

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-55504

UAS Drone Corp.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

47-3052410

(I.R.S. Employer Identification No.)

420 Royal Palm Way, Suite 100

Palm Beach, FL 33480

(Address of Principal Executive Offices)

Registrant's Telephone Number: (561) 693-1424

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging Growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 10, 2017, there were 1,172,544 shares of common stock, par value \$0.0001, of the registrant issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

UAS Drone Corp.

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UAS DRONE CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	As of March 31, 2017	As of December 31, 2016
CURRENT ASSETS:	(Unaudited)	
Cash	\$ 7,398	\$ -
Inventories, net	9,852	9,852
Prepaid expense	27,500	26,250
Total current assets	44,750	36,102
Total assets	\$ 44,750	\$ 36,102

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Bank overdraft	\$ -	\$ 13
Accounts payable	21,722	15,212
Accrued expenses	59,823	51,123
Note payable	11,395	19,804
Note payable related party, net	18,000	26,107
Convertible notes payable	400,010	400,010
Total current liabilities	510,950	512,269
Convertible note payable	50,005	-
Total liabilities	560,955	512,269

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' DEFICIT:

Common stock, \$0.0001 par value: 100,000,000 shares authorized; 1,172,544 shares issued and outstanding at March 31, 2017, and December 31, 2016	117	117
Additional paid-in capital	127,828	122,964
Accumulated deficit	(644,150)	(599,248)
Total stockholders' deficit	(516,205)	(476,167)
Total liabilities and stockholders' deficit	\$ 44,750	\$ 36,102

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

UAS DRONE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	<u> </u>	<u> </u>
OPERATING EXPENSES:		
General and administrative	\$ 9,854	\$ 14,760
Professional fees	<u>25,482</u>	<u>114,688</u>
Total Operating Expenses	<u>35,336</u>	<u>129,448</u>
LOSS FROM OPERATIONS	<u>(35,336)</u>	<u>(129,448)</u>
OTHER EXPENSE:		
Interest expense	<u>(9,566)</u>	<u>(6,225)</u>
Total Other Expense	<u>(9,566)</u>	<u>(6,225)</u>
LOSS BEFORE INCOME TAXES	<u>(44,902)</u>	<u>(135,673)</u>
INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (44,902)</u>	<u>\$ (135,673)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE	<u>\$ (0.04)</u>	<u>\$ (0.12)</u>
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	<u>1,172,544</u>	<u>1,129,871</u>

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

UAS DRONE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Three Months Ended March 31, 2017</u>	<u>Three Months Ended March 31, 2016</u>
Cash Flows from Operating Activities		
Net loss	\$ (44,902)	\$ (135,673)
Adjustments to reconcile net loss to net cash used in operating activities:		
Issuance of stock options for board services	4,864	2,326
Award of common stock for board services	-	52,500
Imputed interest expense	342	-
Change in assets and liabilities:		
Accounts receivable	-	(1,013)
Prepaid expenses	(1,250)	8,750
Accounts payable	6,510	25,754
Accrued expense	8,700	4,500
Net Cash Used in Operating Activities	<u>(25,736)</u>	<u>(42,856)</u>
Cash Flows from Financing Activities:		
Overdraft on bank account	(13)	
Payments on insurance financing	(8,409)	(8,410)
Proceeds from convertible note payable, stockholder	50,005	-
Proceeds from sale of common stock	-	38,766
Advances from stockholder	6,551	-
Re-payment of advances from stockholder	(15,000)	-
Net Cash Provided by Financing Activities	<u>33,134</u>	<u>30,356</u>
Net Increase (Decrease) in Cash	7,398	(12,500)
Cash at Beginning of Period	-	14,075
Cash at End of Period	<u>\$ 7,398</u>	<u>\$ 1,575</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the periods for:		
Interest	\$ <u>524</u>	\$ <u>225</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

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

UAS DRONE CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS

UAS Drone Corp. (“the Company”) was incorporated under the laws of the State of Nevada on February 4, 2015. The Company began limited operations on February 11, 2015. Prior to the Company’s formation, the operations were functioning under Unlimited Aerial Systems, LLP (UAS LLP). UAS LLP was formed under the laws of the State of Louisiana on August 22, 2014. Effective March 31, 2015, the Company completed a reverse merger with UASLLP. The reverse merger was accounted for as a reverse capitalization. Accordingly, the accompanying consolidated financial statements represent the historical assets, liabilities, and results of operations of UAS LLP.

The Company is engaged in the production and sale of Unmanned Aerial Systems, commonly referred to as drones. The Company’s principal operations will include the production and sale of drones. The Company will work with law enforcement agencies and tailor its products to the specific needs of the law enforcement community, and has entered into two agreements with Havis for the manufacturing and distribution of the Company’s products. The Company also has an arrangement with a drone flight training group, under which management is gaining key operational and performance data to improve the product and make it more appealing to our core customer demographic.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These condensed consolidated financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States. The Company’s financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 fiscal year end.

Principles of consolidation

The accompanying consolidated financial presented reflect the accounts of UAS Drone Corp. and UAS LLP. All significant inter-company transactions have been eliminated in consolidation.

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America (“U.S.”) as promulgated by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and with the rules and regulations of the U.S Securities and Exchange Commission (“SEC”) for interim financial information. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results for the periods shown. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or for any future period. The information included in these unaudited condensed consolidated financial statements should be read in conjunction with Management’s Discussion and Analysis and Results of Operations contained in this report and the audited consolidated financial statements and accompanying notes for the period ended December 31, 2016, as filed with the SEC on March 28, 2017.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include evaluation of obsolete inventory, valuation of stock options granted and valuation for awards of common stock.

UAS DRONE CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents. At March 31, 2017, the Company had no cash balance in excess of federally insured limits.

Inventory

Inventory consist of the Company's finished goods and is stated as the lower of cost or market, using the FIFO method of inventory, net of reserves for excess, obsolete, damaged, or slow moving items. Inventory consists of the following:

	March 31, 2017	December 31, 2016
Raw materials	\$ 4,320	\$ 4,320
Finished goods	15,193	15,193
Allowance for obsolescence	(9,661)	(9,661)
Total inventory	<u>\$ 9,852</u>	<u>\$ 9,852</u>

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, consisting of accounts payable, notes payable and the current portion of convertible notes payable approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

Revenue Recognition

The Company is in the business of selling unmanned aerial systems (drones). The sale of drones are recognized upon shipment of the product only if no significant Company obligations remain, the fee is fixed or determinable, and collection is received or the resulting receivable is deemed probable. On October 21, 2015, the Company entered into two agreements with a distributor who will provide both manufacturing and distribution services for its products to the law enforcement sector in the United States. The manufacturing agreement has a five-year term with successive three-year renewal terms, and provides a framework for development of marketing materials, warranty and service programs, training, and risk mitigation, among other material terms. Upon termination of the agreement, the Company shall repurchase any or all merchantable inventory of the Quadrotor drones on hand with the distributor at the prices paid to UAS. During 2017, the Company has not sold any products to this distributor.

Income Taxes

A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When required, the Company records a liability for unrecognized tax positions, defined as the aggregate tax effect of differences between positions taken on tax returns and the benefits recognized in the financial statements. Tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. No tax benefits are recognized for positions that do not meet this threshold

We recognize interest and penalties related to unrecognized tax benefits on the interest expense line and other expense line, respectively, in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related liability lines in the unaudited condensed consolidated balance sheet.

UAS DRONE CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Loss per Share

The basic loss per share is calculated by dividing our net loss by the weighted average number of common shares during the period. The diluted earnings (loss) per share is calculated by dividing our net loss by the diluted weighted average number of shares outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. As of March 31, 2017 1,156,825 shares underlying the convertible debt and 30,000 shares underlying stock options have been excluded from the calculation of diluted loss per share because their impact was anti-dilutive.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On July 9 2015, the FASB agreed to delay the effective date by one year; accordingly, the new standard is effective for us beginning in the first quarter of 2018 and we expect to adopt it at that time. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method, nor have we determined the impact of the new standard on our consolidated financial statements.

In February 2016, the FASB issued changes to the accounting for leases that primarily affect presentation and disclosure requirements. The new standard will require the recognition of a right to use asset and underlying lease liability for operating leases with an initial life in excess of one year. This standard is effective for us beginning in the first quarter of 2019. We have not yet determined the impact of the new standard on our consolidated financial statements.

Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 3 — GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net losses for the year ended December 31, 2016 and for the three months ended March 31, 2017, and a working capital deficit. This condition raises substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management is planning to raise additional funds through debt or equity offerings. There is no guarantee that the Company will be successful in these efforts.

UAS DRONE CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – RELATED PARTY TRANSACTIONS

During 2016, a stockholder of the Company loaned \$37,182 to the company maturing October 1, 2017 and zero percent interest. During 2016, the Company recorded a discount of \$1,312 on the loan, which was classified as Additional Paid in Capital. The company recorded interest expense of \$342 during the first quarter of 2017. The balance due to the shareholder is carried at \$18,000, net of discount of \$733, as of March 31, 2017.

During January 2017, a stockholder of the Company advanced \$6,551 to the Company, and the advance was repaid on February 7, 2017.

NOTE 5 – NOTES PAYABLE

On April 1, 2015, the Company closed a Subscription Agreement by which one institutional investor purchased an 8% Convertible Debenture having a total principal amount of \$300,000, convertible into common shares of the Company at \$0.33 per share and maturing April 1, 2017. The Company determined that the embedded conversion option did not require bifurcation and liability treatment because the underlying shares were not readily convertible to cash. The Company estimated the fair value of the underlying common stock and determined that the convertible note did not include a beneficial conversion feature. As of March 31, 2017, the balance of the convertible note payable was \$300,000.

On April 1, 2016, the Company closed a convertible debenture by which one institutional investor purchased an 8% Convertible Debenture having a total principal amount of \$100,010, convertible into common shares of the Company at \$1.55 per share and maturing April 1, 2017. The Company determined that the embedded conversion option did not require bifurcation and liability treatment because the underlying shares were not readily convertible to cash. The Company estimated the fair value of the underlying common stock and determined that the convertible note did not include a beneficial conversion feature. As of March 31, 2017, the balance of these convertible notes payable were \$100,010.

On January 27, 2017, the Company closed a convertible debenture by which one institutional investor purchased an 8% Convertible Debenture having a total principal amount of \$50,005, convertible into common shares of the Company at \$1.55 per share and maturing August 1, 2018. The Company determined that the embedded conversion option did not require bifurcation and liability treatment because the underlying shares were not readily convertible to cash. The Company estimated the fair value of the underlying common stock and determined that the convertible note did not include a beneficial conversion feature. As of March 31, 2017, the balance of this convertible note payable was \$50,005.

On September 23, 2016, the Company financed the premium for directors' and officers' insurance. The Company borrowed \$28,098 at 5.54% interest, and the note will be repaid in 10 equal installments of \$2,882. As of March 31, 2017, the balance of the note payable was \$11,395.

NOTE 6 — EQUITY

Common Stock

The Company has authorized 100,000,000 shares of common stock, \$0.0001 par value. As of March 31, 2017, 1,172,544 shares were issued and outstanding.

During the first quarter of 2016, the Company sold 25,844 shares of the Company's common stock at \$1.50 a share, for proceeds of \$38,766.

UAS DRONE CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 — EQUITY - Continued

On January 19, 2016, 25,000 shares of common stock were awarded to the CEO recording expense of \$37,500. On March 4, 2016, the Company issued 20,000 of the 25,000 shares of the common stock. As of December 31, 2016, 5,000 shares are still to be issued by the Company.

On March 4, 2016, the company issued the 20,000 shares of common stock awarded to a board member on October 1, 2015, and recorded the remaining 10,000 shares and \$15,000 of expense for the services provided during 2016.

As of March 31, 2017, the Company accrued liabilities of \$3,300 for refunds that will be returned to prospective investors.

Stock Options

The fair value of option grants during the three months ended March 31, 2017 was determined using the Black-Scholes option valuation model. The significant weighted average assumptions relating to the valuation of the Company's Stock Options for the three months ended March 31, 2017 were as follows:

	2017
Dividend yield.....	0%
Expected life	3.0 yrs.
Expected volatility	105.75
Risk-free interest rate.....	1.50%

A summary of the status of options granted at March 31, 2017, and changes during the period then ended are as follows:

	As of March 31, 2017			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of period.....	25,000	\$ 1.50	2.2 years	\$ —
Granted.....	5,000	1.50	3.0 years	—
Outstanding at end of period.....	30,000	1.50	2.3 years	—
Exercisable at end of period.....	30,000	1.50	2.3 years	—

The Company had 25,000 vested options at the beginning of the period. At March 31, 2017, the Company had 30,000 vested options with a weighted average exercise price of \$1.50.

The total intrinsic value of options exercised during the three months ended March 31, 2017 was \$0. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at March 31, 2017 (for outstanding options), less the applicable exercise price.

During the three months ended March 31, 2017 the company recorded \$4,864 of non-cash compensation expense related to the vested stock options issued to a Director.

NOTE 8 — CONFLICTS OF INTEREST

The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such person(s) may face a conflict in selecting between the Company and his other business interests. The Company has not formulated a policy for the resolution of such conflicts.

UAS DRONE CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 — SUBSEQUENT EVENTS

On April 1, 2017, the two Convertible Notes, issued on April 1, 2015 and April 1, 2016, totaling \$400,010, matured. As the note has not been paid nor extended, the outstanding principal, plus accrued but unpaid interest, liquidated damages and other amounts, became due and payable at the election of the holder. The holder has not made such an election.

On May 2, 2017, a stockholder of the Company advanced \$13,000 to the company for operating purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Safe Harbor Statement.

Statements made in this Form 10-Q which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company, including, without limitation, (i) our ability to gain a larger share of unmanned aerial systems industry, our ability to continue to develop products acceptable to our industry, our ability to retain our business relationships, and our ability to raise capital and the growth of the unmanned aerial systems industry, and (ii) statements preceded by, followed by or that include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets", "tend" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond the Company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, in addition to those contained in the Company's reports on file with the Securities and Exchange Commission (the "SEC"): general economic or industry conditions, nationally and/or in the communities in which the Company conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, changes in the unmanned aerial systems, the development of products that may be superior to the products offered by the Company, competition, changes in the quality or composition of the Company's products, our ability to develop new products, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting the Company's operations, products and prices.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Business Highlights

UAS Drone Corp. (the "Company", "UAS", "we", "us", or similar terms), headquartered in Palm Beach Florida, was founded in 2014 as Unlimited Aerial Systems, LLP ("UAS LLP"). We completed an Asset Purchase Agreement on March 31, 2015, purchasing all the assets and certain liabilities of UAS LLP in exchange for 600,000 shares of our common stock and our assumption of certain liabilities of UAS LLP.

We are a developer and manufacturer of commercial unmanned aerial systems, or drones, with the goal of providing a superior Quadrotor aerial platform at an affordable price point in the law enforcement and first responder markets.

In late 2016, we began working with a flight training company in the western U.S. We sent one of our inventory Quadrotors to them with the intention of: (1) allowing them to use our drone in their training courses, specifically with law enforcement and first responder professionals, (2) obtaining feedback on performance and operating characteristics of our drone with the intention of improving the product for future generations, and (3) seeking sales of additional Quadrotors to this company or its clients. This program has been successful in identifying aspects that we intend on improving in the next generation, including the latest infrared sensors, and creating interest for the sale of our product. We are currently in discussion with this company both to purchase our remaining inventory of current generation drones, and to have them manufacture the next generation of our Quadrotor for sale through their training and sales personnel. If we are able to formalize an agreement, we believe this group will provide an additional manufacturing and sales arm for UAS, for which we may receive sales revenue and/or license fees for our technology.

On October 21, 2015, we entered into two agreements with Havis Inc., of Warminster, Pennsylvania, to provide manufacturing and distribution services for our products. Havis is an 80 year-old privately held, ISO 9001:2008 certified company that manufactures in-vehicle mobile computer and workflow solutions for public safety, public works government agencies and mobile professionals. Havis products are distributed through a nationwide network of resellers and sales representatives in the United States.

Under the Manufacturing Agreement, Havis will manufacture the Company's commercial drone products for the law enforcement sector in the United States. The agreement has a five-year term with successive three-year renewal terms, and lays out a framework for engineering, fulfillment of purchase orders, warehousing and other material terms.

Under the Distribution Agreement, the Company has appointed Havis as its distributor to the law enforcement sector in the United States for the Company's commercial drones. The agreement has a five-year term with successive three-year renewal terms, and provides a framework for development of marketing materials, warranty and service programs, training and risk mitigation, among other material terms. The agreement also provides for sales quotas to be established after the first year of sales, and Havis to brand all drones with its corporate name and logo. No pricing or margins are specified in the agreement.

Our agreements with Havis are currently on hold as we work with the flight training company to advance the product and gain important operational experience with clients that represent the ultimate end users of these drones – law enforcement professionals and first responders. The feedback we receive is expected to go into future generation Quadrotor products, which may then be sold through the Havis network.

We intend to grow our business by providing our Quadrotor to government bodies and agencies, particularly focused on Law Enforcement and Police Agencies. We expect that the Quadrotor may serve as a tool for efficient surveillance and reconnaissance for government bodies and agencies across the United States and internationally. The Law Enforcement sector itself is an industry constantly looking to implement innovative practices to save time and serve citizens to the fullest extent. The Quadrotor can provide a swift and convenient aid to search and rescue missions, crime scene investigations, public safety, monitoring traffic for emergency responders, and other similar activities.

Results of Operations

Three Months Ended March 31, 2017 versus March 31, 2016.

The Company was formed on February 4, 2015 and completed an Asset Purchase Agreement on March 31, 2015, whereby it purchased all the assets and certain liabilities of UAS LLP. In consideration of the sale, transfer, conveyance and assignment of assets, the Company assumed approximately \$43,558 in liabilities and issued 600,000 "unregistered" and "restricted" shares of its common stock to the principals of UAS LLP, who, collectively owned approximately 55% of the Company's issued and outstanding shares at the time of closing.

During the three months ended March 31, 2017 and the year ended December 31, 2016, the Company did not sell any drones.

During the three months ended March 31, 2017, the Company incurred \$35,336 of expenses compared to \$129,448 for the three months ended March 31, 2016. The expenses for 2017 were primarily for director fees, legal fees, audit fees, and non-cash expense for the issuance of common stock and vesting of stock options. The decrease was the result of less spending for consulting fees.

UAS's net loss was \$44,902 for the three months ended March 31, 2017, versus \$135,673 for the same period in 2016.

Liquidity and Capital Resources.

Cash on hand was \$7,398 at March 31, 2017. Cash used by operations for the three months ended March 31, 2017, was \$25,736 versus \$42,856 for the same period in 2016. The cash used was for legal and accounting fees, board fees and consulting fees.

The cash on hand is not sufficient to fund operations for the next twelve months. While there can be no guarantees, the Company plans to raise additional capital to fund its operations.

During January 2017, a Shareholder loaned \$6,551 to the Company for operating purposes. The loan was repaid during February 2017.

On January 27, 2017, the Company closed a convertible debenture by which one institutional investor purchased an 8% Convertible Debenture having a total principal amount of \$50,005, convertible into common shares of the Company at \$1.55 per share and maturing August 1, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), which we refer to as disclosure controls, are controls and procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the EC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Acting Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any control system. A control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are met. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

As of March 31, 2017, an evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer and the Acting Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls. Based upon that evaluation, the Chief Executive Officer and the Acting Chief Financial Officer concluded that, as of such date, the design and operation of these disclosure controls were not effective to accomplish their objectives at the reasonable assurance level.

Management identified the following weaknesses, which were deemed to be material weaknesses in internal controls:

1. Due to the size of the Company and available resources, there are limited personnel to assist with the accounting and financial reporting function, which results in a lack of segregation of duties.
2. The Company does not have a full time Chief Executive Officer nor Chief Financial Officer that can oversee day to day operations and the financial reporting function.
3. The Company does not have an Independent Audit Committee that can provide management oversight.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), occurred during the fiscal quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We have no material pending legal or administrative proceedings to which we or any of our subsidiaries are a party or of which any property is the subject.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarterly period ended March 31, 2017, the Company did not offer or sell any equity securities that were not registered under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Mine Safety Disclosures.

None; not applicable.

Item 5. Other Information.

(a) None; not applicable.

(b) During the quarterly period ended March 31, 2017, there were no changes to the procedures by which shareholders may recommend nominees to the Company's Board of Directors.

Item 6. Exhibits.

Exhibit No.	Description
31.1	302 Certification of Grant A. Begley
31.2	302 Certification of Scott Kahoe
32	906 Certification.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UAS DRONE CORP.

Date: 5/12/17

By: /s/ Grant A. Begley
Grant A. Begley
Chief Executive Officer and Director

Date: 5/12/17

/s/ Scott Kahoe
Scott Kahoe
Acting Chief Financial Officer