
**DEVERON UAS CORP.
(FORMERLY DEVERON RESOURCES LTD.)
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Deveron UAS Corp. (formerly Deveron Resources Ltd.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

	As at September 30, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	\$ 729,146	\$ 208,334
Amounts receivable and other assets (note 5)	715,969	156,922
Total current assets	1,445,115	365,256
Non-current assets		
Property, plant and equipment (note 6)	294,637	84,081
Long-term investments (note 7)	1	1
Goodwill (note 3)	612,741	612,741
Total non-current assets	907,379	696,823
Total assets	\$ 2,352,494	\$ 1,062,079
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other liabilities (notes 8 and 15)	\$ 240,757	\$ 54,316
Due to related party (note 15)	500,000	500,000
Total liabilities	740,757	554,316
Shareholders' equity		
Share capital (note 9(a)(b))	2,938,230	1,822,930
Shares to be issued (note 9(c))	-	240,000
Reserves (notes 10 and 11)	1,228,132	551,437
Deficit	(2,554,625)	(2,106,604)
Total shareholders' equity	1,611,737	507,763
Total liabilities and shareholders' equity	\$ 2,352,494	\$ 1,062,079

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

Nature of operations and going concern (note 1)

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**Condensed Interim Consolidated Statements of Comprehensive Income (Loss)****(Expressed in Canadian Dollars)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Drone income	\$ 94,840	\$ 43,125	\$ 174,873	\$ 43,325
Cost of services				
Cost of services (note 13)	(90,313)	-	(138,269)	-
Gross margin	4,527	43,125	36,604	43,325
Operating expenses (income)				
Salaries and benefits (note 15)	91,200	68,846	262,254	153,192
Shareholder relations	22,246	36,847	219,213	116,704
Professional fees (note 15)	18,017	23,274	70,022	69,038
Office and general	59,867	22,081	126,342	61,369
Interest expense (note 15)	10,438	6,066	30,274	21,867
Depreciation (note 6)	53,084	15,323	105,686	29,248
Travel	21,580	22,733	50,762	30,899
Consulting fees (note 15)	-	-	175,000	180
Business development	56,607	-	105,523	-
Share-based payments (note 10)	-	61,120	-	61,120
Gain on debt settlement (note 9(c))	-	-	(240,000)	-
Gain on long-term investment (note 7)	(360,000)	-	(360,000)	-
	(26,961)	256,290	545,076	543,617
Income (loss) for the period from continuing operations	31,488	(213,165)	(508,472)	(500,292)
Income for the period from discontinued operations (note 4)	50,000	46,400	50,000	46,400
Total comprehensive income (loss) for the period \$	81,488	\$ (166,765)	\$ (458,472)	\$ (453,892)
Net income (loss) per common share - continuing operations (note 12)				
- basic	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.04)
- diluted	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.04)
Net income per common share - discontinuing operations (note 12)				
- basic	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
- diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Basic and diluted net income (loss) per common share (note 12)	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.03)

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

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net loss for the period	\$ (458,472)	\$ (453,892)
Adjustments for:		
Depreciation (note 6)	105,686	29,248
Share-based payments (note 10(i))	-	61,120
Interest expense accrued	-	7,166
Gain on debt settlement (note 9(c))	(240,000)	-
Net income from discontinued operations (note 4)	(50,000)	-
Changes in non-cash working capital items:		
Amounts receivable and other assets	(559,047)	(105,706)
Amounts payable and other liabilities	186,441	39,615
Net cash used in operating activities	(1,015,392)	(422,449)
Investing activity		
Purchase of property, plant and equipment (note 6)	(316,242)	(120,160)
Net cash used in investing activity	(316,242)	(120,160)
Financing activities		
Cash acquired from the Acquisition (note 3)	-	8,801
Promissory notes	-	100,000
Due to related party	-	(145,401)
Issue of common shares for private placements (note 9(b)(i)(ii))	2,024,976	724,200
Share issue costs	(224,630)	(42,831)
Exercise of warrants	2,100	30,000
Exercise of options	-	6,250
Net cash provided by financing activities	1,802,446	681,019
Net change in cash from continuing operations	470,812	138,410
Net change in cash from discontinued operations	50,000	-
Cash, beginning of period	208,334	36,486
Cash, end of period	\$ 729,146	\$ 174,896

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

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital	Shares to be issued	Reserves			Total
			Warrants	Share-based payments	Deficit	
Balance, December 31, 2015	\$ 640,421	\$ -	\$ 653,048	\$ 245,438	\$ (2,185,452)	\$ (646,545)
Common shares issued for private placement (note 9(b)(i))	724,200	-	-	-	-	724,200
Warrants issued for private placement (note 9(b)(i))	(162,583)	-	162,583	-	-	-
Share issue costs (note 9(b)(i))	(55,413)	-	12,582	-	-	(42,831)
Common shares issued pursuant to the Acquisition (note 3)	408,000	-	-	-	-	408,000
Common shares to be issued pursuant to the Acquisition - contingent consideration (note 3)	-	240,000	-	-	-	240,000
Warrants issued pursuant to the Acquisition (note 3)	-	-	85,239	-	-	85,239
Exercise of warrants	39,000	-	(9,000)	-	-	30,000
Exercise of stock options	11,475	-	-	(5,225)	-	6,250
Stock options expired	-	-	-	(10,300)	10,300	-
Share-based payments (note 10(i))	-	-	-	61,120	-	61,120
Net loss for the period	-	-	-	-	(453,892)	(453,892)
Balance, September 30, 2016	\$ 1,605,100	\$ 240,000	\$ 904,452	\$ 291,033	\$ (2,629,044)	\$ 411,541
Balance, December 31, 2016	\$ 1,822,930	\$ 240,000	\$ 260,404	\$ 291,033	\$ (2,106,604)	\$ 507,763
Common shares issued for private placements (note 9(b)(ii))	2,024,976	-	-	-	-	2,024,976
Warrants issued for private placements (note 9(b)(ii))	(579,358)	-	579,358	-	-	-
Share issue costs (note 9(b)(ii))	(333,355)	-	108,725	-	-	(224,630)
Change in shares to be issued (note 9(c))	-	(240,000)	-	-	-	(240,000)
Exercise of warrants	3,037	-	(937)	-	-	2,100
Stock options expired	-	-	-	(10,451)	10,451	-
Net loss for the period	-	-	-	-	(458,472)	(458,472)
Balance, September 30, 2017	\$ 2,938,230	\$ -	\$ 947,550	\$ 280,582	\$ (2,554,625)	\$ 1,611,737

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

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

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

As at September 30, 2017, 33.94% of the Company's issued and outstanding shares are owned by Greencastle Resources Ltd. ("Greencastle") which controls the Company. As such, Deveron is a subsidiary of Greencastle. Further details of Greencastle's share holding interest is disclosed in note 15.

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

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

On July 14, 2016, the Company changed its name from Deveron Resources Ltd. to Deveron UAS Corp., completed the acquisition of 2487473 Ontario Inc. (operating as Eagle Scout Imaging) ("Eagle Scout") (refer to note 3) and the Company's common shares were delisted from the TSXV. On July 19, 2016, the Company's common shares were accepted for listing on the Canadian Securities Exchange ("CSE"), and its common shares commenced trading on the CSE under its existing symbol "DVR".

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

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

On 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.

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

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. Certain principal conditions and events are prevalent which indicate that there could be significant doubt about the Company's ability to continue as a going concern for a reasonable period of time. These include: (i) recurring operating losses and (ii) inability to obtain additional financing. The ability of the Company to fund its potential operations and commitments is dependent upon the ability of the Company to obtain additional financing.

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies

(a) *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 14, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) *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.

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(b) Recent accounting pronouncements (continued)

(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 January 1, 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.

3. Acquisition of Eagle Scout

On February 19, 2016, Deveron entered into a definitive arm's length share exchange agreement (the "SEA") to acquire all of the issued and outstanding shares of Eagle Scout, a private company existing under the laws of the Province of Ontario. Eagle Scout uses the advanced UAV along with hardware, camera, sensor and software technologies to collect crop data and provide solutions to farmers.

On July 14, 2016, the Company acquired all of the issued and outstanding shares of Eagle Scout pursuant to the term of the SEA (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 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 consolidated financial statements for the applicable Earn-out Period.

The allocation of the purchase price is as follows:

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 received	\$	733,239

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

3. Acquisition of Eagle Scout (continued)

(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. Refer to note 9(c).

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

4. 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 September 30, 2017 and December 31, 2016.

Discontinued operations for the periods presented include:

Statements of Comprehensive Income (Loss)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Exploration and evaluation expenditures (note 14)	\$ -	\$ (3,600)	\$ -	\$ (3,600)
Property option revenue (note 14(i))	50,000	50,000	50,000	50,000
Total discontinued operations	\$ 50,000	\$ 46,400	\$ 50,000	\$ 46,400

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

5. Amounts receivable and other assets

	As at September 30, 2017	As at December 31, 2016
Sales tax receivable - (Canada) (i)	\$ 14,272	\$ 34,746
Account receivable - drone income	65,426	8,830
Account receivable - sale of Boreal Agrominerals Inc. ("Boreal") (note 7)	360,000	90,000
Prepays	276,271	23,346
	\$ 715,969	\$ 156,922

(i) Sales tax receivable is not past due.

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Property, plant and equipment

COST	Computer equipment	Drones	Total
Balance, December 31, 2016	\$ 15,048	\$ 113,612	\$ 128,660
Additions	35,516	280,726	316,242
Balance, September 30, 2017	\$ 50,564	\$ 394,338	\$ 444,902

ACCUMULATED DEPRECIATION	Computer equipment	Drones	Total
Balance, December 31, 2016	\$ 3,386	\$ 41,193	\$ 44,579
Depreciation	7,335	98,351	105,686
Balance, September 30, 2017	\$ 10,721	\$ 139,544	\$ 150,265

CARRYING AMOUNT	Computer equipment	Drones	Total
Balance, December 31, 2016	\$ 11,662	\$ 72,419	\$ 84,081
Balance, September 30, 2017	\$ 39,843	\$ 254,794	\$ 294,637

7. Long-term investments

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

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

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

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

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

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

7. Long-term investments (continued)

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 ⁽¹⁾ (received in October 2017);
- \$0.17 per share on or before the one-year anniversary of the Effective Date, which could be extended to the second anniversary of the Effective Date.

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

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

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

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

During the three and nine months ended September 30, 2017, Deveron recorded a gain on long-term investment of \$360,000 in the unaudited condensed interim consolidated statements of comprehensive income (loss), being the amount of consideration for the second tranche of \$0.12 per Boreal share.

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

8. Amounts payable and other liabilities

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

	As at September 30, 2017	As at December 31, 2016
Amounts payable	\$ 182,781	\$ 33,627
Accrued liabilities	57,976	20,689
Total amounts payable and other liabilities	\$ 240,757	\$ 54,316

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

	As at September 30, 2017	As at December 31, 2016
Less than 1 month	\$ 159,305	\$ 30,836
1 to 3 months	47,750	22,820
greater than 3 months	33,702	660
Total amounts payable and other liabilities	\$ 240,757	\$ 54,316

DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

9. Share capital

a) Authorized share capital

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

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2015	11,794,505	\$ 640,421
Private placement (i)	3,621,000	724,200
Warrant valuation (i)	-	(162,583)
Broker warrant valuation (i)	-	(12,582)
Share issue costs	-	(42,831)
Shares issued pursuant to the Acquisition (note 3)	1,700,001	408,000
Exercise of options	25,000	11,475
Exercise of warrants	100,000	39,000
Balance, September 30, 2016	17,240,506	\$ 1,605,100
Balance, December 31, 2016	17,837,506	\$ 1,822,930
Private placements (ii)	5,785,644	2,024,976
Warrant valuation (ii)	-	(579,358)
Broker warrant valuation (ii)	-	(108,725)
Share issue costs	-	(224,630)
Exercise of warrants	10,500	3,037
Balance, September 30, 2017	23,633,650	\$ 2,938,230

(i) On June 23, 2016, Deveron completed a non-brokered private placement financing of 3,621,000 units 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 24 months from the date of closing of the Offering. The 1,810,500 warrants were valued at \$162,583 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.20; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 104.61%; risk-free interest rate - 0.62%; and an expected life - 2 years.

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 141,050 finder warrants were valued at \$12,582 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.20; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 95.96%; risk-free interest rate - 0.62%; and an expected life - 1.5 years.

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9. Share capital (continued)

b) Common shares issued (continued)

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

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

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

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

All securities issued in connection with the first and second tranche of the brokered private placement are subject to a hold period until four months and a day from the date of closing.

(c) Shares to be issued

As at September 30, 2017, the Company is committed to issue nil common shares (December 31, 2016 - 44,097 common shares) as Additional Payment Shares according to the Acquisition. During the nine months ended September 30, 2017, the agreement was amended to remove the Additional Payment Shares consideration which resulted in a gain on debt settlement of \$240,000 recorded in the unaudited condensed interim consolidated statement of comprehensive income (loss). Refer to note 3.

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10. Stock options

The following table reflects the continuity of options for the periods ended September 30, 2017 and 2016:

	Number of options	Weighted average exercise price (\$)
Balance, December 31, 2015	1,175,000	0.25
Granted (i)	400,000	0.25
Expired	(50,000)	0.25
Exercised	(25,000)	0.25
Balance, September 30, 2016	1,500,000	0.25
Balance, December 31, 2016	1,500,000	0.25
Expired	(50,000)	0.25
Balance, September 30, 2017	1,450,000	0.25

(i) 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. A fair value of \$61,120 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.24; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 106.04%; risk-free interest rate - 0.48%; and an expected life - 3 years. The options vested immediately. During the three and nine months ended September 30, 2017, \$nil (three and nine months ended September 30, 2016 - \$61,120) was expensed to share-based payments.

Details of the stock options outstanding as at September 30, 2017 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
219,462	0.16	1,050,000	1,050,000	0.25	November 29, 2017
61,120	1.79	400,000	400,000	0.25	July 14, 2019
280,582	0.61	1,450,000	1,450,000	0.25	

11. Warrants

The following table reflects the continuity of warrants for the periods ended September 30, 2017 and 2016:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2015	7,256,090	0.30
Issued for private placement (note 9(b)(i))	1,951,550	0.29
Issued pursuant to the Acquisition (note 3)	850,000	0.40
Exercised	(100,000)	0.30
Balance, September 30, 2016	9,957,640	0.31
Balance, December 31, 2016	2,801,550	0.33
Issued for private placement (note 9(b)(ii))	3,378,525	0.48
Exercised	(10,500)	0.20
Balance, September 30, 2017	6,169,575	0.41

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11. Warrants (continued)

The following table reflects the warrants issued and outstanding as of September 30, 2017:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
130,550	11,645	0.20	December 23, 2017
1,810,500	162,583	0.30	June 23, 2018
850,000	85,239	0.40	July 14, 2018
1,869,642	378,517	0.50	October 21, 2018
336,535	75,876	0.35	October 21, 2018
1,023,176	200,841	0.50	December 2, 2018
149,172	32,849	0.35	December 2, 2018
6,169,575	947,550		

12. Net income (loss) per common share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Weighted average shares outstanding - basic	23,632,650	16,926,888	20,954,764	13,613,333
Dilutive effect of stock options and warrants	266,103	3,466,740	659,766	286,824
Weighted average shares outstanding - diluted	23,898,753	20,393,628	21,614,530	13,900,157

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

13. Cost of services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Salaries and benefits	\$ 42,808	\$ -	\$ 74,352	\$ -
Travel	21,740	-	30,012	-
Software	10,204	-	10,204	-
Drone maintenance	11,815	-	11,815	-
Office and general	3,746	-	9,547	-
Drone data collection	-	-	2,339	-
Cost of services	\$ 90,313	\$ -	\$ 138,269	\$ -

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(Unaudited)

14. Exploration and evaluation expenditures

The following is a detailed list of expenditures incurred on the Company's mineral properties:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Nechako Property (i)				
Consulting fees	\$ -	\$ 3,600	\$ -	\$ 3,600
Transferred to discontinued operations	\$ -	\$ (3,600)	\$ -	\$ (3,600)
Total exploration and evaluation expenditures	\$ -	\$ -	\$ -	\$ -

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

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

15. Major shareholder and related party transactions

Major shareholder

The Company is controlled by Greencastle. At September 30, 2017, Greencastle owned and/or exercised control over 8,021,005 common shares (December 31, 2016 - 9,228,005 common shares) of Deveron, representing approximately 33.94% (December 31, 2016 - 51.73%) of the issued and outstanding common shares of the Company. The remaining 66.06% (December 31, 2016 - 48.27%) 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 33.94% (December 31, 2016 - 51.73%) of the issued and outstanding shares of the Company, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

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15. Major shareholder and related party transactions (continued)

Related party transactions

During the three and nine months ended September 30, 2017, the Company incurred professional fees of \$7,469 and \$22,858, respectively (three and nine months ended September 30, 2016 - \$9,679 and \$24,515, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Mr. Marrelli is the Chief Financial Officer ("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 September 30, 2017, Marrelli Support is owed \$2,823 (December 31, 2016 - \$8,834) and this amount is included in amounts payable and other liabilities.

During the three and nine months ended September 30, 2017, the Company incurred professional fees of \$6,032 and \$12,804, respectively (three and nine months ended September 30, 2016 - \$5,551 and \$11,840, respectively) to DSA Corporate Services Inc. ("DSA"), an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at September 30, 2017, DSA is owed \$725 (December 31, 2016 - \$748) and this amount is included in amounts payable and other liabilities.

During the three and nine months ended September 30, 2017, the Company also incurred legal fees of \$44,343 and \$82,671, respectively (three and nine months ended September 30, 2016 - \$8,521 and \$40,726, 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 September 30, 2017 amounts payable and other liabilities is \$70,621 due to Irwin Lowy LLP (December 31, 2016 - \$28,241).

During the three and nine months ended September 30, 2017, salaries and benefits of \$27,500 and \$102,500, respectively (three and nine months ended September 30, 2016 - \$27,500 and \$82,500, respectively) were paid to the Chief Executive Officer ("CEO") and director of the Company. Included in the September 30, 2017 amounts payable and other liabilities is \$5,026 due to the CEO and director of the Company (December 31, 2016 - \$2,025).

During the three and nine months ended September 30, 2017, salaries and benefits of \$7,500 (three and nine months ended September 30, 2016 - \$nil) were paid to a director of its parent company, Greencastle.

In connection with the Offering completed on June 23, 2016 (refer to note 9(b)(i)), 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.

In connection with the second tranche completed on June 2, 2017 (refer to note 9(b)(ii)), the following transaction occurred:

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

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15. Major shareholder and related party transactions (continued)

Related party transactions (continued)

Greencastle loaned Deveron \$500,000 which bears interest at prime plus 5.3% and is due on demand. As security for the loans, Deveron granted Greencastle a security interest over all assets of the Company. The carrying value of all the assets are \$2,352,494, being the value of cash, amounts receivable and other assets, property, plant and equipment, long-term investments and goodwill. Included in due to related party as at September 30, 2017 is \$500,000 due to Greencastle (December 31, 2016 - \$500,000). For the three and nine months ended September 30, 2017, interest of \$10,438 and \$30,274, respectively (three and nine months ended September 30, 2016 - \$5,923 and \$20,623, respectively) was recorded and included in interest expense in the unaudited condensed interim consolidated statements of comprehensive income (loss).

During the three and nine months ended September 30, 2017, the Company incurred rent expense of \$7,500 and \$22,500, respectively (three and nine months ended September 30, 2016 - \$15,000 and \$45,000, respectively) to Greencastle which is included in office and general in the unaudited condensed interim consolidated statements of comprehensive income (loss).

During the three and nine months ended September 30, 2017, the Company incurred consulting expense of \$nil and \$175,000, respectively (three and nine months ended September 30, 2016 - \$nil) to Greencastle which is included in consulting fees in the unaudited condensed interim consolidated statements of comprehensive income (loss). These fees are related to Greencastle providing an option to purchase one million shares of the Company at \$0.30 to the Head - UAS Agriculture of the Company.

During the three and nine months ended September 30, 2017, the Company reimbursed salaries and benefits of \$nil (three and nine months ended September 30, 2016 - \$nil and \$39,000, respectively) to Greencastle which is included in salaries and benefits in the unaudited condensed interim consolidated statements of comprehensive income (loss).

16. Segmented information

As at September 30, 2017, the Company's operations comprise one reporting operating segment: drone data services in Canada. As the operation comprise a single reporting segment, amounts disclosed in the unaudited condensed interim consolidated financial statements also represent segmented amounts.