
DEVERON CORP.
(FORMERLY DEVERON UAS CORP.)
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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

	As at September 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,128,756	\$ 6,217,046
Accounts receivable (note 4)	1,047,617	688,341
Prepays and other receivables	290,166	134,416
Total current assets	9,466,539	7,039,803
Non-current assets		
Property, plant and equipment (note 5)	1,574,543	255,448
Right-of-use assets (note 6)	1,116,248	211,016
Goodwill (note 3)	10,110,140	1,867,305
Total non-current assets	12,800,931	2,333,769
Total assets	\$ 22,267,470	\$ 9,373,572
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable (notes 7 and 16)	\$ 505,140	\$ 298,215
Accrued and other current liabilities	615,595	406,547
Lease liabilities (note 9)	310,303	101,342
Other financial liabilities - contingent consideration (note 10)	764,460	-
Total current liabilities	2,195,498	806,104
Non-current liabilities		
Lease liabilities (note 9)	834,400	106,027
Loans payable (note 8)	228,104	183,880
Deferred revenue	79,212	18,437
Other financial liabilities - contingent consideration (note 10)	1,320,864	-
Total non-current liabilities	2,462,580	308,344
Total liabilities	4,658,078	1,114,448
Shareholders' Equity		
Share capital (note 11(a)(b))	17,593,032	9,970,106
Reserves (notes 3, 12 and 13)	6,751,724	3,010,915
Deficit	(8,544,261)	(4,721,897)
Accumulated other comprehensive income	136,832	-
Shareholders' equity attributable to shareholders	15,937,327	8,259,124
Non-controlling interest (note 3)	1,672,065	-
Total shareholders' equity	17,609,392	8,259,124
Total liabilities and shareholders' equity	\$ 22,267,470	\$ 9,373,572

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

Nature of operations and going concern (note 1)

Events after the reporting period (note 18)

DEVERON CORP. (Formerly Deveron UAS Corp.)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues				
Data collection	\$ 745,068	\$ 451,136	\$ 1,774,994	\$ 1,090,534
Data analytics	862,501	258,598	2,332,379	1,026,487
	1,607,569	709,734	4,107,373	2,117,021
Cost of services				
Cost of services (note 15)	(600,055)	(268,397)	(1,457,060)	(488,616)
Gross margin	1,007,514	441,337	2,650,313	1,628,405
Operating expenses (income)				
Salaries and benefits (note 16)	1,589,940	475,481	3,164,888	1,342,161
Share-based payments (note 12)	78,736	12,428	618,010	94,367
Office and general	533,664	344,791	1,324,845	734,529
Professional fees (note 16)	230,309	46,357	451,006	135,102
Depreciation (notes 5 and 6)	86,085	46,629	212,012	152,719
Business development	12,793	17,094	83,772	39,649
Shareholder relations	21,614	39,544	86,963	78,363
Travel	90,203	29,910	154,374	69,726
Interest expense (note 9 and 10)	41,831	5,956	66,293	16,114
Bad debts	92,565	-	94,792	45,464
Gain on disposition of property, plant and equipment (note 5)	-	-	-	(1,720)
Interest income	(3,205)	(5,051)	(7,172)	(13,708)
Foreign exchange loss (gain)	29,431	-	32,029	-
	2,803,966	1,013,139	6,281,812	2,692,766
Net loss for the period	(1,796,452)	(571,802)	(3,631,499)	(1,064,361)
Other comprehensive income (loss):				
Foreign operations - foreign currency translation	136,832	-	136,832	-
Comprehensive loss for the period	\$ (1,659,620)	\$ (571,802)	\$ (3,494,667)	\$ (1,064,361)
Net loss for the period attributable to:				
Shareholders of the Company	\$ (1,992,487)	\$ (571,802)	\$ (3,827,534)	\$ (1,064,361)
Non-controlling interest	196,035	-	196,035	-
Net loss for the period	\$ (1,796,452)	\$ (571,802)	\$ (3,631,499)	\$ (1,064,361)
Basic and diluted net loss per common share (note 14) - basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	79,281,262	51,738,390	73,006,461	46,669,438

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

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating activities		
Net loss for the period	\$ (3,631,499)	\$ (1,064,361)
Depreciation (notes 5 and 6)	212,012	152,719
Share-based payments (note 12)	618,010	94,367
Interest expense (note 9)	12,251	16,114
Gain on disposition of property, plant and equipment (note 5)	-	(1,720)
Bad debts	94,792	45,464
Foreign exchange	66,305	-
Changes in non-cash working capital items:		
Accounts receivable, prepaids and other receivables	425,887	(171,306)
Accounts payable, accrued and other current liabilities	(382,599)	(258,511)
Deferred revenue	60,775	(14,892)
Lease payments (note 9)	(87,272)	(91,946)
Net cash used in operating activities	(2,611,338)	(1,294,072)
Investing activities		
Cash payment for the acquisition of Farm Dog (note 3)	(126,841)	-
Cash payment for the acquisition of Tana Ag (note 3)	(45,915)	-
Cash payment for the acquisition of Stealth Ag (note 3)	(1,096,564)	-
Cash payment for the acquisition of Woods (note 3)	(1,536,276)	-
Cash payment for the acquisition of Agronomic Solutions (note 3)	(1,083,325)	-
Cash payment for the acquisition of Better Harvest	-	(229,515)
Purchase of property, plant and equipment (note 5)	(395,109)	(83,399)
Proceeds from sale of property, plant and equipment (note 5)	-	16,464
Net cash used in investing activities	(4,284,030)	(296,450)
Financing activities		
Cash acquired from the acquisition of Better Harvest	-	23,582
Proceeds on loans payable	-	105,628
Non-current loan repayment	(13,779)	-
Issue of common shares for private placements (note 11)	8,207,583	1,360,000
Share issue costs	(589,363)	(54,424)
Exercise of warrants	1,120,637	3,850
Exercise of options	82,000	-
Net cash provided by financing activities	8,807,078	1,438,636
Net change in cash and cash equivalents	1,911,710	(151,886)
Cash and cash equivalents, beginning of period	6,217,046	1,277,904
Cash and cash equivalents, end of period	\$ 8,128,756	\$ 1,126,018
Cash	\$ 1,204,412	\$ 468,755
Cash equivalents	6,924,344	657,263
Cash and cash equivalents	\$ 8,128,756	\$ 1,126,018

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

DEVERON CORP. (Formerly Deveron UAS Corp.)**Condensed Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)****(Unaudited)**

	<u>Reserves</u>				
	Share Capital	Warrants	Share-based Payments	Deficit	Total
Balance, December 31, 2019	\$ 5,288,542	\$ 2,204,543	\$ 1,590,889	\$ (5,964,903)	\$ 3,119,071
Common shares issued for private placements (note 11(b)(i)(ii))	1,360,000	-	-	-	1,360,000
Warrants issued for private placements (note 11(b)(i)(ii))	(433,318)	433,318	-	-	-
Share issue costs (note 11(b)(ii))	(90,799)	36,375	-	-	(54,424)
Exercise of warrants	5,517	(1,667)	-	-	3,850
Expiry of warrants	-	(2,204,543)	-	2,204,543	-
Stock options expired and cancelled	-	-	(572,250)	572,250	-
Share-based payments (note 12(vi))	-	-	94,367	-	94,367
Net loss for the period	-	-	-	(1,064,361)	(1,064,361)
Balance, September 30, 2020	\$ 6,129,942	\$ 468,026	\$ 1,113,006	\$ (4,252,471)	\$ 3,458,503

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

DEVERON CORP. (Formerly Deveron UAS Corp.)

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital	Reserves			Shares to be Issued	Deficit	Accumulated Other Comprehensive Income	Non- Controlling Interest	Total
		Warrants	Share-based Payments						
Balance, December 31, 2020	\$ 9,970,106	\$ 2,113,248	\$ 897,667	\$ -	\$ (4,721,897)	\$ -	\$ -	\$ 8,259,124	
Transactions with shareholders:									
Issuance of shares in private placement (note 11(b)(vi))	8,207,583	-	-	-	-	-	-	8,207,583	
Warrants issued (note 11(b)(vi))	(1,649,622)	1,649,622	-	-	-	-	-	-	
Common shares issued pursuant to acquisitions (note 3)	319,870	-	-	1,610,168	-	-	-	1,930,038	
Share issue costs (note 11(b)(vi))	(848,065)	258,702	-	-	-	-	-	(589,363)	
Exercise of warrants (note 11(b)(iv))	1,441,830	(321,193)	-	-	-	-	-	1,120,637	
Exercise of options (note 11(b)(v))	151,330	-	(69,330)	-	-	-	-	82,000	
Stock options cancelled	-	-	(5,170)	-	5,170	-	-	-	
Share-based payments (note 12)	-	-	618,010	-	-	-	-	618,010	
Transactions with shareholders	\$ 7,622,926	\$ 1,587,131	\$ 543,510	\$ 1,610,168	\$ 5,170	\$ -	\$ -	\$11,368,905	
Non-controlling interest	-	-	-	-	(196,035)	-	1,672,065	1,476,030	
Comprehensive loss for the period	-	-	-	-	(3,631,499)	136,832	-	(3,494,667)	
Balance, September 30, 2021	\$17,593,032	\$ 3,700,379	\$ 1,441,177	\$ 1,610,168	\$ (8,544,261)	\$ 136,832	\$ 1,672,065	\$17,609,392	

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

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of business and going concern

Deveron Corp. (formerly Deveron UAS Corp). ("Deveron" or the "Company") was incorporated under the laws of the Province of Ontario on March 28, 2011. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1. On July 19, 2016, Deveron's common shares started trading on the Canadian Securities Exchange ("CSE") under the symbol "DVR".

On August 31, 2020, the Company changed its corporate name from Deveron UAS Corp. to Deveron Corp. The Company's new stock symbol on the CSE is "FARM" and commenced trading under the new name and ticker symbol on market opening on September 3, 2020.

On September 21, 2020, the Company was accepted for listing on the TSX Venture Exchange (the "TSXV") as a Tier 2 issuer, and its common shares commenced trading on September 21, 2020, on the TSXV under the symbol "FARM".

Deveron is an agriculture technology company focused on providing data acquisition services and data analytics to the farming sector in North America. Through its network of drone pilots and soil sampling technicians, the Company is providing scalable data acquisition solutions in the imagery and soil space. Additionally, through its wholly-owned subsidiary Veritas Farm Business Management Inc. ("Veritas"), the Company provides growers in North America with independent insights and recommendations to improve farm outcomes.

On February 19, 2021, the Company completed the acquisition of FD Agro Technologies LLC ("Farm Dog"). Refer to note 3.

On April 6, 2021, the Company completed the acquisition of Woods End Laboratories ("Woods End"). Refer to note 3.

On May 14, 2021, the Company completed the acquisition of Tana Ag Solutions Group, LLC ("Tana Ag"). Refer to note 3.

On May 26, 2021, the Company completed the acquisition of Stealth Ag, Inc. ("Stealth Ag"). Refer to note 3.

On September 8, 2021, the Company completed the acquisition of Agronomic Solutions, Inc ("Agronomic Solutions"). Refer to note 3.

As at September 30, 2021, 11.7% of the Company's issued and outstanding shares are owned by Greencastle Resources Ltd. ("Greencastle").

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in these unaudited condensed interim consolidated financial statements.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of business and going concern (continued)

Going concern (continued)

As at September 30, 2021, the Company had an accumulated deficit of \$8,544,261 (December 31, 2020 - \$4,721,897). Comprehensive loss for the nine months ended September 30, 2021 was \$3,494,667 (nine months ended September 30, 2020 - \$1,064,361). These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the financing necessary to fund its planned revenue growth and working capital requirements.

The Company has raised funds throughout the prior and current fiscal years and has utilized these funds for non-current asset investments and working capital requirements. The ability of the Company to arrange additional financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company, nor achieve desired sales growth. If additional financing is raised by the issuance of common shares from treasury of the Company, control of the Company may change and existing shareholders may have their ownership diluted. If adequate funding is not available, the Company may be required to relinquish rights to certain of its assets and/or terminate its operations.

2. Significant accounting policies

(a) *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim 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 the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 17, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) *Functional and presentation currency*

The Company's functional and presentation currency is the Canadian dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses are recognized in the consolidated statements of income.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant accounting policies (continued)

(b) Functional and presentation currency (continued)

For the purposes of consolidation, assets and liabilities of subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate in effect at the period end. Revenues and expenses of these subsidiaries are translated at the average exchange rate of the month of the transaction. Unrealized gains or losses on translation of these subsidiaries are recognized in other comprehensive income (loss) until the disposal of the foreign operation, when all of the accumulated exchange differences in respect of that operation are reclassified to profit or loss.

(c) New accounting standards adopted

Non-controlling interest

Non-controlling interest represents the minority shareholders' interest in the Company's less than wholly-owned subsidiary. On initial recognition, non-controlling interest is measured at its proportionate share of the acquisition-date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interest for the minority shareholders' share of changes to the subsidiary's equity. Changes in the Company's ownership interest that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

(d) Significant judgments, estimates and assumptions

Business combinations

Management is required to make estimates of the fair value of assets acquired and liabilities assumed in business combinations. Management also makes estimates regarding the amount of the contingent consideration that will be paid. Differences in the estimates could have a significant effect on the carrying value of assets acquired and liabilities assumed.

3. Acquisitions

(i) Acquisition of Farm Dog

On February 19, 2021, the Company acquired Farm Dog. As consideration for the transaction, the Company will issue an aggregate of 294,118 common shares at a price of \$0.64 per common share over a period of two years (98,039 issued on March 5, 2021), and a cash payment of USD \$100,000. All securities issued pursuant to the transaction will be subject to a statutory hold period of four months and one day from the issuance thereof, as applicable, in accordance with the application securities law.

In connection with the transaction, the Company's wholly-owned subsidiary Deveron USA, LLC ("Deveron US") entered into an employment agreement with Liron Brish ("Brish"), whereby Brish would be retained as an employee of Deveron US. Based on the achievement of certain milestones, and pursuant to the Employment Agreement, the Company has agreed to pay USD \$600,000 as follows:

1. USD \$100,000 issuable in common shares in the event that Farm Dog adds 3,000,000 unique active acres within 3 years of the closing date ("Growth Earnout"); and
2. USD \$250,000 issuable in common shares and USD \$250,000 in cash in the event that Farm Dog generates an additional \$5,000,000 in revenue by the end of 2022 ("Revenue Earnout").

DEVERON CORP. (Formerly Deveron UAS Corp.)**Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

3. Acquisitions (continued)**(i) Acquisition of Farm Dog (continued)**

The allocation of the purchase price is as follows:

Purchase price allocation

Issuance of 98,039 common shares (i)	\$	62,745
Cash payment		126,841
Additional 196,079 common shares to be issued (ii)		125,490
Contingent consideration (earnout) (iii)		556,954
Total consideration	\$	872,030

Allocation of purchase price

Goodwill	\$	872,030
Farm Dog net assets acquired	\$	872,030

(i) For the purpose of determining the value of the purchase price consideration, the 98,039 common shares were valued at \$0.64 per share based on Deveron's closing price as of February 19, 2021.

(ii) For the purpose of determining the value of the purchase price consideration, the 196,079 common shares to be issued were valued at \$0.64 per share based on Deveron's closing price as of February 19, 2021 and was recorded as an addition to shares to be issued.

(iii) The fair value of the contingent consideration was determined by discounting the probability-weighted expected payment with a risk-adjusted annual discount rate of 15% to determine the present value of expected payments. The expected payment is determined by considering the possible scenarios of forecast revenue, the amount to be paid under each scenario and the probability of each scenario. The Growth Earnout has a fair value of \$82,512 as of the date of acquisition and was recorded as "shares to be issued". The Revenue Earnout (equity-settled) has a fair value of \$237,221 as of the date of acquisition and was recorded as "shares to be issued". The Revenue Earnout (cash-settled) has a fair value of \$237,221 as of the date of acquisition and was recorded as "other financial liabilities - contingent consideration". Refer to note 10 for accretion on cash-settled earnouts.

(ii) Acquisition of Tana Ag

On May 14, 2021, the Company entered into a definitive agreement (the "Definitive Agreement") to acquire the assets of Tana Ag, an Oklahoma based digital agronomy company focused on soil health and yield improvement. Tana Ag currently services 120,000 acres and has unaudited 2020 revenue of USD \$271,704 and EBITDA of USD \$98,171.

As consideration for the acquisition, Deveron has agreed to:

1. pay Tana Ag an initial cash payment of USD \$37,500 on each of the first two anniversaries of the signing of the Definitive Agreement; and
2. issue such number of common shares in the capital of the Company equal to USD \$37,500 at a price of \$0.82 per common share upon receipt of the approval of the TSXV and an additional number of common shares equal to USD \$27,400 at a price of \$0.82 per common share on each of the first two anniversaries of the signing of the Definitive Agreement.

DEVERON CORP. (Formerly Deveron UAS Corp.)**Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

3. Acquisitions (continued)**(ii) Acquisition of Tana Ag (continued)**

Under the terms of the acquisition if all milestones are met, Deveron has agreed to pay an additional USD \$909,440. Based on the achievement of certain milestones, the remaining USD \$909,440 would be payable as follows:

1. USD \$125,000 in cash and issue such number of common shares equal to USD \$132,880 in the event that during the 12 month period (the "first earn-out period"), following the execution of the agreement, Tana Ag exceeds gross revenue for the prior twelve month period by at least USD \$1,000,000.
2. USD \$150,000 in cash and issue such number of common shares equal to USD \$156,800 in the event that during the 12 month period following the first earn-out period (the "second earn-out period"), Tana Ag exceeds gross revenue for the prior twelve month period by at least USD \$1,000,000.
3. USD \$150,000 in cash and issue such number of common shares equal to USD \$194,760 in the event that during the 12 month period following the second earn-out period, Tana Ag exceeds gross revenue for the prior twelve month period by at least USD \$1,000,000.

The allocation of the purchase price is as follows:

Purchase price allocation

Issuance of 55,335 common shares (i)	\$	45,375
Cash payment		45,915
Additional cash payment to be issued over the next two years		91,830
Additional 110,670 common shares to be issued (ii)		90,749
Contingent consideration (earnouts) (iii)		-
Total consideration	\$	273,869

Allocation of purchase price

Accounts receivable and other assets	\$	26,504
Property, plant and equipment		58,742
Amounts payable and other liabilities		(19,931)
Goodwill		208,554
Tana Ag net assets acquired net of liabilities assumed	\$	273,869

(i) For the purpose of determining the value of the purchase price consideration, the 55,335 common shares were valued at \$0.82 per share based on Deveron's closing price as of May 14, 2021.

(ii) For the purpose of determining the value of the purchase price consideration, the 110,670 common shares to be issued over the next two years (55,335 per year) were valued at \$0.82 per share based on Deveron's closing price as of May 14, 2021 and was recorded as an addition to shares to be issued.

(iii) The fair value of the USD \$909,409 contingent consideration was determined by considering the possible scenarios of forecast revenue, the amount to be paid under each scenario and the probability of each scenario. The most likely scenarios result in gross revenue below the USD \$1,000,000 target in the first and second earnout period, and as such, the additional USD \$909,409 contingent consideration was assigned a fair value of \$nil in the determination of the purchase price allocation.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. Acquisitions (continued)

(iii) Acquisition of Stealth Ag

On May 26, 2021, the Company entered into an agreement to acquire the assets of Stealth Ag. As consideration for the acquisition, Deveron has agreed to:

1. pay Stealth Ag an initial cash payment of USD \$800,000, and repaid Stealth Ag's lender (Southeast Bank) USD \$106,526; an additional USD \$150,000 in cash payments annually over the next two years on the anniversary date ("Anniversary Earnout"); and
2. issue such number of common shares in the capital of the Company equal to USD \$175,000 at a price of \$0.86 per common share and an additional 263,808 common shares equal to USD \$187,500 at a price of \$0.86 per common share on each of the first two anniversaries of the signing of the agreement.

Under the terms of the acquisition if all milestones are met, Deveron has agreed to pay an additional USD \$270,000. Based on the achievement of certain milestones, the remaining USD \$270,000 would be payable as follows:

1. USD \$40,000 in cash and issue such number of common shares equal to USD \$40,000 in the event that during the 12 month period following the execution of the agreement, Stealth Ag gross revenue equals or exceeds USD \$1,000,000 ("2022 Revenue Earnout").
2. USD \$50,000 in cash and issue such number of common shares equal to USD \$50,000 in the event that during the 12 month period following the first earn-out period (the "second earn-out period"), Stealth Ag gross revenue equal or exceeds USD \$1,250,000 ("2023 Revenue Earnout").
3. Issue such number of common shares equal to USD \$90,000 in the event that during the two year period following the second earn-out period, Stealth Ag onboards 400,000 acres from the seller's customer base ("2023 Onboarding Earnout").

The allocation of the purchase price is as follows:

Purchase price allocation

Base purchase price paid in cash on closing	\$	967,707
Repayment of Stealth Ag lender		128,857
Additional cash payment to be issued over the next two years (iii)		294,977
246,221 common shares issued upon closing (i)		211,750
Additional 527,616 common shares to be issued over the next two years (ii)		368,833
Contingent consideration (earnouts) (iii)		258,011
Total consideration	\$	2,230,135

Allocation of purchase price

Accounts receivable and other assets	\$	22,452
Property, plant and equipment		505,009
Amounts payable and other liabilities		(22,060)
Goodwill		1,724,734
Stealth Ag net assets acquired net of liabilities assumed	\$	2,230,135

(i) For the purpose of determining the value of the purchase price consideration, the 246,221 common shares were valued at \$0.86 per share based on Deveron's closing price as of May 26, 2021. These shares were issued on August 30, 2021.

(ii) For the purpose of determining the value of the purchase price consideration, the 527,616 common shares to be issued over the next two years (263,808 per year) were valued at \$0.86 per share based on Deveron's closing price as of May 26, 2021 and was recorded as an addition to shares to be issued.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. Acquisitions (continued)

(iii) Acquisition of Stealth Ag (continued)

(iii) The fair value of the contingent consideration was determined by discounting the probability-weighted expected payment with a risk-adjusted annual discount rate of 15% to determine the present value of expected payments. The expected payment is determined by considering the possible scenarios of forecast revenue, the amount to be paid under each scenario and the probability of each scenario. The fair value of the 2022 and 2023 Earnouts (cash-settled) and Anniversary Earnout is \$382,810 and was recorded as "other financial liabilities - contingent consideration." The fair value of the 2022 and 2023 Earnouts (equity-settled) has a fair value of \$170,178. Refer to note 10 for accretion on cash-settled earnouts.

(iv) Acquisition of Woods End

On April 6, 2021, the Company formed a Joint Venture ("JV") with A&L Canada Laboratories Inc. ("A&L"), and together have acquired the assets of Woods End Laboratories ("Woods End"), a US based leader in agricultural soil health testing. Woods End had 2020 unaudited revenue of USD \$1.8M with EBITDA of USD \$900,000. The Company and A&L have created a JV under the name Woods End which will own 100% of the assets of Woods End and was funded on a pro-rata basis with Deveron owning 51% and A&L owning 49%. The Company and A&L have agreed to purchase the assets of Woods End for USD \$2,250,000 payable on closing, excluding customary holdback provisions, and working capital adjustments.

The allocation of the purchase price is as follows:

Purchase price allocation

Cash paid to Woods End on closing - base purchase price	\$	2,829,266
Working capital adjustment paid on closing		183,039
Total consideration (i)	\$	3,012,305

Deveron 51% interest in Woods End (i)	\$	1,536,275
A&L 49% interest in Woods End (i)		1,476,030
Total consideration	\$	3,012,305

Allocation of purchase price

Accounts receivable and other assets	\$	245,615
Property, plant and equipment		62,873
Amounts payable and other liabilities		(23,746)
Goodwill		2,727,564
Non-controlling interest (i)		(1,476,030)
Woods End net assets acquired net of liabilities assumed (i)	\$	1,536,276

(i) Deveron accounted for its 51% controlling interest in this JV as a business combination, consolidating all of the net assets and income. The Company recorded non-controlling interest, representing A&L's 49% interest in the net assets at the date of acquisition.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. Acquisitions (continued)

(v) Acquisition of Agronomic Solutions

On September 8, 2021, the Company entered into an agreement to acquire the assets of Agronomic Solutions, Inc. ("Agronomic Solutions"). As consideration for the acquisition, Deveron has agreed to:

1. On closing, pay Agronomic Solutions an initial cash payment of USD \$425,000, and an additional USD \$425,000 in cash to be held in escrow ("Escrowed Funds").
2. On closing, the Company issued a promissory note (the "Note") to Agronomic Solutions with a principal amount of USD \$425,000, bearing interest of 4% per year, paid annually. The Note is guaranteed by Deveron.
3. On closing, issue 262,345 common shares in the capital of the Company equal to USD \$141,667 at a price of \$0.68 per common share upon receipt of the approval of the TSXV. The Company has also agreed to issue an additional 524,692 common shares (262,346 per year) equal to USD \$283,334 (\$141,667 per year) at a price of \$0.68 per common share on each of the first two anniversaries of the signing of the Definitive Agreement.

Under the terms of the acquisition if all milestones are met, Deveron has agreed to pay an earnout ("EBITDA earnout"), as additional consideration. Based on the achievement of certain milestones, the remaining earnout would be payable as follows:

1. Agronomic Solutions will receive an amount equal to 100% of the earnings before interest, taxes, depreciation and amortization ("EBITDA") generated by the acquired business from September 8, 2021 to December 31, 2021 ("Earnout period"). The deadline to determine the EBITDA earnout is February 11, 2022. The earnout shall not be paid in the event EBITDA is less than or equal to Zero during the earnout period.
2. The EBITDA was estimated to be USD \$600,000 for the Earnout period. The Company has recorded contingent consideration of \$755,556 (USD \$600,000).

The allocation of the purchase price is as follows:

Purchase price allocation

Base purchase price paid in cash on closing to seller	\$	541,663
Base purchase price paid in cash on closing and placed in escrow ("Escrowed Funds") (iv)		541,662
262,345 common shares issued on closing (i)		178,395
Promissory note		541,663
Additional 524,692 common shares to be issued over the next two years(ii)		356,791
Contingent consideration (earnouts) (iii)		755,556
Total consideration	\$	2,915,730
Allocation of purchase price		
Property, plant and equipment		319,462
Goodwill		2,596,268
Agronomic Solutions net assets acquired net of liabilities assumed	\$	2,915,730

(i) For the purpose of determining the value of the purchase price consideration, the 262,345 common shares were valued at \$0.68 per share based on Deveron's closing price as of September 8, 2021. These shares were not yet issued as of September 30, 2021, and as such was recorded as an addition to shares to be issued.

(ii) For the purpose of determining the value of the purchase price consideration, the 524,692 common shares to be issued over the next two years (262,346 per year) were valued at \$0.68 per share based on Deveron's closing price as of September 8, 2021 and was recorded as an addition to shares to be issued.

(iii) The EBITDA was estimated to be USD \$600,000 for the period September 8, 2021 to December 31, 2021. The Company has recorded contingent consideration of \$755,556 (USD \$600,000).

(iv) The Escrowed funds, together with any accrued but unpaid interest, will be delivered to the seller on September 8, 2023, on the second anniversary of the closing date.

DEVERON CORP. (Formerly Deveron UAS Corp.)**Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

3. Acquisitions (continued)**(vi) Goodwill**

The allocation of the purchase price was recorded as goodwill.

Balance, December 31, 2020	\$ 1,867,305
Addition Farm Dog	872,030
Addition Tana Ag	208,554
Addition Stealth Ag	1,724,734
Addition Woods End	2,727,564
Addition Agronomic Solutions	2,596,268
Foreign exchange	113,685
Balance, September 30, 2021	\$ 10,110,140

(vii) Acquisition of Better Harvest

On May 11, 2020, the Company acquired all the operating assets of Better Harvest, a Texas, United States based agronomy solutions business.

The allocation of the purchase price is as follows:

Purchase price allocation

Cash payment	\$ 229,515
Additional cash payment accrued (i)	139,100
Total consideration	\$ 368,615

Allocation of purchase price

Cash	\$ 23,582
Accounts receivable and other assets	46,968
Inventory	14,088
Property, plant and equipment	74,864
Amounts payable and other liabilities	(230,885)
Goodwill	439,998
Better Harvest net assets received	\$ 368,615

(i) A promissory note of \$139,100 (US\$100,000) payable in equal annual payments of principal and 0.25% interest over the following two years. This amount is included in other liabilities.

(viii) Shares to be issued

The allocation of the shares to be issued is as follows

Balance, December 31, 2020	\$ -
Addition Farm Dog	445,222
Addition Tana Ag	90,749
Addition Stealth Ag	539,011
Addition Agronomic Solutions	535,186
Balance, September 30, 2021	\$ 1,610,168

DEVERON CORP. (Formerly Deveron UAS Corp.)**Notes to Condensed Interim Consolidated Financial Statements**

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

4. Accounts receivable

	As at September 30, 2021	As at December 31, 2020
Accounts receivable	\$ 1,047,617	\$ 688,341

The following is an aged analysis of the accounts receivable:

	As at September 30, 2021	As at December 31, 2020
1 to 60 days	\$ 645,926	\$ 395,425
60 to 90 days	81,547	130,009
Greater than 90 days	320,144	162,907
Total accounts receivable	\$ 1,047,617	\$ 688,341

5. Property, plant and equipment

COST	Equipment	Drones	Vehicles	Total
Balance, December 31, 2020	\$ 287,517	\$ 482,223	\$ 104,671	\$ 874,411
Additions	355,639	-	39,470	395,109
Additions pursuant to the acquisitions (note 3)	773,181	-	172,905	946,086
Foreign exchange	155,502	-	5,406	160,908
Balance, September 30, 2021	\$ 1,571,839	\$ 482,223	\$ 322,452	\$ 2,376,514
ACCUMULATED DEPRECIATION	Equipment	Drones	Vehicles	Total
Balance, December 31, 2020	\$ 120,290	\$ 482,223	\$ 16,450	\$ 618,963
Depreciation	112,858	-	13,755	126,613
Foreign exchange	50,742	-	5,653	56,395
Balance, September 30, 2021	\$ 283,890	\$ 482,223	\$ 35,858	\$ 801,971
CARRYING AMOUNT	Equipment	Drones	Vehicles	Total
Balance, December 31, 2020	\$ 167,227	\$ -	\$ 88,221	\$ 255,448
Balance, September 30, 2021	\$ 1,287,949	\$ -	\$ 286,594	\$ 1,574,543

During the nine months ended September 30, 2020, the Company sold vehicles for cash proceeds of \$16,464 which resulted in a gain on disposition of property, plant and equipment of \$1,720.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

6. Right-of-use assets

	Vehicles	Leasehold improvements	Total
Balance, December 31, 2020	\$ 117,434	\$ 93,582	\$ 211,016
Additions	986,365	-	986,365
Depreciation	(28,210)	(57,189)	(85,399)
Foreign exchange	(26,928)	31,194	4,266
Balance, September 30, 2021	\$ 1,048,661	\$ 67,587	\$ 1,116,248

Vehicles are depreciated over 36 months. Leasehold improvements are depreciated over 72 months.

7. Accounts payable

Accounts payable of the Company are principally comprised of amounts outstanding for purchases relating to general operating activities.

	As at September 30, 2021	As at December 31, 2020
Accounts payable	\$ 505,140	\$ 298,215

The following is an aged analysis of the accounts payable:

	As at September 30, 2021	As at December 31, 2020
1 to 60 days	\$ 170,144	\$ 184,929
61 to 90 days	187,914	-
Greater than 90 days	147,082	113,286
Total accounts payable	\$ 505,140	\$ 298,215

8. Loans payable

(i) During the year ended December 31, 2020, the Company applied for and received loan proceeds in the amount of \$61,869 (US\$49,200) ("PPP Funds") pursuant to the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed by the Company under the PPP is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the 24-week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels. Principal and interest payments on any unforgiven portion of the PPP Funds (the "PPP Loan") will be deferred for six months and will accrue interest at a fixed annual rate of 1%. Additionally, the PPP Loan balance will carry a two-year maturity date. There is no prepayment penalty on the PPP Loan. The PPP Loan was forgiven in full in June 2021.

During the nine months ended September 30, 2021, the Company received aggregate wage subsidies of \$87,831 in connection with Covid-19 government relief programs. In accordance with its accounting policy, the subsidies were recorded in operations.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

8. Loans payable (continued)

(ii) During the year ended December 31, 2020, the Company applied for and received loan proceeds in the amount of \$92,790 from CLE Capital, a lease financing specialist. During the nine months ended September 30, 2021, the Company has repaid \$13,779 (December 31, 2020 - \$11,551). The balance outstanding as of September 30, 2021 is \$72,224.

9. Lease liabilities

Balance, December 31, 2020	\$ 207,369
Additions	986,365
Interest expense	12,251
Lease payments	(87,272)
Foreign exchange	25,990
Balance, September 30, 2021	\$ 1,144,703

Allocated as:

Current	\$ 310,303
Non-current	834,400
Balance, September 30, 2021	\$ 1,144,703

10. Other financial liabilities - contingent consideration

	Farm Dog (i)	Tana Ag (ii)	Stealth Ag (iii)	Agronomic Ag (iv)	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	237,221	91,830	382,810	1,297,219	2,009,080
Accretion expense	20,039	-	18,884	5,245	44,168
Foreign exchange	4,085	3,728	20,775	3,488	32,076
Balance, September 30, 2021	\$ 261,345	\$ 95,558	\$ 422,469	\$ 1,305,952	\$ 2,085,324

(i) On February 19, 2021, the Company acquired Farm Dog. In connection with the transaction, the Company has agreed to pay an additional USD \$750,000 based on the achievement of certain milestones. Refer to note 3.

(ii) On May 14, 2021, the Company acquired Tana Ag. In connection with the transaction, the Company has agreed to pay an additional \$91,830 based on the achievement of certain milestones. Refer to note 3.

(iii) On May 26, 2021, the Company acquired Stealth Ag. In connection with the transaction, the Company has agreed to pay an additional USD \$270,000 based on the achievement of certain milestones. Refer to note 3.

(iv) On September 8, 2021, the Company acquired Agronomic Solutions. In connection with the transaction, the Company has agreed to pay an additional USD \$600,000 based on the achievement of certain milestones. Refer to note 3.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

11. Share capital

a) Authorized share capital

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

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2019	38,131,086	\$ 5,288,542
Private placements (i)(ii)	13,600,000	1,360,000
Warrant valuation (i)(ii)	-	(433,318)
Broker warrant valuation (ii)	-	(36,375)
Share issue costs	-	(54,424)
Exercise of warrants (iii)	19,250	5,517
Balance, September 30, 2020	51,750,336	\$ 6,129,942
Balance, December 31, 2020	68,279,558	\$ 9,970,106
Private placements (vi)	12,627,050	8,207,583
Warrant valuation (vi)	-	(1,649,622)
Broker warrant valuation (vi)	-	(258,702)
Share issue costs	-	(589,363)
Shares issued pursuant to the acquisition of Farm Dog, Tana Ag & Stealth Ag (note 3)	399,595	319,870
Exercise of warrants (iv)	5,334,501	1,441,830
Exercise of options (v)	230,000	151,330
Balance, September 30, 2021	86,870,704	\$ 17,593,032

(i) On April 6, 2020, the Company closed a non-brokered private placement of units ("Units"). The offering was completed at a price of \$0.10 per Unit for gross proceeds of \$655,000 and a total of 6,550,000 Units issued. 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 \$0.20 per warrant for a period of 18 months after the closing of this first tranche. The 3,275,000 warrants were valued at \$128,031 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.12; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 99.83%; risk-free interest rate - 0.44%; and an expected life - 1.5 years.

(ii) On April 16, 2020, the Company closed a second and final tranche of a non-brokered private placement of Units. The final tranche was completed at a price of \$0.10 per Unit for gross proceeds of \$705,000 and a total of 7,050,000 Units issued. Deveron issued a total of 13,600,000 Units for aggregate gross proceeds of \$1,360,000 in connection with the offering. 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 \$0.20 per warrant for a period of 18 months after the closing of this second tranche. The 3,525,000 warrants were valued at \$305,287 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.19; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 102.043%; risk-free interest rate - 0.33%; and an expected life - 1.5 years.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

11. Share capital (continued)

b) Common shares issued (continued)

(ii) (continued)

As consideration for the services provided for the private placements, the agents received a cash commission equal to in the aggregate \$42,000 and an aggregate of 420,000 compensation warrants. Each compensation warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.20 for a period of 18 months after the private placement. The 420,000 compensation warrants were valued at \$36,375 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.19; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 102.04%; risk-free interest rate - 0.33%; and an expected life - 1.5 years.

(iii) On August 26, 2020, 19,250 warrants were exercised at a price of \$0.20 per unit for gross proceeds of \$3,850.

(iv) During the nine months ended September 30, 2021, 950,000 warrants were exercised at a price of \$0.20 per unit for gross proceeds of \$190,000, 210,750 warrants were exercised at a price of \$0.45 for gross proceeds of \$94,838, 7,000 warrants at a price of \$0.35 per unit were exercised for gross proceeds of \$2,450 and 4,166,751 warrants were exercised at a price of \$0.20 for gross proceeds of \$833,350. \$321,193 was reclassified from warrant reserve for a fair value amount of \$1,441,830.

(v) During the nine months ended September 30, 2021, 30,000 options were exercised at a price of \$0.30 per unit for gross proceeds of \$9,000 and 200,000 options were exercised at a price of \$0.365 per unit for gross proceeds of \$73,000.

(vi) On August 16, 2021, the Company closed the first tranche of a non-brokered private placement of units at a price of \$0.65 per unit for gross proceeds of \$7,408,330 and a total of 11,397,430 units issued. 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 \$0.85 per warrant for a period of 2 years after closing. The 5,698,715 warrants were valued at \$1,481,533 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.65; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 91%; risk-free interest rate - 0.43%; and an expected life - 2 years.

As consideration for the services provided for the private placements, the agents received a cash commission equal to in the aggregate \$516,664 and an aggregate of 794,813 compensation warrants. Each compensation warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.65 for a period of 2 years after the private placement. The 794,813 compensation warrants were valued at \$242,180 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.64; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 91%; risk-free interest rate - 0.43%; and an expected life - 2 years.

(vii) On August 24, 2021, the Company closed the second and final tranche of a non-brokered private placement of Units at a price of \$0.65 per Unit for gross proceeds of \$799,253 and a total of 1,229,620 units issued. 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 \$0.85 per warrant for a period of 2 years after closing. The 614,810 warrants were valued at \$168,089 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.65; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 91%; risk-free interest rate - 0.43%; and an expected life - 2 years.

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

11. Share capital (continued)

b) Common shares issued (continued)

(vii) (continued)

As consideration for the services provided for the private placements, the agents received a cash commission equal to in the aggregate \$33,606 and an aggregate of 51,701 compensation warrants. Each compensation warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.65 for a period of 2 years after the private placement. The 51,701 compensation warrants were valued at \$16,522 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.66; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 91%; risk-free interest rate - 0.45%; and an expected life - 2 years.

12. Stock options

The following table reflects the continuity of options for the periods ended September 30, 2021 and 2020:

	Number of options	Weighted average exercise price (\$)
Balance, December 31, 2019	6,795,000	0.34
Cancelled	(2,150,000)	0.34
Expired	(160,000)	0.38
Balance, September 30, 2020	4,485,000	0.34
Balance, December 31, 2020	3,775,000	0.33
Granted (i)(ii)(iii)(iv)(v)	2,225,000	0.49
Cancelled	(15,000)	0.30
Exercised (note 11(b)(v))	(230,000)	0.36
Balance, September 30, 2021	5,755,000	0.42

(i) On January 15, 2021, the Company granted 1,225,000 stock options to certain officers, employees and advisors to the Company. The stock options, at a price of \$0.43 per share, will expire in three years from the issue date. A fair value of \$336,386 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.43; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 105%; risk-free interest rate - 0.20%; and an expected life - 3 years. The options vested 25% immediately, with the remaining options vesting a quarter every quarter. During the three and nine months ended September 30, 2021, \$35,559 and \$331,241, respectively (three and nine months ended September 30, 2020 - \$nil) was expensed to share-based payments.

(ii) On February 22, 2021, the Company granted 325,000 stock options to an employee to the Company. The stock options, at a price of \$0.64 per share, will expire in five years from the issue date. A fair value of \$169,358 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.64; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 117%; risk-free interest rate - 0.67%; and an expected life - 5 years. The options vested one third immediately, one third on the second and third anniversary. During the three and nine months ended September 30, 2021, \$11,858 and \$84,808, respectively (three and nine months ended September 30, 2020 - \$nil) was expensed to share-based payments.

DEVERON CORP. (Formerly Deveron UAS Corp.)**Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

12. Stock options (continued)

(iii) On March 12, 2021, the Company granted 175,000 stock options to an officer of the Company. The stock options, at a price of \$0.75 per share, will expire in five years from the issue date. A fair value of \$107,665 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.75; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 119%; risk-free interest rate - 1.03%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the three and nine months ended September 30, 2021, \$7,538 and \$52,439, respectively (three and nine months ended September 30, 2020 - \$nil) was expensed to share-based payments.

(iv) On April 27, 2021, the Company granted 200,000 stock options to an officer of the Company. The stock options, at a price of \$0.74 per share, will expire in five years from the issue date. A fair value of \$121,517 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.74; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 119%; risk-free interest rate - 0.96%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the three and nine months ended September 30, 2021, \$8,508 and \$54,932, respectively (three and nine months ended September 30, 2020 - \$nil) was expensed to share-based payments.

(v) On June 24, 2021, the Company granted 300,000 stock options to an officer of the Company. The stock options, at a price of \$0.80 per share, will expire in five years from the issue date. A fair value of \$197,434 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.80; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 119%; risk-free interest rate - 1.00%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the three and nine months ended September 30, 2021, \$13,823 and \$80,386, respectively (three and nine months ended September 30, 2020 - \$nil) was expensed to share-based payments.

(vi) The portion of the estimated fair value of options granted in the prior years and vested during the three and nine months ended September 30, 2021, amounted to \$1,450 and \$14,204, respectively (three and nine months ended September 30, 2020 - \$12,428 and \$94,367, respectively).

Details of the stock options outstanding as at September 30, 2021 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
85,987	0.48	167,500	530,000	0.30	March 24, 2022
177,773	0.75	1,000,000	1,000,000	0.30	July 1, 2022
481,200	1.15	918,750	1,500,000	0.37	November 22, 2022
92,408	1.15	500,000	500,000	0.30	November 22, 2022
331,241	2.29	306,250	1,225,000	0.43	January 15, 2024
84,808	4.40	108,333	325,000	0.64	February 22, 2026
52,439	4.45	58,333	175,000	0.75	March 12, 2026
54,932	4.58	66,667	200,000	0.74	April 27, 2026
80,389	4.73	100,000	300,000	0.80	June 24, 2026
1,441,177	1.85	3,225,833	5,755,000	0.42	

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

13. Warrants

The following table reflects the continuity of warrants for the nine months ended September 30, 2021 and 2020:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2019	10,751,698	0.49
Issued for private placements (note 11(b)(i)(ii))	7,220,000	0.20
Exercised (note 11(b)(iii))	(19,250)	0.20
Expired	(10,751,698)	0.50
Balance, September 30, 2020	7,200,750	0.20
Balance, December 31, 2020	16,167,025	0.33
Issued for private placements (note 11(b)(vi)(vii))	7,160,039	0.83
Exercised (note 11(b)(iv))	(5,334,501)	0.21
Balance, September 30, 2021	17,992,563	0.57

The following table reflects the warrants issued and outstanding as of September 30, 2021:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
25,000	3,910	0.20	October 6, 2021
2,058,999	182,654	0.20	October 16, 2021
8,053,861	1,463,710	0.45	December 23, 2022
694,664	141,781	0.35	December 23, 2022
5,698,715	1,481,533	0.85	August 16, 2023
794,813	242,180	0.65	August 16, 2023
614,810	168,089	0.85	August 24, 2023
51,701	16,522	0.65	August 24, 2023
17,992,563	3,700,379		

14. Net loss (income) per common share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2021 was based on the loss attributable to common shareholders of \$1,992,487 and \$3,827,534, respectively (three and nine months ended September 30, 2020 - net (income) loss of \$571,802 and \$1,064,361, respectively) and the weighted average number of common shares outstanding of 79,281,262 and 73,006,461, respectively (three and nine months ended September 30, 2020 - 51,738,390 and 46,669,438, respectively). Diluted loss per share for the three and nine months ended September 30, 2021, presented did not include the effect of 17,992,563 warrants (three and nine months ended September 30, 2020 - 7,200,750 warrants) and 5,755,000 stock options (three and nine months ended September 30, 2020 - 4,485,000 stock options) as they are anti-dilutive.

15. Cost of services

	Three months ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Agronomic services and laboratory fees	\$ 303,116	\$ 120,386	\$ 952,194	\$ 209,451
Software and processing fees	194,889	9,198	277,293	49,572
Drone maintenance and equipment	65,984	43,977	139,415	78,786
Travel and training	13,569	1,130	47,715	14,334
Other costs	22,497	93,706	40,443	136,473
Cost of services	\$ 600,055	\$ 268,397	\$ 1,457,060	\$ 488,616

DEVERON CORP. (Formerly Deveron UAS Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

16. Major shareholder and related party transactions

Major shareholder

At September 30, 2021, Greencastle owned and/or exercised control over 10,145,500 common shares (December 31, 2020 - 10,804,500 common shares) of Deveron, representing approximately 11.7% (December 31, 2020 - 15.8%) of the issued and outstanding common shares of the Company. The remaining 88.3% (December 31, 2020 - 84.2%) of the shares are widely held, which includes various small holdings 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 11.7% (December 31, 2020 - 15.8%) of the issued and outstanding shares of the Company, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

Marrelli Group of Companies

During the three and nine months ended September 30, 2021, the Company incurred professional fees of \$16,178 and \$54,803, respectively (three and nine months ended September 30, 2020 - \$11,119 and \$43,632, respectively) to a group of companies of which Carmelo Marrelli is Managing Director. Mr. Marrelli is the Chief Financial Officer of Deveron. All services were made on terms equivalent to those that prevail with arm's length transactions. As at September 30, 2021, the group of companies was owed \$6,004 (December 31, 2020 - \$9,879) and this amount is included in amounts payable and other liabilities.

Related party transactions

During the three and nine months ended September 30, 2021, the Company also incurred legal fees of \$64,293 and \$83,544, respectively (three and nine months ended September 30, 2020 - \$9,444 and \$21,185, respectively) to Irwin Lowy LLP for legal services. Chris Irwin is the controlling party of Irwin Lowy LLP and a director of Deveron. Included in the September 30, 2021 amounts payable and other liabilities is \$44,660 due to Irwin Lowy LLP (December 31, 2020 - \$23,780).

During the three and nine months ended September 30, 2021, salaries and benefits of \$28,750 and \$157,501, respectively (three and nine months ended September 30, 2020 - \$45,000 and \$165,000, respectively) were paid to the Chief Executive Officer ("CEO") and director of the Company. Included in the September 30, 2021 amounts payable and other liabilities is \$532 due to the CEO and director of the Company (December 31, 2020 - \$nil).

During the three and nine months ended September 30, 2021, salaries and benefits of \$6,250 and \$25,000, respectively (three and nine months ended September 30, 2020 - \$9,375 and \$38,125, respectively) were paid to a director of its parent company, Greencastle.

During the three and nine months ended September 30, 2021, salaries and benefits of \$nil (three and nine months ended September 30, 2020 - \$nil and \$22,500, respectively) were paid to directors of the Company.

During the three and nine months ended September 30, 2021, the Company incurred rent expense of \$7,500 and \$22,500, respectively (three and nine months ended September 30, 2020 - \$7,500 and \$30,000, respectively) to Greencastle which is included in office and general in the unaudited condensed interim consolidated financial statements of comprehensive loss. Included in the September 30, 2021 amounts payable and other liabilities is \$7,500 due to Greencastle (December 31, 2020 - \$nil).

DEVERON CORP. (Formerly Deveron UAS Corp.)**Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

16. Major shareholder and related party transactions (continued)**Related party transactions (continued)**

During the three and nine months ended September 30, 2021, the Company incurred share-based payment expenses to officers, directors and key management personnel of \$56,402 and \$482,691, respectively (three and nine months ended September 30, 2020 - \$12,293 and \$94,232, respectively).

17. Segmented information

As at September 30, 2021, the Company's operations comprise one reporting operating segment: data acquisition services and data analytics sector in Canada and in the USA. Segmented information on a geographic basis is as follows:

Operating segment	USA	Canada	Total
As at September 30, 2021			
Current assets	\$ 1,386,454	\$ 8,080,085	\$ 9,466,539
Non-current assets	10,045,036	2,755,895	12,800,931
Nine Months Ended September 30, 2021			
Revenues	2,654,622	1,452,751	4,107,373
Cost of services	521,882	935,178	1,457,060
Operating expenses	2,432,349	3,849,463	6,281,812
Operating segment	USA	Canada	Total
As at December 31, 2020			
Current assets	\$ 343,857	\$ 6,695,946	\$ 7,039,803
Non-current assets	-	2,333,769	2,333,769
Nine Months Ended September 30, 2020			
Revenues	374,729	1,742,292	2,117,021
Cost of services	23,818	464,798	488,616
Operating expenses	288,326	2,404,440	2,692,766

18. Events after the reporting period

1. On October 14, 2021, the Company has signed a four-year enterprise agreement to support the first phase of the United States Department of agriculture ("USDA") \$10 million Conservation reserve Program, valued at \$1,800,000. The Company has agreed to provide \$930,000 in collection service as well as \$870,000 in soil analytics across 600 sites throughout Wisconsin, Arkansas and Michigan.
2. On October 19, 2021, the Company has signed a four-year enterprise agreement with an initial two-year statement of work valued at \$3.14 million, with a global leader in the agricultural industry. The agreement initially covers nine states in 2021 with an expansion to 17 states in 2022, with an annual value of \$1.25 million and \$1.89 million respectively. The contract provides the client with access to Deveron's new carbon platform, which provides a scalable and streamlined process for collecting, analyzing and sharing in-field soil carbon data to support the development of the client's carbon program.