DEVERON UAS CORP.
(FORMERLY DEVERON RESOURCES LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Deveron UAS Corp. (formerly Deveron Resources Ltd.) ("Deveron" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2017 and 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as of March 27, 2018, unless otherwise indicated.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

Forward-looking statements	Assumptions	Risk factors
Development of Deveron's new business in the deployment of Unmanned Aerial Systems ("UAS", "UAV" or, more commonly, "drones") sector will be positive	Financing will be available for the deployment of UAS sector	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending December 31, 2018 The Company expects to incur further losses in the development of its business Should the Company not raise sufficient capital or have adequate profits (defined as revenues less expenses), it may cease to be a reporting issuer	The operating activities of the Company for the twelve-month period ending December 31, 2018, and the costs associated therewith, will be consistent with Deveron's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Deveron	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
Greencastle Resources Ltd. ("Greencastle") will not demand payment of its loan to Deveron	Since Deveron and Greencastle have common management and for the long-term investment benefit of Greencastle, Greencastle will not demand repayment of the loan payable	The Board of Greencastle demands repayment of the loan payable
As set out in this MD&A, Deveron will require approximately $725,000 to be used to achieve its objectives and milestones	Actual costs of the various line items of the budget are consistent with the costs that management anticipates	Costs could vary from management's expectations

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

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

Description of Business

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

At present, Deveron is a drone data services company providing farmers with the opportunity to increase yields and reduce costs through the use of sophisticated UAS, sensors, software and analytics. The service offering is targeted at farmers, agricultural retailers and independent agronomists using drones and sensors. The Company provides a strong value proposition to farmers through reduced costs and/or increased yields by optimizing input costs such as water, fertilizer and pesticides. On July 19, 2016, Deveron's common shares started trading on the Canadian Securities Exchange ("CSE") under the symbol "DVR". The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

Operational Highlights

Corporate

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

The purchaser will pay a total cash purchase price of $0.32 per Boreal share after the payment of certain obligations of Boreal. Such amounts are to be paid in three tranches over a 12 month period, which could be extended by the purchaser to a 24 month period as follows:

- $0.03 per share immediately after December 30, 2016 ("Effective Date") (received in January 2017);
- $0.12 per share on or before the six-month anniversary of the Effective Date [(1)] (received in October 2017); and
- $0.17 per share on or before the one-year anniversary of the Effective Date, which could be extended to the second anniversary of the Effective Date.

[(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.

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.

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

During the year ended December 31, 2017, Deveron recorded a gain on long-term investment of $360,000 in the consolidated statements of comprehensive loss, being the amount of consideration for the second tranche of $0.12 per Boreal share.

On March 6, 2017, 10,500 warrants with an exercise price of $0.20 and an expiry date of December 23, 2017 were exercised for cash proceeds of $2,100.

During the year ended December 31, 2017, the share exchange agreement (the "Acquisition") to acquire the shares of 2487473 Ontario Inc. ("Eagle Scout") was amended to remove the additional consideration to issue one common share for each $1 of gross revenue earned during the four fiscal years ending after the Acquisition ("Additional Payment Shares") up to a maximum of 1 million common shares, which resulted in a gain on debt settlement of $240,000 recorded in the consolidated statement of comprehensive income (loss). This amendment was made because in Q1 2017, Greencastle agreed to provide an option to purchase one million shares of the Company at $0.30 to the Head - UAS Agriculture of the Company. In consideration of this new arrangement, the Company paid a consulting fee to Greencastle of $175,000.

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.

As consideration for the services provided for the first tranche, the agents received a cash commission equal to in the aggregate of $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.

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. Each unit is comprised of one common share and one-half of one common share purchase warrant.

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. 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 second tranche.

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.

In August 2017, the Company received $50,000 from New Gold Inc. following its acquisition of the earlier agreement between Deveron and Parlane Resource Corp. The Parlane agreement dated August 1, 2016 laid out the terms for the sale of Deveron's interest in the Nechako gold exploration Property.

On September 28, 2017, 50,000 stock options with an exercise price of $0.25 expired unexercised.

On November 20, 2017, 500,000 stock options with an exercise price of $0.25 and an expiry date of November 29, 2017 were exercised for cash proceeds of $125,000.

On November 21, 2017, 350,000 stock options with an exercise price of $0.25 and an expiry date of November 29, 2017 were exercised for cash proceeds of $87,500.

On November 22, 2017, the Company granted 3,560,000 incentive stock options to certain directors, officers and advisors to the Company, pursuant to the Company's stock option plan, at an exercise price of $0.365 per share, expiring on November 22, 2022.

On November 23, 2017, the Company announced that it established an Advisory Board with the initial appointments of Dr. Ian Grant and David F. Masotti. Dr. Grant and Mr. Masotti bring with them a tremendous amount of experience and success in agriculture, technology, and capital markets.

On November 28, 2017, 175,000 stock options with an exercise price of $0.25 and an expiry date of November 29, 2017 were exercised for cash proceeds of $43,750.

On November 29, 2017, 75,000 stock options with an exercise price of $0.25 expired unexercised.

On December 11, 2017, the Company welcomed agriculture industry leaders Art Froehlich and David Sippell to the Company's Advisory Board. Mr. Froehlich and Mr. Sippell have a tremendous amount of experience and success in bringing new technologies to agriculture in North America.

On December 20, 2017, 130,550 warrants with an exercise price of $0.20 and an expiry date of December 23, 2017 were exercised for cash proceeds of $26,110.

On February 23, 2018, the Company completed a non-brokered private placement through the issuance of 8,180,172 units of the Company for gross proceeds of $2,863,060. Refer to Subsequent Event section for more details.

On February 23, 2018, the Company completed a non-brokered private placement through the issuance of 8,180,172 units of the Company for gross proceeds of $2,863,060. Refer to Subsequent Event section for more details.

On March 22, 2018, the Company completed a non-brokered private placement through the issuance of 1,161,714 units of the Company for gross proceeds of $406,599. Refer to Subsequent Event section for more details.

UAS Update

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

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 3, 2017, the Company announced that it commenced flying for the 2017 agricultural season in Canada. Deveron also announced that it ordered additional drones, multispectral sensors and hired additional licensed pilots to service key agricultural communities in Canada.

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.

On July 4, 2017, the Company announced that it will be flying more farm acres with drones in collaboration with FS PARTNERS ("FSP"), a division of GROWMARK, Inc. FSP is a leading agronomy service provider in Ontario with six hubs that span across the province. FSP will now offer Deveron's on-demand drone data service to its customers across Ontario.

On July 20, 2017, the Company announced that it begun working with a global leader in the crop protection industry using drones to support their production activities. The project has commenced in Ontario using the Company's growing network of standardized drones and sensors. The pilot study will run through to the completion of the 2017 grow season. The goal of the pilot study is to continue to validate the positive applications of drone data in farming. Deveron is handling all data collection, processing and logistics for the pilot study.

On August 25, 2017, the Company announced that a trial program of drone‐data collection for one of Canada's largest and most progressive agricultural producers had commenced. The drone data collected by Deveron, specifically focused on higher value crops, will be used to support its customer's research opportunities in western and Atlantic Canada.

On September 25, 2017, the Company announced that Bonduelle North America Long Life has selected Deveron as their Preferred Partner for drone data collection.

On November 15, 2017, The Climate Corporation, a subsidiary of Monsanto Company (NYSE: MON), announced a partnership with Deveron, that will deliver to farmers advanced aerial imagery data combined with powerful analytics through The Climate Corporation's industry-leading Climate FieldView™ digital agriculture platform. The addition of Deveron supports Climate's commitment to deliver a true digital ag ecosystem where farmers can access a broad, interconnected set of tools, services and data to optimize all of their farm management decisions.

On January 8, 2018, the Company announced that it retained leading investor relations firm First Canadian Capital Corp. ("First Canadian") to provide investor relations and strategic communications services to broaden the Company's investor base and enhance on-going investor communications.

First Canadian will provide investor relations, market awareness and consulting services to the Company. In consideration of providing these services, First Canadian will receive a monthly fee of $6,000, for an initial term of 3 months, renewing thereafter monthly until terminated on thirty days notice. In addition, the Company granted First Canadian an option to purchase 300,000 common shares of the Company at an exercise price of $0.365 per common share, with a quarter of the options vesting immediately and balance vesting quarterly and expiring after two years.

The Company continues to develop a drone data network to provide on-demand, field level data to enterprises in the agricultural industry. The focus of the Company is to work with leading hardware, sensor and analytics providers to provide a scalable solution for using drones on the farm. Deveron continues to develop relationships with leadings players in the agricultural space that see the value of working with a service based, standardized drone network.

Trends

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

Major Shareholder and Related Party Transactions

Major shareholder

The Company was controlled by Greencastle. At December 31, 2017, Greencastle owned and/or exercised control over 8,329,005 common shares (December 31, 2016 – 9,228,005 common shares) of Deveron, representing approximately 33.6% (December 31, 2016 – 51.73%) of the issued and outstanding common shares of the Company. The remaining 66.4% (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 33.6% (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.

Related party transactions

During the year ended December 31, 2017, the Company incurred professional fees of $36,594 (year ended December 31, 2016 - $37,889) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli is president. Mr. Marrelli is the ("Chief Financial Officer") of Deveron. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2017, Marrelli Support is owed $9,080 (December 31, 2016 - $8,834) and this amount is included in amounts payable and other liabilities.

During the year ended December 31, 2017, the Company incurred professional fees of $18,001 (year ended December 31, 2016 - $13,702) to DSA Corporate Services Inc. ("DSA"), an organization of which Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2017, DSA is owed $1,550 (December 31, 2016 - $748) and this amount is included in amounts payable and other liabilities.

During the year ended December 31, 2017, the Company also incurred legal fees of $88,991 (year ended December 31, 2016 - $45,522) to Irwin Lowy LLP for legal services. Chris Irwin is the controlling party of Irwin Lowy LLP and a director of Deveron. Included in the December 31, 2017 amounts payable and other liabilities is $7,236 due to Irwin Lowy LLP (December 31, 2016 - $28,241).

During the year ended December 31, 2017, salaries and benefits of $130,000 (year ended December 31, 2016 - $110,000) were paid to the Chief Executive Officer ("CEO") and director of the Company. Included in the December 31, 2017 amounts payable and other liabilities is $491 due to the CEO and director of the Company (December 31, 2016 - $2,025).

During the year ended December 31, 2017, salaries and benefits of $15,000 (year ended December 31, 2016 - $nil) were paid to a director of its parent company, Greencastle.

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

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

In connection with the second tranche completed on June 2, 2017, the following transaction occurred:

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

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 $2,306,521, 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 December 31, 2017 is $500,000 due to Greencastle (December 31, 2016 - $500,000). For the year ended December 31, 2017, interest of $40,986 (year ended December 31, 2016 - $34,864) was recorded and included in interest expense in the consolidated statements of comprehensive loss. Included in December 31, 2017 amounts payable and other liabilities is $10,712 due to Greencastle (December 31, 2016 - $nil) for interest payable.

During the year ended December 31, 2017, the Company incurred rent expense of $30,000 (year ended December 31, 2016 - $45,000) to Greencastle which is included in office and general in the consolidated statements of comprehensive loss. Included in December 31, 2017 amounts payable and other liabilities is $8,475 due to Greencastle (December 31, 2016 - $nil) for rent payable.

During the year ended December 31, 2017, the Company incurred corporate development service expense of $23,000 (year ended December 31, 2016 - $45,000) to Greencastle which is included in business development in the consolidated statements of comprehensive loss.

During the year ended December 31, 2017, the Company incurred consulting expense of $175,000 (year ended December 31, 2016 - $nil) to Greencastle which is included in consulting fees in the consolidated statements of comprehensive loss. The consulting fee of $175,000 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. Further to the above, the Company's fully diluted share structure was reduced by 1 million shares as Greencastle has assumed the option to purchase one million shares of the Company at $0.30 to the Head - UAS Agriculture of the Company.

During the year ended December 31, 2017, the Company reimbursed salaries and benefits of $nil (year ended December 31, 2016 - $39,000) to Greencastle which is included in salaries and benefits in the consolidated statements of comprehensive loss.

During the year ended December 31, 2017, the Company paid $nil (year ended December 31, 2016 - $15,000) to Greencastle for management fees for warrants exercised which is included in share issue costs.

Proposed Transactions

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

Outlook

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

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

Selected Annual Financial Information

The following is selected financial data derived from the audited annual consolidated financial statements of the Company as at December 31, 2017, 2016 and 2015 and for the years then ended.

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Total revenues	$209,022	$44,297	$nil
Total loss	$(1,585,750)	$(521,770)	$(793,323)
Net loss per share – basic	$(0.07)	$(0.04)	$(0.07)
Net loss per share – diluted	$(0.07)	$(0.04)	$(0.07)
	As at December 31, 2017	**As at December 31, 2016**	**As at December 31, 2015**
Total assets	$2,306,521	$1,062,079	$40,667
Total non-current financial liabilities	$nil	$nil	$nil
Distribution of cash dividends	$nil	$nil	$nil

- The net loss for the year ended December 31, 2017, consisted primarily of (i) share-based payments of $867,922; (ii) salaries and benefits of $329,748; (iii) shareholder relations of $241,533; (iv) consulting fees of $175,000; (v) business development of $169,843; (vi) depreciation of $158,914; (vii) professional fees of $99,054; (viii) discontinued operations income of $50,000; and (viii) other working capital expenditures incurred to maintain the operations of the Company which was offset by (i) net drone income of $56,724; (ii) gain on long-term investments of $360,000; and (iii) gain on debt settlement of $240,000.

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

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

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

Selected Quarterly Information

Three Months Ended	Total Revenue ($)	Profit or Loss: Total ($)	Profit or Loss: Basic and Diluted Loss Per Share ($) [9]	Total Assets ($)
2016-March 31	-	(56,830) [1]	(0.00)	86,852
2016-June 30	-	(230,297) [2]	(0.02)	793,159
2016-September 30	-	(166,765) [3]	(0.01)	999,550
2016-December 31	44,297	(67,878) [4]	(0.00)	1,062,079
2017-March 31	-	80,243 [5]	0.00	925,452
2017-June 30	80,033	(620,203) [6]	(0.03)	2,349,442
2017-September 30	94,840	81,488 [7]	0.00	2,352,494
2017-December 31	34,149	(1,127,278) [8]	(0.04)	2,306,521

Notes:

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

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

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

(4) The Company's net loss totaled $67,878 for the three months ended December 31, 2016, with basic and diluted loss per share of $0.00. Activities for the three months ended December 31, 2016, principally involved shareholder relations of $23,275 pertaining to regulatory filing fees and consulting fees; professional fees of $25,111, representing costs incurred for general legal,

accounting and audit services; interest expenses of $14,240; depreciation of $15,331; gain on long-term investments of $90,000 from the tendering of Boreal; and office and general of $8,446.

(5) The Company's net income totaled $80,243 for the three months ended March 31, 2017, with basic and diluted income per share of $0.00. Activities for the three months ended March 31, 2017, principally involved salaries and benefits of $46,627; shareholder relations of $35,661 pertaining to regulatory filing fees; professional fees of $12,549; representing costs incurred for general legal, accounting and audit services; interest expenses of $9,863; depreciation of $16,268; travel expense of $10,538; office and general of $16,363; cost of services of $11,888; which was offset by gain on debt settlement of $240,000.

(6) The Company's net loss totaled $620,203 for the three months ended June 30, 2017, with basic and diluted loss per share of $0.03. Activities for the three months ended June 30, 2017, principally involved shareholder relations of $161,306 pertaining to regulatory filing fees; professional fees of $39,456, representing costs incurred for general legal, accounting and audit services; salaries and benefits of $124,427; interest expenses of $9,973; depreciation of $36,334; travel expenses of $18,644; consulting fees of $175,000; business development of $48,916; office and general of $43,623; cost of services of $42,557; which was offset by drone income of $80,033.

(7) The Company's net income totaled $81,488 for the three months ended September 30, 2017, with basic and diluted income per share of $0.00. Activities for the three months ended September 30, 2017, principally involved shareholder relations of $22,246 pertaining to regulatory filing fees; professional fees of $18,017, representing costs incurred for general legal, accounting and audit services; salaries and benefits of $91,200; interest expenses of $10,438; travel expenses of $21,580; depreciation of $53,084; office and general of $59,867; and cost of services of $90,313; which was offset by drone income of $94,840; gain on long-term investment of $360,000; and income from discontinued operations of $50,000.

(8) The Company's net loss totaled $1,127,278 for the three months ended December 31, 2017, with basic and diluted loss per share of $0.04. Activities for the three months ended December 31, 2017, principally involved share-based payments of $867,922; salaries and benefits of $67,494; business development of $64,320; shareholder relations of $22,320 pertaining to regulatory filing fees and consulting fees; professional fees of $29,032, representing costs incurred for general legal, accounting and audit services; interest expenses of $16,766; depreciation of $53,228; office and general of $11,154; and cost of services of $14,029 which was offset by drone income of $34,149.

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

Discussion of Operations

Year ended December 31, 2017, compared with year ended December 31, 2016

Deveron's net loss totaled $1,585,750 for year ended December 31, 2017, with basic and diluted loss per share of $0.07. This compares with a net loss of $521,770 with basic and diluted loss per share of $0.04 for the year ended December 31, 2016. The increase of $1,063,980 in net loss was principally due to the following:

- Drone income increased by $164,725 for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is attributable to the new business of the Company since the Acquisition during the year ended December 31, 2016.

- Cost of services increased by $76,137 for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is attributable to direct costs (such as salaries and benefits, travel fees, software, office and general, drone maintenance, drone data collection and consulting fees) incurred to generate drone income which is the new business of the Company since the Acquisition during the year ended December 31, 2016.

- Professional fees increased by $4,905 for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is attributable to increased corporate activity requiring external professional support.

- Interest expense increased by $10,933 for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is attributable to the loan due to Greencastle.

- Office and general increased by $67,681 for the year ended December 31, 2017, compared to the year ended December 31, 2016, and consisted of costs such as advertising and promotion, supplies, internet, rent and bank service charges.

- Salaries and benefits increased by $183,718 for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is attributable to the Company hiring a higher number of employees during the current year compared to the comparative period.

- Shareholder relations increased by $101,554 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is attributable to higher consulting services required by the Company during the current year.

- Travel expenses increased by $31,577 for year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is attributable to higher corporate activity requiring travel by management and employees.

- Depreciation increased by $114,335 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is attributable to depreciation recorded on computer equipment and drones acquired during the current and prior year.

- Business development increased by $169,843 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is attributable to research done by the Company which required external business development support.

- Share-based payments increased by $806,802 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is due to the timing of expensing the estimated fair value of stock options granted in prior and current periods. The Company expenses its stock options in accordance with the vesting terms of the stock options granted.

- Discontinued operations increased by $3,600 for the year ended December 31, 2017 compared to the year ended December 31, 2016. Discontinued operations consist of operations related to mineral exploration. Since the Acquisition on July 14, 2016, the business of the Company was changed from mineral exploration to the drone data services sector. The increase is due to the receipt of the option payment of $50,000 as part of the sale agreement for the Nechako Property to Parlane during the year ended December 31, 2017, compared to $50,000 payment from

Parlane during the year ended December 31, 2016, which was offset by exploration and evaluation expenditures of $3,600.

- Gain on long-term investments increased by $270,000 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is attributable to tendering of Boreal shares.

- Gain on debt settlement increased by $240,000 for year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is attributable to the amendment of the share exchange agreement (the "Acquisition") to acquire the shares of 2487473 Ontario Inc., which was amended to remove the additional consideration to issue one common share for each $1 of gross revenue earned during the four fiscal years ending after the Acquisition. This amendment was made because in Q1 2017, Greencastle agreed to provide an option to purchase one million shares of the Company at $0.30 to the Head - UAS Agriculture of the Company. In consideration of this new arrangement, the Company paid a consulting fee to Greencastle of $175,000.

- Consulting fees increase by $175,000 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is due to the consulting fee paid to Greencastle as explained above for the new arrangement.

- All other expenses related to general working capital expenditures.

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

Three months ended December 31, 2017, compared with three months ended December 31, 2016

Deveron's net loss totaled $1,127,278 for three months ended December 31, 2017, with basic and diluted loss per share of $0.04. This compares with a net loss of $67,878 with basic and diluted loss per share of $0.00 for the three months ended December 31, 2016. The increase of $1,059,400 in net loss was principally due to the following:

- Drone income increased by $33,177 for the three months ended December 31, 2017, compared to the three months ended December 31, 2016. The increase is attributable to the new business of the Company since the Acquisition during the year ended December 31, 2016.

- Cost of services decreased by $62,132 for the three months ended December 31, 2017, compared to the three months ended December 31, 2016. The decrease is attributable to direct costs (such as salaries and benefits, travel fees, software, office and general, drone maintenance and drone data collection) incurred to generate drone income which is the new business of the Company since the Acquisition during the year ended December 31, 2016.

- Salaries and benefits increased by $74,656 for the three months ended December 31, 2017, compared to the three months ended December 31, 2016. The increase is attributable to the Company hiring a higher number of employees during the current year compared to the comparative period.

- Travel expenses increased by $11,714 for three months ended December 31, 2017 compared to the three months ended December 31, 2016. The increase is attributable to higher corporate activity requiring travel by management and employees.

- Depreciation increased by $37,897 for the three months ended December 31, 2017 compared to the three months ended December 31, 2016. The increase is attributable to depreciation recorded on computer equipment and drones acquired during the current and prior year.

- Business development increased by $64,320 for the three months ended December 31, 2017 compared to the three months ended December 31, 2016. The increase is attributable to research done by the Company which required external business development support.

- Share-based payments increased by $867,922 for the three months ended December 31, 2017 compared to the three months ended December 31, 2016. The increase is due to the timing of expensing the estimated fair value of stock options granted in prior and current periods. The Company expenses its stock options in accordance with the vesting terms of the stock options granted.

- Gain on long-term investments decreased by $90,000 for the three months ended December 31, 2017 compared to the three months ended December 31, 2016. The increase is attributable to tendering of Boreal shares.

- All other expenses related to general working capital expenditures.

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

Deveron's total assets at December 31, 2017 were $2,306,521 (December 31, 2016 - $1,062,079) against total liabilities of $671,780 (December 31, 2016 - $554,316). The increase in total assets of $1,244,442 resulted from cash received from the sale of Boreal, cash received from the sale of the Nechako Property, net cash received from the completion of private placements in the amount of $1,800,346, cash received from exercise of warrants in the amount of $28,210, cash received from exercise of stock options in the amount of $256,250, which was offset by acquisition of property, plant and equipment of $318,137 and cash spent on operating costs. The Company does have sufficient current assets to pay its existing liabilities of $671,780 at December 31, 2017.

Cash Flow

At December 31, 2017, the Company had cash of $1,147,869. The increase in cash of $939,535 from the December 31, 2016 cash balance of $208,334 was a result of cash outflow in operating activities of $1,237,134, cash inflow from investing activities of $41,863 and cash inflow from financing activities of $2,084,806. Operating activities were affected by depreciation of $158,914, gain on debt settlement of $240,000, share-based payments of $867,922, gain on long-term investments of $360,000, net income from discontinued operations of $50,000 and net change in non-cash working capital balances of $28,220 because of an increase in amounts receivable and other assets of $145,684, an increase in amounts payable and other liabilities of $81,948 and an increase in deferred revenue of $35,516. Investing activities were affected by the acquisition of property, plant and equipment of $318,137 and proceed from long-term investments of $360,000. Financing activities were affected by proceeds from the private placements of $2,024,976, proceeds from the exercise of warrants of $28,210, proceeds from the exercise of stock options of $256,250 which was offset by share issue costs of $224,630.

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. The Company completed a first and second tranche of a private placement for total cash proceeds of $2,024,976 during the year ended December

31, 2017. Subsequent to year end, the Company completed a private placement for total cash proceeds of $2,863,060. In addition, there were 141,050 warrants and 1,025,000 stock options exercised for total cash proceeds of $284,460 during the year ended December 31, 2017. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

As at December 31, 2017, the Company had a working capital of $778,695 (December 31, 2016 – working capital deficit of $189,060). The Company's continuing operations are dependent on its ability to secure equity and/or debt financing.

In the following 12-month period, the business objective of Deveron is to further establish credibility and gain market awareness of the service offering to growers in Canada and select other operating regions in the United States. Deveron intends to do this by accomplishing the following business objectives:

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

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

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

(d) Build infrastructure for processing and storing data.

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

Event	Cost	Spent	Timing
Continued development of on-demand UAS data network	$300,000	$nil	12 months
Additional Pilot Training	$25,000	$nil	12 months
Ongoing Marketing Campaign	$150,000	$nil	12 months
Data Infrastructure Investment	$50,000	$nil	12 months
Product Feasibility Testing with Partners	$200,000	$nil	12 months
Total	**$725,000**	**$nil**	

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

In addition, the Company has made a $600,000 investment in Boreal for a 13.6% interest, to assist Boreal in pursuing its business plan of producing and selling its agromineral fertilizers and soil amendment products. The plan projected that Boreal will produce future cash flows, which can be distributed to its shareholders through dividends although this is not anticipated in the near term. As this was unlikely, the Company took an impairment charge of $599,999 on the Boreal investment at December 31, 2015. Current management efforts are focused on selling the company and assets to a group which has the potential to sell most of the production offshore. In December 2016, the Company tendered 100% of its shareholdings in Boreal, by exercising their Dissent Rights, to an offer from a third party to acquire 100% of Boreal by Plan of Arrangement. The obligations of the Boreal and the Parties to complete the arrangement are subject to the fulfillment of certain mutual conditions precedent, including: (a) the arrangement shall have been duly approved by the Boreal shareholders; (b) the court shall have approved the arrangement by granting the interim order and final order; (c) the Ministry Consent will have been received; (d) no person has filed or communicated to the Parties that they intend to file an appeal of the final order; (e) no governmental entity shall have enacted, issued, promulgated, enforced or entered any law which is then in effect and has the effect of making the arrangement illegal or otherwise preventing or prohibiting consummation of the arrangement; and (f) the arrangement agreement shall not have been terminated in accordance with its terms. There are additional obligations of the Parties to complete the arrangement. However such additional conditions may be waived in whole or in part by the Parties. The purchaser will pay a total cash purchase price of $0.32 per Boreal share after the payment of certain obligations of Boreal. Such amounts are to be paid in three tranches over a 12 month period, which could be extended by the purchaser to a 24 month period as follows:

- $0.03 per share immediately after the Effective Date (received in January 2017);
- $0.12 per share on or before the six-month anniversary of the Effective Date (1) (received in October 2017); and
- $0.17 per share on or before the one-year anniversary of the Effective Date, which could be extended to the second anniversary of the Effective Date.

(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.

Based on the rate of expenditure above, the Company will have to raise equity capital in fiscal 2018 or increase profits (defined as revenues less expenses) in amounts sufficient to fund operations. The major variables are expected to be the success of the Company's drone business and its ability to continue to access capital to fund its ongoing operations. See "Events after Reporting Period" below.

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

Discontinued Operations

As a result of the Acquisition on July 14, 2016, the business of the Company was changed from mineral exploration to the drone data service sector. Therefore, all operations related to mineral exploration were transferred to discontinued operations.

There were no assets or liabilities for discontinued operations as at December 31, 2017 and 2016.

Discontinued operations for the periods presented include:

Statement of Comprehensive Loss	**Year Ended December 31, 2017 ($)**	**Year Ended December 31, 2016 ($)**
Exploration and evaluation expenditures	nil	(3,600)
Property option revenue	50,000	50,000
Total discontinued operations	**50,000**	**46,400**

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

Change in Accounting Policies

Revenue recognition

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. The Company early adopted IFRS 15 with a date of initial application of January 1, 2017, resulting in no impact on its consolidated financial statements.

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

The Company generates revenue by providing drone data services to Canadian agricultural enterprises.

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 has assessed the impact of this pronouncement and has concluded that the impact to the consolidated financial statements of the adoption will be immaterial.

(ii) 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.

Off-Balance-Sheet Arrangements

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

Share Capital

As at the date of this MD&A, the Company had a total of 32,969,372 common shares issued and outstanding. An additional 18,896,807 common shares are subject to issuance pursuant to the following: 4,260,000 stock options and 14,636,807 outstanding warrants. Each stock option will be exercisable to acquire one common share at a prices that range from $0.25 to $0.365 per common share with expiry dates ranging from July 14, 2019 to November 22, 2022. Each warrant will be exercisable to acquire one common share at prices that range from $0.30 to $0.50 per common share with expiry dates ranging from June 23, 2018 to February 23, 2020.

Capital Management

The Company includes equity, comprising issued share capital, shares to be issued, reserves and deficit, in the definition of capital, which as at December 31, 2017, totaled an equity of $1,634,741 (December 31, 2016 – $507,763).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its research and development costs and devote resources to identifying and commercializing new services. To secure the additional capital necessary to continue with its operating and research and development activities, the Company may attempt to raise additional funds through the issuance of debt or equity.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting capital spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

There were no changes in the Company's objective, process, policies and approach to capital management during the year ended December 31, 2017 and 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Financial Instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada and amounts receivable from drone income. Sales tax receivable is in good standing as of December 31, 2017. Management believes that the credit risk with respect to these amounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2017, the Company had cash of $1,147,869 (December 31, 2016 - $208,334) to settle current liabilities of $671,780 (December 31, 2016 - $554,316). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms except for the amount due to related party which bears interest at prime plus two percent and is due on demand. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

On July 1, 2016, the Company obtained a $500,000 loan from Greencastle. The loans bears interest at prime annual rate plus 5.3%, calculated on a monthly basis. The principal and unpaid interest shall become due and be paid in full on demand.

The Company obtained its financing through the equity market. Negative trends in the general equity market and the fall in commodity prices can adversely impact the Company's ability to obtain financing at favorable terms. If the Company cannot obtain the necessary financing to fund its operating and exploration activities, the Company might not be able to continue as a going concern entity.

There can be no assurance that additional financing or shareholder loans from Greencastle, if and when required, will be available or on terms acceptable to the Company.

Market risk

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

<u>Interest rate risk</u>

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. As at December 31, 2017, the Company did not have any surplus cash in high yield savings accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. The Company is exposed to interest rate risk on the amount due to related party bearing interest at prime rate plus 5.3% per annum.

Foreign currency risk

Deveron's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, Deveron's exposure to foreign currency risk is minimal.

Price risk

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

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) The amount due to related party is subject to interest rate risk. The promissory note of $500,000 obtained from Greencastle on July 1, 2016, bears an annual interest of prime plus 5.3%. As at December 31, 2017, if interest rates had decreased/increased by 1% with all other variables held constant, it would affect the reported loss and comprehensive loss for the year ended December 31, 2017, by approximately $5,000.

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

Risk Factors

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

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

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

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

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

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

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

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

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

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

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

Transport Canada has acknowledged that the current regulatory regime in Canada has not kept pace with the rapid development in technology and the growing demand for commercial UAS use. In 2010, the Canadian Aviation Regulation Advisory Council established the Unmanned Aircraft System Program Design Working Group to develop new regulations to increase the safety, scope and regulatory efficiency of commercial UAS applications in Canada. In 2012, the working group released its phase 1 report which outlines the overall proposed revisions to the Canadian regulatory regime. The working group drafted and published the proposed changes for the revised regulation (phase 1) and is currently reviewing all comments received as part of the consultation process. The working group expect to publish the final regulations (phase 2) before 2017. The new regulations are intended to be consistent with the international UAS regulatory model established by the International Commercial Aviation Organization. In addition, there exists public concern regarding the privacy implications of Canadian commercial and law enforcement use of small UAS. This concern has included calls to develop explicit written policies and procedures establishing usage limitations.

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

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

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

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

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

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

Disclosure of Internal Controls

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

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

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

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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

Additional Information

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

Events After The Reporting Period

(i) On January 8, 2018, the Company announced that it retained leading investor relations firm First Canadian to provide investor relations and strategic communications services to broaden the Company's investor base and enhance on-going investor communications.

First Canadian will provide investor relations, market awareness and consulting services to the Company. In consideration of providing these services, First Canadian will receive a monthly fee of $6,000, for an initial term of 3 months, renewing thereafter monthly until terminated on thirty days notice. In addition, the Company granted First Canadian an option to purchase 300,000 common shares of the Company at an exercise price of $0.365 per common share, with a quarter of the options vesting immediately and balance vesting quarterly and expiring after two years.

(ii) On February 23, 2018, the Company completed a non-brokered private placement through the issuance of 8,180,172 units of the Company for gross proceeds of $2,863,060.

Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.50 per common share for a period of 24 months from the date of closing.

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

As consideration for the services provided by finders in connection with the closing of the private placement, finders received cash commissions equal to the aggregate of 6% of subscription proceeds and an aggregate of 6% compensation warrants. Each compensation warrant will entitle the holder to purchase one common share of the Company at a price of $0.35 per common share for a period of 24 months from the date of closing.

Pursuant to the completion of the private placement led by Gravitas Securities Inc. ("Gravitas"), the Company entered into an advisory agreement with Gravitas (the "Advisory Agreement"). In connection with the Advisory Agreement, the Company agreed to grant 500,000 stock options to Gravitas. Each option will entitle Gravitas to purchase one common share of the Company at a price of $0.37 per common share pursuant to a vesting period over 12 months from the date of the Advisory Agreement.

(iii) On March 22, 2018, the Company completed a subsequent non-brokered private placement through the issuance of 1,161,714 units of the Company for gross proceeds of $406,599.

Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.50 per common share for a period of 24 months from the date of closing.

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

As consideration for the services provided by finders in connection with the closing of the private placement, finders received cash commissions equal to the aggregate of 6% of subscription proceeds and an aggregate of 6% compensation warrants. Each compensation warrant will entitle the holder to purchase one common share of the Company at a price of $0.35 per common share for a period of 24 months from the date of closing.

Additional Disclosure for Entities without Significant Revenue

Operating expenses	Year Ended December 31, 2017 ($)	Year Ended December 31, 2016 ($)
Share-based payments	867,922	61,120
Salaries and benefits	329,748	146,030
Shareholder relations	241,533	139,979
Consulting fees	175,000	180
Business development	169,843	nil
Depreciation	158,914	44,579
Office and general	137,496	69,815
Professional fees	99,054	94,149
Travel	65,924	34,347
Interest expense	47,040	36,107
Gain on debt settlement	(240,000)	nil
Gain on long-term investments	(360,000)	(90,000)
Total	**1,692,474**	**536,306**