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**DEVERON UAS CORP.**  
**(FORMERLY DEVERON RESOURCES LTD.)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2016**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**Notice to Reader**

The accompanying unaudited condensed interim 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 financial statements have not been reviewed by the Company's auditors.

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

	<b>As at June 30, 2016</b>	<b>As at December 31, 2015</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 604,029	\$ 36,486
Amounts receivable and other assets (note 3)	85,637	4,180
<b>Total current assets</b>	<b>689,666</b>	<b>40,666</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 4)	103,492	-
Long-term investments	1	1
<b>Total non-current assets</b>	<b>103,493</b>	<b>1</b>
<b>Total assets</b>	<b>\$ 793,159</b>	<b>\$ 40,667</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 5 and 12)	\$ 98,310	\$ 24,861
Promissory notes (note 6)	101,101	-
Due to related party (note 12)	846,051	662,351
<b>Total liabilities</b>	<b>1,045,462</b>	<b>687,212</b>
<b>Shareholders' deficit</b>		
Share capital (note 7)	1,146,625	640,421
Reserves (notes 8 and 9)	1,063,351	898,486
Deficit	(2,462,279)	(2,185,452)
<b>Total shareholders' deficit</b>	<b>(252,303)</b>	<b>(646,545)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 793,159</b>	<b>\$ 40,667</b>

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

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

**Events after the reporting period** (note 14)

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Operating expenses</b>				
Salaries and benefits (note 12)	\$ 84,346	\$ -	\$ 84,346	\$ -
Shareholder relations	62,286	9,498	79,857	24,229
Professional fees (note 12)	18,560	10,628	45,764	25,526
Office and general	37,316	259	39,288	1,460
Interest expense (notes 6 and 12)	8,551	7,255	15,801	14,431
Depreciation (note 4)	13,925	-	13,925	-
Travel	5,333	-	8,166	-
Consulting fees	180	-	180	-
Share-based payments (note 8(i))	-	-	-	7,138
Exploration and evaluation expenditures (note 11)	-	-	-	34,370
Other income	(200)	-	(200)	-
<b>Total comprehensive loss for the period</b>	<b>\$ (230,297)</b>	<b>\$ (27,640)</b>	<b>\$ (287,127)</b>	<b>\$ (107,154)</b>
<b>Basic and diluted net loss per common share (note 10)</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - basic and diluted (note 10)</b>	<b>12,069,269</b>	<b>11,794,505</b>	<b>11,934,158</b>	<b>11,794,505</b>

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

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

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	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Net loss for the period	\$ (287,127)	\$ (107,154)
Adjustments for:		
Share-based payments (note 8(i))	-	7,138
Interest expense accrued (notes 6 and 12)	15,801	14,431
Depreciation (note 4)	13,925	-
Changes in non-cash working capital items:		
Amounts receivable and other assets	(81,457)	8,178
Amounts payable and other liabilities	73,449	(14,551)
<b>Net cash used in operating activities</b>	<b>(265,409)</b>	<b>(91,958)</b>
<b>Investing activity</b>		
Purchase of property, plant and equipment (note 4)	(117,417)	-
<b>Net cash used in investing activity</b>	<b>(117,417)</b>	<b>-</b>
<b>Financing activities</b>		
Promissory notes (note 6)	100,000	-
Due to related party (note 12)	169,000	-
Issue of common shares (note 7(b)(i))	724,200	-
Share issue costs	(42,831)	-
<b>Net cash provided by financing activities</b>	<b>950,369</b>	<b>-</b>
<b>Net change in cash</b>	<b>567,543</b>	<b>(91,958)</b>
<b>Cash, beginning of period</b>	<b>36,486</b>	<b>177,778</b>
<b>Cash, end of period</b>	<b>\$ 604,029</b>	<b>\$ 85,820</b>

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

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**DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)****Condensed Interim Statements of Changes in Shareholders' Deficit****(Expressed in Canadian Dollars)****(Unaudited)**

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	Share capital	Reserves		Deficit	Total
		Warrants	Share-based payments		
<b>Balance, December 31, 2014</b>	\$ 640,421	\$ 653,048	\$ 238,300	\$ (1,392,129)	\$ 139,640
Share-based payments (note 8(i))	-	-	7,138	-	7,138
Net loss for the period	-	-	-	(107,154)	(107,154)
<b>Balance, June 30, 2015</b>	\$ 640,421	\$ 653,048	\$ 245,438	\$ (1,499,283)	\$ 39,624
<b>Balance, December 31, 2015</b>	\$ 640,421	\$ 653,048	\$ 245,438	\$ (2,185,452)	\$ (646,545)
Common shares issued (note 7(b)(i))	724,200	-	-	-	724,200
Warrants issued (note 7(b)(i))	(162,583)	162,583	-	-	-
Share issue costs	(55,413)	12,582	-	-	(42,831)
Stock option expired	-	-	(10,300)	10,300	-
Net loss for the period	-	-	-	(287,127)	(287,127)
<b>Balance, June 30, 2016</b>	\$ 1,146,625	\$ 828,213	\$ 235,138	\$ (2,462,279)	\$ (252,303)

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

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# DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

As at June 30, 2016, 55.99% of the Company's issued and outstanding shares are owned by Greencastle Resources Ltd. ("Greencastle"). This gives Greencastle the control over the Company. As such, Deveron is a subsidiary of Greencastle. Further details of Greencastle's share holding interest is disclosed in note 12.

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

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

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) ("248" or "Eagle Scout") (refer to note 14(iii)) and the Company's common shares were delisted from the TSXV (refer to note 14(ii)). 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" (refer to note 14(vi)).

These unaudited condensed interim 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.

### 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 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 financial statements are based on IFRS issued and outstanding as of August 12, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2015, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim financial statements.

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## DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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

##### (b) *Change in accounting policies*

(i) IFRS 11 - Joint Arrangements was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. There was no impact on the unaudited condensed interim financial statements as a result of this adoption.

(ii) IAS 1 – Presentation of Financial Statements was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. There was no material impact on the unaudited condensed interim financial statements as a result of this adoption.

##### (iii) 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 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 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:

<b>Class of property, plant and equipment</b>	<b>Amortization rate</b>
Computer equipment	30%
Drone	50%

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## DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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## 2. Significant accounting policies (continued)

### (c) 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. The amendment also removed the January 1, 2015 effective date.

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. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

## 3. Amounts receivable and other assets

	As at June 30, 2016	As at December 31, 2015
Sales tax receivable - (Canada) (i)	\$ 25,661	\$ 2,758
Prepays	59,976	1,422
	<b>\$ 85,637</b>	<b>\$ 4,180</b>

(i) Sales tax receivable is not past due.

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**DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**

Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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**4. Property, plant and equipment**

<b>COST</b>	<b>Computer equipments</b>	<b>Drones</b>	<b>Total</b>
Balance, December 31, 2015	\$ -	\$ -	\$ -
Additions	15,048	102,369	117,417
<b>Balance, June 30, 2016</b>	<b>\$ 15,048</b>	<b>\$ 102,369</b>	<b>\$ 117,417</b>

<b>ACCUMULATED DEPRECIATION</b>	<b>Computer equipments</b>	<b>Drones</b>	<b>Total</b>
Balance, December 31, 2015	\$ -	\$ -	\$ -
Additions	1,129	12,796	13,925
<b>Balance, June 30, 2016</b>	<b>\$ 1,129</b>	<b>\$ 12,796</b>	<b>\$ 13,925</b>

<b>CARRYING AMOUNT</b>	<b>Computer equipments</b>	<b>Drones</b>	<b>Total</b>
Balance, December 31, 2015	\$ -	\$ -	\$ -
<b>Balance, June 30, 2016</b>	<b>\$ 13,919</b>	<b>\$ 89,573</b>	<b>\$ 103,492</b>

**5. Amounts payable and other liabilities**

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

	<b>As at June 30, 2016</b>	<b>As at December 31, 2015</b>
Amounts payable	\$ 19,305	\$ 6,540
Accrued liabilities	79,005	18,321
<b>Total amounts payable and other liabilities</b>	<b>\$ 98,310</b>	<b>\$ 24,861</b>

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

	<b>As at June 30, 2016</b>	<b>As at December 31, 2015</b>
Less than 1 month	\$ 98,310	\$ 24,861

## DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended June 30, 2016  
(Expressed in Canadian Dollars)  
(Unaudited)

### 6. Promissory notes

Effective March 4, 2016, the Company entered into a promissory note with 248 in the amount of \$80,000. Subsequently, effective April 20, 2016, the Company entered into another promissory note with 248 in the amount of \$20,000. The promissory notes incur an interest rate of prime plus 1% per annum, are unsecured and are due on demand.

Movement in the promissory notes were as follows:

<b>Balance, December 31, 2015</b>	<b>\$ -</b>
Principal amount	100,000
Accrued interest	1,101
<b>Balance, June 30, 2016</b>	<b>\$ 101,101</b>

### 7. Share capital

#### a) Authorized share capital

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

#### b) Common shares issued

	Number of common shares	Amount
<b>Balance, December 31, 2014 and June 30, 2015</b>	<b>11,794,505</b>	<b>\$ 640,421</b>
<b>Balance, December 31, 2015</b>	<b>11,794,505</b>	<b>\$ 640,421</b>
Private placement (i)	3,621,000	724,200
Warrant valuation (i)	-	(162,583)
Broker warrant valuation (i)	-	(12,582)
Share issue costs	-	(42,831)
<b>Balance, June 30, 2016</b>	<b>15,415,505</b>	<b>\$ 1,146,625</b>

(i) 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. 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.

## DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

#### 7. Share capital (continued)

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

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

#### 8. Stock options

The following table reflects the continuity of options for the periods ended June 30, 2016 and 2015:

	Number of options	Weighted average exercise price (\$)
<b>Balance, December 31, 2014</b>	<b>1,050,000</b>	<b>0.25</b>
Granted (i)	125,000	0.25
<b>Balance, June 30, 2015</b>	<b>1,175,000</b>	<b>0.25</b>
<b>Balance, December 31, 2015</b>	<b>1,175,000</b>	<b>0.25</b>
Expired	(50,000)	0.25
<b>Balance, June 30, 2016</b>	<b>1,125,000</b>	<b>0.25</b>

(i) On January 12, 2015, the Company granted 125,000 stock options to a director with each option exercisable into one common share of the Company at an exercise price of \$0.25 per share until November 29, 2017. A fair value of \$7,138 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.10; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 125.13%; risk-free interest rate - 0.93%; and an expected life - 2.88 years. The options vested immediately. During the three and six months ended June 30, 2016, \$nil (three and six months ended June 30, 2015 - \$nil and \$7,138, respectively) was expensed to share-based payments.

Details of the stock options outstanding as at June 30, 2016 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
235,138	1.42	1,125,000	1,125,000	0.25	November 29, 2017

#### 9. Warrants

The following table reflects the continuity of warrants for the periods ended June 30, 2016 and 2015:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2014 and June 30, 2015</b>	<b>7,256,090</b>	<b>0.30</b>
<b>Balance, December 31, 2015</b>	<b>7,256,090</b>	<b>0.30</b>
Issued (note 7(b)(i))	1,951,550	0.29
<b>Balance, June 30, 2016</b>	<b>9,207,640</b>	<b>0.30</b>

## DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

#### 9. Warrants (continued)

The following table reflects the warrants issued and outstanding as of June 30, 2016:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
7,256,090	653,048	0.30	July 31, 2016 (i)
141,050	12,582	0.20	December 23, 2017
1,810,500	162,583	0.30	June 23, 2018
9,207,640	828,213		

(i) Subsequent to June 30, 2016, the expiry date of the 7,256,090 warrants was extended to October 31, 2016. Refer to note 14(v).

#### 10. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2016 was based on the loss attributable to common shareholders of \$230,297 and \$287,127, respectively (three and six months ended June 30, 2015 - \$27,640 and \$107,154, respectively) and the weighted average number of common shares outstanding of 12,069,269 and 11,934,158, respectively (three and six months ended June 30, 2015 - 11,794,505). Diluted loss per share for the periods presented did not include the effect of 9,207,640 warrants (three and six months ended June 30, 2015 - 7,256,090 warrants) and 1,125,000 stock options (three and six months ended June 30, 2015 - 1,175,000 stock options) as they are anti-dilutive.

#### 11. Exploration and evaluation expenditures

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>Rockstone Property (i)</b>				
Acquisition costs	\$ -	\$ -	\$ -	\$ 30,000
Claim staking, maintenance fees	-	-	-	4,370
<b>Total exploration and evaluation expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,370</b>

(i) On January 21, 2015, the letter agreement between the Company and Greencastle was amended to include 10 additional claims for a total of 21 claims in the Rockstone Property.

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## **DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**

### **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended June 30, 2016**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **12. Major shareholder and related party transactions**

##### **Major shareholder**

The Company is controlled by Greencastle. At June 30, 2016, Greencastle owned and/or exercised control over 8,631,005 common shares (December 31, 2015 - 7,756,005 common shares) of Deveron, representing approximately 55.99% (December 31, 2015 - 65.8%) of the issued and outstanding common shares of the Company. The remaining 44.01% (December 31, 2015 - 34.2%) of the shares are widely held, which includes various small holdings which are owned by directors of Deveron. These holdings can change at any time at the discretion of the owner.

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

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, other than Greencastle, which owns or controls, directly or indirectly, approximately 55.99% (December 31, 2015 - 65.8%) of the issued and outstanding shares of the Company, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

##### **Related party transactions**

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

During the three and six months ended June 30, 2016, the Company incurred professional fees of \$2,843 and \$6,289, respectively (three and six months ended June 30, 2015 - \$2,418 and \$4,970, respectively) to DSA Corporate Services Inc. ("DSA"), an organization of which Mr. Marrelli 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 June 30, 2016, DSA is owed \$1,161 (December 31, 2015 - \$1,999) and this amount is included in amounts payable and other liabilities.

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

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

On January 21, 2015, the Company amended the letter agreement with its parent company, Greencastle, as described in note 11(i).

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## **DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**

### **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended June 30, 2016**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **12. Major shareholder and related party transactions (continued)**

##### **Related party transactions (continued)**

In connection with the Offering completed on June 23, 2016 (refer to note 7(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.

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

#### **13. Share Exchange Agreement**

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 (refer to note 14(iii)).

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" (refer to note 14(vi)).

#### **14. Events after the reporting period**

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

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

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## **DEVERON UAS CORP. (Formerly Deveron Resources Ltd.)**

**Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended June 30, 2016**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **14. Events after the reporting period (continued)**

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

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

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

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

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

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

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

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