared with year ended December 31, 2015*

Deveron's net loss totaled $521,770 for the year ended December 31, 2016, with basic and diluted loss per share of $0.04. This compares with a net loss of $793,323 with basic and diluted loss per share of $0.07 for the year ended December 31, 2015. The decrease of $271,553 in net loss was principally due to the following:

- Drone income increased by $44,297 for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is attributable to the new business of the Company since the Acquisition during the year ended December 31, 2016.

- Cost of services increased by $76,161 for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is attributable to direct costs (such as salaries and benefits, travel, consulting fees) incurred to generate drone income which is the new business of the Company since the Acquisition during the year ended December 31, 2016.

- Professional fees increased by $31,570 for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is attributable to increased corporate activity requiring external professional support.

- Interest expense increased by $7,427 for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is attributable to the additional loan obtained and the accumulated interest. The amount is offset by near year end repayment of partial loan balance.

- Office and general increased by $67,857 for the year ended December 31, 2016, compared to the year ended December 31, 2015, and consisted of costs such as advertising and promotion, supplies, internet, rent and bank service charges.

- Salaries and benefits increased by $146,030 for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is attributable to the Company hiring employees during the current year while there were no employees in the comparative period.

- Shareholder relations increased by $87,380 for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is attributable to change of business of the Company during the current period.

- Travel expenses increased by $34,347 for year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is attributable to higher corporate activity requiring travel by management and employees.

- Depreciation increased by $44,579 for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is attributable to depreciation recorded on computer equipment and drones acquired during the current year.

- Share-based payments increased by $53,982 for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is due to the timing of expensing the estimated fair value of stock options granted in prior and current periods. The Company expenses its stock options in accordance with the vesting terms of the stock options granted.

- Discontinued operations increased by $80,770 for the year ended December 31, 2016 compared to the year ended December 31, 2015. Discontinued operations consist of operations related to mineral exploration. Since the Acquisition on July 14, 2016, the business of the Company was changed from mineral exploration to the drone data services sector. The increase is due to the sale of the Nechako Property to Parlane for $50,000 during the year ended December 31, 2016, which was offset by exploration and evaluation expenditures of $3,600.

- Gain on long-term investments increased by $90,000 for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is attributable to tendering of Boreal shares.

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.

*Three months ended December 31, 2016, compared with three months ended December 31, 2015*

Deveron's net loss totaled $67,878 for the three months ended December 31, 2016, with basic and diluted loss per share of $0.00. This compares with a net loss of $653,748 with basic and diluted loss per share of $0.06 for the three months ended December 31, 2015. The Company had revenue of $972 compared to $nil in 2015. The decrease of $585,870 in net loss was principally due to the following:

- Drone income increased by $972 for the three months ended December 31, 2016, compared to the three months ended December 31, 2015. The increase is attributable to the new business of the Company since the Acquisition on July 14, 2016.

- Cost of services increased by $76,161 for the three months ended December 31, 2016, compared to the three months ended December 31, 2015. The increase is attributable to direct costs (such as salaries and benefits, travel, consulting fees) incurred to generate drone income which is the new business of the Company since the Acquisition during the year ended December 31, 2016. Direct costs for the period from Acquisition to December 31, 2016 were all reallocated during the three months ended December 31, 2016.

- Professional fees increased by $4,880 for the three months ended December 31, 2016, compared to the three months ended December 31, 2015. The increase is attributable to increased corporate activity requiring external professional support.

- Interest expense increased by $7,101 for the three months ended December 31, 2016, compared to the three months ended December 31, 2015. The increase is attributable to higher interest rate on the loans due to Greencastle during the three months ended December 31, 2016 compared to the three months ended December 31, 2015.

- Office and general increased by $8,183 for the three months ended December 31, 2016, compared to the three months ended December 31, 2015, and consisted of costs such as advertising and promotion, supplies, internet, rent and bank service charges.

- Shareholder relations increased by $3,159 for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. The increase is attributable to change of business of the Company during the current year.

- Travel expenses increased by $3,448 for three months ended December 31, 2016 compared to the three months ended December 31, 2015. The increase is attributable to higher corporate activity requiring travel by management and employees.

- Depreciation increased by $15,331 for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. The increase is attributable to depreciation recorded on computer equipment and drones acquired during the current year.

- Gain on long-term investments increased by $90,000 for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. The increase is attributable to the investment in of Boreal shares.

- Impairment on long-term investments decreased by $599,999 for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. The decrease is attributable to the impairment charge of $599,999 on the Boreal investment in 2015.

- 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 December 31, 2016 were $1,062,079 (December 31, 2015 - $40,667) against total liabilities of $554,316 (December 31, 2015 - $687,212). The increase in total assets of $1,021,412 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 $666,369, net assets acquired pursuant to the Acquisition, cash received from the exercise of warrants in the amount of $209,100, cash received from the exercise of options of $6,250, which was offset by acquisition of property, plant and equipment of $120,210, loan repayment of $200,000 and interest of $97,215 and cash spent on operating costs. The Company does not have sufficient current assets to pay its existing liabilities of $554,316 at December 31, 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 December 31, 2016, the Company had cash of $208,334. The increase in cash of $171,848 from the December 31, 2015 cash balance of $36,486 was a result of cash outflow in operating activities of $582,511, cash outflow in investing activity of $120,210 and cash inflow from financing activities of $828,169. Operating activities were affected by adjustments of interest expense of $1,243, depreciation of $44,579, share-based payments of $61,120, gain on long-term investments of $90,000, net income from discontinued operations of $46,400 and net change in non-cash working capital balances of $31,283 because of an increase in amounts receivable and other assets of $60,078 and an increase in amounts payable and other liabilities of $28,795. Investing activities were affected by the acquisition of property, plant and equipment of $120,210. Financing activities were affected by the cash acquired from the Acquisition of $8,801, the issue of a $100,000 promissory note at prime plus 1% per annum, loan received from Greencastle in the amount of $100,000 and loan repayment of $200,000 and interest of $97,215, net proceeds from the Offering of $666,369, proceeds from the exercise of warrants of $209,100 and proceeds from the exercise of stock options of $6,250.

## 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. There were 697,000 warrants and 25,000 stock options exercised for a total cash proceeds of $215,350 during the year ended December 31, 2016. The Company completed an equity offering during the year ended December 31, 2016 for net proceeds of $666,369. 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 December 31, 2016, the Company had a working capital deficit of $189,060 (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 and select other operating regions in North America. Deveron intends to do this by accomplishing the following business objectives:

(a) Continue development and deployment of the UAS network to provide on demand data services to the agricultural industry across Ontario and select strategic regions in North America;

(b) Continue provincial marketing campaign of service offering through current sales network;

(c) Continue to work with current and future partners on data integration and feasibility studies; and

(d) Build infrastructure for processing and storing data.

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

| Event | Cost | Spent | Timing |
|---|---|---|---|
| Continued development of on-demand UAS data network | $125,000 | $nil | 6 months |
| Additional Pilot Training | $5,000 | $nil | 6 months |
| Ongoing Marketing Campaign | $50,000 | $nil | 9 months |
| Data Infrastructure Investment | $25,000 | $nil | 9 months |
| Product Feasibility Testing with Partners | $60,000 | $nil | 9 months |
| **Total** | **$265,000** | **$nil** | |

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 projected 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 was unlikely, the Company took an impairment charge of $599,999 on the Boreal investment at December 31, 2015. Current management efforts are focused on selling the company and assets to a group which has the potential to sell most of the production offshore. 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 the Boreal and 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 the Effective Date (received in January 2017);
- $0.12 per share on or before the six-month anniversary of the Effective Date; and
- $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.

Based on the rate of expenditure above, the Company will have to raise equity capital in fiscal 2017 or increase profits (defined as revenues less expenses) 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.

It is expected that Greencastle will defer payment of its related party loan at the date of this MD&A.

## Discontinued Operations

As a result of the Acquisition 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, 2016.

Discontinued operations for the periods presented include:

| **Statement of Comprehensive Income (Loss)** | **Year Ended December 31, 2016 ($)** | **Year Ended December 31, 2015 ($)** |
|---|---:|---:|
| Exploration and evaluation expenditures | (3,600) | (34,370) |
| Property option revenue | 50,000 | nil |
| **Total discontinued operations** | **46,400** | **(34,370)** |

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

## Recent Accounting Pronouncements

(i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is still in the process of assessing the impact of this pronouncement.

(ii) In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") to replace IAS 18 - Revenue and IAS 11 - Construction Contracts and the related interpretations on revenue recognition. The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board "FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16.

## Change in Accounting Policies

### 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.

### 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.

**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.

Amortization is calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

| *Class of property, plant and equipment* | *Amortization rate* |
|---|---|
| Computer equipment | 30% |
| Drone | 50% |

**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.

**Revenue recognition**

Revenue generated from providing data services is recognized as revenue in the period in which the data is delivered. Where payment is received in advance of delivering the data, the amount received is recognized as deferred revenue.

## Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## Share Capital

As at the date of this MD&A, the Company had a total of 17,848,006 common shares issued and outstanding. An additional 4,291,050 common shares are subject to issuance pursuant to the following: 1,500,000 stock options and 2,791,050 outstanding warrants. Each stock option will be exercisable to acquire one common share at a price of $0.25 per common share. 1,100,000 stock options have an expiry date of November 29, 2017 and 400,000 stock options have an expiry date of July 14, 2019. Each warrant will be exercisable to acquire one common share at prices that range from $0.20 to $0.40 per common share with expiry dates ranging from December 23, 2017 to July 14, 2018.

## Capital 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, 2016, totaled an equity of $507,763 (December 31, 2015 – deficit of $646,545).

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, 2016 and 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

## Financial Instruments

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).

***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 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 December 31, 2016. Management believes that the credit risk with respect to these amounts receivable is minimal.

***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, 2016, the Company had cash of $208,334 (December 31, 2015 - $36,486) to settle current liabilities of $554,316 (December 31, 2015 - $687,212). 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.

On July 1, 2015, the Company obtained a $500,000 loan from Greencastle. The loans bears interest at prime annual rate plus 5.3%, calculated on a monthly basis. The principal and unpaid interest shall become due and be paid in full on demand.

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 favorable 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.

***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

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, 2016, the Company did not have any surplus cash. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. The Company is exposed to interest rate risk on the amount due to related party bearing interest at prime rate plus 5.3% 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's exposure to foreign currency risk is minimal.

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.

***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 amount due to related party is subject to interest rate risk. The promissory note of $500,000 obtained from Greencastle on July 1, 2016, bears an annual interest of prime plus 5.3%. As at December 31, 2016, if interest rates had decreased/increased by 1% with all other variables held constant, it would affect the reported loss and comprehensive loss for the year ended December 31, 2016, by approximately $5,000.

(ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

## 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 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 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 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. 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.

## 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 consolidated 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 consolidated financial statements; and (ii) the consolidated 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 consolidated 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.

## Additional Information

Additional information concerning the Company is available on Sedar at **www.sedar.com**.

## Events After the Reporting Period

(i) In January 2017, the Company received $90,000 from the sale of Boreal.

(ii) On March 6, 2017, 10,500 warrants with an exercise price of $0.20 and an expiry date of December 23, 2017 were exercised.

(iii) On March 7, 2017, the Company announced a multi-year commitment to working with Thompson Ltd. to provide leading-edge remote sensing data solutions to its growers. The contract is expected to run through 2018.

## Additional Disclosure for Entities without Significant Revenue

| **Operating expenses** | **Year Ended December 31, 2016 ($)** | **Year Ended December 31, 2015 ($)** |
|---|---|---|
| Salaries and benefits | 146,030 | nil |
| Shareholder relations | 139,979 | 52,599 |
| Professional fees | 94,149 | 62,579 |
| Office and general | 69,815 | 1,958 |
| Interest expense | 36,107 | 28,680 |
| Depreciation | 44,579 | nil |
| Travel | 34,347 | nil |
| Consulting fees | 180 | 6,000 |
| Share-based payments | 61,120 | 7,138 |
| Impairment of long-term investments | nil | 599,999 |
| Gain on long-term investments | (90,000) | nil |
| **Total** | **536,306** | **758,953** |