



DRONE DELIVERY CANADA CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Drone Delivery Canada Corp. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim 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 consolidated interim 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 by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The financial statements have not been reviewed by the Company's auditors.

Drone Delivery Canada Corp.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

As at	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 16,347,214	\$ 18,897,345
Amounts receivable	1,332,751	812,854
Prepaid expenses (Note 11)	121,450	270,251
	17,801,415	19,980,450
Equipment (Note 4)	85,126	63,180
Patents (Note 3)	428,560	307,005
TOTAL ASSETS	\$ 18,315,101	\$ 20,350,635
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 456,429	\$ 892,799
Commitment (Note 5)		
EQUITY		
Share capital (Note 6)	35,379,224	25,771,813
Share-based payments reserve	9,141,223	5,715,365
Deficit	(26,661,775)	(12,029,342)
	17,858,672	19,457,836
TOTAL LIABILITIES AND EQUITY	\$ 18,315,101	\$ 20,350,635

Nature of Operations (Note 1)**Approved on Behalf of the Board:**

"Tony Di Benedetto"
Director

"Richard Buzbuzian"
Director

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

Drone Delivery Canada Corp.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
OPERATING EXPENSES				
Advertising and promotion	\$ 638,266	\$ 342,641	\$ 2,465,456	\$ 676,429
Amortization	5,736	7,838	13,232	15,676
Consulting (Note 11)	285,820	391,610	834,524	1,199,066
Interest and bank charges	624	(117)	3,547	4,681
Office and general (Note 11)	409,888	41,340	959,411	463,147
Professional fees (Notes 11)	27,408	17,335	73,614	165,224
Shareholder information	140,114	35,332	246,682	105,167
Research and development	988,870	385,384	3,229,959	1,499,532
Share-based compensation	2,623,997	243,597	6,806,008	243,597
NET LOSS AND COMPREHENSIVE LOSS	\$(5,120,723)	\$(1,464,960)	\$(14,632,433)	\$(4,372,519)
Basic and diluted loss per share (Note 9)	\$ (0.03)	\$ (0.01)	\$ (0.09)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	161,538,842	122,419,301	158,005,017	116,700,301

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

Drone Delivery Canada Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

	Number of Shares	Common Shares	Share Subscriptions Received	Share-based Payments Reserve	Deficit	Total
Balance, December 31, 2016	90,952,549	\$4,977,302	\$ -	\$ 56,586	\$ (3,665,745)	\$ 1,368,143
Issuance of special warrants	-	-	-	9,981,272	-	9,981,272
Exercise of special warrants	31,144,000	6,195,719	-	(6,195,719)	-	-
Exercise of warrants - cash	362,863	50,802	-	-	-	50,802
Exercise of warrants - valuation	-	29,791	-	(29,791)	-	-
Issuance of broker warrants	-	(572,053)	-	572,053	-	-
Stock based compensation	-	-	-	243,597	-	243,597
Net loss for the period	-	-	-	-	(4,372,519)	(4,372,519)
Balance, September 30, 2017	122,459,412	\$10,681,561	\$ -	\$ 4,627,998	\$ (8,038,264)	\$ 7,271,295
Balance, December 31, 2017	147,893,239	\$25,771,813	\$ -	\$ 5,715,365	\$(12,029,342)	\$ 19,457,836
Exercise of warrants - cash	13,256,470	5,927,261	-	-	-	5,927,261
Exercise of warrants - valuation	-	3,199,610	-	(3,199,610)	-	-
Exercise of options - cash	600,000	300,000	-	-	-	300,000
Exercise of options - valuation	-	180,540	-	(180,540)	-	-
Stock based compensation	-	-	-	6,806,008	-	6,806,008
Net loss for the period	-	-	-	-	(14,632,433)	(14,632,433)
Balance, September 30, 2018	161,749,709	\$35,379,224	\$ -	\$ 9,141,223	\$(26,661,775)	\$ 17,858,672

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

Drone Delivery Canada Corp.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)****For the Nine Months Ended September 30,****2018****2017****CASH (USED IN) PROVIDED BY:****OPERATING ACTIVITIES**Net loss for the period **\$ (14,632,433)** **\$ (4,372,519)**

Items not affecting cash:

Amortization **13,232** 15,676Stock-based compensation **6,806,008** 243,597

Net change in non-cash working capital:

Amounts receivable **(519,897)** (207,044)Prepaid expenses **148,801** (123,081)Accounts payable and accrued liabilities **(435,730)** (202,274)**(8,620,019)** (4,645,645)**INVESTING ACTIVITIES**Acquisition of equipment **(35,178)** (10,253)Acquisition of patents **(121,555)** (153,627)**(156,733)** (163,880)**FINANCING ACTIVITIES**

Repayment of loan - (50,000)

Proceeds from exercise of options **300,000** -Proceeds from exercise of warrants **5,926,621** 50,801

Issuance of special warrants - 9,981,272

6,226,621 9,982,073**CHANGE IN CASH****(2,550,131)** 5,172,548**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD****18,897,345** 1,210,315**CASH AND CASH EQUIVALENTS, END OF PERIOD****\$ 16,347,214** **\$ 6,382,863***The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

1. NATURE OF OPERATIONS

Drone Delivery Canada Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company is a developmental technology company with a focus on designing, developing and implementing a commercially viable drone delivery system within the Canadian geography. The Company's principal office is located at 6175 Highway 7, Unit 10, Vaughan, Ontario L4H 0P6.

As at September 30, 2018, the Company had cash and cash equivalents of \$16,347,214 (December 31, 2017 - \$18,897,345) and working capital of \$17,344,986 (December 31, 2017 - \$19,087,651). Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and its liabilities for the ensuing twelve months as they normally fall due.

On June 6, 2016, the Company completed an amalgamation transaction with Drone Delivery Canada Inc. and changed its name to Drone Delivery Canada Corp. On June 16, 2016, the Company commenced trading on the Canadian Securities Exchange under the symbol FLT.

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 29, 2018.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, Drone Delivery Canada Inc.. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Drone Delivery Canada Corp.
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2. ACCOUNTING POLICIES (Continued)

New Accounting Standards

- (i) IFRS 9 – Financial instruments (“IFRS 9”) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010, November 2013 and finalized in July 2014. It replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value through profit or loss and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations, unless this creates an accounting mismatch. IFRS 9 has also been updated to amend the requirements around hedge accounting. However, there is no impact to the Company from these amendments as it does not apply hedge accounting. On January 1, 2018, the Company adopted these amendments.

The new hedge accounting guidance had no impact on the Company's unaudited condensed interim financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Below is a summary showing the classification and measurement bases of the financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

There was no impact on the Company's unaudited condensed interim financial statements as result of adopting IFRS 9.

- (ii) IFRS 15 - Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures.

The standard supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts, and a number of revenue related interpretations. The new standard will apply to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. The Company adopted this standard on January 1, 2018, with no impact on its condensed interim consolidated financial statements.

- (iii) In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

3. PATENTS

Balance, December 31, 2016	\$	108,549
Additions		198,456
Balance, December 31, 2017	\$	307,005
Additions		121,555
Balance, September 30, 2018	\$	428,560
Accumulated Depreciation		
Balance, December 31, 2016 and December 31, 2017	\$	-
Depreciation		-
Balance, September 30, 2018	\$	-
Carrying Value		
At December 31, 2017	\$	307,005
At September 30, 2018	\$	428,560

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

4. EQUIPMENT

Cost	Automobile	Lab	Office	Total
Balance, December 31, 2016	\$ 8,750	\$ 9,652	\$ 79,909	\$ 98,311
Additions	-	-	4,612	4,612
Balance, December 31, 2017	\$ 8,750	\$ 9,652	\$ 84,521	\$ 102,923
Additions	-	19,768	15,410	35,178
Balance, September 30, 2018	\$ 8,750	\$ 29,420	\$ 99,931	\$ 138,101

Accumulated Depreciation

Balance, December 31, 2016	\$ 1,750	\$ 5,926	\$ 20,594	\$ 28,270
Depreciation	1,400	745	9,328	11,473
Balance, December 31, 2017	\$ 3,150	\$ 6,671	\$ 29,922	\$ 39,743
Depreciation	1,050	3,090	9,092	13,232
Balance, September 30, 2018	\$ 4,200	\$ 9,761	\$ 39,014	\$ 52,975

Carrying Value

At December 31, 2017	\$ 5,600	\$ 2,981	\$ 54,599	\$ 63,180
At September 30, 2018	\$ 4,550	\$ 19,659	\$ 60,917	\$ 85,126

5. COMMITMENT

On January 1, 2016, the Company entered into an office lease agreement with a corporation controlled by a director to lease office space at \$ 57,000 to \$ 60,750 per year. The lease commenced on January 1, 2016 and expires on January 1, 2021.

6. CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common and special shares, without par value

7. STOCK OPTIONS

The following table reflects the continuity of stock options for then nine months ended September 30, 2018 and 2017:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2016	153,750	\$ 0.56
Granted	6,500,000	0.50
Expired	(33,750)	1.12
Balance - September 30, 2017	6,620,000	\$ 0.50
Balance, December 31, 2017	8,770,000	0.50
Granted	7,320,000	1.57
Exercised	(600,000)	0.50
Balance - September 30, 2018	15,490,000	\$ 1.06

Drone Delivery Canada Corp.

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(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

7. STOCK OPTIONS (Continued)

The following table reflects options outstanding as at September 30, 2018:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Options Outstanding
January 8, 2019	\$ 0.40	0.28 years	120,000
July 20, 2022	0.65	3.81 years	6,500,000
September 20, 2022	0.50	3.98 years	1,550,000
January 5, 2023	1.00	4.27 years	2,020,000
March 2, 2023	1.80	4.42 years	5,300,000
	\$ 1.06	4.07 years	15,490,000

On January 5, 2018, the Company granted 2,020,000 incentive stock options to directors, officers, employees and consultants of the Company. The options are exercisable at \$1.00 per share, expire January 5, 2023, and vest at a rate of one third every six months from the date of grant. The resulting fair value of \$1,398,244 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 105.11%; a risk-free interest rate of 1.97% and an expected life of 5 years.

On March 2, 2018, the Company granted 5,300,000 incentive stock options to directors, officers, employees and consultants of the Company. The options are exercisable at \$1.80 per share, expire March 2, 2023, and vest at a rate of one third every six months from the date of grant. The resulting fair value of \$7,453,920 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility from 111.06%; a risk-free interest rate of 2.01% and an expected life of 5 years.

8. WARRANTS

The following table reflects the continuity of warrants for the nine months ended September 30, 2018 and 2017:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2016	456,463	\$ 0.14
Issued	17,752,080	0.45
Exercised	(362,863)	0.14
Balance - September 30, 2017	17,845,680	\$ 0.45
Balance, December 31, 2017	16,897,853	0.45
Exercised	(13,368,070)	0.45
Expired	(19,503)	0.45
Balance - September 30, 2018	3,510,280	\$ 0.46

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

8. WARRANTS (Continued)

The following table reflects warrants outstanding as at September 30, 2018:

Expiry Date	Exercise Price	Weighted Average Life Remaining	Warrants Outstanding	Black-Scholes Value
February 28, 2019	0.35	0.41 years	2,180,080	572,053
October 25, 2019	0.65	1.07 years	1,330,200	517,314
	\$ 0.46	0.66 years	3,510,280	\$ 1,089,367

On January 24, 2018, the Company elected to accelerate the expiry of the February 28, 2019 \$0.45 common share purchase warrants ("Warrants"). Pursuant to the terms of the warrant indenture ("Warrant Indenture"), as amended, governing the Warrants, the expiry of the Warrants may be accelerated should the volume weighted average price at which the common shares trade on the CSE or such other Canadian stock exchange on which the Common Shares are trading, exceed \$1.00 for 10 consecutive trading days at any time following the date of issuance of the Warrants, the Company may give notice to the holders of the Warrants that the Warrants shall expire on the date which is 30 calendar days following the date of such notice and a press release is issued by the Company on the same date of such notice given to the holders of the Warrants announcing the amended expiry date. During the period, 13,223,170 of these warrants were exercised, yielding \$5,950,427 in cash proceeds. 19,503 of the warrants expired unexercised.

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the three and nine months ended September 30, 2018.

10. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current period financial statement presentation.

Drone Delivery Canada Corp.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

11. RELATED PARTY TRANSACTIONS AND BALANCES

- a) During three and nine months ended September 30, 2018, the Company incurred \$70,500 and \$211,500, respectively plus HST (three and nine months ended September 30, 2017 - \$57,000 and \$159,000, respectively) in service fees, to a corporation controlled by a director, for developing the business operations strategy of the Company. As at September 30, 2018, \$23,500 is included in prepaids (December 31, 2017 - \$19,000) pertaining to these fees. During the three and nine months ended September 30, 2018, the Company incurred \$52,500 and \$157,500, respectively plus HST (three and nine months ended September 30, 2017 - \$39,000 and \$105,000) in consulting fees, to a corporation controlled by the Vice President, for developing the business operations strategy of the Company. As at September 30, 2018, included in prepaids is \$17,500 (December 31, 2017 - \$13,000) pertaining to these fees. During the three and nine months ended September 30, 2018, the Company incurred \$70,500 and \$211,500, respectively plus HST (three and nine months ended September 30, 2017 - \$57,000 and \$159,000, respectively) in consulting fees, to a corporation controlled by the Chief Executive Officer for consulting fees. As at September 30, 2018, \$23,500 is included in prepaids (December 31, 2017 - \$19,000) pertaining to these fees. During the three and nine months ended September 30, 2018, the Company incurred \$70,500 and \$211,500, respectively plus HST (three and nine months ended September 30, 2017 - \$57,000 and \$159,000, respectively) in consulting fees, to the president of the Company for consulting fees. As at September 30, 2018, \$23,500 is included in prepaids (December 31, 2017 - \$19,000) pertaining to these fees.
- b) As at September 30, 2018, \$907 (December 31, 2017 - \$907) is included in accounts payable and accrued liabilities to the chief executive officer and chief technology officer for expense and equipment purchase reimbursements.
- c) During the three and nine months ended September 30, 2018, rent of \$16,000 and \$41,600 respectively (net of a \$6,400 rent adjustment recovery) (three and nine months ended September 30, 2017 - \$14,850 and \$49,800) was paid to a company controlled by an officer who is also a director of the Company. As at September 30, 2018, \$nil was included in accounts payable and accrued liabilities (December 31, 2017 - \$nil).
- d) During the three and nine months ended September 30, 2018, legal fees of \$6,848 (three and six months ended September 30, 2017 - \$17,766 and \$160,998, respectively) were paid to a law firm in which a director of the Company is a partner. As at September 30, 2018, \$4,766 was included in accounts payable and accrued liabilities (December 31, 2017 - \$4,737).
- e) During the three and nine months ended September 30, 2018, the Company expensed \$5,926 and \$19,094, respectively (three and nine months ended September 30, 2017 - \$8,545 and \$27,152 to Marrelli Support Services Inc. ("Marrelli Support"), The Canadian Venture Building Inc., and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:
 - (i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
 - (ii) Bookkeeping and office support services;
 - (iii) Regulatory filing services
 - (iv) Executive office rental

The Marrelli Group is also reimbursed for out of pocket expenses.

As of September 30, 2018, the Marrelli Group was owed \$2,864 (December 31, 2017 - \$2,963). These amounts are included in accounts payable and accrued liabilities.

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