GREENCASTLE RESOURCES LTD.

"INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS"

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

Introduction

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

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2015, and December 31, 2014, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 24, 2016, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Greencastle 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.

Information about the Company and its operations can be obtained from the offices of the Company or on the System for Electronic Documents Analysis and Retrieval ("SEDAR") and is available for review under the Company's profile on the SEDAR website (**www.sedar.com**).

Cautionary Note Regarding Forward-Looking Statements

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

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of gold or silver and/or other metals, as well as economic deposits of oil and gas	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and evaluation activities will be favourable; operating, exploration and evaluation costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favourable to the Company; the price of gold or silver and/or other applicable metals and the price of oil and gas and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	Gold or silver price volatility; oil and gas price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and evaluation activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2017	The operating and exploration activities of the Company for the twelve-month period ending June 30, 2017, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance 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 carry out anticipated exploration on its property interests	The exploration activities of the Company for the six months ended December 31, 2016, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits

Management's outlook regarding future trends	Financing will be available for the Company's exploration and operating activities; the price of gold or silver and/or other applicable metals and oil and gas will be favourable to the Company	Gold or silver price volatility; oil and gas price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
A total of $15,000 has been estimated for the Company's plans for its oil and gas projects A total of $47,500 has been estimated for the Company's plans for its mineral properties A total of $350,000 is estimated per quarter for corporate expenses	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
Development of Deveron UAS Corp. (formerly Deveron Resources Ltd.) ("Deveron")' 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

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please see the risk factors outlined 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 of the business are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company'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

The Company is a diversified company with interests in gold and base metal exploration and oil and gas exploration and royalties. It also has strategic investments in other companies.

The Company receives income from royalty interests in two oil and gas properties in Saskatchewan and Alberta. The Company's gold and base metal properties are at the exploration stage and, therefore, produce no revenues.

The Company is a reporting issuer under applicable securities legislation in the provinces of Alberta, British Columbia and Ontario, and its outstanding shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "VGN".

Operational Highlights

Corporate

During the period between March 16, 2015 and March 15, 2016, the Company completed the purchase and cancellation of 1,640,000 common shares under its previous issuer bid at a volume weighted average price of $0.06 per share.

During the six months ended June 30, 2016, 150,000 common shares were purchased for cash consideration of $13,300 in accordance with the current issuer bid at a volume weighted average price of $0.09 per share.

On July 8, 2016, the Company granted 150,000 stock options to a consultant of the Company at an exercise price of $0.14, expiring on July 8, 2018.

Exploration update for mining interests

Information relating to exploration results is based on data collected under the supervision of James Pirie, Ph.D., P. Eng., the President and a director of the Company and is a Qualified Person within the meaning of National Instrument 43-101. Mr. Pirie has approved the disclosure contained under the subheading "Exploration update for mining interests" under the heading "Operational Highlights" and has verified the scientific and technical data contained herein.

During the six months ended June 30, 2016, the Company expensed $14,630 on exploration expenditures, compared to $78,223 during the six months ended June 30, 2015. The decrease is primarily due to the timing of the Company's exploration programs. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

<u>Jewel Ridge</u>

The following table summarizes the Company's current exploration programs at the Jewel Ridge Prospect and total estimated cost to complete each exploration program.

Summary of Completed Activities (Six Months Ended June 30, 2016)	(A) Spent During the Six Months Ended June 30, 2016	Plans for the Project	(B) Planned Expenditures
Six months ended June 30, 2016 – no activities were completed The project claims are in good standing until August 2017	$13,724	Exploration plans are currently on hold. Lease and claim maintenance only	$28,000
Subtotals	**$13,724**		**$28,000**
Total (A+B)			**$41,724**

Indian Creek

The following table summarizes Deveron's current exploration programs at the Indian Creek Project and total estimated cost to complete each exploration program.

Summary of Completed Activities (Six Months Ended June 30, 2016)	(A) Spent During the Six Months Ended June 30, 2016	Plans for the Project	(B) Planned Expenditures
Six months ended June 30, 2016 – no activities were completed The project claims are in good standing until August 2017	$nil	Care and maintenance until the Company completes a financing Seeking a joint venture partner to undertake a new exploration program	$7,000
Subtotals	**$nil**		**$7,000**
Total (A+B)			**$7,000**

Charlie Creek Property

The following table summarizes the Company's current exploration programs at the Charlie Creek Property and total estimated cost to complete each exploration program.

Summary of Completed Activities (Six Months Ended June 30, 2016)	(A) Spent During the Six Months Ended June 30, 2016	Plans for the Project	(B) Planned Expenditures
Six months ended June 30, 2016 – no activities were completed All the project claims are in good standing until August 2017	$nil	Compilation of previous exploration data from the claims and surrounding area is currently in progress prior to formulating a program for further exploration	$12,500
Subtotals	**$nil**		**$12,500**
Total (A+B)			**$12,500**

Exploration update for oil and gas interests

Following is the anticipated plan for the Company's Saskatchewan and Alberta oil and gas projects:

Project Name	Plans for Project	Planned Expenditures for Fiscal 2016 (approx.)	Timing for Completion of Planned Activities (approx.)
Primate and Primate North	Oil and gas consulting, fees	$5,000 (1)	December 2016
Boggy Lake	Reclamation, lease fees	$5,000 (1)	December 2016
Ferrier Project	Find a joint venture partner	$5,000 (1)	Undetermined
Total		**$15,000**	

(1) Discretionary and subject to change

Deveron

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 up to $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, Deveron paid finder's fees of $28,210 in cash and issued 141,050 non-transferable finder's warrants. Each finder warrant will entitle 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 the shares issuable upon the exercise of the finder's warrants, will all be subject to a four-month statutory hold period which expires on October 23, 2016.

In connection with the Offering, Greencastle, has 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 14, 2016, Deveron changed its name from Deveron Resources Ltd. to Deveron UAS Corp. and common shares were delisted from the TSXV.

On July 14, 2016, Deveron acquired all of the issued and outstanding shares of 2487473 Ontario Inc. (operating as Eagle Scout Imaging) ("Eagle Scout") pursuant to the term of the Share Exchange Agreement (the "Acquisition"). As a result, Eagle Scout is a wholly-owned subsidiary of Deveron 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 Deveron (the "Payment Warrants"). Each Payment Warrant entitles the holder thereof to acquire one Common Share for a period of two years from the date of issuance. As additional consideration, Deveron may issue one (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.

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, Deveron's announced that it had received authority to operate under a Special Flight Operations Certificate ("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.

Deveron's new business, called Deveron UAS, is a full-service 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 the most advanced drones and sensors on the market today. Deveron provides a strong value proposition to farmers through reduced costs and/or increased yields (through the optimization of input costs such as water, fertilizer, pesticides, etc.).

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the six months ended June 30, 2016, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public merger, financing or acquisition transaction.

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.

Apart from these and the risk factors noted under the heading "Risk Factors" and "Cautionary Note Regarding Forward-Looking Information", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Major Shareholder and Related Party Disclosures

Major Shareholder

To the knowledge of the directors and senior officers of the Company, as at June 30, 2016, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

Major shareholder	Number of common shares	Percentage of outstanding common shares
Anthony Roodenburg, Chief Executive Officer ("CEO") and a director	5,419,116	12.68%

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

Related Party Disclosures

Related parties include the Board, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The below noted transactions are in the normal course of business and are measured at the fair value, as agreed to by the parties, and approved by the Board in strict adherence to conflict of interest laws and regulations.

(a) Remuneration of key management of the Company was as follows:

Names	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Carmelo Marrelli, Chief Financial Officer ("CFO") of both Greencastle and Deveron (i)	18,019	17,306	37,758	44,006
Anthony Roodenburg, CEO and a director (ii)	54,000	54,000	108,000	108,000
James Pirie, President and a director (iii)	37,500	37,500	75,000	75,000
David MacMillan, director of Deveron (iv)	55,000	nil	55,000	nil
Total	**164,519**	**108,806**	**275,758**	**227,006**

Director fees	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Chris Irwin, director (iv)	nil	7,500	7,500	15,000
Michael Power, director (iv)	nil	7,500	7,500	15,000
Total	**nil**	**15,000**	**15,000**	**30,000**

(i) During the three and six months ended June 30, 2016, the Company incurred professional fees and disbursements of $18,019 and $37,758, respectively (three and six months ended June 30, 2015 - $17,306 and $44,006, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Mr. Marrelli is the CFO of Greencastle. 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 was owed $5,293 (December 31, 2015 - $19,853) and this amount was included in accounts payable and accrued liabilities.

(ii) For the three and six months ended June 30, 2016, the Company paid management fees of $54,000 and $108,000, respectively (three and six months ended June 30, 2015 - $54,000 and $108,000, respectively) to Anthony Roodenburg as CEO of Greencastle, included in office and general. The amounts charged by Anthony Roodenburg are conducted on normal market terms and are recorded at their exchange value.

(iii) For the three and six months ended June 30, 2016, the Company paid management fees of $37,500 and $75,000, respectively (three and six months ended June 30, 2015 - $37,500 and $75,000, respectively) to James Pirie for performing the duties of president of Greencastle, included in office and general. The amounts charged by James Pirie are conducted on normal market terms and are recorded at their exchange value.

(iv) During the three and six months ended June 30, 2016, directors of Greencastle received $nil and $15,000, respectively (three and six months ended June 30, 2015 - $15,000 and $30,000, respectively) in director fees.

(v) 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 Deveron. Included in the June 30, 2016 accounts payable and accrued liabilities is $20,318 due to a director of Deveron (December 31, 2015 - $nil).

(vi) Share-based payments:

Names [(1)]	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Anthony Roodenburg, CEO	nil	nil	nil	15,200
James Pirie, President	nil	nil	nil	15,200
Michael Power, director	nil	nil	nil	12,160
Carmelo Marrelli, CFO	nil	nil	nil	4,560
Chris Irwin, director of Deveron	nil	nil	nil	6,080
Total	**nil**	**nil**	**nil**	**53,200**

(1) Several variables are used when determining the value of stock options using the Black-Scholes option pricing model:

- The expected term: the Company used the maximum term ascribed to the stock options issued for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Company used historical information on the Company's common share market price to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
- Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term at the date of the grant of the stock options. The risk-free interest rate will vary depending on the date of the grant of the stock options and their expected term.
- Dividend yield: the Company has not paid dividends in the past and has not yet earned any significant income. Therefore, a dividend rate of 0% was used for the purposes of valuing the stock options.

(b) Other related party disclosures:

Names	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
DSA Corporate Services Inc. ("DSA") [(i)]	6,077	2,418	12,604	8,100
Irwin Lowy LLP ("Irwin") [(ii)]	25,598	7,212	47,339	11,856
Total	**31,675**	**9,630**	**59,943**	**19,956**

(i) During the three and six months ended June 30, 2016, the Company incurred professional fees and disbursements of $6,077 and $12,604, respectively (three and six months ended June 30, 2015 - $2,418 and $8,100, respectively) to 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 of 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 was owed $2,149 (December 31, 2015 - $4,608) and this amount was included in accounts payable and accrued liabilities.

(ii) Legal fees paid to Irwin, a company controlled by Chris Irwin, a director of Deveron. As at June 30, 2016, Irwin was owed $52,490 (December 31, 2015 - $6,321) and this amount was included in accounts payable and accrued liabilities.

Financial Highlights

Financial Performance

Greencastle's net loss totalled $243,386 for the three months ended June 30, 2016, with basic and diluted loss per share of $0.00. This compares with a net loss of $305,548 with basic and diluted loss per share of $0.01 for the three months ended June 30, 2015. The decrease of $62,162 in net loss was principally due to the following:

- Income from oil and gas operations during the three months ended June 30, 2016, was $10,768 (three months ended June 30, 2015 – $39,091). The decrease for the three months ended June 30, 2016, compared to the same period in 2015 is $28,323. The Company's royalty revenue was lower due to a decrease in monthly oil volumes at its Spirit River prospect with no production during the month of January due to the lack of access to the local processing plant. Average price for oil at Spirit River for the three months ended June 30, 2016, was $49 per barrel, compared to an average of $62 per barrel for the three months ended June 30, 2015. In addition, no revenue has been received from the Primate property since October 2015 due to non-payment of royalty by the operator, Edge Resources Inc. ("Edge"). On April 29, 2016, Edge was placed in receivership by Alberta Treasury Branches which is owed an estimated $8.44 million.

- Gain on marketable securities for the three months ended June 30, 2016, was $65,773 (three months ended June 30, 2015 – loss on marketable securities of $7,960). This increase in gain of $73,733 during the period was attributable to the change in fair market value of investments that created a higher gain during the three months ended June 30, 2016, compared to the three months ended June 30, 2015.

- Exploration expenditures for the three months ended June 30, 2016, were $906 (three months ended June 30, 2015 – $39.196). The change for the three months ended June 30, 2016, was a decrease in exploration expenditures of $38,290 compared to the same period in 2015. The decrease is primarily due to the timing of the Company's exploration programs.

- All other expenses related to working capital expenditures.

Greencastle's total assets at June 30, 2016 were $4,155,299 (December 31, 2015 - $4,063,913) against total liabilities of $285,799 (December 31, 2015 - $103,765). The increase in total assets of $91,386 resulted from cash spent on operating costs, share repurchase, purchase of marketable securities, purchase of property, plant and equipment and dilution of investment in Deveron which was offset by cash received from the promissory note in the amount of $100,000, proceeds from sale of marketable securities and interest and dividends received. The Company has sufficient current assets to pay its existing liabilities of $285,799 at June 30, 2016.

Cash Flow

At June 30, 2016, the Company had cash and cash equivalents of $3,034,345. The decrease in cash and cash equivalents of $571,275 from the December 31, 2015 cash and cash equivalents balance of $3,605,620 was as a result of cash outflow in operating activities of $907,439, cash inflow from financing activities of $53,820 and cash outflow from investing activities of $168,390. Operating activities were affected by adjustments of interest expense of $1,101, gain on marketable securities of $248,754, depreciation of $13,925 and net change in non-cash working capital balances of $2,771 because of an increase in sundry receivable of $24,585, an increase in royalties receivable of $4,407, an increase in prepaid expenses of $49,170, an increase in accounts payable and accrued liabilities of $81,331 and a decrease in decommissioning liability of $398. Financing activities were affected by the issue of an $100,000 promissory note at prime plus 1% per annum which was offset by share repurchase of $46,180. Investing activities were affected by proceeds from sale of marketable securities of $438,425, interest and dividends received of $11,691, dilution of investment in Deveron of $506,369 which was offset by purchase of marketable securities of $670,678 and purchase of property, plant and equipment of $117,417.

Liquidity and Financial Position

The Company expects to be financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. No options or warrants were exercised and the Company did not complete an equity offering during the three months ended June 30, 2016. 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".

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30 2016, the Company is compliant with TSXV Policy 2.5.

During fiscal 2016, the Company's corporate head office costs are estimated to average $350,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Head office costs exclude exploration expenses. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

Based on the Company working capital of $3,766,006 at June 30, 2016 (December 31, 2015 - $3,960,146), it is anticipated the Company will have sufficient funds to fund its remaining exploration budget of $47,500, plans for its oil and gas prospects of $15,000, current liabilities of $285,799 and estimated remaining operating expenses of $700,000 ($350,000 per quarter), for fiscal 2016.

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

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

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

See "Risk Factors".

Outlook

The Company intends to continue exploring properties that have the potential to contain economic deposits of gold or silver and/or other metals, as well as economic deposits of oil and gas. In addition, management will review project submissions, and conduct independent research, for projects in such jurisdictions and commodities as it may consider prospective.

For the immediate future, Deveron 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.

There is no assurance that equity capital will be available to the Company in the future in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. See "Risk Factors" below.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please do refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2015, available on SEDAR at www.sedar.com as well as additional risks factors for Deveron as outlined below:

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 products, 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 may experience significant delays in manufacturing and shipping its products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if Deveron loses any of these sources or is required to redesign its products. 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 products.

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

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

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

Transport Canada has acknowledged that the current regulatory regime in Canada has not kept pace with the rapid development in technology and the growing demand for commercial UAS use. In 2010, the Canadian Aviation Regulation Advisory Council ("CARAC") established the Unmanned Aircraft System Program Design Working Group to develop new regulations to increase the safety, scope and regulatory efficiency of commercial UAS applications in Canada. In 2012, the working group released its phase 1 report which outlines the overall proposed revisions to the Canadian regulatory regime. The working group is currently in the process of drafting the revised regulations contemplated in the phase 1 report with the objective of introducing the new regulations before 2017. The new regulations are intended to be consistent with the international UAS regulatory model established by the International Commercial Aviation Organization ("ICAO"). In addition, there exists public concern regarding the privacy implications of Canadian commercial and law enforcement use of small UAS. This concern has included calls to develop explicit written policies and procedures establishing usage limitations.

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

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

Continuing technological changes in the market for Deveron's products could make its products 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.

Deveron's services are complex and could have unknown defects or errors, which may give rise to claims against Deveron, diminish its brand or divert its resources from other purposes.

Deveron's UAS rely on complex avionics, sensors, user-friendly interfaces and tightly integrated, electromechanical designs to accomplish their missions. Despite testing, Deveron's products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by Deveron's customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in Deveron's service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to its reputation, any of which could materially harm Deveron`s results of operations and ability to achieve market acceptance. In addition, increased development and warranty costs could be substantial and could reduce Deveron's operating margins.

The existence of any defects, errors, or failures in Deveron's products or the misuse of Deveron's products could also lead to product liability claims or lawsuits against it. A defect, error or failure in one of Deveron's UAS could result in injury, death or property damage and significantly damage our reputation and support for its UAS in general. Deveron anticipates this risk will grow as its UAS begins to be used in Canadian domestic airspace and urban areas. While Deveron's PosiCharge industrial EV charging systems include certain safety mechanisms, these systems can deliver up to 600 amps of current in their application, and the failure, malfunction or misuse of these systems could result in injury or death. Deveron's passenger and fleet electric and HEV charging systems and power cycling and test systems also have the potential to cause injury, death or property damage in the event that they are misused, malfunction or fail to operate properly due to unknown defects or errors.

Although Deveron maintains insurance policies, it cannot provide assurance that this insurance will be adequate to protect Deveron from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all. A successful product liability claim could result in substantial cost to Deveron. Even if Deveron is fully insured as it relates to a claim, the claim could nevertheless diminish Deveron's brand and divert management's attention and resources, which could have a negative impact on our business, financial condition and results of operations.

Deveron may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit its ability to use certain technologies in the future.

Deveron may become subject to claims that our services and technologies infringe upon the intellectual property or other proprietary rights of third parties. Any claims, with or without merit, could be time-consuming and expensive, and could divert management's attention away from the execution of our business plan. Moreover, any settlement or adverse judgment resulting from these claims could require Deveron to pay substantial amounts or obtain a license to continue to use the disputed technology, or otherwise restrict or prohibit Deveron's use of the its technology. Deveron cannot be assured that it would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that we would be able to develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license to use a suitable alternative technology to permit us to continue offering, and our customers to continue using, our affected service. An adverse determination also could prevent us from offering our products to others. Infringement claims asserted against us may have a material adverse effect on our business, results of operations or financial condition.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim 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 unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance 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 Venture Issuer Basic Certificate filed by the Company 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 such certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim 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 such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Events After the Reporting Period

(i) On July 8, 2016, the Company granted 150,000 stock options to a consultant of the Company at an exercise price of $0.14, expiring on July 8, 2018.

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

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

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

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

(v) On July 26, 2016, Deveron's announced that it had 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.