
DEVERON CORP.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2023
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

DEVERON CORP.

Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars) (Unaudited)

	As at September 30, 2023	As at June 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 895,683	\$ 2,964,720
Accounts receivable (note 3)	4,128,697	4,287,524
Prepays and other assets	1,283,856	1,366,679
Total current assets	6,308,236	8,618,923
Non-current assets		
Property, plant and equipment (note 4)	17,709,175	17,843,753
Right-of-use assets (note 5)	3,886,130	4,140,969
Goodwill (note 6)	54,004,405	53,861,319
Intangible assets (note 7)	23,551,512	24,179,023
Due from related parties	570,639	584,158
Investment in associates (note 8)	100	100
Total non-current assets	99,721,961	100,609,322
Total assets	\$ 106,030,197	\$ 109,228,245
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,871,306	\$ 2,686,066
Accrued and other current liabilities	2,829,294	2,082,416
Current portion of loans payable (note 9)	251,910	251,910
Current portion of lease liabilities (note 10)	380,000	380,000
Current portion of borrowings under credit facility (note 13)	2,142,000	2,142,000
Current portion of deferred and contingent consideration (note 11)	866,356	932,557
Promissory notes	4,926,600	4,926,600
Total current liabilities	14,267,466	13,401,549
Non-current liabilities		
Loans payable (note 9)	414,267	487,092
Lease liabilities (note 10)	3,014,070	3,271,389
Borrowings under credit facility (note 13)	26,936,664	27,573,557
Deferred and contingent consideration (note 11)	756,680	756,680
Deferred income taxes	5,440,743	5,384,267
Non-controlling interest ("NCI") put obligation	14,986,299	13,214,336
Convertible debentures (note 12)	8,873,973	8,521,667
Total non-current liabilities	60,422,696	59,208,988
Total liabilities	74,690,162	72,610,537

DEVERON CORP.

Condensed Interim Consolidated Statements of Financial Position (continued)

(Expressed in Canadian Dollars)

(Unaudited)

	As at September 30, 2023	As at June 30, 2023
Shareholders' equity		
Share capital (note 14)	47,366,752	47,122,082
Reserves (notes 15, 16 and 17)	6,383,027	8,175,708
Equity component of convertible debenture (note 12)	1,740,090	1,740,090
Deficit	(36,317,266)	(32,069,629)
Accumulated other comprehensive income ("Accumulated OCI")	359,730	19,668
Equity reserves	(12,966,726)	(12,966,726)
Shareholders' equity attributable to shareholders	6,565,607	12,021,193
NCI	24,774,428	24,596,515
Total shareholders' equity	31,340,035	36,617,708
Total liabilities and shareholders' equity	\$ 106,030,197	\$ 109,228,245

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

Nature of operations and going concern (note 1)

Events after the reporting period (note 22)

DEVERON CORP.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)**

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Revenues		
Data collection	\$ 1,120,525	\$ 746,210
Data analytics	6,598,077	6,443,284
	7,718,602	7,189,494
Cost of services		
Cost of services (note 19)	(2,704,068)	(2,869,087)
Gross margins	5,014,534	4,320,407
Operating expenses (income)		
Salaries and benefits	3,496,088	2,552,974
Office and general	2,447,943	2,865,629
Share-based payments (note 15)	291,936	293,255
Depreciation (notes 4 and 5)	901,025	735,699
Professional fees	300,185	309,092
Amortization of intangible assets (note 7)	906,954	1,423,030
Interest expense (notes 10, 11, 12 and 13)	891,300	1,130,931
Change in NCI put obligation	1,771,963	-
Foreign exchange gain	(90,104)	(309,256)
Interest income	(43,010)	(25,721)
Gain on disposition of property, plant and equipment (note 4)	-	(57,701)
Gain on disposition of right-of-use assets (note 5)	(35,463)	-
Total operating expenses	10,838,817	8,917,932
Net loss before income taxes	(5,824,283)	(4,597,525)
Income tax expense	151,663	188,250
Net loss for the period	(5,975,946)	(4,785,775)
Other comprehensive loss:		
Foreign operations - gain on foreign currency translation	340,062	347,448
Net comprehensive loss for the period	\$ (5,635,884)	\$ (4,438,327)
Net loss for the period attributable to:		
Shareholders of the Company	\$ (6,153,859)	\$ (4,818,763)
Non-controlling interest	177,913	32,988
Net loss for the period	\$ (5,975,946)	\$ (4,785,775)
Net comprehensive loss for the period attributable to:		
Shareholders of the Company	\$ (5,813,797)	\$ (4,471,315)
Non-controlling interest	177,913	32,988
Net comprehensive loss for the period	\$ (5,635,884)	\$ (4,438,327)
Basic and diluted net loss per common share (note 18) - basic and diluted	\$ (0.04)	\$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	142,087,346	122,807,335

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

DEVERON CORP.

Condensed Interim Consolidated Statements of Cash Flows (Expressed in Canadian Dollars) (Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Operating activities		
Net loss for the period	\$ (5,975,946)	\$ (4,785,775)
Depreciation	901,025	735,699
Amortization of intangible assets	906,954	1,423,030
Share-based payments	291,936	293,255
Interest expense	891,300	1,130,931
Income tax expense	151,663	188,250
Gain on disposition of property, plant and equipment and Right-of-use assets	(35,463)	(57,701)
Change in NCI put obligation	1,771,963	-
Foreign exchange and other	(437,339)	(67,741)
Changes in non-cash working capital items:		
Accounts receivable, prepaids and other receivables	241,650	(433,970)
Accounts payable, accrued and other current liabilities	945,637	1,054,277
Income tax paid	-	(1,203,576)
Net cash used in operating activities	(346,620)	(1,723,321)
Investing activities		
Cash payment for contingent consideration	(66,275)	(579,904)
Purchase of property, plant and equipment	(308,746)	(1,551,891)
Proceeds from disposition of property, plant and equipment	-	69,679
Proceeds from disposition of right of use asset	35,463	-
Net cash used in investing activities	(339,558)	(2,062,116)
Financing activities		
Cash acquired by credit facility	-	1,341,547
Proceeds from exercise of warrants	-	101,250
Lease and loan payments	(745,966)	(790,574)
Credit facility principal and interest payments	(636,893)	(1,741,553)
Net cash (used in) provided by financing activities	(1,382,859)	(1,089,330)
Net change in cash and cash equivalents	(2,069,037)	(4,874,767)
Cash and cash equivalents, beginning of period	2,964,720	9,003,903
Cash and cash equivalents, end of period	\$ 895,683	\$ 4,129,136

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

	Reserves		Share-based Payments and Shares to be Issued			Equity Reserves		Equity Component of Convertible Debenture		Accumulated OCI	NCI	Total
	Share Capital	Warrants				Deficit						
Balance, June 30, 2023	\$ 47,122,082	\$ 4,941,834	\$ 3,233,874	\$ (12,966,726)	\$ (32,069,629)	\$ 1,740,090	\$ 19,668	\$ 24,596,515	\$ 36,617,708			
Transactions with shareholders:												
Common shares issued pursuant to earnout (note 17)	178,395	-	(178,395)	-	-	-	-	-	-	-	-	-
Expiry of warrants	-	(1,906,222)	-	-	1,906,222	-	-	-	-	-	-	-
Shares issued for debt (note 14(b)(i))	66,275	-	-	-	-	-	-	-	-	-	-	66,275
Share-based payments (note 15)	-	-	291,936	-	-	-	-	-	-	-	-	291,936
Transactions with shareholders	\$ 244,670	\$ (1,906,222)	\$ 113,541	\$ -	\$ 1,906,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,211
Non-controlling interest	-	-	-	-	(177,913)	-	-	177,913	-	-	-	-
Comprehensive loss for the period	-	-	-	-	(5,975,946)	-	340,062	-	-	-	-	(5,635,884)
Balance, September 30, 2023	\$ 47,366,752	\$ 3,035,612	\$ 3,347,415	\$ (12,966,726)	\$ (36,317,266)	\$ 1,740,090	\$ 359,730	\$ 24,774,428	\$ 31,340,035			

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

DEVERON CORP.**Condensed Interim Consolidated Statements of Changes in Equity (continued)****(Expressed in Canadian Dollars)****(Unaudited)**

	Share Capital	Warrants	Reserves Share-based Payments and Shares to be Issued	Equity Reserves	Deficit	Equity Component of Convertible Debenture	Accumulated OCI	NCI	Total
Balance, June 30, 2022	\$ 35,260,779	\$ 6,401,450	\$ 2,927,297	\$ -	\$ (17,718,620)	\$ 1,740,090	\$ 214,307	\$ 25,348,215	\$ 54,173,518
Transactions with shareholders:									
Common shares issued pursuant to acquisitions	-	-	(42,460)	-	-	-	-	-	(42,460)
Common shares issued pursuant to earnout (note 17)	817,895	-	(593,436)	-	-	-	-	-	224,459
Exercise of warrants (note 14(b)(ii))	142,142	(40,892)	-	-	-	-	-	-	101,250
Share-based payments (note 15)	-	-	293,255	-	-	-	-	-	293,255
Other	-	-	-	-	-	-	-	(19,261)	(19,261)
Transactions with shareholders	\$ 960,037	\$ (40,892)	\$ (342,641)	\$ -	\$ -	\$ -	\$ -	\$ (19,261)	\$ 557,243
Non-controlling interest	-	-	-	-	(32,988)	-	-	32,988	-
Comprehensive loss for the period	-	-	-	-	(4,785,775)	-	347,448	-	(4,438,327)
Balance, September 30, 2022	\$ 36,220,816	\$ 6,360,558	\$ 2,584,656	\$ -	\$ (22,537,383)	\$ 1,740,090	\$ 561,755	\$ 25,361,942	\$ 50,292,434

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

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2023 (Expressed in Canadian Dollars) (Unaudited)

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.

Effective in 2023, the Company changed its financial year-end from December 31 to June 30 to better align its financial reporting calendar with industry peers and facilitate the investment community's ability to compare its financial performance. The change in year-end resulted in the Company's filing a one-time, six-month transition year covering the period of January 1, 2023 to June 30, 2023.

Going concern

These unaudited condensed interim 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 unaudited condensed interim consolidated financial statements.

As at September 30, 2023, the Company had an accumulated deficit of \$36,317,266 (June 30, 2022 - \$32,069,629). Net loss for the three months ended September 30, 2023 was \$5,975,946 (three months ended September 30, 2022 - \$4,785,775). In addition, as at September 30, 2023, the Company had a working capital deficit of \$7,959,230 (September 30, 2022 - \$4,782,626) and negative cash flow from operations of \$346,620 for the three months ended September 30, 2023 (three months ended September 30, 2022 - \$1,723,321). 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.

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2023 (Expressed in Canadian Dollars) (Unaudited)

2. Significant accounting policies

(a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the six months ended June 30, 2023.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 21, 2023, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the six months ended June 30, 2023. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending June 30, 2024 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Basis of presentation

These unaudited condensed interim 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").

(c) Comparative figures

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

3. Accounts receivable

	As at September 30, 2023	As at June 30, 2023
Accounts receivable	\$ 4,355,077	\$ 4,511,140
Allowance for expected credit losses	(226,380)	(223,616)
	\$ 4,128,697	\$ 4,287,524

The following is an aged analysis of the accounts receivable:

	As at September 30, 2023	As at June 30, 2023
1 to 60 days	\$ 3,337,998	\$ 3,615,391
60 to 90 days	341,065	253,081
Greater than 90 days	449,634	419,052
Total accounts receivable	\$ 4,128,697	\$ 4,287,524

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

4. Property, plant and equipment

COST	Equipment	Land and building	Drones	Vehicles	Total
Balance, June 30, 2023	\$ 8,943,655	\$ 10,149,734	\$ 482,223	\$ 1,765,752	\$ 21,341,364
Additions	143,167	128,837	-	36,742	308,746
Foreign exchange	68,523	6,520	-	20,979	96,022
Balance, September 30, 2023	\$ 9,155,345	\$ 10,285,091	\$ 482,223	\$ 1,823,473	\$ 21,746,132

ACCUMULATED DEPRECIATION	Equipment	Land and building	Drones	Vehicles	Total
Balance, June 30, 2023	\$ 2,092,276	\$ 264,812	\$ 482,223	\$ 658,300	\$ 3,497,611
Depreciation	321,036	66,089	-	141,622	528,747
Foreign exchange	788	180	-	9,631	10,599
Balance, September 30, 2023	\$ 2,414,100	\$ 331,081	\$ 482,223	\$ 809,553	\$ 4,036,957

CARRYING AMOUNT	Equipment	Land and building	Drones	Vehicles	Total
Balance, June 30, 2023	\$ 6,851,379	\$ 9,884,922	\$ -	\$ 1,107,452	\$ 17,843,753
Balance, September 30, 2023	\$ 6,741,245	\$ 9,954,010	\$ -	\$ 1,013,920	\$ 17,709,175

During the three months ended September 30, 2023, the Company sold vehicles and equipment for cash proceeds of \$nil (three months ended September 30, 2022 - \$107,487) which resulted in a gain on disposition of property, plant and equipment of \$nil (three months ended September 30, 2022 - \$80,517).

5. Right-of-use assets

COST	Vehicles	Equipment	Total
Balance, June 30, 2023	\$ 4,349,937	\$ 1,822,072	\$ 6,172,009
Additions	-	110,460	110,460
Disposals	(37,699)	-	(37,699)
Foreign exchange and other	74,987	-	74,987
Balance, September 30, 2023	\$ 4,387,225	\$ 1,932,532	\$ 6,319,757

ACCUMULATED DEPRECIATION	Vehicles	Equipment	Total
Balance, June 30, 2023	1,675,352	355,688	2,031,040
Depreciation	260,216	112,062	372,278
Foreign exchange	30,309	-	30,309
Balance, September 30, 2023	\$ 1,965,877	\$ 467,750	\$ 2,433,627

CARRYING AMOUNT	Vehicles	Equipment	Total
Balance, June 30, 2023	\$ 2,674,585	\$ 1,466,384	\$ 4,140,969
Balance, September 30, 2023	\$ 2,421,348	\$ 1,464,782	\$ 3,886,130

Vehicles and equipment are depreciated over 24 to 48 months.

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

5. Right-of-use assets (continued)

During the three months ended September 30, 2023, the Company sold vehicles and equipment for cash proceeds of \$35,463 (three months ended September 30, 2022 - \$nil) which resulted in a gain on disposition of right-of-use assets of \$35,463 (three months ended September 30, 2022 - \$nil).

6. Goodwill

Balance, June 30, 2023	\$ 53,861,319
Foreign exchange	143,086
Balance, September 30, 2023	\$ 54,004,405
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Balance, June 30, 2022	\$ 31,307,968
Addition A&L	20,604,962
Addition Frontier	1,871,731
Foreign exchange	76,658
Balance, June 30, 2023	\$ 53,861,319

7. Intangible assets

COST	Software technologies	Customer list	Other intangibles	Total
Balance, June 30, 2023	\$ 5,883,000	\$ 13,333,476	\$ 9,290,388	\$ 28,506,864
Additions	-	-	170,466	170,466
Foreign exchange	-	89,572	50,892	140,464
Balance, September 30, 2023	\$ 5,883,000	\$ 13,423,048	\$ 9,511,746	\$ 28,817,794
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ACCUMULATED AMORTIZATION	Software technologies	Customer list	Other intangibles	Total
Balance, June 30, 2023	910,466	1,702,695	1,714,680	4,327,841
Amortization	210,107	334,710	362,137	906,954
Foreign exchange	-	16,031	15,456	31,487
Balance, September 30, 2023	\$ 1,120,573	\$ 2,053,436	\$ 2,092,273	\$ 5,266,282
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CARRYING AMOUNT	Software technologies	Customer list	Other intangibles	Total
Balance, June 30, 2023	\$ 4,972,534	\$ 11,630,781	\$ 7,575,708	\$ 24,179,023
Balance, September 30, 2023	\$ 4,762,427	\$ 11,369,612	\$ 7,419,473	\$ 23,551,512

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2023 (Expressed in Canadian Dollars) (Unaudited)

8. Investment in associate

As at September 30, 2023, A&L, the Company's 67% owned subsidiary 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 unaudited condensed interim consolidated statement of financial position. Biological continued to experience losses in fiscal 2022 and 2023, 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 September 30, 2023 is therefore \$100 (June 30, 2023 - \$100)

In addition, no dividends were received from Biological during the three months ended September 30, 2023 (three months ended September 30, 2022 - \$nil). Biological is a private company; therefore, no quoted market prices are available for its shares. The Company has no additional commitments relating to Biological.

9. Loans payable

(i) During the three months ended September 30, 2023, the Company applied for and received loan proceeds in the amount of \$nil (three months ended September 30, 2022 - \$Nil) from John Deere Financial, for the purchase of utility vehicles. During the three months ended September 30, 2023, the Company has repaid \$95,726 (three months ended September 30, 2022 - \$77,883). The balance outstanding as of September 30, 2023 is \$548,933 (June 30, 2023 - \$644,659). The loan is non-interest bearing and has a term of four years.

(ii) During the three months ended September 30, 2023, the Company has repaid \$38,296 (three months ended September 30, 2022 - \$10,483) to CLE Capital, a lease financing specialist. The balance outstanding as of September 30, 2023 is \$89,493 (June 30, 2023 - \$94,343). The loan has an interest rate of 8.99% and a term of four years.

Current	\$	251,910
Non-current		414,267
Balance, September 30, 2023	\$	666,177

Current	\$	251,910
Non-current		487,092
Balance, June 30, 2023	\$	739,002

10. Lease liabilities

Balance, June 30, 2023	\$	3,651,389
Additions		110,460
Interest expense		59,275
Lease payments		(745,966)
Foreign exchange		318,912
Balance, September 30, 2023	\$	3,394,070

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

10. Lease liabilities (continued)

Allocated as:

Current	\$	380,000
Non-current		3,014,070
Balance, September 30, 2023	\$	3,394,070

11. Deferred and contingent consideration

	Contingent Consideration	Deferred Consideration	Total
Balance, June 30, 2023	\$ 318,897	\$ 1,370,340	\$ 1,689,237
Contingent consideration - cash payout	(66,275)	-	(66,275)
Foreign exchange	74	-	74
Balance, September 30, 2023	\$ 252,696	\$ 1,370,340	\$ 1,623,036

Allocated as:

Current	\$ 23,832	\$ 842,524	\$ 866,356
Non-current	228,864	527,816	756,680
Balance, September 30, 2023	\$ 252,696	\$ 1,370,340	\$ 1,623,036

(i) On July 20, 2023, Stealth Ag received 220,916 common shares at \$0.30 per share (\$66,275) on the two year anniversary.

12. Convertible Debenture

A continuity of the convertible debenture as at September 30, 2023 is as follows:

Opening balance, June 30, 2023	\$ 8,521,667
Accretion	352,306
Carrying value, September 30, 2023	\$ 8,873,973

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.

DEVERON CORP.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2023 (Expressed in Canadian Dollars) (Unaudited)

12. Convertible Debenture (continued)

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 September 30, 2023 is \$1,740,090 (June 30, 2023 - \$1,740,090). Accretion and interest on the debentures are included in interest expense in the unaudited condensed interim consolidated statements of loss and comprehensive loss. No embedded derivative and no fair value has been recalculated as of September 30, 2023.

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.

13. 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 7.7% for the current quarter. As at September 30, 2023, the Company owed \$29,078,664 (June 30, 2023 - \$29,715,557). These credit facilities have certain financial and non-financial covenants. The Company is in compliance with all covenants as of September 30, 2023 and June 30, 2023.

On May 15, 2023, the Company partially amended its \$32,300,000 credit facility with TD, to issue a new 25-year mortgage for \$6,800,000 on the properties associated with A&L. The mortgage is secured by the underlying properties, which were assessed by the lender as having a value in excess of the principal on the date the mortgage was issued. The \$6,800,000 mortgage was used to reduce the 10-year, \$32,300,000 credit facility used to acquire A&L, reducing quarterly principal and interest payments.

Balance, June 30, 2023	\$ 29,715,557
Principal repayments	(636,893)
Balance, September 30, 2023	\$ 29,078,664
Allocated as:	
Current	\$ 2,142,000
Non-current	26,936,664
Balance, September 30, 2023	\$ 29,078,664

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14. 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, June 30, 2023	155,930,424	\$ 47,122,082
Shares issued related to prior year acquisitions (note 17)	262,347	178,395
Shares issued related to debt settlement (i)	220,916	66,275
Balance, September 30, 2023	156,413,687	\$ 47,366,752

	Number of common shares	Amount
Balance, June 30, 2022	122,355,027	\$ 35,260,779
Shares issued pursuant to the acquisition of Agri-Labs	750,000	457,500
Shares issued pursuant to prior year acquisitions (note 17)	593,255	360,395
Exercise of warrants (ii)	225,000	142,142
Balance, September 30, 2022	123,923,282	\$ 36,220,816

(i) On July 20, 2023, the Company settled an aggregate of \$66,275 of indebtedness owed to an arm's length creditor of the Company through the issuance of 220,916 common shares of the Company at a deemed price of \$0.30 per common share. The shares issued were related to the Stealth Ag acquisition and related revenue earnout.

(ii) During the three months ended September 30, 2022, 225,000 warrants were exercised at a price of \$0.45 per unit for gross proceeds of \$101,250 and 20,000 warrants were exercised at a price of \$0.35 per unit for gross proceeds of \$7,000.

15. Stock options

The following table reflects the continuity of options for the three months ended September 30, 2023 and 2022:

	Number of options	Weighted average exercise price (\$)
Balance, June 30, 2022	6,293,637	0.54
Granted (i)	2,000,000	0.74
Balance, September 30, 2022	8,293,637	0.54
Balance, June 30, 2023	10,624,470	0.37
Granted (ii)	500,000	0.62
Balance, September 30, 2023	11,124,470	0.52

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15. Stock options (continued)

(i) 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 three months ended September 30, 2023, \$63,976 (three months ended September 30, 2022 - \$167,176) was expensed to share-based payments.

(ii) On September 11, 2023, the Company granted 500,000 stock options to certain officers, directors and employees of the Company. The stock options, at a price of \$0.30 per share, will expire in five years from the issue date. A fair value of \$169,167 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) - 100%; risk-free interest rate - 3.25%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the three months ended September 30, 2023, \$40,760 (three months ended September 30, 2022 - \$nil) was expensed to share-based payments.

(iii) The portion of the estimated fair value of options granted in the prior years and vested during the three months ended September 30, 2023, amounted to \$187,202 (three months ended September 30, 2022 - \$126,079).

Details of the stock options outstanding as at September 30, 2023 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
336,387	0.29	306,250	1,225,000	0.43	January 15, 2024
161,883	2.40	108,333	325,000	0.64	February 22, 2026
102,323	2.45	58,333	175,000	0.75	March 12, 2026
113,786	2.58	116,667	175,000	0.74	April 27, 2026
181,327	2.73	200,000	300,000	0.80	June 24, 2026
38,797	3.50	35,000	105,000	0.63	March 31, 2027
104,694	3.75	129,546	388,637	0.55	June 29, 2027
59,604	4.15	100,000	300,000	0.48	November 23, 2027
485,015	4.23	966,667	2,900,000	0.43	December 27, 2027
804,798	4.30	533,333	1,600,000	0.75	January 18, 2028
26,490	4.60	111,667	335,000	0.33	May 5, 2028
68,233	4.75	265,278	795,833	0.33	June 30, 2028
460,206	4.91	300,000	2,000,000	0.56	August 26, 2028
40,760	4.95	166,666	500,000	0.30	September 11, 2028
2,984,303	2.03	3,397,740	11,124,470	0.52	

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16. Warrants

The following table reflects the continuity of warrants for the period ended September 30, 2023 and 2022:

	Number of warrants	Weighted average exercise price (\$)
Balance, June 30, 2023	18,369,624	0.84
Expired	(7,153,140)	0.85
Balance, September 30, 2023	11,216,484	0.41
Balance, June 30, 2022	26,197,536	0.71
Issued pursuant to the convertible debenture (note 12)	-	0.50
Exercised (note 14(b)(ii))	(225,000)	0.44
Balance, September 30, 2022	25,972,536	0.71

The following table reflects the warrants issued and outstanding as of September 30, 2023:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
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	488,509	0.50	May 18, 2024
154,000	32,864	0.50	October 4, 2024
451,613	55,315	0.45	November 5, 2024
11,216,484	3,035,612		

17. Shares to be issued

The allocation of the shares to be issued is as follows:

Balance, June 30, 2023	\$ 551,769
Shares issued - Agronomic Solutions	(178,395)
Balance, September 30, 2023	\$ 373,374
Balance, June 30, 2022	\$ 1,106,827
Shares issued - Agronomic	(178,396)
Shares issued - Agri-Labs	(457,500)
Balance, September 30, 2022	\$ 470,931

- 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.
- 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.

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17. Shares to be issued (continued)

- iii. 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.
- iv. On July 20, 2023, Agronomic was issued 262,347 common shares at \$0.68 on the 2 year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

18. Net loss per common share

	Three months ended September 30,	
	2023	2022
Loss available to common shareholders	\$ (6,153,859)	\$ (4,818,763)
Weighted average number of shares, basic and diluted	142,087,346	122,807,335
Basic and diluted loss per share	\$ (0.04)	\$ (0.04)

The calculation of basic and diluted loss per share for the three months ended September 30, 2023 were based on the loss attributable to common shareholders of \$6,153,859 (three months ended September 30, 2022 - net loss of \$4,818,763) and the weighted average number of common shares outstanding of 142,087,346 (three months ended September 30, 2022 - 122,807,335). Diluted loss per share for the three months ended September 30, 2023, presented did not include the effect of 11,216,484 warrants (three months ended September 30, 2022 - 25,972,536 warrants) and 11,124,470 stock options (three months ended September 30, 2022 - 8,293,637 stock options) as they are anti-dilutive.

19. Cost of services

	Three months ended September 30,	
	2023	2023
Agronomic services and laboratory fees	\$ 343,622	\$ 379,386
Salaries and benefits	1,371,270	1,457,717
Supplies, courier and shipping	895,701	840,737
Software and processing fees	70,213	141,774
Travel, training and other costs	23,262	49,473
Cost of services	\$ 2,704,068	\$ 2,869,087

20. Related party transactions

Marrelli Group of Companies

During the three months ended September 30, 2023, the Company incurred professional fees of \$10,766 (three months ended September 30, 2022 - \$15,423) to a group of companies of which Carmelo Marrelli was Managing Director. As of September 30, 2023, Mr. Marrelli was the former Chief Financial Officer of Deveron. He had resigned as of September 11, 2023. All services were made on terms equivalent to those that prevail with arm's length transactions. As at September 30, 2023, the group of companies was owed \$15,994 (June 30, 2023 - \$10,721) and this amount is included in accounts payable and accrued and other liabilities.

Related party transactions

During the three months ended September 30, 2023, the Company also incurred legal fees of \$59,259 (three months ended September 30, 2022 - \$24,790) to Irwin Lowy LLP for legal services. Chris Irwin is the controlling party of Irwin Lowy LLP and a director of Deveron. Included in the September 30, 2023 accounts payable, accrued and other liabilities is \$59,259 due to Irwin Lowy LLP (June 30, 2023 - \$49,661).

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21. Segmented information

As at September 30, 2023, 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 September 30, 2023			
Current assets	\$ 2,972,299	\$ 3,335,937	\$ 6,308,236
Non-current assets	16,835,695	82,886,266	99,721,961
Three months ended September 30, 2023			
Revenues	2,978,668	4,739,934	7,718,602
Cost of services	1,522,054	1,182,014	2,704,068
Operating expenses	5,103,883	5,734,934	10,838,817
As at June 30, 2023			
Current assets	\$ 3,047,441	\$ 5,571,482	\$ 8,618,923
Non-current assets	17,164,884	83,444,438	100,609,322
Three months ended September 30, 2022			
Revenues	1,409,319	5,780,175	7,189,494
Cost of services	751,374	2,117,713	2,869,087
Operating expenses	2,766,931	6,151,001	8,917,932

22. Events after the reporting period

- a) On October 5, 2023, the Company announced that it had closed the first tranche of a non-brokered private placement through the issuance of 1,750 unsecured convertible debentures at a price of \$1,000 per debenture for gross proceeds of \$1,750,000. The debenture will mature three (3) years following the date of issuance and will bear interest at an interest rate of nine percent (9%) per annum, payable semi-annually, in arrears in cash. The holder of a debenture will have the right, from time to time and at any time after first year anniversary of the date of issuance, to the maturity date, to convert all or any portion of the outstanding principal amount into common shares, at a conversion price of \$0.42 per common share. In connection with the offering, the Company paid certain eligible finders a cash commission in the aggregate of \$91,000 and issued 216,666 finder's warrants ("Finder Warrant"). Each Finder Warrant entitles the holder to acquire one common share at a price of \$0.42 per common share until the date that is twelve (12) months from the date of issuance.
- b) On November 1, 2023, the Company announced that A&L Canada Laboratories East, Inc. had launched a new testing service analyzing per- and Polyfluoroalkyl substances ("PFAS") in soil, water, compost and other materials. PFAS are a group of synthetic chemicals that have gained significant attention due to their widespread use and potential environmental and health concerns.

23. Comparative figures

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