DEVERON CORP.
CONSOLIDATED
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

Independent auditor's report

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To the shareholders of

Deveron Corp.

Opinion

We have audited the consolidated financial statements of Deveron Corp. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of $8.6 million during the year ended December 31, 2022 and has an accumulated deficit of $18.5 million. In addition, the Company had a working capital deficit of $1.3 million and negative cash flows from operations of $10.0 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cause significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the recoverable amount of cash generating units ("CGU") to which goodwill has been allocated

Refer to Notes 2, 6 and 10 to the consolidated financial statements.

The Group has recorded goodwill of $54.0 million as at December 31, 2022.Goodwill acquired in a business combination is allocated to the CGU (or group of CGUs) that will benefit from the synergies of the combination. IAS 36 – *Impairment of Assets* ("IAS 36") requires indefinite life intangible assets to be tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of a CGU (or group of CGUs), which is a significant estimate, is the higher of its value in use and its fair value less costs of disposal. In determining the recoverable amount of the CGU (or group of CGUs) on a value in use basis, the Group uses significant assumptions including projected future revenues, income, terminal growth rate and discount rate.

Given the significance of management's judgements and the high estimation uncertainty in determining the value in use of each CGU, we have identified the assessment of the recoverable amount of CGU's to which goodwill has been allocated as a key audit matter.

Our audit procedures included, amongst other procedures:

- We evaluated the reasonableness of management's judgment with respect to the initial assessment and aggregation of CGUs for purposes of the impairment test;
- We evaluated the reasonableness of management's cash flow projections used to establish the recoverable amount of the CGUs by comparing them to the Group's historical cash flows;
- We compared management's historical forecasts of cash flow projections with actual results to assess management's ability to accurately predict cash flows;
- We involved our valuation professionals with specialized skills and knowledge who assisted in evaluating the reasonableness of the terminal growth rates and discount rates used by management. This included an assessment of the reasonableness of the required inputs into the two rates; and
- We assessed how management addressed estimation uncertainty by obtaining support for management's sensitivity analysis of their calculations of each CGU's value in use, future cash flows and terminal growth and discount rates. We also performed our own sensitivity analysis to further address estimation uncertainty.
- Assessed the Group's disclosures included in Note 10 of the consolidated financial statements for appropriateness in accordance with IFRS.

Acquisition of A&L Canada Laboratories East, Inc.

Refer to Note 6(b) to the consolidated financial statements.

On May 20, 2022, the Group acquired a 67% equity interest in A&L Canada Laboratories East, Inc. ("A&L"), with an option to purchase the remaining 33% following the three-year anniversary of closing, and an obligation to purchase the remaining 33% after five years. Consideration for the transaction included cash, promissory notes payable and common shares.

The A&L business acquisition was determined to be a key audit matter given the significance of the transaction to the consolidated financial statements, and that management's assessment process is complex, highly judgmental and includes estimation uncertainty for the fair values of the net assets acquired and the initial fair value of the non-controlling interest ("NCI") put obligation liability.

Our audit procedures included, amongst other procedures:

- We reviewed the purchase agreement to identify and assess relevant terms and conditions;
- We assessed the qualifications and objectivity of the third-party valuation expert utilized by the Group to complete the valuation report for the fair value of the net assets acquired in the exchange, as well as the purchase price allocation;

- We involved our valuation professionals with specialized skills or knowledge to assess management expert's valuation report for the inputs and assumptions, including the assessment and valuation of property, plant and equipment and intangible assets acquired, comparable market transactions used to value the net assets acquired, valuation of the initial NCI put obligation liability and applicable discount rates used to reflect the Group's weighted cost of capital; and
- We assessed the transaction for appropriate accounting under provisions of IFRS.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 30, 2022.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

The engagement partner on the audit resulting in this independent auditor's report is Grant Cuylle.

Grant Thornton LLP

Toronto, Canada
April 27, 2023

Chartered Professional Accountants
Licensed Public Accountants

DEVERON CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 5,824,811**	$ 6,867,130
Accounts receivable (note 7)	**6,494,639**	2,517,658
Prepaids and other assets	**1,552,159**	292,339
Total current assets	**13,871,609**	9,677,127
Non-current assets		
Property, plant and equipment (note 8)	**17,778,398**	1,507,688
Right-of-use assets (note 9)	**4,804,632**	1,782,564
Goodwill (note 10)	**54,016,601**	6,221,210
Intangible assets (note 11)	**25,650,484**	3,578,788
Due from related parties	**605,264**	-
Investment in associates (notes 6(b) and 12)	**100**	-
Total non-current assets	**102,855,479**	13,090,250
Total assets	**$ 116,727,088**	$ 22,767,377
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable (note 13)	**$ 2,224,349**	$ 925,971
Accrued and other current liabilities	**2,744,877**	986,784
Current portion of loans payable	**251,910**	-
Lease liabilities (note 15)	**380,000**	539,788
Current portion of borrowings under credit facility (note 18)	**2,730,000**	-
Deferred and contingent consideration (note 16)	**1,968,841**	1,633,620
Promissory notes (note 6)	**4,926,600**	-
Total current liabilities	**15,226,577**	4,086,163
Non-current liabilities		
Lease liabilities (note 15)	**4,088,916**	1,193,360
Loans payable (note 14)	**562,100**	216,176
Deferred and contingent consideration (note 16)	**1,136,155**	960,610
Deferred income taxes	**5,760,176**	-
Non-controlling interest ("NCI") put obligation (note 6 (b))	**9,917,750**	-
Convertible debentures (note 17)	**8,525,067**	-
Borrowings under credit facility (note 18)	**27,508,189**	-
Total non-current liabilities	**57,498,353**	2,370,146
Total liabilities	**72,724,930**	6,456,309
Shareholders' Equity		
Share capital (note 19)	**41,007,368**	18,249,101
Reserves (notes 20, 21 and 22)	**7,512,087**	6,094,679
Equity component of convertible debenture (note 17)	**1,740,090**	-
Deficit	**(18,487,544)**	(9,767,264)
Accumulated other comprehensive income ("Accumulated OCI")	**480,847**	101,616
Equity Reserves (note 6 (b))	**(12,966,726)**	-
Shareholders' equity attributable to shareholders	**19,286,122**	14,678,132
Non-controlling interest (notes 6(b)(g))	**24,716,036**	1,632,936
Total shareholders' equity	**44,002,158**	16,311,068
Total liabilities and shareholders' equity	**$ 116,727,088**	$ 22,767,377

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

Nature of operations and going concern (note 1)

Events after the reporting period (note 28)

DEVERON CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues		
Data collection	**$ 6,888,215**	$ 4,731,566
Data analytics	**22,034,918**	3,866,909
	28,923,133	8,598,475
Cost of services		
Cost of services (note 24)	**(8,971,292)**	(2,769,525)
Gross margins	**19,951,841**	5,828,950
Operating Expenses (income)		
Salaries and benefits (note 26)	**11,396,425**	5,741,240
Office and general	**8,583,834**	2,785,437
Share-based payments (note 20)	**1,147,082**	666,331
Depreciation (notes 8 and 9)	**2,574,996**	640,207
Professional fees (note 26)	**2,338,257**	642,120
Amortization of intangible assets (note 11)	**2,255,488**	274,004
Interest expense (notes 15, 16 and 17)	**3,368,346**	111,453
Change in NCI put obligation (note 6 (b))	**(3,048,977)**	-
Foreign exchange (gain) loss	**(249,007)**	3,852
Interest income	**(58,568)**	(15,418)
Gain on disposition of property, plant and equipment (note 8)	**(181,326)**	-
Total operating expenses	**28,126,550**	10,849,226
Net loss before income taxes	**(8,174,709)**	(5,020,276)
Income tax expense (note 25)	**399,196**	-
Net loss for the year	**(8,573,905)**	(5,020,276)
Other comprehensive loss:		
Foreign operations - foreign currency translation	**379,231**	101,616
Comprehensive loss for the year	**$ (8,194,674)**	$ (4,918,660)
Net loss for the period attributable to:		
Shareholders of the Company	**$ (9,086,201)**	$ (5,177,183)
Non-controlling interest	**512,296**	156,907
Net loss for the year	**$ (8,573,905)**	$ (5,020,276)
Net comprehensive loss for the period attributable to:		
Shareholders of the Company	**$ (8,706,970)**	$ (5,075,567)
Non-controlling interest	**512,296**	156,907
Net loss for the year	**$ (8,194,674)**	$ (4,918,660)
Basic and diluted net loss per common share (note 23) - basic and diluted	**$ (0.07)**	$ (0.07)
Weighted average number of common shares outstanding - basic and diluted	**116,387,677**	76,992,311

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

DEVERON CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating activities		
Net loss for the year	**$ (8,573,905)**	$ (5,020,276)
Depreciation (notes 8 and 9)	**2,574,996**	640,207
Amortization of intangibles assets (note 11)	**2,255,488**	274,004
Share-based payments (note 20)	**1,147,082**	666,331
Interest expense (notes 15 and 16)	**3,368,346**	12,251
Income tax expense	**399,196**	-
Gain on disposition of property, plant and equipment (note 8)	**(181,326)**	-
Change in NCI put obligation	**(3,048,977)**	-
Foreign exchange and other	**(452,489)**	65,298
Changes in non-cash working capital items:		
Accounts receivable, prepaids and other receivables	**(3,137,771)**	(951,535)
Accounts payable, accrued and other current liabilities	**(3,145,169)**	390,984
Income tax paid	**(1,203,576)**	-
Net cash used in operating activities	**(9,998,105)**	(3,922,736)
Investing activities		
Cash payment for the acquisition of Farm Dog (note 6(d))	**-**	(126,841)
Cash payment for the acquisition of Tana Ag (note 6(e))	**-**	(45,915)
Cash payment for the acquisition of Stealth Ag (note 6(f))	**-**	(1,096,564)
Cash payment for the acquisition of Woods End (note 6(g))	**-**	(1,536,275)
Cash payment for the acquisition of Agronomic Solutions (note 6(h))	**-**	(1,083,325)
Cash payment for the acquisition of Agri-Labs (note 6(a))	**(546,483)**	-
Cash payment for the acquisition of A&L, net (note 6(b))	**(34,796,783)**	-
Cash payment for the acquisition of Frontier (note 6(c))	**(1,128,967)**	-
Cash payment for contingent consideration (note 16)	**(1,698,746)**	-
Purchase of property, plant and equipment	**(5,491,738)**	(513,161)
Proceeds from sale of property, plant and equipment	**212,163**	-
Net cash used in investing activities	**(43,450,554)**	(4,402,081)
Financing activities		
Loan repayment for acquisition of A&L (note 6(b))	**(3,334,276)**	-
Proceeds from issuance of convertible debenture (net of fees)	**9,604,237**	-
Cash acquired by credit facility	**31,603,189**	-
Non-current credit facility repayment	**-**	(13,779)
Proceeds from issue of common shares for public offering (note 19)	**11,500,000**	-
Proceeds from issue of common shares for private placements (note 19)	**3,300,000**	8,207,583
Share issue costs paid	**(955,648)**	(589,363)
Proceeds from exercise of warrants	**2,537,715**	1,565,922
Proceeds from exercise of options	**683,250**	97,000
Lease payments (note 15)	**(790,574)**	(292,461)
Interest paid	**(1,741,553)**	-
Net cash provided by financing activities	**52,406,340**	8,974,902
Net change in cash and cash equivalents	**(1,042,319)**	650,085
Cash and cash equivalents, beginning of year	**6,867,130**	6,217,046
Cash and cash equivalents, end of year	**$ 5,824,811**	$ 6,867,131

DEVERON CORP.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

			Reserves						
	Share Capital	Warrants	Share-based Payments and shares to be issued	Equity Reserves	Deficit	Equity component of Convertible Debenture	Accumulated OCI	Non-Controlling Interest	Total
Balance, December 31, 2021	**$ 18,249,101**	**$ 3,493,540**	**$ 2,601,139**	**$ -**	**$ (9,767,264)**	**$ -**	**$ 101,616**	**$ 1,632,936**	**$ 16,311,068**
Transactions with shareholders:									
Issuance of shares in public offering (note 19(b)(v))	11,500,000	-	-	-	-	-	-	-	11,500,000
Issuance of shares in private placement (note 19(b)(vi))	3,300,000	-	-	-	-	-	-	-	3,300,000
Warrants issued (note 19(b)(v)(vi))	(2,121,266)	2,121,266	373,375	-	-	-	-	-	373,375
Common shares issued pursuant to acquisitions (note 6)	5,711,676	-	457,500	-	-	-	-	-	6,169,176
Common shares issued pursuant to earnout (note 22)	1,059,035	-	(1,106,826)	-	-	-	-	-	(47,791)
Equity component of convertible debenture (note 17)	-	-	-	-	-	1,740,090	-	-	1,740,090
Share issue costs (note 19(b)(v))	(1,814,677)	859,029	-	-	-	-	-	-	(955,648)
Exercise of warrants (note 19(b)(viii))	3,606,153	(1,068,438)	-	-	-	-	-	-	2,537,715
Exercise of options (note 19(b)(x))	1,517,346	-	(834,096)	-	-	-	-	-	683,250
Expiry of stock options	-	-	(12,605)	-	12,605	-	-	-	-
Expiry of warrants	-	(518,879)	-	-	518,879	-	-	-	-
Share-based payments (note 20)	-	-	1,147,082	-	-	-	-	-	1,147,082
Transactions with shareholders	**$ 22,758,267**	**$ 1,392,978**	**$ 24,430**	**$ -**	**$ 531,484**	**$ 1,740,090**	**$ -**	**$ -**	**$ 26,447,249**
Equity reserve	-	-	-	(12,966,726)	-	-	-	-	(12,966,726)
Non-controlling interest - pursuant to acquisition (note 6)	-	-	-	-	-	-	-	23,905,362	23,905,362
Non-controlling interest - pursuant to acquisition	-	-	-	-	-	-	-	(1,646,827)	(1,646,827)
Non-controlling interest	-	-	-	-	(677,859)	-	-	824,565	146,706
Comprehensive loss for the year	-	-	-	-	(8,573,905)	-	379,231	-	(8,194,674)
Balance, December 31, 2022	**$ 41,007,368**	**$ 4,886,518**	**$ 2,625,569**	**$ (12,966,726)**	**$ (18,487,544)**	**$ 1,740,090**	**$ 480,847**	**$ 24,716,036**	**$ 44,002,158**

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

DEVERON CORP.
Consolidated Statements of Changes in Equity (continued)
(Expressed in Canadian Dollars)

		Reserves						
	Share Capital	Warrants	Share-based Payments	Shares to be Issued	Deficit	Accumulated OCI	Non-Controlling Interest	Total
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 19(b)(i)(ii))	8,207,583	-	-	-	-	-	-	8,207,583
Warrants issued (note 19(b)(i)(ii))	(1,649,622)	1,649,622	-	-	-	-	-	-
Common shares issued pursuant to acquisitions (note 6)	319,870	-	-	1,120,257	-	-	-	1,440,127
Share issue costs (note 19(b)(i)(ii))	(852,567)	258,702	-	-	-	-	-	(593,865)
Exercise of warrants (note 19(b)(iii))	2,078,785	(512,863)	-	-	-	-	-	1,565,922
Exercise of options (note 19(b)(iv))	174,946	-	(77,946)	-	-	-	-	97,000
Expiry of stock options	-	-	(5,170)	-	5,170	-	-	-
Share-based payments (note 20)	-	-	666,331	-	-	-	-	666,331
Expiry of warrants	-	(15,169)	-	-	15,169	-	-	-
Other	-	-	-	-	111,477	-	-	111,477
Transactions with shareholders	**$ 8,278,995**	**$ 1,380,292**	**$ 583,215**	**$ 1,120,257**	**$ 131,816**	**$ -**	**$ -**	**$ 11,494,575**
Non-controlling interest	-	-	-	-	(156,907)	-	1,632,936	1,476,029
Comprehensive loss for the year	-	-	-	-	(5,020,276)	101,616	-	(4,918,660)
Balance, December 31, 2021	**$ 18,249,101**	**$ 3,493,540**	**$ 1,480,882**	**$ 1,120,257**	**$ (9,767,264)**	**$ 101,616**	**$ 1,632,936**	**$ 16,311,068**

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

1. Nature of operations and going concern

Deveron 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 stock symbol on the CSE "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 soil sampling technicians and drone pilots, the Company provides scalable data acquisition solutions in the imagery and soil space.

On March 10, 2022, the Company completed the acquisition of Agri-Labs, Inc. Refer to note 6.

On May 20, 2022, the Company completed the acquisition of A&L Canada Laboratories East, Inc. Refer to note 6.

On October 27, 2022, the Company completed the acquisition of Frontier Labs Inc. Refer to note 6.

Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue its 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 consolidated financial statements.

As at December 31, 2022, the Company had an accumulated deficit of $18,487,544 (December 31, 2021 - $9,767,264). Net loss for the year ended December 31, 2022 was $8,573,905 (year ended December 31, 2021 - $5,020,276).). In addition, as at December 31, 2022, the Company had a working capital deficit of $1,354,968 (December 31, 2021 – surplus of $5,590,964) and negative cash flow from operations of $9,998,105 for the year ended December 31, 2022 (year ended December 31, 2021 - $3,922,736). 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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2022. The policies set out below are based on IFRS issued and outstanding as of April 27, 2023, the date the Directors approved the statements.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL").

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates. Of particular significance are the accounting estimates and judgments used in the recognition and measurement of items included in note 2(r).

(c) Functional and presentation currency

Translation of foreign operations
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. The parent company and its Canadian subsidiaries have a functional currency of the Canadian dollar (CAD), and the Company's US subsidiaries have a functional currency that is the United States dollar (USD).

For the purposes of consolidation, assets and liabilities of subsidiaries with a functional currency other than the Canadian dollar are translated into the Canadian dollar presentation currency at the exchange rate in effect at the reporting period end. Revenues and expenses of these subsidiaries are translated at the average exchange rate of the month of the transaction, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Unrealized gains or losses on translation of these subsidiaries are recognized in other comprehensive loss until the disposal of the foreign operation, when all of the accumulated exchange differences in respect of that operation are reclassified to net loss.

Foreign currency transactions
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 net loss for the period.

2. Significant accounting policies (continued)

(d) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

(e) Financial Instruments

Financial assets within the scope of IFRS 9 - Financial Instruments ("IFRS 9") are classified in the following measurement categories: amortized cost, FVTPL, or fair value through other comprehensive income ("FVTOCI"). Financial liabilities are classified in the following measurement categories: FVTPL, or amortized cost.

For amounts receivable, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Amounts receivable are written off when there is no reasonable expectation of recovery.

Financial assets

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument, using trade date accounting. Financial assets are derecognized when contractual rights have expired, or when substantially all of the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired. All financial instruments are initially measured at fair value adjusted for transaction costs (where applicable), with the exception of trade receivables that do not contain a significant financing component, which are measured at the transaction price.

Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income or amortized cost. The classification is determined based on the Company’s business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are recorded initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest and realized gains or losses are included in the consolidated statements of loss and comprehensive loss.

The Company has classified cash and cash equivalents, accounts receivable and due from related parties as financial assets at amortized cost.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Financial liabilities

Financial liabilities are initially classified as subsequently measured at amortized cost or financial liabilities at fair value through profit or loss ("FVTPL"). Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs, unless designated as a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method, except for derivatives and financial liabilities for which the Company has elected to measure at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges are included within interest expense.

Financial liabilities are derecognized when they are extinguished or there is a substantial modification of the terms of an existing financial liability. The difference between the carrying amount of the financial liability extinguished and consideration paid, or financial liability assumed, is recognized in profit or loss.

The Company's financial liabilities, which are classified and measured at amortized cost, include accounts payable, accrued and other current liabilities, promissory notes, loans payable, convertible debenture, borrowings under credit facility and deferred consideration. Financial liabilities classified and measured at FVTPL include the contingent consideration liability and the NCI put obligation.

Impairment of financial assets

Under IFRS 9, Financial Instruments ("IFRS 9"), the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at fair value through profit or loss, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the consolidated statements of financial position dates. These financial assets include financial assets measured at amortized cost. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime ECLs taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with an original maturity of 90 days or less.

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash	**$ 5,774,811**	$ 6,817,130
Cash equivalents	**50,000**	50,001
Cash and cash equivalents	**$ 5,824,811**	$ 6,867,131

2. Significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the net loss for the period.

Depreciation is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Equipment	2-5 years
Drones	2-3 years
Vehicles	3-4 years

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the pre-tax time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss.

(h) Impairment of intangible assets and goodwill

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit "(CGU") exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the period.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss cannot be reversed to an amount higher than the original carrying amount of the asset. Impairment losses on goodwill cannot be reversed.

2. Significant accounting policies (continued)

(i) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based payment transactions

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company’s estimate of the equity instruments that will ultimately vest. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be satisfied, such that the amount ultimately recognized is based on the number of awards that ultimately vest.

The fair value of the share-based payments granted is measured using the Black Scholes option pricing model, at the grant date, taking into account the terms and conditions upon which the share-based payments were granted.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2. Significant accounting policies (continued)

(k) Investment in and loans to associate

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over, the financial and operating policies. The Company also provides loans to these entities. Investment in and loans to associate are carried in the consolidated statement of financial position using the equity method. The equity method is the basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor's pro-rata share of post-acquisition earnings and other comprehensive income of the investee. If a Company's share of losses of an associate or a joint venture equals, or exceeds its interest in the associate or joint venture, the Company discontinues recognizing its share of further losses. After the Company's interest is reduced to $Nil, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Funding advances to the investee increase the carrying value of the investment and profit distributions from the investment, if any, reduce the carrying value of the investment. Refer to Note 12 for details of investments where the Company exerts significant influence.

(l) Intangible assets

The Company's intangible assets relate to developed software technology or acquired identifiable intangible assets, such as software technology, licenses and customer lists. Intangible assets acquired separately are measured on initial recognition at cost. Other intangibles comprises of Brand, non-compete, permits and patent costs.

Research costs are expensed as incurred. Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- Technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Intention to complete and its ability and intention to use or sell the asset;
- The asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with a finite life are amortized over the estimated useful life. Intangible assets are amortized on a straight-line basis as follows:

Software technologies	5-10 years
Customer lists	5-10 years
Other Intangibles	5-10 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

2. Significant accounting policies (continued)

(l) Intangible assets (continued)

Intangible assets with indefinite useful lives and not available for use are not amortized. These assets have indefinite useful lives because there is no foreseeable limit to the cash flows generated by those intangible assets. They are tested for impairment at least annually or more frequently when there is an indication that the asset has been impaired, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in net loss when the asset is derecognized.

We record acquired intangible assets on our consolidated balance sheet at fair value on the date of acquisition. We capitalize intangible assets when the economics benefits associated with the assets are probable, and when the cost can be measured reliably. We estimate useful life based on the nature of the asset, historical experience, and the projected period of expected future economic benefits to be provided by the asset. In subsequent reporting periods, we measure such intangible assets at cost less accumulated amortization and accumulated impairment losses, if any.

Other intangibles includes brand and non-compete agreements arising from acquisitions, as well as patents and other intellectual property. We review our estimates of residual values, useful lives and the methods of amortization at year end and, if required, adjust for these prospectively.

(m) Compound instruments - convertible debenture

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of comprehensive loss.

(n) Revenue from contracts with Customers

Revenue recognition policy
Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

The Company generates revenue by providing data collection and analytics services to the agricultural industry in Canada and the United States. Revenue generated from data analytics are based on digital recommendations and data interpretations and may lead to improved efficiencies in inputs or outcomes. Revenue generated from data collection, such as soil sampling, drone data etc., is based on the collection of on-farm data through the Company's network of soil sampling, drone and data technicians.

2. Significant accounting policies (continued)

(n) Revenue from contracts with Customers (continued)

Performance obligation
Revenue generated from providing data collection and analysis services is recognized as revenue in the period in which the data is delivered. At this point the Company has no further performance obligations to the client. Where payment is received in advance of delivering the data, the amount received is recognized as deferred revenue.

Variable consideration
The nature of the Company's business does not give rise to variable consideration that would otherwise decrease the transaction price which would reduce revenue.

(o) Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

(p) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years.

(q) Government grants and assistance

Grants and subsidies are recognized at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Fair value signifies the amount received in cash. The grants and subsidies are presented in operating income within the consolidated statements of loss.

2. Significant accounting policies (continued)

(r) Critical accounting estimates and judgments

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Judgements

i) Determination of functional currency

Foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that entity measures its results and financial position in. Judgment is necessary in assessing each entity's functional currency. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour, material and other costs for each consolidated entity.

ii) Determination of CGUs for the purpose of impairment tests

The determination of CGUs for the purposes of impairment testing requires judgement when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Company considers how the operations of each of its subsidiaries generate cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the consolidated financial statements.

iii) NCI put obligation

The NCI put obligation is recorded at the present value of the redemption amount. In estimating the redemption amount, the Company considers A&L's earnings before interest, taxes, depreciation and amortization ("EBITDA"), the time value of money and the market rate of interest. Management basis its assumptions on observable data to the extent possible; however, observable data is not always available. In that case, management uses the best information available. Refer to Note 5 for further information.

Estimates

iv) Critical accounting estimates

Recovery of accounts receivable - the Company estimates the collectability and timing of collection of its receivables, classifying them as current assets or long-term assets, and applies provisions for collectability when necessary.

Impairment of property, plant and equipment, right-of-use assets and intangible assets - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto.

Impairment of goodwill - goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The recoverable value of a cash-generating unit ("CGU") is determined from internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates, discount rates and terminal multiples. Management is required to use judgment in estimating the recoverable value of a CGU or a group of CGUs. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable.

2. Significant accounting policies (continued)

(r) Critical accounting estimates and judgments (continued)

Estimates (continued)

Share-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Warrants – management is required to make a number of estimates when measuring the value of warrants including the forfeiture rate and expected life of the instruments.

Useful lives of property, plant and equipment and right-of-use assets - management is required to estimate the useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Going concern – the assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

Business combination - In a business acquisition, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the acquisition date at their respective fair values. The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the acquirer might obtain control on a date that is either earlier or later than the closing date. Management exercises judgment in considering all pertinent facts and circumstances in identifying the acquisition date.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management also exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

2. Significant accounting policies (continued)

(s) 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.

(t) Accounting standards issued but not yet effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- Clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- Make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. However, the Company does not plan to early adopt this amendment. The extent of the impact of adoption of this amendment has not yet been determined.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

2. Significant accounting policies (continued)

(t) Accounting standards issued but not yet effective (continued)

Definition of Accounting Estimates (Amendments to IAS 8)
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
In May 2021, the IASB issued amendments to IAS 12, which clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments introduce an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments are not expected to have a material impact on the Company.

3. Capital risk management

The Company includes shareholders' equity, comprising issued share capital, shares to be issued, reserves, accumulated other comprehensive income and deficit, in the definition of capital, which as at December 31, 2022, totaled an equity of $19,286,122 (December 31, 2021 - $14,678,132).

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

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

There were no changes in the Company's objective, process, policies and approach to capital management during the year ended December 31, 2022 and 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

(Expressed in Canadian Dollars)

4. Financial instruments and risk factors

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

(a) Credit risk

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

Amounts receivable consists of sales tax receivable from government authorities in Canada and trade receivable. Sales tax receivable are in good standing as of December 31, 2022. Management believes that the credit risk with respect to these amounts receivable is minimal. As at December 31, 2022, the provision for expected credit losses is $252,341 (December 31, 2021 - $156,043). Please see note 7.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company currently generates cash flow from its operating and financing activities. As at December 31, 2022, the Company had cash and cash equivalents of $5,824,811 (December 31, 2021 - $6,867,130) to settle current liabilities of $15,226,577 (December 31, 2021 - $4,086,163).

The Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2022:

	Carrying amount	Contractual cash flows	2023	2024	2025	2026	2027	Thereafter
Accounts payable	$ 2,754,296	$ 2,754,296	$2,754,296	-	-	-	-	-
Accrued and other current liabilities	2,119,924	2,119,924	2,119,924	-	-	-	-	-
Blorrowings under credit facility	30,779,387	30,779,387	2,730,000	2,730,000	25,319,387	-	-	-
Deferred and contingent considerations	3,104,996	3,104,996	2,064,745	1,040,251	-	-	-	-
Promissory notes	4,926,600	4,926,600	4,926,600	-	-	-	-	-
Loans payable	814,010	814,010	327,354	236,580	212,654	37,422	-	-
Convertible debentures	8,038,181	8,038,181	-	-	8,038,181	-	-	-
Lease liabilities	4,468,916	4,468,916	1,509,915	1,414,252	1,092,008	433,480	19,261	-
Total	$57,006,310	$ 57,006,310	$6,432,834	$5,421,083	$34,662,230	$470,902	$19,261	-

The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

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

4. Financial instruments and risk factors (continued)

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

(i) Interest rate risk

The Company's current policy is to invest surplus cash in high yield savings accounts with Canadian chartered banks with which it keeps its bank accounts. As at December 31, 2022, the Company did not have any surplus cash in high yield savings accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks and US banks. The Company is not exposed to interest rate risk.

(ii) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar. Certain of the Company's revenues and expenses are incurred in USD and are therefore subject to gains and losses due to fluctuations against the functional currency.

(iii) Price risk

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

Sensitivity analysis

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

(i) The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents and amounts receivable and amounts payable and other liabilities that are denominated in USD. As at December 31, 2022, had the USD weakened/strengthened by 10% against the CAD with all other variables held constant, the Company’s consolidated statements of comprehensive loss for the year ended December 31, 2022 would have been approximately $258,318 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at December 31, 2022, shareholders' equity would have been approximately $258,318 higher/lower had the USD weakened/strengthened by 10% against the CAD as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments.

5. Fair value measurements

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued and other current liabilities and promissory notes approximate their fair values due to their short terms to maturity. The carrying amount of borrowings under credit facility, loans payable, deferred consideration and convertible debentures are considered to be a reasonable approximation of the fair value as December 31, 2022.

(Expressed in Canadian Dollars)

5. Fair value measurements (continued)

The following table provides information about how the fair values of the Company's financial instruments as at December 31, 2022 and 2021 are determined:

December 31, 2022

	Level 1	Level 2	Level 3	Total
Contingent consideration	$ -	$ -	$ 1,355,703	$ **1,355,703**
NCI put obligation	-	-	9,917,750	**9,917,750**
	$ -	$ -	**$ 11,273,453**	$ **11,273,453**

May 20, 2022

	Level 1	Level 2	Level 3	Total
NCI put obligation	$ -	$ -	$ 12,996,726	$ **12,996,726**
	$ -	$ -	**$ 12,996,726**	$ **12,996,726**

December 31, 2021

	Level 1	Level 2	Level 3	Total
Contingent consideration	$ -	$ -	$ 1,622,017	$ **1,622,017**
	$ -	$ -	**$ 12,996,726**	$ **12,996,726**

The fair value of the NCI put obligation liability was determined using a discounted cash flow method based on 7 times the estimated earnings before interest, taxes, depreciation and amortization ("EBITDA") of A&L Canada Laboratories East, Inc. ("A&L) at the date of exercise, then multiplied by the 33.2% non-controlling interest (note 6(b)). A discount rate of 15% was used to determine the present value of the liability, which represents the Company's estimated weighted average cost of capital. In determining the present value of the obligation on the date of acquisition, May 20, 2022 (the "Closing Date"), management used the EBITDA on the Closing Date multiplied by 7 and applied that to the NCI percentage, which reflects the best estimate of the amount of the obligation under the put/call option in accordance with the provisions of IFRS 9 – Financial Instruments. The fair value of the NCI put obligation at May 20, 2022 was $12,996,726.

The key observable input into the valuation of the NCI put obligation was the discount rate and the key unobservable inputs were the Company-determined weighted average cost of capital, A&L EBITDA and the probability of EBITDA exceeding the minimum threshold.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

Balance as of December 31, 2021	$ 1,622,017
Acquired through business combination	$ 12,996,726
Change in fair value of NCI put obligation	(3,078,976)
Change in fair value of contingent consideration	(266,314)
Balance as of December 31, 2022	**$ 11,273,453**

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's accounts receivable, accounts payable, accrued and other current liabilities, promissory notes, lease liabilities, loans payable, deferred consideration and the current portion of contingent consideration approximates fair value due to their short- term maturity.

5. Fair value measurements (continued)

Agri-Labs
The purchase agreement includes an EBITDA-based earnout for the April 1, 2022 to Mar 31, 2023 period, calculated as 50% of the excess EBITDA generated in comparison to April 1, 2021 to March 31, 2022. Half of the earnout is payable in shares, and half is to be paid in cash. Payment is due within 30 days of the seller's acceptance of the earnout notice. Management recorded contingent consideration equal to $24,240 based on the most likely scenario of the acquisition achieving a target of 20% year-over-year revenue growth. As of December 31, 2022, $24,240 has been recorded within contingent consideration.

Frontier Labs
The purchase agreement includes an EBITDA-based earnout for the October 27, 2022 to December 31, 2022 period, calculated as 100% of the EBITDA generated by Frontier Labs during that time ("2022 earnout"). Deveron estimated the EBITDA during this period to be equal to $270,880 and recorded a liability within contingent consideration. On March 28, 2023, the company paid Frontier Labs the 2022 earnout in full totaling $240,650. The purchase agreement also includes an EBITDA-based earnout for the year-ended December 31, 2023 ("2023 earnout") and December 31, 2024 (2024 earnout"), calculated as 50% of the excess EBITDA generated during the year, in comparison to the prior year. Half of the earnout is payable in shares, and half is to be paid in cash. Payment is due within 30 days of the seller's acceptance of the earnout notice. Management recorded contingent consideration equal to $210,530 based on the most likely scenario of the acquisition achieving a target of 20% year-over-year revenue growth during 2023 and 2024. As of December 31, 2022, $481,410 has been recorded within contingent consideration for the 2022, 2023, and 2024 earnouts.

Farm Dog
The purchase agreement includes an earnout issuable in $100,000 USD common shares in the event that Farm Dog adds 3,000,000 unique active acres within 3 years of the closing date (Feb 19, 2024). The purchase agreement includes a revenue-based earnout for the period ending December 31, 2022 in the event that Farm Dog generates an additional $5 million in revenue ("Revenue earnout") . If achieved, up to a $250,000 USD earnout is payable in shares, and up to a $250,000 USD earnout is to be paid in cash based on the achievement of certain milestones. Payment is due within 30 days of the seller's acceptance of the earnout notice. Management recorded contingent consideration equal to $ based on the most likely scenario of the acquisition achieving a target of 20% year-over-year revenue growth. As of December 31, 2022, $650,582 has been recorded within contingent consideration.

Stealth Ag
The purchase agreement includes a $80,000 USD and $100,000 USD revenue-based earnout based on the achievement of $1M USD and $1.25M gross revenue on the first and second anniversary of the May 26, 2021 acquisition date ("2022 earnout" and "2023 earnout"). Half of each earnout is payable in shares, and half is to be paid in cash. There also is an acres-based earnout "2023 onboarding earnout") based on the onboarding of 400,000 acres during the two year period following the 2023 earnout, equal to $90,000 USD of common shares. On July 27, 2022, Stealth Ag received $140,000 USD of common shares and $40,000 cash payment for achieving its revenue milestones. As of December 31, 2022, $192,677 has been recorded within contingent consideration for the remaining 2023 earnout and onboarding earnout.

6. Acquisitions

(a) Acquisition of Agri-Labs, Inc.

On March 10, 2022, the Company entered into a definitive agreement ("Definitive Agreement") to acquire the assets of Agri-Labs, Inc. ("Agri-Labs") a leading soil lab and agronomy company that services Indiana, Michigan, and Ohio (the "Acquisition").

The Acquisition was undertaken as it drives Deveron forward on its mission to vertically integrate the soil collection and analysis process.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(a) Acquisition of Agri-Labs, Inc. (continued)

The acquisition of Agri-Labs closed on March 10, 2022 and has been accounted for as a business combination under IFRS 3 - Business Combinations (“IFRS 3”).

As consideration for the Acquisition, Deveron has agreed to:
(i) Pay Agri-Labs an initial cash payment of USD $420,000 upon signing of the Definitive Agreement, and USD $210,000 on each of the first two anniversaries of the signing of the definitive agreement, and
(ii) issue such number of common shares in the capital of the company equal to USD $180,000 at a price of $0.61 per common share upon receipt of the approval of the TSXV and an additional number of common shares equal to USD $90,000 at a price of $0.61 per common share on each of the first two anniversaries of the signing of the Definitive Agreement.

The allocation of the purchase price is as follows:

Purchase price allocation		
Cash payment	$	546,483
Issuance of 375,000 common shares upon closing (i)		228,750
Deferred cash consideration		536,674
Additional 375,000 common shares to be issued (ii)		228,750
Contingent consideration (earnout) (iii)		31,034
Total consideration	$	1,571,691

Allocation of purchase price		
Goodwill	$	822,900
Property, plant and equipment (note 8)		274,260
Intangible assets (note 11)		474,531
Agri-Lab net assets acquired	$	1,571,691

(i) For the purpose of determining the value of the purchase price consideration, the 375,000 common shares were valued at $0.61 per share based on Deveron's closing price as of March 9, 2022.

(ii) For the purpose of determining the value of the purchase price consideration, the 375,000 common shares to be issued were valued at $0.61 per share based on Deveron's closing price as of March 9, 2022 and was recorded as an addition to shares to be issued.

(iii) The earnout (cash-settled) has a fair value of $31,034 as of the date of acquisition and was recorded as "deferred and contingent consideration". Refer to note 16 for accretion on cash-settled earnouts.

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $822,900, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes.

(b) Acquisition of A&L Canada Laboratories East, Inc.

On May 20, 2022, the Company acquired a 67% equity interest in A&L Canada Laboratories East, Inc. ("A&L"), with an option to purchase the remaining 33% following the three-year anniversary of closing, and an obligation to purchase the remaining 33% after five years (the "Acquisition"). A&L is one of the largest soil and tissue laboratories in Canada.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(b) Acquisition of A&L Canada Laboratories East, Inc. (continued)

This Acquisition is transformational for Deveron. Combining Deveron and A&L establishes one of the only fully vertically integrated agriculture data companies in the market. This also aligns with the vision of the Company to be North America's leader in lab and agronomist services,

The acquisition of A&L closed on May 20, 2022 and has been accounted for as a business combination under IFRS 3.

As consideration for the Acquisition, Deveron has:
(i) Paid to the shareholders of A&L an initial cash payment of $37,833,750 upon signing of the Definitive Agreement;
(ii) Issued to the shareholders of A&L $4,926,600 in promissory notes. The promissory notes bear an interest of 7% per annum. The principal and any accrued and unpaid interest owing are due in full on May 20, 2023;
(iii) Issued such number of common shares in the capital of the company equal to $5,338,391 at a price of $0.39 per common share upon receipt of the approval of the TSXV.

The allocation of the purchase price is as follows:

Purchase price allocation		
Cash payment	$	37,833,750
Issuance of 13,688,182 common shares upon closing (i)		5,338,391
Deferred cash consideration		4,926,600
Total consideration	$	48,098,741

Allocation of purchase price		
Cash	$	3,036,967
Accounts receivable		1,598,173
Prepaid and other current assets		500,857
Investment in significantly influenced entities		1,480,072
Property, plant and equipment (note 8)		11,561,647
Right-of-use assets (note 9)		1,092,352
Goodwill		44,796,104
Intangible assets (note 11)		20,828,000
Liabilities assumed (iii)		(6,453,550)
Deferred income taxes liability		(6,436,519)
Non-controlling interest		(23,905,362)
NCI put obligation		(12,966,726)
Equity reserves		12,966,726
A&L net assets acquired net of liabilities assumed (ii)	$	48,098,741

(i) For the purpose of determining the value of the purchase price consideration, the 13,688,182 common shares were valued at $0.39 per share in accordance with the closing share price of May 20, 2022.

(ii) Per IFRS 3, the acquirer has up to one year from the acquisition date (the "Measurement Period") to finalize the accounting for business combinations. The initial accounting for this transaction is not yet complete and as such, provisional amounts have been recognized as of the period end. During the Measurement Period, provisional amounts will be retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

(iii) Deveron repaid $3,334,276 of long term debt held by A&L on the May 20, 2022 acquisition closing date.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(b) Acquisition of A&L Canada Laboratories East, Inc. (continued)

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $44,796,104, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes.

The Company expensed $1,050,506 of acquisition-related costs in 2022 related to this transaction. These costs have been classified as professional fees on the consolidated statements of loss and comprehensive loss.

(c) Acquisition of Frontier Labs Inc.

On October 27, 2022, the Company entered into a definitive agreement ("Definitive Agreement") to acquire the assets of Frontier Labs Inc. ("Frontier") a leading soil lab and agronomy company based in Iowa that services Iowa and Minnesota (the "Acquisition").

The Acquisition continues Deveron's strategy to vertically integrate the soil collection and analysis process within its ecosystem, while adding important local relationships in one of the United States largest agricultural regions.

The acquisition of Frontier closed on October 27, 2022 and has been accounted for as a business combination under IFRS 3.

As consideration for the Acquisition, Deveron has:
(i) Paid Frontier an initial cash payment of USD $825,000 upon closing of the Acquisition;
(ii) Issued further payments in the aggregate of USD $412,500 on each of the first two anniversaries on the closing date of the Acquisition (the "Closing Date");
(iii) Issued 746,570 Common Shares in the capital of the Company upon receipt of the final approval of the Acquisition; and
(iv) Issue 373,285 Common Shares at a price of $0.50 per Common Share on each of the first two anniversaries following the signing of the Definitive Agreement.

The allocation of the purchase price is as follows:

Purchase price allocation		
Cash payment	$	1,128,967
Issuance of 746,570 common shares upon closing (i)		373,375
Deferred cash consideration		1,128,967
Additional 746,570 common shares to be issued (i)		373,375
Contingent consideration (earnout) (ii)		482,333
Total consideration	$	3,487,017

Allocation of purchase price		
Property, plant and equipment (note 8)		367,466
Goodwill		1,871,731
Intangible assets (note 11)		1,247,820
Frontier net assets acquired net of liabilities assumed (ii)	$	3,487,017

(i) For the purpose of determining the value of the purchase price consideration, the 746,570 common shares were valued at $0.50 per share in accordance with the October 27, 2022 share purchase agreement.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(c) Acquisition of Frontier Labs Inc. (continued)

(ii) The earnout (cash-settled) has a fair value of $482,333 as of the date of acquisition and was recorded as "deferred and contingent consideration". Refer to note 16 for accretion on cash-settled earnouts.

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $1,871,731, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes.

(d) Acquisition of FD Agro Technologies LLC

On February 19, 2021, the Company acquired FD Agro Technologies LLC (“Farm Dog”), an agriculture data platform company that helps farmers, agronomists and agribusinesses record, organize and leverage on-farm information to make better decisions. 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 applicable 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:

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)		125,491
Contingent consideration (earnout) (iii)		556,954
Total consideration	$	872,031

Allocation of purchase price		
Goodwill	$	872,031
Farm Dog net assets acquired	$	872,031

(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 in shareholders' equity.

6. Acquisitions (continued)

(d) Acquisition of FD Agro Technologies LLC (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 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 "deferred and contingent consideration".

(e) Acquisition of Tana Ag Solutions Group, LLC

On May 14, 2021, the Company entered into an agreement (the “Agreement”) to acquire the assets of Tana Ag Solutions Group, LLC ("Tana Ag"), an Oklahoma based digital agronomy company focused on soil health and yield improvement. Tana Ag currently services 120,000 acres.

The Acquisition continues Deveron’s strategy to vertically integrate the soil collection and analysis process within its ecosystem, while adding important local relationships in one of the United States largest agricultural regions.

The acquisition of Tana Ag has been accounted for as a business combination under IFRS 3.

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 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 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.
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.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(e) Acquisition of Tana Ag Solutions Group, LLC (continued)

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.

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $208,554, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes.

(f) Acquisition of Stealth Ag, Inc.

On May 26, 2021, the Company entered into an agreement to acquire the assets of Stealth Ag, Inc. ("Stealth Ag"), a leading agriculture digital services and insights provider with offices in Minnesota and Iowa.

The Acquisition continues Deveron's strategy to vertically integrate the soil collection and analysis process within its ecosystem, while adding important local relationships in one of the United States largest agricultural regions.
The acquisition of Stealth Ag has been accounted for as a business combination under IFRS 3.

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.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(f) Acquisition of Stealth Ag, Inc. (continued)

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.

(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 Revenue 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 Revenue and On-Boarding Earnouts (equity-settled) has a fair value of $170,178. Refer to note 16 for accretion on cash-settled earnouts.

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $1,724,734, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(g) Acquisition of Woods End Laboratories

On April 6, 2021, the Company formed a Joint Venture ("JV") with A&L, and together have acquired the assets of Woods End Laboratories ("Woods End"), a US based leader in agricultural soil health testing. 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		(23,747)
Goodwill		2,727,564
Non-controlling interest (i)		(1,476,030)
Woods End net assets acquired net of liabilities assumed (i)	$	1,536,275

(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.

(h) Acquisition of Agronomic Solutions, Inc

On September 8, 2021, the Company entered into an agreement ("Agreement") to acquire the assets of Agronomic Solutions, Inc. ("Agronomic Solutions") a leading digital agronomy company that services Iowa, Nebraska, Missouri, Minnesota, Illinois and Kansas.

The Acquisition continues Deveron’s strategy to vertically integrate the soil collection and analysis process within its ecosystem, while adding important local relationships in one of the United States largest agricultural regions.

The acquisition of Agronomic Solutions has been accounted for as a business combination under IFRS 3.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(h) Acquisition of Agronomic Solutions, Inc (continued)

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. The principal and interest are due in full on September 8, 2022. 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 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 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).

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $2,596,268, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes.

(Expressed in Canadian Dollars)

6. Acquisitions (continued)

(h) Acquisition of Agronomic Solutions, Inc (continued)

(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.

7. Accounts receivable

	As at December 31, 2022	As at December 31, 2021
Accounts receivable	**$ 6,746,980**	$ 2,673,701
Allowance for expected credit losses	**(252,341)**	(156,043)
	$ 6,494,639	$ 2,517,658

The following is an aged analysis of the accounts receivable:

	As at December 31, 2022	As at December 31, 2021
1 to 60 days	**$ 5,537,138**	$ 2,253,434
60 to 90 days	**501,117**	57,080
Greater than 90 days	**456,384**	207,144
Total accounts receivable	**$ 6,494,639**	$ 2,517,658

8. Property, plant and equipment

COST	Equipment	Land and building	Drones	Vehicles	Total
Balance, December 31, 2020	**$ 287,517**	**$ -**	**$ 482,223**	**$ 104,671**	**$ 874,411**
Additions	473,691	-	-	39,470	513,161
Additions pursuant to the acquisitions (note 6)	773,181	-	-	172,905	946,086
Foreign exchange	173,755	-	-	4,506	178,261
Balance, December 31, 2021	**1,708,144**	**-**	**482,223**	**321,552**	**2,511,919**
Additions	2,552,221	1,977,413	-	962,104	5,491,738
Dispositions	(15,770)	-	-	(60,769)	(76,539)
Additions pursuant to the acquisition (note 6)	4,073,762	7,625,157	-	506,037	12,204,956
Foreign exchange	141,520	-	-	59,605	201,125
Balance, December 31, 2022	**$ 8,459,877**	**$ 9,602,570**	**$ 482,223**	**$ 1,788,529**	**$ 20,333,199**

(Expressed in Canadian Dollars)

8. Property, plant and equipment (Continued)

ACCUMULATED DEPRECIATION	Equipment	Land and building	Drones	Vehicles	Total
Balance, December 31, 2020	**$ 120,290**	**$ -**	**$ 482,223**	**$ 16,450**	**$ 618,963**
Disposition	-	-	-	-	-
Depreciation	275,081	-	-	55,788	330,869
Foreign exchange	49,078	-	-	5,321	54,399
Balance, December 31, 2021	**444,449**	**-**	**482,223**	**77,559**	**1,004,231**
Disposition	(4,918)	-	-	(40,784)	(45,702)
Depreciation	1,076,655	137,923	-	339,220	1,553,798
Foreign exchange	33,429	-	-	9,045	42,474
Balance, December 31, 2022	**$ 1,549,615**	**$ 137,923**	**$ 482,223**	**$ 385,040**	**$ 2,554,801**

CARRYING AMOUNT	Equipment	Land and building	Drones	Vehicles	Total
Balance, December 31, 2021	**$ 1,263,695**	**$ -**	**$ -**	**$ 243,993**	**$ 1,507,688**
Balance, December 31, 2022	**$ 6,910,262**	**$ 9,464,647**	**$ -**	**$ 1,403,489**	**$ 17,778,398**

During the year ended December 31, 2022, the Company sold vehicles and equipment for cash proceeds of $212,163 which resulted in a gain on disposition of property, plant and equipment of $181,326.

9. Right-of-use assets

COST	Vehicles	Equipment	Total
Balance, December 31, 2021	**$ 2,088,992**	**$ 124,776**	**$ 2,213,768**
Additions	2,264,110	413,199	2,677,309
Additions from acquisitions (note 6)	-	1,092,352	1,092,352
Disposals	(60,803)	-	(60,803)
Foreign exchange and other	139,053	125,453	264,506
Balance, December 31, 2022	**$ 4,431,352**	**$ 1,755,780**	**$ 6,187,132**

ACCUMULATED DEPRECIATION	Vehicles	Equipment	Total
Balance, December 31, 2021	**$ 374,015**	**$ 57,189**	**$ 431,204**
Disposals	(105,085)	-	(105,085)
Depreciation	821,371	199,827	1,021,198
Foreign exchange	35,183	-	35,183
Balance, December 31, 2022	**$ 1,125,484**	**$ 257,016**	**$ 1,382,500**

CARRYING AMOUNT	Vehicles	Equipment	Total
Balance, December 31, 2021	**$ 1,714,977**	**$ 67,587**	**$ 1,782,564**
Balance, December 31, 2022	**$ 3,305,868**	**$ 1,498,764**	**$ 4,804,632**

(Expressed in Canadian Dollars)

10. Goodwill

Balance, December 31, 2021	**$**	**6,221,210**
Addition Agri-Lab (note 6)		822,900
Addition A&L (note 6)		44,796,104
Addition Frontier (note 6)		1,871,731
Foreign exchange		304,656
Balance, December 31, 2022	**$**	**54,016,601**

Balance, December 31, 2020	**$**	**1,867,305**
Addition Farm Dog		872,030
Addition Tana Ag		208,554
Addition Stealth Ag		740,875
Addition Woods End		1,253,695
Addition Agronomic Solutions		1,168,458
Foreign exchange		110,293
Balance, December 31, 2021	**$**	**6,221,210**

Impairment testing for CGUs containing goodwill

At acquisition, goodwill is allocated to the CGU or group of CGUs expected to benefit from the synergies of the business combinations in which the goodwill arises. The Company has determined that the group of CGUs that will benefit from the synergies of the business combinations are its data collections services sector and data analytics sector.

The annual impairment test date is December 31.

At December 31, 2022 and 2021, the recoverable amount of the Company was calculated based on its value-in-use, determined using the income approach based on discounted cash flows projected over a period of five years. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

Key assumptions

	Data collections CGU	Data analytics CGU
Growth rates	20%	20%
Gross margin	65%	75%
EBITDA margin	20%	30%
Discount rate	18%	18%

Growth rates, gross margin and EBITDA margin

The assumptions around the Company’s revenue growth rates, gross margin, and EBITDA margin were based on management’s best estimates, considering historical and expected operating plans, strategic plans, economic considerations, and the general outlook for the industry and markets in which the Company operates.

(Expressed in Canadian Dollars)

10. Goodwill (continued)

Discount rate

The discount rate reflects appropriate adjustments relating to market risk and specific risk factors of the Company.

Sensitivity to changes in assumptions

The Company's recoverable amount was determined to be more than its carrying amount. No reasonable changes to the key assumptions resulted in a recoverable amount below the carrying amount.

11. Intangible assets

COST	Software Technologies	Customer list	Other intangibles	Total
Balance, December 31, 2021	**$ -**	**$ 2,789,160**	**$ 1,061,148**	**$ 3,850,308**
Additions	-	-	1,526,467	1,526,467
Additions pursuant to the acquisitions (note 6)	5,883,000	10,422,781	6,244,570	22,550,351
Foreign exchange	-	218,785	72,718	291,503
Balance, December 31, 2022	**$ 5,883,000**	**$ 13,430,726**	**$ 8,904,903**	**$ 28,218,629**

ACCUMULATED AMORTIZATION	Software Technologies	Customer list	Other intangibles	Total
Balance, December 31, 2021	**$ -**	**$ 163,789**	**$ 107,731**	**$ 271,520**
Amortization	490,250	860,200	905,038	2,255,488
Foreign exchange	-	23,634	17,503	41,137
Balance, December 31, 2022	**$ 490,250**	**$ 1,047,623**	**$ 1,030,272**	**$ 2,568,145**

CARRYING AMOUNT	Software Technologies	Customer list	Other intangibles	Total
Balance, December 31, 2021	**$ -**	**$ 2,625,371**	**$ 953,417**	**$ 3,578,788**
Balance, December 31, 2022	**$ 5,392,750**	**$ 12,383,103**	**$ 7,874,631**	**$ 25,650,484**

12. Investment in associate

As at December 31, 2022, A&L, the Company's 67% owned subsidiary (note 6(b)) held a 50% interest in A&L Biological Inc. ("Biological"). Management determined that the Company has significant influence over A&L Biological Inc and accounts for its interest using the equity method.

On initial recognition, management determined that the fair value of its investment in Biological was $Nil and, as such, there was no impact on the consolidated statement of financial position. Biological continued to experience losses in fiscal 2022, with those losses being provided for by the Company. No additional liability was recognized as the Company does not have any legal or constructive obligations related to Biological, nor has it made any payments on its behalf. The carrying value of the equity-method at December 31, 2022 is therefore $Nil (2021 - $Nil)

In addition, no dividends were received from Biological during the year ended December 31, 2022. A&L Biological Inc is a private company; therefore, no quoted market prices are available for its shares. The Company has no additional commitments relating to A&L Biological Inc.

(Expressed in Canadian Dollars)

13. Accounts payable

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

	As at December 31, 2022	As at December 31, 2021
Accounts payable	**$ 2,224,349**	$ 925,971

The following is an aged analysis of the accounts payable:

	As at December 31, 2022	As at December 31, 2021
1 to 60 days	**$ 1,788,112**	$ 733,756
61 to 90 days	**141,394**	53,466
Greater than 90 days	**294,843**	138,749
Total accounts payable	**$ 2,224,349**	$ 925,971

14. Loans payable

(i) During the year ended December 31, 2022, the Company applied for and received loan proceeds in the amount of $784,900 from John Deere Financial, for the purchase of utility vehicles. During the year ended December 31, 2022, the Company has repaid $77,883 (December 31, 2021 – $15,465). The balance outstanding as of December 31, 2022 is $770,986 (December 31, 2021 – $61,076). The loan is non-interest bearing and has a term of four years.

(ii) During the year ended December 31, 2022, the Company has repaid $10,483 (December 31, 2021 - $13,779) to CLE Capital, a lease financing specialist. The balance outstanding as of December 31, 2022 is $51,197 (December 31, 2021 - $95,100). The loan has an interest rate of 8.99% and a term of four years.

Current	$ 251,910
Long-term	562,100
Balance, December 31, 2022	**$ 814,010**

(Expressed in Canadian Dollars)

15. Lease liabilities

Balance, January 1, 2021	**$**	**207,369**
Additions		2,001,751
Interest expense		12,251
Lease payments		(292,461)
Foreign exchange and other		(195,762)
Balance, December 31, 2021	**$**	**1,733,148**

Balance, December 31, 2021	**$**	**1,733,148**
Additions		2,677,309
Acquired from acquisition of A&L		1,343,381
Lease payments		(790,574)
Foreign exchange and other		(494,348)
Balance, December 31, 2022	**$**	**4,468,916**
Allocated as:		
Current	$	380,000
Non-current		4,088,916
Balance, December 31, 2022	**$**	**4,468,916**
Allocated as:		
Current	$	539,788
Long-term		1,193,360
Balance, December 31, 2021	**$**	**1,733,148**

16. Deferred and contingent consideration

COST	**Contingent Consideration**	**Deferred Consideration**	**Total**
Balance, December 31, 2020	**$ -**	**$ -**	**$ -**
Additions pursuant to the acquisitions (note 6)	1,570,522	928,470	2,498,992
Accretion interest expense	36,969	31,355	68,324
Foreign exchange	14,526	12,388	26,914
Balance, December 31, 2021	**$ 1,622,017**	**$ 972,213**	**$ 2,594,230**
Additions pursuant to the acquisition (note 6)	513,367	1,665,641	2,179,008
Accretion interest expense	53,051	53,629	106,680
Contingent consideration - shares issued	(42,087)	(182,000)	(224,087)
Contingent consideration - cash payout	(876,581)	(822,165)	(1,698,746)
Foreign exchange	85,936	61,976	147,912
Balance, December 31, 2022	**$ 1,355,703**	**$ 1,749,294**	**$ 3,104,997**
Allocated as:			
Current	$ 1,062,661	$ 906,180	$ 1,968,841
Non-current	293,042	843,113	1,136,155
Balance, December 31, 2022	**$ 1,355,703**	**$ 1,749,294**	**$ 3,104,997**

(Expressed in Canadian Dollars)

16. Deferred and contingent consideration (continued)

(i) On February 25, 2022, the Company acquired Agri-Labs. In connection with the transaction, the Company has agreed to pay an additional USD $420,000 (CAD $536,674) based on the achievement of certain milestones. Refer to note 6.

(ii) On February 28, 2022, the Company paid Agronomic Solutions an earnout as additional consideration equal to 100% of the earnings before interest, taxes, depreciation and amortization “EBITDA” generated by the acquired business from Sept 8, 2021 to December 31, 2021. The actual amount of the EBITDA earnout paid was $833,757 (USD $646,591), in excess of the amount originally estimated to be $755,556 (USD $600,000). The additional amount was recorded in operating expenses.

(iii) On May 14, 2022, Tana Ag received a $49,316 (USD $37,500) cash payment due on the one year anniversary.

(iv) On May 26, 2022, Stealth Ag received a $192,943 (USD $150,000) cash payment due on the one year anniversary. Stealth Ag also received a $42,087 (USD $40,000) in common shares for achieving certain revenue milestones during the year.

(v) On July 29, 2022, Stealth Ag received $182,000 (USD $140,000) in common shares for achieving certain revenue milestones during the year.

17. Convertible Debenture

A continuity of the convertible debenture as at December 31, 2022 is as follows:

		2022
Gross proceeds		10,015,000
Allocation to conversion feature		(1,740,090)
Debt issuance costs		(578,846)
Accretion		829,003
Carrying value, December 31, 2022	**$**	**8,525,067**

On May 18, 2022, the Company closed a $10,015,000 private placement of convertible debentures (the "Debentures”), in the principal amount of $10,015,000. The Company issued 10,015 Debentures, each with a principal amount $1,000. The Debentures mature three years from the closing date and bears interest at a rate of 7% per annum, payable annually, in arrears in cash or common shares at the option of the holder. The principal amount of the Debentures may be convertible, only at the option of the holder, into common shares of the Company at a price of $0.50 per common share. Interest is payable annually on the anniversary of the closing date of the private placement, commencing in May 2023, and may be paid, at the discretion of the holder, (i) in cash or (ii) the equivalent value in common shares of the Company based on a price per share equal to the greater of (A) the 20 trading day volume weighted average trading price of the shares on the TSXV ending five trading days proceeding the interest due date and (B) in the market price of the shares, at the time the interest becomes payable.

The liability component of the Debenture was valued using the discounted cash flow model, based on an estimated effective interest rate of 9%. The difference between the $10,015,000 principal amount of the Debentures and the discounted fair value of the liability component was recognized as the embedded derivative portion of the Debenture on the date of grant. No fair value measurement is required as the liability component is measured at amortized cost after initial recognition. The fair value of the equity component as of December 31, 2022 is $1,740,090. Accretion and interest on the debentures are included in interest expense in the consolidated statements of loss and comprehensive loss. No embedded derivative and no fair value has been recalculated as of December 31, 2022.

(Expressed in Canadian Dollars)

17. Convertible Debenture (continued)

Pursuant to the convertible debenture, 818,012 broker warrants were issued with an exercise price of $0.50 per warrant for a period of 24 months after closing, as well as finders fees of $470,000 was paid. The 818,012 broker warrants were valued at $488,506 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.38; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 78.34%; risk-free interest rate - 2.76%; and an expected life - 2 years.

18. Borrowings under credit facility

On May 20, 2022, the Company obtained a $32,300,000 credit facility provided by Toronto-Dominion Bank ("TD"), of which $28,300,000 was drawn upon closing. The credit facility has a 3 year term and a 10 year amortization, with a quarterly principal repayment. Interest is the lesser of prime plus 3%, or 90 day banker's acceptance (currently 2.34%) plus 3%, for a total of 5.34% for the current quarter. As at December 31, 2022, the Company owed $30,238,189 (December 31, 2021 - $nil). These credit facilities have certain financial and non-financial covenants. The Company is in compliance with all covenants as of December 31, 2022.

Balance, December 31, 2021	**$**	**-**
Pursuant to acquisition		28,300,000
Additions		3,303,189
Principal repayments		(1,365,000)
Balance, December 31, 2022	**$**	**30,238,189**

Allocated as:		
Current	$	2,730,000
Non-current		27,508,189
Balance, December 31, 2022	**$**	**30,238,189**

19. 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, 2020	**68,279,558**	**$**	**9,970,106**
Private placements (i)(ii)	12,627,050		8,207,583
Warrant valuation (i)(ii)	-		(1,649,622)
Broker warrant valuation (i)(ii)	-		(258,702)
Share issue costs	-		(593,865)
Shares issued pursuant to the acquisition of Farm Dog, Tana Ag & Stealth Ag (note 6)	399,595		319,870
Exercise of warrants (iii)	7,420,399		2,078,785
Exercise of options (iv)	280,000		174,946
Balance, December 31, 2021	**89,006,602**	**$**	**18,249,101**

(Expressed in Canadian Dollars)

19. Share capital (continued)

b) Common shares issued (continued)

	Number of common shares	Amount
Balance, December 31, 2021	**89,006,602**	**$ 18,249,101**
Public Offering (v)	16,428,573	11,500,000
Private placements (vi)(vii)	6,257,143	3,300,000
Warrant valuation (v)(vi)	-	(2,121,266)
Broker warrant valuation (v)(vii)	-	(859,029)
Share issue costs (v)	-	(955,648)
Shares issued pursuant to the acquisition of A&L (note 6)	13,688,182	5,338,391
Shares issued pursuant to the acquisition of Agri-Labs (note 6)	750,000	-
Shares issued pursuant to the acquisition of Frontier (note 6)	746,570	373,285
Shares issued related to prior year acquisitions (note 22)	1,272,782	1,059,035
Exercise of warrants (viii)	5,793,733	3,606,153
Exercise of options (x)	2,477,522	1,517,346
Balance, December 31, 2022	**136,421,107**	**$ 41,007,368**

(i) 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.

(ii) 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.

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.

19. Share capital (continued)

b) Common shares issued (continued)

(iii) During the year ended December 31, 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 per unit for gross proceeds of $94,838, 7,000 warrants were exercised at a price of $0.35 for gross proceeds of $2,450, and 4,166,751 warrants were exercised at a price of $0.20 per unit for gross proceeds of $833,350. $321,193 was reclassified from warrant reserve for a fair value amount of $1,441,830.

(iv) During the year ended December 31, 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.

(v) On February 25, 2022, the Company closed its previously announced overnight public offering including the exercise in full of the over-allotment option. In connection with the offering, the Company issued an aggregate of 16,428,573 units in the capacity of the company at a price of $0.90 per unit for total gross proceeds of $11,500,000. 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 $0.90 per warrant for a period of 24 months after closing. The 8,214,287 warrants were valued at $2,042,288 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) - 85%; risk-free interest rate - 1.53%; and an expected life - 2 years.

As consideration for the services provided for the private placement, the agents received a cash commission equal to in the aggregate $1,173,982 and an aggregate of 1,150,000 compensation warrants. Each compensation warrant entitles the holder thereof to purchase one common share at an exercise price of $0.70 for a period of 24 months after the private placement. The 1,150,000 compensation warrants were valued at $337,657 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) - 85%; risk-free interest rate - 1.53%; and an expected life - 2 years.

(vi) On March 9, 2022, the Company closed a non-brokered private placement of units at a price of $0.70 per unit for gross proceeds of $600,000 and a total of 857,143 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 $0.90 per warrant for a period of 24 months after closing. The 428,572 warrants were valued at $78,978 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.56; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 84%; risk-free interest rate - 1.50%; and an expected life - 2 years.

(vii) On October 4, 2022, the Company closed a non-brokered private placement of units at a price of $0.50 per Common Share for gross proceeds of $2,700,000 and a total of 5,400,000 common shares issued.

As consideration for the services provided for the private placement, the agents received a cash commission equal to in the aggregate $77,000 and an aggregate of 154,000 broker warrants. Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of $0.50 for a period of two years after the private placement. The 154,000 broker warrants were valued at $32,864 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.50; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 75%; risk-free interest rate - 3.74%; and an expected life - 2 years.

(viii) During the year ended December 31, 2022, 5,098,819 warrants were exercised at a price of $0.45 per unit for gross proceeds of $2,294,469, and 694,644 warrants were exercised at a price of $0.35 for gross proceeds of $243,125.

(Expressed in Canadian Dollars)

19. Share capital (continued)

b) Common shares issued (continued)

(ix) During the year ended December 31, 2022, 1,980,000 options were exercised at a price of $0.30 per unit for gross proceeds of $519,000 and 1,500,000 options were exercised at a price of $0.365 per unit for gross proceeds of $244,450.

(x) The residual value of the total gross receipts has been allocated to the common shares issued. Total share issuance costs of $6,537,775 has been allocated to the common shares and recorded as a reduction to the total gross proceeds allocated to the common shares.

20. Stock options

The following table reflects the continuity of options for the periods ended December 31, 2022 and 2021:

	Number of options	Weighted average exercise price ($)
Balance, December 31, 2020	**3,775,000**	**0.33**
Granted (i)(ii)(iii)(v)	2,225,000	0.49
Forfeited	(15,000)	0.30
Exercised (note 19(b)(iv))	(280,000)	0.36
Balance, December 31, 2021	**5,705,000**	**0.42**

Balance, December 31, 2021	**5,705,000**	**0.33**
Granted (vi)(vii)(viii)(ix)	4,393,637	0.624
Forfeited	(25,000)	0.74
Exercised (note 19(b)(x))	(3,480,000)	0.328
Balance, December 31, 2022	**6,593,637**	**0.37**

(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 year ended December 31, 2022, $nil (year ended December 31, 2021 - $331,241) 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 year ended December 31, 2022, $35,187 (year ended December 31, 2021 - $$84,808) was expensed to share-based payments.

(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 year ended December 31, 2022, $22,368 (year ended December 31, 2021 - $52,439) was expensed to share-based payments.

20. Stock options (continued)

(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 year ended December 31, 2022, $33,755 (year ended December 31, 2021 - $63,440) 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 year ended December 31, 2022, $54,843 (year ended December 31, 2021 - $90,209) was expensed to share-based payments.

(vi) On January 18, 2022, the Company granted 1,600,000 stock options to officers, directors and employees of the Company. The stock options, at a price of $0.75 per share, will expire in six years from the issue date. A fair value of $999,532 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) - 110%; risk-free interest rate - 1.72%; and an expected life - 6 year. The options vested one third immediately, one third on the second and third anniversary. During the year ended December 31, 2022, $597,133 (year ended December 31, 2021 - $nil) was expensed to share-based payments.

(vii) On March 31, 2022, the Company granted 105,000 stock options to an officer of the Company. The stock options, at a price of $0.63 per share, will expire in five years from the issue date. A fair value of $51,703 was determined 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) - 100%; risk-free interest rate - 2.39%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the year ended December 31, 2022, $28,055 (year ended December 31, 2021 - $nil) was expensed to share-based payments.

(viii) On June 29, 2022, the Company granted 388,637 stock options to certain officers, directors and employees of the Company. The stock options, at a price of $0.55 per share, will expire in five years from the issue date. A fair value of $153,536 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.53; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 100%; risk-free interest rate - 3.17%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the year ended December 31, 2022, $72,795 (year ended December 31, 2021 - $nil) was expensed to share-based payments.

(ix) On August 26, 2022, the Company granted 2,000,000 stock options to certain officers, directors and employees of the Company. The stock options, at a price of $0.56 per share, will expire in six years from the issue date. A fair value of $918,734 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.56; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 105%; risk-free interest rate - 3.05%; and an expected life - 6 year. The options vested 300,000 units upon grant, 300,000 units on the first anniversary, 400,000 on the second anniversary, 300,000 units when the weighted average share price of the common shares stays above $1.00 for a period of thirty trading days, 300,000 units when the weighted average share price of the common shares stays above $2.00 for a period of thirty trading days, and 400,000 units when the weighted average share price of the common shares stays above $3.00 for a period of thirty trading days. During the year ended December 31, 2022, $244,366 (year ended December 31, 2021 - $nil) was expensed to share-based payments.

(Expressed in Canadian Dollars)

20. Stock options (continued)

(x) On November 23, 2022, the Company granted 300,000 stock options to certain officers, directors and employees of the Company. The stock options, at a price of $0.475 per share, will expire in five years from the issue date. A fair value of $104,565 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.48; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 95%; risk-free interest rate - 3.22%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the year ended December 31, 2022, $37,879 (year ended December 31, 2021 - $nil) was expensed to share-based payments.

(xi) The portion of the estimated fair value of options granted in the prior years and vested during the year ended December 31, 2022, amounted to $1,147,082 (year ended December 31, 2021 - $666,331).

Details of the stock options outstanding as at December 31, 2022 are as follows:

Fair value ($)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price ($)	Expiry date
336,387	1.04	306,250	1,225,000	0.43	January 15, 2024
143,711	3.15	108,333	325,000	0.64	February 22, 2026
89,883	3.20	58,333	175,000	0.75	March 12, 2026
82,005	3.32	116,667	175,000	0.74	April 27, 2026
149,051	3.48	200,000	300,000	0.80	June 24, 2026
28,055	4.25	35,000	105,000	0.63	March 31, 2027
72,796	4.50	129,546	388,637	0.55	June 29, 2027
37,879	4.90	100,000	300,000	0.48	November 23, 2027
597,132	5.05	533,333	1,600,000	0.75	January 18, 2028
244,366	5.66	300,000	2,000,000	0.56	August 26, 2028
1,781,265	4.18	1,887,462	6,593,637	0.60	

21. Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2022 and 2021:

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2020	**16,167,025**	**0.33**
Issued for private placements (note 19(b)(i)(ii)	7,160,039	0.83
Exercised (note 19(b)(iii))	(7,420,399)	0.21
Expired	(175,000)	0.49
Balance, December 31, 2021	**15,731,665**	**0.57**

(Expressed in Canadian Dollars)

21. Warrants (continued)

Balance, December 31, 2021	**15,801,665**	**0.62**
Issued for public offering (note 19(b)(v))	8,642,859	0.88
Issued for private placements (note 19(b)(vi))	1,304,000	0.79
Issued pursuant to the convertible debenture (Note 17)	818,012	0.50
Exercised (note 19(b)(viii))	(5,793,733)	0.44
Expired	(2,854,792)	0.45
Balance, December 31, 2022	**17,918,011**	**0.84**

The following table reflects the warrants issued and outstanding as of December 31, 2022:

Number of warrants outstanding	Fair value ($)	Exercise price ($)	Expiry date
5,698,715	1,481,532	0.85	August 16, 2023
787,914	240,078	0.65	August 16, 2023
614,810	168,089	0.85	August 24, 2023
51,701	16,522	0.65	August 24, 2023
8,214,287	2,042,288	0.90	February 25, 2024
1,150,000	337,657	0.90	February 25, 2024
428,572	78,979	0.90	March 9, 2024
818,012	488,508	0.50	May 18, 2024
154,000	32,865	0.50	October 4, 2024
17,918,011	4,886,518		

22. Shares to be issued

The allocation of the shares to be issued is as follows

Balance, December 31, 2021	**$**	**1,120,257**
Shares issued - Farm Dog		(62,745)
Shares issued - Tana Ag		(45,375)
Shares issued - Stealth Ag		(226,875)
Shares issued - Agronomic Solutions		(356,791)
Acquisition - Agri-Labs (note 6(a))		499,960
Shares issued - Agri-Labs (note 6(a))		(457,500)
Acquisition - Frontier (note 6(a))		373,375
Balance, December 31, 2022	**$**	**844,306**

Balance, December 31, 2020	**$**	**-**
Acquisition - Farm Dog		125,490
Acquisition - Tana Ag		90,749
Acquisition - Stealth Ag		368,833
Acquisition - Agronomic Solutions		535,185
Balance, December 31, 2021	**$**	**1,120,257**

(Expressed in Canadian Dollars)

22. Shares to be issued (continued)

i. On January 21, 2022, Farm Dog was issued 98,039 common shares at a price of $0.64 on the 1 year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

ii. On March 21, 2022, Agronomic Solutions was issued 262,345 common shares at $0.68 in conjunction with the Sept 8, 2021 acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

iii. On June 1, 2022, Tana Ag was issued 55,335 common shares at a price of $0.82 on the 1 year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

iv. On June 1, 2022, Stealth Ag was issued 263,808 common shares at a price of $0.86 on the 1 year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

v. On July 27, 2022, Agri-Labs was issued 375,000 common shares at a price of $0.61 relating to the closing of the March 10, 2022 acquisition, drawing down on the shares to be issued recognized as part of the acquisition. Per the agreement, 375,000 shares were issued and placed in escrow, and will be provided to Agri-Labs on the first and second anniversary of the acquisition date. A total of 750,000 shares were issued.

vi. On July 29, 2022, Stealth Ag was issued 330,909 common shares at a price of $0.55 in conjunction with reaching certain milestones related to the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

vii. On September 8, 2022, Agronomic Solutions was issued 262,346 common shares at a price of $0.68 on the 1 year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

viii. On November 1, 2022, Frontier was issued 746,570 common shares at a price of $0.50 relating to the closing of the November 1, 2022 acquisition, drawing down on the shares to be issued recognized as part of the acquisition. Per the agreement, 746,570 shares were issued and placed in escrow, and will be provided to Frontier on the first and second anniversary of the acquisition date. A total of 1,493,500 shares were issued.

23. Net loss per common share

	Year Ended December 31,	
	2022	**2021**
Loss available to common shareholders	**(9,086,201)**	(5,177,183)
Weighted average number of shares, basic and diluted	**116,387,677**	76,992,311
Basic and diluted loss per share	**(0.07)**	(0.07)

Diluted loss per share for the year ended December 31, 2022, presented did not include the effect of 17,918,011 warrants (year ended December 31, 2021 - 15,731,665 warrants) and 6,593,637 stock options (year ended December 31, 2021 - 5,705,000 stock options) as they are anti-dilutive.

24. Cost of services

	Year ended December 31,	
	2022	**2021**
Agronomic services and laboratory fees	**$ 2,208,054**	$ 2,365,713
Salaries and benefits	**3,907,888**	-
Supplies, courier and shipping	**2,222,975**	-
Software and processing fees	**461,093**	316,620
Travel, training and other costs	**171,282**	87,192
Cost of services	**$ 8,971,292**	$ 2,769,525

(Expressed in Canadian Dollars)

25. Income tax

Income Tax Expense

Income tax expense for the year is comprised of the following:

	2022	2021
Current tax expense	**$ 1,075,539**	$ -
Deferred tax (recovery)	**(676,343)**	-
Income tax expense	**399,196**	-

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

	2022	2021
Loss before income tax	**$ (8,174,709)**	$ (5,020,276)
Combined statutory tax rate	**26.50%**	26.50%
Expected income tax recovery	**(2,166,298)**	(1,330,373)
Differences in depreciation and capital cost allowance	**-**	-
Share issue costs recorded in equity	**(253,247)**	(550,270)
Non-deductible share based payment expense	**303,977**	176,578
Permanent differences and other	**(1,008,291)**	414,145
Change in deferred income tax asset not recognized	**3,523,055**	1,289,920
Income tax expense (recovery)	**$ 399,196**	$ -

Deferred Income Taxes

The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	December 31,	
Deductible (taxable) temporary differences	**2022**	**2021**
Deferred tax assets:		
Tax loss carry-forwards	**$ 6,957,204**	$ 3,682,251
Non-current assets	**(157,166)**	(181,658)
Share issue costs and other	**458,109**	225,143
Deferred tax assets	**$ 7,258,147**	$ 3,725,736
Tax benefit not recognized	**(7,258,147)**	(3,725,736)
Deferred Tax Asset (Liabilities)	$ -	$ -
Deferred tax liabilities:		
Fixed assets	**$ (661,121)**	$ -
Intangibles	**(5,099,055)**	-
Deferred tax liabilities	**$ (5,760,176)**	$ -
Total Deferred Tax Asset (Liabilities)	**$ (5,760,176)**	**$ -**

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable in connection with unremitted earnings of subsidiaries, as Deveron Corp. is able to control the timing of the reversal of the differences and it is probable the differences will not reverse in the forseeable future.

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Expressed in Canadian Dollars)

25. Income tax (continued)

As at December 31, 2022, the Company has the unclaimed non-capital losses that expire as follows:

Expires	2031	$ 162,141
	2032	179,063
	2033	323,351
	2034	458,013
	2035	414,332
	2036	664,386
	2037	934,636
	2038	1,556,389
	2039	1,681,966
	2040	1,766,595
	2041	4,581,556
	2042	6,504,002
		$ 19,226,430

As at December 31, 2022, the Company has unclaimed foreign federal losses of $7,384,893 and state net operating losses of $5,512,796. The Federal net operating losses will carryforward indefinately and state net operating losses begin to expire in 2039.

26. Major shareholder and related party transactions

Major shareholder

At December 31, 2022, 2736130 Ontario Inc. owned and/or exercised control over 13,688,182 common shares (December 31, 2021 - nil common shares) of Deveron, representing approximately 10.0% (December 31, 2021 - nil%) of the issued and outstanding common shares of the Company. The remaining 90.0% (December 31, 2021 - 100.0%) of the shares are widely held, which includes various holdings owned by directors of Deveron. These holdings can change at any time at the discretion of the owner. Please refer to Note 6.

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 2736130 Ontario Inc., which owns or controls, directly or indirectly, approximately 10.0% (December 31, 2021 - nil%) 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 year ended December 31, 2022, the Company incurred professional fees of $95,442 (year ended December 31, 2021 - $70,752) 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 December 31, 2022, the group of companies was owed $5,217 (December 31, 2021 - $6,004) and this amount is included in accounts payable and accrued and other liabilities.

(Expressed in Canadian Dollars)

26. Major shareholder and related party transactions (continued)

Related party transactions

During the year ended December 31, 2022, the Company also incurred legal fees of $129,513 (year ended December 31, 2021 - $124,647) to Irwin Lowy LLP for legal services. Chris Irwin is the controlling party of Irwin Lowy LLP and a director of Deveron. Included in the December 31, 2022 accounts payable, accrued and other liabilities is $38,256 due to Irwin Lowy LLP (December 31, 2021 - $14,372).

During the year ended December 31, 2022, the Company incurred share-based payment expenses to officers, directors and key management personnel of $350,817 (year ended December 31, 2021 - $482,691).

27. Segmented information

As at December 31, 2022, 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:

Geographical segment	**USA**	**Canada**	**Total**
As at December 31, 2022			
Current assets	$ 4,868,513	$ 9,003,096	$ 13,871,609
Non-current assets	18,519,816	84,335,663	102,855,479
Revenues	11,685,074	17,238,059	28,923,133
Cost of services	4,128,647	4,842,645	8,971,292
Operating expenses	11,907,109	16,219,441	28,126,550

Geographical segment	**USA**	**Canada**	**Total**
As at December 31, 2021			
Current assets	$ 3,445,744	$ 6,231,383	$ 9,677,127
Non-current assets	10,330,236	2,760,014	13,090,250
Revenues	6,317,411	2,281,064	8,598,475
Cost of services	1,330,070	1,439,455	2,769,525
Operating expenses	5,117,281	5,731,945	10,849,226

Disaggregation of revenue from contracts with customers

The following table disaggregates the Company's revenue based on the geographical distribution for the year ended December 31, 2022:

United States	$ 11,685,074
Canada	17,238,059
Total	$ 28,923,133

Various economic factors affect revenue and cash flows. In substantially all revenue transactions, cash collections on earned from successful transactions are realized immediately after the transaction is consummated.

28. Events after the reporting period

1. On March 14, 2023, the Company announced that it has signed two new enterprise contracts, totaling $9.5 million. Focusing on tissue sampling and pesticide analysis, the first contract has a total value of $4 million spread over 2 years, via Deveron's subsidiary A&L Canada Laboratories.

2. On March 16, 2023, the Company announced that it had agreed to settle an aggregate of $103,265 of indebtedness owed to an arm's length creditor of the Company through the issuance of 295,043 common shares of the Company at a deemed price of $0.35 per common share. The debt settlement remains subject to receipt of all necessary corporate and regulatory approvals, including the approval of TSXV. All securities issued in connection with the debt settlement will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation.

3. On April 14, 2023, the Company announced a non-brokered private placement of up to 4,838,710 common shares (each, a "Common Share") in the capital of the Company at a price of $0.31 per Common Share for gross proceeds of $1,500,000 (the "Offering"). $1,000,000 of the proceeds are from insiders of the Company, including the newest board member, Tim Close, the former Chief Executive Officer of Ag Growth International. Gross proceeds of the Offering will be to fund Deveron's M&A strategy, consolidating the fragmented soil lab and crop consultant market in North America. The Company intends to enter into subscription agreements with each subscriber and have the distribution of the Common Shares qualified pursuant to a shelf prospectus supplement (a "Prospectus Supplement") to the Company's short form base shelf prospectus for each of the provinces of Canada, except Quebec, dated November 30, 2021 (the "Base Shelf Prospectus").

4. On April 25, 2023, the Company announced that further to its press release of April 14, 2023, the previously announced non-brokered private placement common shares (each, a "Common Share") in the capital of the Company at a price of $0.31 per Common Share for has been increased to 16,774,194 Common Shares for aggregate gross proceeds of $5,200,000 (the "Offering"). Gross proceeds of the Offering will be to fund Deveron's M&A strategy, consolidating the fragmented soil lab and crop consultant market in North America. The Company intends to enter into subscription agreements with each subscriber and have the distribution of the Common Shares will be qualified pursuant to a shelf prospectus supplement (a "Prospectus Supplement") to the Company's short form base shelf prospectus for each of the provinces of Canada, except Quebec, dated November 30, 2021 (the "Base Shelf Prospectus"). There is no agent or underwriter involved with the issuance of the Common Shares, however, the Company may pay certain eligible finders a commission or finder's fee in connection with the Offering. The completion of the Offering is expected to close on or about April 27, 2023, and remains subject to all regulatory and other approvals, including the approval of the TSX Venture Exchange. The prospectus was filed on SEDAR on April 26, 2023.

29. Comparative figures

Certain comparative figures have been reclassified in order to conform to the current period presentation.