



DEVERON CORP.  
(FORMERLY DEVERON UAS CORP.)

“INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS –  
QUARTERLY HIGHLIGHTS”

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

(EXPRESSED IN CANADIAN DOLLARS)

## **Introduction**

The following interim Management Discussion & Analysis (“Interim MD&A”) of Deveron Corp. (formerly Deveron UAS Corp.) (“Deveron” or the “Company”) for the three and nine months ended September 30, 2021 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis (“Annual MD&A”) for the fiscal year ended December 31, 2020. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company’s Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2020, and December 31, 2019, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company’s unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 17, 2021, unless otherwise indicated.

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

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

## **Cautionary Note Regarding Forward-Looking Statements**

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

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<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
Growth of Deveron’s business in the data acquisition and data analytics sector will be significant and profitable.	Financing will be available for the continued growth of data acquisition and data analytics sector	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and changes in environmental and other local legislation and regulation; changes in economic conditions
<p>The Company’s ability to meet its working capital needs at the current level for the twelve-month period ending September 30, 2022</p> <p>The Company expects to incur further losses in the development of its business</p> <p>Should the Company not raise sufficient capital or have adequate profits (defined as revenues less expenses), it may cease to be a reporting issuer</p>	The operating activities of the Company for the twelve-month period ending September 30, 2022, and the costs associated therewith, will be consistent with Deveron’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Deveron	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and changes in environmental; COVID-19 business activity changes and other local legislation and regulation; changes in economic conditions

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

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

### **Description of Business**

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

At present, Deveron is a leading agriculture technology company focused on providing data acquisition services and data analytics to the farming sector in North America. Through its on-demand 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, the company provides growers in North America with independent insight on the data it collects and is being generated on today’s farm. On July 19, 2016, Deveron’s common shares started

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trading on the Canadian Securities Exchange (“CSE”) under the symbol “DVR”. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

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 the TSXV under the symbol “FARM”.

## **Operational Highlights**

### **Corporate**

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.

On January 26, 2021, the Company announced that it has launched a fixed wing imagery pilot program for the 2021 season. The program is available in southwestern Ontario, an agriculture market of 8 million acres of farmland. The key focus of the pilot program is to provide growers with a cost effective means to make crop protection decisions and help increase yield.

On February 19, 2021, the Company acquired FD Agro Technologies LLC (“Farm Dog”), an award-winning agriculture data platform company that helps farmers, agronomists and agribusinesses record, organize and leverage on-farm information to make better decisions. Refer to “Acquisition of Farm Dog” section below for more details.

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.

On March 11, 2021, the Company appointed Craig Hogan, CPA, CA as VP – Finance.

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.

On March 30, 2021, 15,000 options were exercised at a price of \$0.30 per unit for gross proceeds of \$4,500.

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. Refer to “Acquisition of Woods End” section below for more details.

On April 27, 2021, the Company has appointed Pranay Joshi as VP – Engineering. The Company has granted Pranay 200,000 options to purchase common shares exercisable at a price of \$0.74 per common share. The options expire on April 27, 2026, vested over 3 years.

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On May 14, 2021, the Company entered into a definitive agreement (the "Definitive Agreement") to acquire the assets of Tana Ag Solutions Group LLP ("Tana Ag"), an Oklahoma based digital agronomy company focused on soil health and yield improvement (the "Acquisition"). Tana Ag currently services 120,000 acres and has unaudited 2020 revenue of USD \$271,704 and EBITDA of \$98,171. This acquisition further accelerates Deveron's strategy of increasing access to leading, local agronomists that influence key farm customer sin the United States. Refer to "Acquisition of Tana Ag" section below for more details.

On May 26, 2021, the Company entered into an agreement to acquire the assets of Stealth Ag. Refer to "Acquisition of Stealth Ag" section below for more details.

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 and vested over 3 years.

On August 3, 2021, the Company announced a non-brokered private placement financing for gross proceeds of \$3,500,000 through the issuance of 5,384,315 units in the capital of the Company at a price of \$0.65 per unit. Each Unit is comprised of one common share in the Company and one-half of one whole Common Share purchase warrant. Each warrant entitles the holder thereof to acquire one Common Share at a price of \$0.85 per Common Share for a period of two years from the date of issuance.

On August 17, 2021, the Company increased the size of its non-brokered private placement financing to gross proceeds of \$8,210,957 through the issuance of 12,632,242 units in the capital of the Company at a price of \$0.65 per unit. In addition, the Company had closed the first tranche of the private placement through the issuance of 11,397,430 units for gross proceeds of \$7,408,329. In connection with the offering, the Company paid certain eligible persons a cash commission in total of \$516,664, and issued a total of 794,813 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the private placement at a price of \$0.65 per common share.

On August 24, 2021 the Company closed the final tranche of its \$8,210,957 private placement, through the issuance of 1,229,620 units in the capital of the Company at a price of \$0.65 per unit, for gross proceeds of \$799,253. In connection with the offering, the Company paid certain eligible persons a cash commission in total of \$33,606 and issued a total of 51,701 broker warrants. Each broker warrant entitles the holder to purchase one common share for a period of two years from the closing of the private placement at a price of \$0.65 per common share.

On September 8, 2021, the Company entered into an agreement to acquire the assets of Agronomic Solutions, Inc. ("Agronomic Solutions"). Refer to "Acquisition of Agronomic Solutions" section below for more details.

On September 22, 2021, 15,000 options were exercised at a price of \$0.30 per unit for gross proceeds of \$4,500.

On September 23, 2021, 200,000 options were exercised at a price of \$0.365 per unit for gross proceeds of \$73,000.

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.

### **Company Update**

There are almost 1 billion acres of farmland in North America, and it is estimated that, currently, data and technology are applied in making input decisions (such as seeding, fertilizer use etc.) on only 30% of this total area under cultivation.

Science and technology can have a significant role to play in improving farm outcomes; including yields, profitability and climate impact.

Deveron is a growing company focused on the North American agriculture market that provides:

- Data collection services via soil sampling, drones, and other methods
- Data insights to better manage inputs like fertilizer, seed, water and other crop protection that is based on highly localized data and farm variability

Deveron provides these services directly through:

- Our online presence at [www.deveron.com](http://www.deveron.com)
- Our growing network of local agronomists and partner channels
- Our digital affiliations with multi-national input companies

Deveron is focused on removing the subjective decision making of farming and making it easier for any grower, using any brand of input or equipment, to use data to make more profit on the farm.

### **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 as of 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").

The allocation of the purchase price is as follows:

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

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	<b>Amount (\$)</b>
<b>Allocation of purchase price</b>	
Goodwill	872,030
<b>Farm Dog net assets acquired</b>	<b>872,030</b>

- (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".

### **Acquisition of Tana Ag**

On May 17, 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 \$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.

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.

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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:

	Amount (\$)
<b>Purchase price allocation</b>	
Cash payment	45,915
Issuance of 55,335 common shares (i)	45,375
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 (earnout) (iii)	nil
<b>Total consideration (iii)</b>	<b>273,869</b>

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

(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.

### **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

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\$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:

	Amount (\$)
<b>Purchase price allocation</b>	
Base purchase price paid in cash on closing	967,707
Repayment of Stealth Ag lender	128,857
Additional cash payment to be issued	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
<b>Total consideration</b>	<b>2,230,135</b>

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

(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.

(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

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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.

**Acquisition of Woods End**

On April 6, 2021, the Company formed a JV with A&L, and together have acquired the assets of 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 joint venture 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:

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

Deveron – 51% interest in Woods End (i)	1,536,275
A&L – 49% interest in Woods End (i)	1,476,030
<b>Total consideration</b>	<b>3,012,305</b>

	<b>Amount (\$)</b>
<b>Allocation of purchase price</b>	
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)
<b>Woods End net assets acquired net of liabilities assumed (i)</b>	<b>1,536,276</b>

(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.

### 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:

	Amount (\$)
<b>Purchase price allocation</b>	
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
<b>Total consideration</b>	<b>2,915,730</b>

	Amount (\$)
<b>Allocation of purchase price</b>	
Property, plant and equipment	319,462
Goodwill	2,596,268
<b>Agronomic Solutions net assets acquired net of liabilities assumed</b>	<b>2,915,730</b>

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(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.

### **Trends and Economic Conditions**

Deveron's operations are focused within the agriculture marketplace. Soil health and tissue imagery and other data solutions will have a significant effect on this market by allowing farmers to reduce costs, strengthen yields and improve profitability. Other trend factors impacting agriculture are changes to applicable laws and regulations, weather conditions, and the availability of qualified people and obtaining necessary services in jurisdictions where Deveron operates. The current trends relating to these factors could change at any time and negatively affect Deveron's operations and business.

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labour availability and supply lines;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding.

At the date of this Interim MD&A, the Canadian federal and provincial governments have not introduced measures which significantly impede the operational activities of the Company. As well, there has been no significant affect on our US operations. Management believes the business will continue and, accordingly, the current situation has not impacted management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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

## **Major Shareholder and Related Party 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 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

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\$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).

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).

### **Outlook**

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

The Company may need to secure additional financing to meet its ongoing obligations; however, there is no assurance that the Company will be able to do so. See "Cautionary Note Regarding Forward-Looking Statements", "Trends and Economic Conditions" and "Risk Factors".

### **Financial Highlights**

#### Three months ended September 30, 2021, compared with three months ended September 30, 2020

Deveron's net loss totaled \$1,796,452 for three months ended September 30, 2021, with basic and diluted loss per share of \$0.02. This compares with a net loss of \$571,802 with basic and diluted loss per share of \$0.01 for the three months ended September 30, 2020. The increase of \$1,224,650 in net loss was principally due to the following:

- Data collection and data analytics revenues increased by \$897,835 for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. The increase is attributable to organic business growth plus the acquisition of Farm Dog, Tana Ag, Stealth Ag, Woods End and Agronomic Solutions.
- Cost of services increased by \$331,658 for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase is attributable to direct costs (such as salaries and benefits, travel fees, software, agronomic and laboratory services, processing fees, training, office and general and consulting fees) incurred to generate income. The increase is attributable to the new business of the Company and successful launch of its soil sampling service.
- Professional fees increased by \$183,952 for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase is attributable to the closing of the private placement, increased audit review work as well as the acquisition of Farm Dog, Tana Ag, Stealth Ag, Woods End and Agronomic Solutions.
- Office and general increased by \$188,873, for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, and consisted of costs such as advertising and promotion, supplies, internet, rent and bank service charges.
- Salaries and benefits increased by \$1,114,459 for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase is attributable to the increased employee headcount during the current period compared to the comparative period.

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- Share-based payments increased by \$66,308 for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase is due to the timing of expensing the estimated fair value of stock options granted in prior and current periods. The Company expenses its stock options in accordance with the vesting terms of the stock options granted.
- All other expenses related to general working capital expenditures.

Nine months ended September 30, 2021, compared with nine months ended September 30, 2020

Deveron's net loss totaled \$3,631,499 for nine months ended September 30, 2021, with basic and diluted loss per share of \$0.05. This compares with a net loss of \$1,064,361 with basic and diluted loss per share of \$0.02 for the nine months ended September 30, 2020. The increase of \$2,567,138 in net loss was principally due to the following:

- Data collection and data analytics revenues increased by \$1,990,352 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase is attributable to organic business growth plus the acquisition of Farm Dog, Tana Ag, Stealth Ag, Woods End and Agronomic Solutions.
- Cost of services increased by \$968,444 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase is attributable to direct costs (such as salaries and benefits, travel fees, software, drone maintenance, drone equipment, drone data collection, processing fees, training, office and general and consulting fees) incurred to generate income. The increase is attributable to the new business of the Company and successful launch of its soil sampling service.
- Professional fees increased by \$315,904 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase is attributable to the closing of the private placement, increased audit review work as well as the acquisition of Farm Dog, Tana Ag, Stealth Ag, Woods End and Agronomic Solutions.
- Office and general increased by \$590,316 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020 and consisted of costs such as advertising and promotion, supplies, internet, rent and bank service charges.
- Salaries and benefits increased by \$1,822,727 for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase is attributable to the Company hiring a different number of employees during the current period compared to the comparative period.
- Share-based payments increased by \$523,643 for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. The increase is due to the timing of expensing the estimated fair value of stock options granted in prior and current periods. The Company expenses its stock options in accordance with the vesting terms of the stock options granted.
- All other expenses related to general working capital expenditures.

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Deveron's total assets at September 30, 2021 were \$22,267,470 (December 31, 2020 - \$9,373,572) against total liabilities of \$4,658,078 (December 31, 2020 - \$1,114,448). The increase in total assets of \$12,893,898 resulted from the cash received from the closing of the first tranche of a non-brokered private placement, the exercise of warrants and options and the acquisition of Farm Dog, Tana Ag, Stealth Ag, Woods End and Agronomic Solutions. The Company does have sufficient current assets to pay its existing liabilities of \$4,658,078 at September 30, 2021.

### **Cash Flow**

At September 30, 2021, the Company had cash and cash equivalents of \$8,128,756. The increase in cash of \$1,911,710 from the December 31, 2020 cash balance of \$6,217,046 was a result of cash outflow in operating activities of \$2,611,338, cash outflow from investing activities of \$4,284,030 and cash inflow from financing activities of \$8,807,078. Operating activities were affected by depreciation of \$212,012 share-based payments of \$618,010, interest expense of \$12,251, foreign exchange loss of \$66,305, bad debts of \$94,792 and net change in non-cash working capital balances of \$558,453 because of a decrease in accounts receivable, prepaids and other receivables of \$425,887, an increase in accounts payable, accrued and other current liabilities of \$382,599, an increase in deferred revenue of \$60,775 and lease payments of \$87,272. Investing activities were affected by the cash payment of \$3,888,921 for the acquisition of Farm Dog, Tana Ag, Woods End, Stealth Ag and Agronomic Solutions and the purchase of property and equipment of \$395,109. Financing activities were affected issuance of common shares for private placements of \$8,207,583 exercise of warrants and options totaling \$1,120,637 and \$82,000 respectively. Financing activities were offset by loan repayments of \$13,779 and share issue costs of \$589,363.

### **Liquidity and Financial Position**

The Company expects to be financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Cautionary Note Regarding Forward-Looking Statements", "Trends and Economic Conditions" and "Risk Factors".

As at September 30, 2021, the Company had a working capital of \$7,271,041 (December 31, 2020 – working capital of \$6,233,699). The Company's continuing operations are dependent on its ability to secure equity and/or debt financing.

In the following 12-month period, the business objective of Deveron is to grow its customer base through market awareness of its service offering to growers in Canada and the United States and through acquisitions. Deveron intends to focus on the following business objectives:

- (a) Continue development and deployment of the data acquisition network to provide on demand data services to the agricultural industry across Canada and select strategic regions in the United States;
- (b) Continue marketing campaign of service offering through current sales network;
- (c) Continue to work with current and future partners on data integration and feasibility studies; and
- (d) Build infrastructure for processing and storing data, leveraging our Farm Dog platforms.

The Company will have sufficient cash to fund its operations for the twelve months ended September 30, 2022.

## Risk Factors

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

Deveron cannot accurately predict the extent to which demand for its services will increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact Deveron's ability to do the following:

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

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

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

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

## Covid-19 Risks

The worldwide emergency measures taken to combat the COVID-19 pandemic may continue, could be expanded, and could also be reintroduced in the future following relaxation. As governments implement monetary and fiscal policy changes aimed to help stabilize economies and capital markets, we cannot predict legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues and how these responses may impact our business. The COVID-19 pandemic, actions taken globally in response to it, and the ensuing economic downturn has caused significant disruption to business activities and economies. The depth, breadth and duration of these disruptions remain highly uncertain at this time. Furthermore, governments are developing frameworks for the staged resumption of business activities. As a result, it is difficult to predict how significant the impact of the COVID-19 pandemic, including any responses to it, will be on the global economy and our business. We have outlined these risks in more detail below.

### Strategic & Operational Risks

The ongoing COVID-19 pandemic could adversely impact our financial condition in future periods as a result of reduced business opportunities via acquisitions and development of Deveron's new business in the data acquisition and data analytics sector. The uncertainty around the expected duration of the pandemic and the measures put in place by governments to respond to it could further depress business activity and financial markets. Our strategic initiatives to advance our business may be delayed or cancelled as a result.

To date, our operations have remained stable under the pandemic but there can be no assurance that our ability to continue to operate our business will not be adversely impacted, in particular to the extent that aspects of our operations which rely on services provided by third parties fail to operate as expected. The successful execution of business continuity strategies by third parties is outside our control. If one or more of the third parties to whom we outsource critical business activities fails to perform as a result of the impacts from the spread of COVID-19, it could have a material adverse effect on our business and operations.

The acquisitions and integration of new businesses create risks and may affect operating results. The Company's Mergers and acquisitions ("M&A") strategy involves a number of risks related to the realization of synergies and overall integration of acquired businesses into the Company's operations, including but not limited to, human resources, company culture, product pricing, information technology, data integrity, information systems, business processes and financial management. COVID-19 may affect the ability of the Company to find new attractive acquisition opportunities and/or could impact the Company's ability to execute on the integration of pending acquisition opportunities.

### Liquidity Risk and Capital Management

Extreme market volatility and stressed conditions resulting from COVID-19 and the measures implemented to control its spread could limit our access to capital markets and our ability to generate funds to meet our capital requirements. Sustained global economic uncertainty could result in more costly or limited access to funding sources. In addition, while we currently have sources of liquidity, such as cash balances, there can be no assurance that these sources will provide us with sufficient liquidity on commercially reasonable terms in the future. Extreme market volatility may leave us unable to react in a manner consistent with our historical practices.

### Market Risk

The pandemic and resulting economic downturn have created significant volatility and declines in financial and commodity markets. Central banks have announced emergency interest rate cuts, while governments are implementing unprecedented fiscal stimulus packages to support economic stability. The pandemic could result in a global recessionary environment with continued market volatility, which may continue to impact our financial condition.

### **Climate Change**

Global climate change continues to attract considerable public, scientific and regulatory attention. Governments and regulatory bodies at the international, national, regional and local levels have introduced or may introduce legislative changes to respond to the potential impacts of climate change. Additional government action to regulate climate change, including regulations on carbon emissions and energy use, could increase direct and indirect costs to the Company's operations and may have a material adverse impact on the Company.

Based on risk assessments conducted by the Company, climate change is not an immediate material risk faced by the Company. However, as time goes on, it will likely have an impact on how the Company conducts its business.

### **Public Company Obligations**

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of non-compliance, which could have a material adverse impact on the Company's share price.

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSXV, and the International Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity creating many new requirements. The Company's efforts to comply with rules and obligations could result in increased general and administration expenses and a diversion of management time and attention from revenue-generating activities.

### **Disclosure of Internal Controls**

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

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

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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

### **Events After The Reporting Period**

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.

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.