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**DEVERON CORP.**  
**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**PERIODS ENDED JUNE 30, 2024 AND 2023**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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# Independent auditor's report

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 statements of financial position as at June 30, 2024, and June 30, 2023 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficit and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024 and June 30, 2023 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### 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 \$56.4 million during the year ended June 30, 2024 and has an accumulated deficit of \$84.4 million. In addition, the Company had a working capital deficit of \$37.0 million and positive cash flows from operations of \$4.5 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 or indicators of impairment exist**

Refer to Notes 2, 9 and 10 of the consolidated financial statements.

The Group has recorded goodwill of \$12.6 million and other intangible assets of \$19.5 million as at June 30, 2024. Goodwill and intangible assets acquired in a business combination are allocated to the CGU (or group of CGUs) that will benefit from the synergies of the combination or the specific identifiable assets. IAS 36 – *Impairment of Assets* ("IAS 36") requires that an entity assess whether there are any indicators of impairment at the end of each reporting period. Indefinite life intangible assets to be tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Finite-lived intangible assets are only required to be tested when indicators are present.

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 estimates 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 or indicators of impairment exist as a key audit matter.

Our audit procedures included, amongst other procedures:

- We evaluated the reasonableness of management's judgment with respect to whether there are any indicators of impairment;
- 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 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
- 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.

## 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 IFRS Accounting Standards, 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 Cuyllé.

*Doane Grant Thornton LLP*

Toronto, Canada  
February 18, 2025

Chartered Professional Accountants  
Licensed Public Accountants

# DEVERON CORP.

## Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	As at June 30, 2024	As at June 30, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,193,894	\$ 2,964,720
Accounts receivable (note 6)	3,073,366	4,287,524
Prepays and other assets	1,097,121	1,366,679
<b>Total current assets</b>	<b>5,364,381</b>	<b>8,618,923</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 7)	16,700,733	17,843,753
Right-of-use assets (note 8)	2,199,747	4,140,969
Intangible assets (note 10)	19,467,900	24,179,023
Goodwill (note 9)	12,578,288	53,861,319
Due from related parties	547,684	584,158
Investment in associates (note 11)	100	100
<b>Total non-current assets</b>	<b>51,494,452</b>	<b>100,609,322</b>
<b>Total assets</b>	<b>\$ 56,858,833</b>	<b>\$ 109,228,245</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,917,083	\$ 2,686,066
Accrued and other current liabilities (note 26)	3,922,275	2,082,416
Consideration payable (note 14)	797,587	-
Current portion of loans payable (note 12)	231,826	251,910
Current portion of lease liabilities (note 13)	996,705	380,000
Current portion of borrowings under credit facility (note 16)	27,129,918	2,142,000
Current portion of deferred and contingent consideration (note 14)	673,350	932,557
Promissory notes	4,726,600	4,926,600
<b>Total current liabilities</b>	<b>42,395,344</b>	<b>13,401,549</b>
<b>Non-current liabilities</b>		
Loans payable (note 12)	179,434	487,092
Lease liabilities (note 13)	1,148,052	3,271,389
Borrowings under credit facility (note 16)	-	27,573,557
Deferred and contingent consideration (note 14)	-	756,680
Deferred income taxes	5,484,582	5,384,267
Non-controlling interest ("NCI") put obligation (note 5)	14,054,000	13,214,336
Convertible debentures (note 15)	11,440,687	8,521,667
<b>Total non-current liabilities</b>	<b>32,306,755</b>	<b>59,208,988</b>
<b>Total liabilities</b>	<b>74,702,099</b>	<b>72,610,537</b>

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**DEVERON CORP.****Consolidated Statements of Financial Position (continued)**  
**(Expressed in Canadian Dollars)**

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	As at June 30, 2024	As at June 30, 2023
<b>Shareholders' (deficit) equity</b>		
Share capital (note 17)	48,241,445	47,122,082
Reserves (notes 18, 19 and 20)	3,690,872	8,175,708
Equity component of convertible debenture (note 15)	1,968,620	1,740,090
Deficit	(84,360,735)	(32,069,629)
Accumulated other comprehensive income ("Accumulated OCI")	(135,956)	19,668
Equity reserves (note 5)	(12,966,726)	(12,966,726)
<b>Shareholders' (deficit) equity attributable to shareholders</b>	<b>(43,562,480)</b>	<b>12,021,193</b>
Non-controlling interest	25,719,214	24,596,515
<b>Total shareholders' (deficit) equity</b>	<b>(17,843,266)</b>	<b>36,617,708</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 56,858,833</b>	<b>\$ 109,228,245</b>

*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 26)

# DEVERON CORP.

## Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

	Twelve Months Ended June 30, 2024	Six Months Ended June 30, 2023
<b>Revenues</b>		
Data collection	\$ 7,121,590	\$ 3,109,729
Data analytics	28,195,349	11,155,280
	<b>35,316,939</b>	14,265,009
<b>Cost of services</b>		
Cost of services (note 22)	(11,707,944)	(4,872,980)
<b>Gross margin</b>	<b>23,608,995</b>	9,392,029
<b>Operating expenses (income)</b>		
Salaries and benefits	12,150,397	7,443,947
Office and general	8,789,039	4,504,702
Depreciation (notes 7 and 8)	4,487,087	1,798,538
Amortization of intangible assets (note 10)	3,454,438	1,789,662
Interest expense (notes 12, 13, 14, 15 and 16)	3,495,841	2,600,091
Professional fees	976,601	815,870
Impairment of goodwill and intangible assets (notes 9 and 10)	43,132,423	-
Change in NCI put obligation	839,664	3,296,586
Share-based payments	1,064,118	900,841
Foreign exchange gain	(50,650)	(75,453)
Interest income	(933)	(20,673)
Gain on disposition of property, plant and equipment (note 7)	-	(80,517)
Gain on disposition of right-of-use assets (note 8)	(131,946)	-
<b>Total operating expenses</b>	<b>78,206,079</b>	22,973,594
<b>Net loss before income taxes</b>	<b>(54,597,084)</b>	(13,581,565)
Income tax expense (note 23)	1,761,362	120,041
<b>Net loss for the year</b>	<b>(56,358,446)</b>	(13,701,606)
<b>Other comprehensive loss:</b>		
Foreign operations - loss on foreign currency translation	(155,624)	(461,179)
<b>Net comprehensive loss for the year</b>	<b>\$ (56,514,070)</b>	<b>\$ (14,162,785)</b>
<b>Net loss for the period attributable to:</b>		
Shareholders of the Company	\$ (57,481,145)	\$ (13,582,085)
Non-controlling interest	1,122,699	(119,521)
<b>Net loss for the year</b>	<b>\$ (56,358,446)</b>	<b>\$ (13,701,606)</b>
<b>Net comprehensive loss for the year attributable to:</b>		
Shareholders of the Company	\$ (57,636,769)	\$ (14,043,264)
Non-controlling interest	1,122,699	(119,521)
<b>Net comprehensive loss for the year</b>	<b>\$ (56,514,070)</b>	<b>\$ (14,162,785)</b>
<b>Basic and diluted net loss per common share (note 21)</b>	<b>\$ (0.37)</b>	<b>\$ (0.10)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>156,786,972</b>	142,087,346

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



# DEVERON CORP.

## Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Twelve Months Ended June 30, 2024	Six Months Ended June 30, 2023
<b>Operating activities</b>		
<b>Net loss for the year</b>	<b>\$ (56,358,446)</b>	<b>\$(13,701,606)</b>
Depreciation	4,487,087	1,798,538
Amortization of intangible assets	3,454,438	1,789,662
Share-based payments	1,064,118	900,841
Interest expense	3,495,841	2,600,091
Income tax expense	1,761,362	120,041
Impairment on goodwill and intangible assets (notes 9 and 10)	43,132,423	-
Gain on disposition of property, plant and equipment and right-of-use assets	(131,946)	(80,517)
Change in NCI put obligation	839,664	3,296,586
Foreign exchange and other	(939,569)	(278,143)
Changes in non-cash working capital items:		
Accounts receivable, prepaids and other receivables	1,483,716	2,392,595
Accounts payable, accrued and other current liabilities	2,107,101	(1,071,723)
Income tax paid	100,315	(375,909)
<b>Net cash provided by (used in) operating activities</b>	<b>4,496,104</b>	<b>(2,609,544)</b>
<b>Investing activities</b>		
Cash payment for contingent consideration	(91,647)	(833,527)
Purchase of property, plant and equipment	(1,456,441)	(1,138,813)
Proceeds from disposition of property, plant and equipment	63,947	107,487
<b>Net cash used in investing activities</b>	<b>(1,484,141)</b>	<b>(1,864,853)</b>
<b>Financing activities</b>		
Proceeds from related party	36,474	-
Loan repayment for promissory note	(200,000)	-
Proceeds from issuance of convertible debentures (net of fees)	2,234,000	-
Convertible debenture interest repayment	(36,000)	-
Proceeds from issue of common shares for private placements	-	5,200,000
Share issue costs paid	(13,000)	(216,702)
Lease and loan payments	(2,404,281)	(962,486)
Credit facility principal payments	(2,664,776)	(1,218,000)
Credit facility interest payments	(1,735,206)	(1,188,506)
<b>Net cash (used in) provided by financing activities</b>	<b>(4,782,789)</b>	<b>1,614,306</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,770,826)</b>	<b>(2,860,091)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,964,720</b>	<b>5,824,811</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,193,894</b>	<b>\$ 2,964,720</b>

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

**DEVERON CORP.****Consolidated Statements of Changes in Shareholders' Deficit  
(Expressed in Canadian Dollars)**

	Share Capital	Warrants	Reserves Share-based Payments and Shares to be Issued	Equity Reserves	Deficit	Equity Component of Convertible Debenture	Accumulated OCI	NCI	Total
<b>Balance, June 30, 2023</b>	\$ 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
<b>Transactions with shareholders:</b>									
Warrants issued (note 15(b))	-	6,123	-	-	-	-	-	-	6,123
Common shares issued pursuant to earnout (note 20)	365,038	-	(365,038)	-	-	-	-	-	-
Equity component of convertible debenture (note 15)	-	-	-	-	-	228,530	-	-	228,530
Share issue costs (note 17(b))	(13,000)	-	-	-	-	-	-	-	(13,000)
Expiry of stock options	-	-	(336,387)	-	336,387	-	-	-	-
Expiry of warrants	-	(4,853,652)	-	-	4,853,652	-	-	-	-
Shares issued for debt (note 17(b)(i)(ii))	767,325	-	-	-	-	-	-	-	767,325
Share-based payments (note 18)	-	-	1,064,118	-	-	-	-	-	1,064,118
<b>Transactions with shareholders</b>	\$ 1,119,363	\$ (4,847,529)	\$ 362,693	\$ -	\$ 5,190,039	\$ 228,530	\$ -	\$ -	\$ 2,053,096
Non-controlling interest	-	-	-	-	(1,122,699)	-	-	1,122,699	-
Comprehensive loss for the year	-	-	-	-	(56,358,446)	-	(155,624)	-	(56,514,070)
<b>Balance, June 30, 2024</b>	\$ 48,241,445	\$ 94,305	\$ 3,596,567	\$ (12,966,726)	\$ (84,360,735)	\$ 1,968,620	\$ (135,956)	\$ 25,719,214	\$ (17,843,266)

*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)

	Share Capital	Warrants	Reserves Share-based Payments and Shares to be Issued	Equity Reserves	Deficit	Equity Component of Convertible Debenture	Accumulated OCI	NCI	Total
<b>Balance, December 31, 2022</b>	\$ 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
<b>Transactions with shareholders:</b>									
Issuance of shares in private placement (note 17(b)(i))	5,200,000	-	-	-	-	-	-	-	5,200,000
Common shares issued pursuant to earnout (note 20)	334,995	-	(292,536)	-	-	-	-	-	42,459
Share issue costs (note 17(b))	(272,018)	55,316	-	-	-	-	-	-	(216,702)
Shares issued for debt	851,737	-	-	-	-	-	-	-	851,737
Share-based payments (note 18)	-	-	900,841	-	-	-	-	-	900,841
<b>Transactions with shareholders</b>	\$ 6,114,714	\$ 55,316	\$ 608,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,778,335
Non-controlling interest	-	-	-	-	119,521	-	-	(119,521)	-
Comprehensive loss for the year	-	-	-	-	(13,701,606)	-	(461,179)	-	(14,162,785)
<b>Balance, June 30, 2023</b>	\$ 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

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

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# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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### 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 141 Adelaide St W, Canada, Toronto, Ontario, M5H 3L5. 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. It operates four agriculture testing facilities in North America and provides testing and insights on over one million data points a year.

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. The information presented in these consolidated financial statements is for the twelve-months ended June 30, 2024, compared to the six-months ended June 30, 2023.

### 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 June 30, 2024, the Company had an accumulated deficit of \$84,360,735 (June 30, 2023 - \$32,069,629). Net loss for the year ended June 30, 2024 was \$56,358,446 (six months ended June 30, 2023 - \$13,701,606). In addition, as at June 30, 2024, the Company had a working capital deficit of \$37,030,963 (June 30, 2023 - \$4,782,626) and positive cash flow from operations of \$4,496,104 for the year ended June 30, 2024 (June 30, 2023 - negative cash flow from operations of \$2,609,544). 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.

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# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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### 2. Summary of material accounting policies

#### (a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended June 30, 2024. The policies set out below are based on IFRS Accounting Standards issued and outstanding as of February 18, 2025, 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(t).

#### (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.

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# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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### 2. Summary of material 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 periods 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: amortized cost or FVTPL.

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 FVTPL, FVTOCI 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. The Company has no financial assets measured at FVTPL or FVTOCI.

#### *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.

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# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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### 2. Summary of material accounting policies (continued)

#### (e) *Financial instruments (continued)*

##### **Financial liabilities**

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

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 FVTPL, 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, consideration payable, 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.

Consideration payable represents amounts previously included in contingent consideration, which the Company has reclassified to amounts due and payable as a result of the balances being earned as per the purchase agreements, and have yet to be paid out.

##### *Impairment of financial assets*

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, 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.

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	Twelve Months Ended June 30, 2024	Six Months Ended June 30, 2023
<b>Cash</b>	<b>\$ 1,183,894</b>	<b>\$ 2,914,720</b>
<b>Cash equivalents</b>	<b>10,000</b>	<b>50,000</b>
<b>Cash and cash equivalents</b>	<b>\$ 1,193,894</b>	<b>\$ 2,964,720</b>

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 2. Summary of material 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:

<b>Class of property, plant and equipment</b>	<b>Depreciation rate</b>
Equipment	2-5 years
Drones	2-3 years
Vehicles	3-4 years
Building	25-35 years

At each financial 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.

##### (h) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost is determined using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business less any directly attributable selling expenses. Inventories are included in prepaids and other assets within the statements of financial position.

##### (i) *Impairment of long-lived assets*

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, as is the case for goodwill and indefinite-life intangible assets, 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.



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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 2. Summary of material accounting policies (continued)

##### *(i) Impairment of long-lived assets (continued)*

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.

##### *(j) Income taxes*

Income tax on the profit or loss for the year 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.

##### *(k) 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.

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# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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### 2. Summary of material accounting policies (continued)

#### (k) *Share-based payment transactions (continued)*

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.

#### (l) *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 11 for details of investments where the Company exerts significant influence.

#### (m) *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 is comprised 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

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 2. Summary of Material Accounting Policies (continued)

##### (m) *Intangible assets (continued)*

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, on a prospective basis.

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.

The Company records acquired intangible assets on our consolidated statement of financial position at fair value on the date of acquisition. The Company capitalizes intangible assets when the economics benefits associated with the assets are probable, and when the cost can be measured reliably. The Company estimates 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, the Company measures 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. The Company reviews our estimates of residual values, useful lives and the methods of amortization at year end and, if required, adjust for these prospectively.

##### (n) *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 loss.

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 2. Summary of material accounting policies (continued)

##### (o) *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.

###### 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, which is included in accrued and other current liabilities within the statements of financial position.

###### 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.

##### (p) *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.

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 2. Summary of material accounting policies (continued)

##### (q) *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 period. 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.

##### (r) *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.

##### (s) *Investment tax credits*

The Company incurs research and development expenditures that are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credits for research and development are reflected as a reduction in the cost of the assets or expenses to which it relates.

##### (t) *Critical accounting estimates and judgments*

The preparation of the consolidated financial statements using accounting policies consistent with IFRS Accounting Policies 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.

#### *Judgments*

##### i) *Determination of functional currency*

Foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that the 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.

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## DEVERON CORP.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2024 and 2023  
(Expressed in Canadian Dollars)

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### 2. Summary of material accounting policies (continued)

(t) *Critical accounting estimates and judgments (continued)*

*Judgments (continued)*

ii) Determination of CGUs for the purpose of impairment tests

The determination of CGUs for the purposes of impairment testing requires judgment 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 its fair value, which is calculated as the present value of the redemption amount. In estimating the redemption amount, the Company considers A&L Canada Laboratories East, Inc. ("A&L")'s earnings before interest, taxes, depreciation and amortization ("EBITDA"), the time value of money and the market rate of interest. In addition, management calculates the fair value of the outstanding shares related to the NCI put obligation based on an income approach, specifically a discounted cash flow ("DCF") methodology. Management bases 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.

iv) Business combinations

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 judgment 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.

#### *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.

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# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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### 2. Summary of material accounting policies (continued)

#### (t) *Critical accounting estimates and judgments (continued)*

##### *Estimates (continued)*

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. Management historically performed its annual impairment test as of December 31st, to coincide with its previous year-end date. In the current year, management updated its annual impairment test to take place as of June 30th, to coincide with its new year-end date. As such, during the current year, the annual impairment test was performed on both December 31, 2023, and June 30, 2024. Refer to note 9 for further information. The recoverable value of a 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 has assessed that the assumptions and estimates used are reasonable.

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.

Business combinations - 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.

#### (u) *Recently adopted accounting standards and Future accounting pronouncements*

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) and have been adopted in the current period or are applicable for future periods. None of these pronouncements have, or are expected to have, a material impact on the Company's consolidated financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 2. Summary of material accounting policies (continued)

(u) *Recently adopted accounting standards and Future accounting pronouncements (continued)*

##### **Future accounting pronouncements**

Certain pronouncements were issued by the IASB or the IFRIC. Many are not applicable or do not have a significant impact to the Company and have been excluded.

The following amended standards and interpretations have not yet been adopted and are not expected to have a significant impact on the Company's consolidated financial statements:

- Lack of Exchangeability (Amendments to IAS 21);
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7); and
- IFRS 19, Subsidiaries without Public Accountability: Disclosure.

Management is currently in the process of evaluating the potential impact of IFRS 18 - Presentation and Disclosure in Financial Statements. It has not yet been determined whether this will have a significant impact on the Company's consolidated financial statements.

#### 3. Capital risk management

The Company includes shareholders' equity, comprising issued share capital, reserves, the equity component of convertible debenture, equity reserves, reserves, accumulated other comprehensive income and deficit, in the definition of capital, which as at June 30, 2024, totaled a deficit of \$43,562,480 (June 30, 2023 - equity of \$12,021,193).

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 June 30, 2024 and period ended June 30, 2023. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

#### 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 June 30, 2024. Management believes that the credit risk with respect to these amounts receivable is minimal. As at June 30, 2024, the provision for expected credit losses is \$38,747 (June 30, 2023 - \$223,616). Refer to note 6 for further information.



# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

### 4. Financial instruments and risk factors (continued)

#### (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 June 30, 2024, the Company had cash and cash equivalents of \$1,193,894 (June 30, 2023 - \$2,964,720) to settle current liabilities of \$42,395,344 (June 30, 2023 - \$13,401,549).

The Company is obligated to the following contractual maturities of undiscounted cash flows as at June 30, 2024:

	Carrying amount	Contractual cash flows	2025	2026	2027	2028	Thereafter
Accounts payable	\$ 3,917,083	\$ 3,917,083	\$ 3,917,083	\$ -	\$ -	\$ -	\$ -
Accrued and other current liabilities	3,922,275	3,922,275	3,922,275	-	-	-	-
Borrowings under credit facility	27,129,918	27,129,918	27,129,918	-	-	-	-
Deferred and contingent consideration	673,350	673,350	673,350	-	-	-	-
Promissory notes	4,726,600	4,726,600	-	-	4,726,600	-	-
Loans payable	411,260	411,260	231,826	179,434	-	-	-
Convertible debentures	11,440,687	11,440,687	10,942,550	226,500	271,637	-	-
Lease liabilities	2,144,757	2,144,757	996,705	305,398	842,654	-	-
Total	\$ 54,365,930	\$ 54,365,930	\$17,813,707	\$ 711,332	\$ 5,840,891	\$ -	\$ -

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.

#### (c) Market risk

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 June 30, 2024, 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 exposed to interest rate risk through its loans payable, borrowings under credit facility, promissory notes and convertible debentures.

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## DEVERON CORP.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2024 and 2023  
(Expressed in Canadian Dollars)

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### 4. Financial instruments and risk factors (continued)

(c) *Market risk (continued)*

#### (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.

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the CAD and the USD, being the functional currency of its United States subsidiaries. The Company does not hedge its net investment in its US subsidiaries and the related foreign currency translation of its earnings.

#### (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 accounts receivable and accounts payable and other liabilities that are denominated in USD. As at June 30, 2024, 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 period ended June 30, 2024 would have been approximately \$788,631 higher/lower as a result of foreign exchange losses/gains on translation of non-CAD denominated financial instruments. Similarly, as at June 30, 2024, shareholders' (deficit) equity would have been approximately \$381,157 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 June 30, 2024.

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (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 June 30, 2024 and June 30, 2023 are determined:

*June 30, 2024*

	Level 1	Level 2	Level 3	Total
Contingent consideration	\$ -	\$ -	\$ 108,865	\$ 108,865
NCI put obligation	-	-	14,054,000	14,054,000
	\$ -	\$ -	\$ 14,162,865	\$ 14,162,865

*June 30, 2023*

	Level 1	Level 2	Level 3	Total
Contingent consideration	\$ -	\$ -	\$ 318,897	\$ 318,897
NCI put obligation	-	-	13,214,336	13,214,336
	\$ -	\$ -	\$ 13,533,233	\$ 13,533,233

The fair value of the NCI put obligation liability was determined using a discounted cash flow method based on 7 times the estimated EBITDA of A&L at the date of exercise, then multiplied by the 33.2% non-controlling interest. A discount rate of 17.01% 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 ("7x") 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, as well as in-line with the terms of agreement as outlined below. The fair value of the NCI put obligation of May 20, 2022, was \$12,996,726, and was recorded in equity reserves within the consolidated statements of financial position.

The terms of the NCI put obligation are calculated based on the greater of the implied price per share derived from:

- 7x EBITDA related to the fiscal year the Company completed immediately prior to purchasing the shares; and
- The fair market value of the outstanding shares at the date the option is exercised.

To determine the fair value of the shares of A&L as of the statements of financial position date, management utilized an income approach, specifically a discounted cash flow ("DCF") methodology. This was completed by utilizing management's forecast for the fiscal years June 30, 2024 to 2028 and discounting the after-tax cash flows by the applicable weighted average cost of capital ("WACC"), which represents the overall rate of return expected to be earned based on the underlying risk profile of the company.

The key observable input into the valuation of the NCI put obligation was the discount rate and the key unobservable inputs were the forecasted future cash flows, the Company-determined WACC, A&L EBITDA and the probability of EBITDA exceeding the minimum threshold. Key assumptions used are as follows:

	As at June 30, 2024	As at June 30, 2023
WACC	16.6 %	16.6 %
Effective Tax Rate	26.5 %	26.5 %
CAA %	20.0 %	20.0 %
Forecasted Capital Expenditures	4.2 %	4.5 %
Net Working Capital as a percentage of Revenue	9.5 %	9.5 %
Terminal Growth Rate	2.0 %	2.0 %

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 5. Fair value measurements (continued)

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

Balance as of December 31, 2022	\$ 11,273,453
Change in fair value of NCI put obligation	3,296,586
Change in fair value of contingent consideration	(1,036,806)
Balance as of June 30, 2023	\$ 13,533,233
Change in fair value of NCI put obligation	839,664
<b>Balance as of June 30, 2024</b>	<b>\$ 14,372,897</b>

The NCI put obligation is subsequently re-measured based on the present value of the trailing twelve-month EBITDA multiplied by 7, which is the greater of the implied price per share as outlined above. The Company recognized a revaluation loss related to the NCI put obligation of \$839,664 during the period ended June 30, 2024 (loss of \$3,296,586 during the period ended June 30, 2023). This revaluation loss was a result of the increase fair market valuation of A&L.

The contingent consideration was initially recognized as part of various business combinations and is re-measured based on the estimates noted within each purchase agreement. The Company did not recognize a revaluation related to the contingent consideration during the year ended June 30, 2024 (revaluation gain of \$547,317 for period ended June 30, 2023). Refer to note 14 for more information.

#### Agri-Labs, Inc. ("Agri-Labs")

The purchase agreement included 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 was paid in shares, and half was paid in cash. Payment is due within 30 days of the seller's acceptance of the earnout notice. Management recorded contingent consideration equal to \$15,517 (not yet paid) based on the most likely scenario of the acquisition achieving a target of 20% year-over-year revenue growth. As of June 30, 2024, \$nil (June 30, 2023 - \$nil) has been recorded within contingent consideration.

#### Frontier Labs Inc. ("Frontier")

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 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 the 2022 earnout in full totaling \$240,650. The purchase agreement also includes an EBITDA-based earnout for the twelve months-ended December 31, 2023 ("2023 earnout") and December 31, 2024 (2024 earnout"), calculated as 50% of the excess EBITDA generated during the twelve-months, in comparison to the prior period. 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 (not paid) 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 June 30, 2024, \$108,865 (June 30, 2023 - \$318,897) has been recorded within contingent consideration for the 2023 and 2024 earnouts.

## DEVERON CORP.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2024 and 2023  
(Expressed in Canadian Dollars)

### 6. Accounts receivable

	As at June 30, 2024	As at June 30, 2023
Accounts receivable	\$ 3,112,113	\$ 4,511,140
Allowance for expected credit losses	(38,747)	(223,616)
	\$ 3,073,366	\$ 4,287,524

The following is an aged analysis of the accounts receivable:

	As at June 30, 2024	As at June 30, 2023
1 to 60 days	\$ 2,414,681	\$ 3,615,391
60 to 90 days	337,065	253,081
Greater than 90 days	360,367	642,668
Total accounts receivable	\$ 3,112,113	\$ 4,511,140

### 7. Property, plant and equipment

<b>COST</b>	<b>Equipment</b>	<b>Land and building</b>	<b>Drones</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	<b>\$ 8,459,877</b>	<b>\$ 9,602,570</b>	<b>\$ 482,223</b>	<b>\$ 1,788,529</b>	<b>\$ 20,333,199</b>
Additions	584,208	554,605	-	-	1,138,813
Dispositions	(26,970)	-	-	-	(26,970)
Foreign exchange	(73,460)	(7,441)	-	(22,777)	(103,678)
<b>Balance, June 30, 2023</b>	<b>8,943,655</b>	<b>10,149,734</b>	<b>482,223</b>	<b>1,765,752</b>	<b>21,341,364</b>
Additions	788,708	212,460	-	-	1,001,168
Dispositions	(53,689)	-	-	(10,258)	(63,947)
Foreign exchange	107,106	10,433	-	33,491	151,030
<b>Balance, June 30, 2024</b>	<b>\$ 9,785,780</b>	<b>\$ 10,372,627</b>	<b>\$ 482,223</b>	<b>\$ 1,788,985</b>	<b>\$ 22,429,615</b>

#### **ACCUMULATED DEPRECIATION**

	<b>Equipment</b>	<b>Land and building</b>	<b>Drones</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	<b>\$ 1,549,615</b>	<b>\$ 137,923</b>	<b>\$ 482,223</b>	<b>\$ 385,040</b>	<b>\$ 2,554,801</b>
Depreciation	567,453	127,007	-	282,156	976,616
Foreign exchange	(24,792)	(118)	-	(8,896)	(33,806)
<b>Balance, June 30, 2023</b>	<b>2,092,276</b>	<b>264,812</b>	<b>482,223</b>	<b>658,300</b>	<b>3,497,611</b>
Depreciation	1,317,168	302,341	-	546,888	2,166,397
Foreign exchange	46,829	420	-	17,625	64,874
<b>Balance, June 30, 2024</b>	<b>\$ 3,456,273</b>	<b>\$ 567,573</b>	<b>\$ 482,223</b>	<b>\$ 1,222,813</b>	<b>\$ 5,728,882</b>

#### **CARRYING AMOUNT**

	<b>Equipment</b>	<b>Land and building</b>	<b>Drones</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance, June 30, 2023</b>	<b>\$ 6,851,379</b>	<b>\$ 9,884,922</b>	<b>\$ -</b>	<b>\$ 1,107,452</b>	<b>\$ 17,843,753</b>
<b>Balance, June 30, 2024</b>	<b>\$ 6,329,507</b>	<b>\$ 9,805,054</b>	<b>\$ -</b>	<b>\$ 566,172</b>	<b>\$ 16,700,733</b>

During the year ended June 30, 2024, the Company sold vehicles and equipment for cash proceeds of \$63,947 (six months ended June 30, 2023 - \$107,487) which resulted in a gain on disposition of property, plant and equipment of \$nil (six months ended June 30, 2023 - \$80,517).

## DEVERON CORP.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2024 and 2023  
(Expressed in Canadian Dollars)

### 8. Right-of-use assets

<b>COST</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	\$ 4,431,352	\$ 1,755,780	\$ 6,187,132
Additions	-	191,744	191,744
Foreign exchange and other	(81,415)	(125,452)	(206,867)
<b>Balance, June 30, 2023</b>	\$ 4,349,937	\$ 1,822,072	\$ 6,172,009
Additions and transfers	-	856,624	856,624
Disposals and transfers	(1,058,689)	-	(1,058,689)
Foreign exchange and other	112,138	-	112,138
<b>Balance, June 30, 2024</b>	\$ 3,403,386	\$ 2,678,696	\$ 6,082,082

### ACCUMULATED DEPRECIATION

	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	\$ 1,125,484	\$ 257,016	\$ 1,382,500
Depreciation	597,797	224,125	821,922
Foreign exchange	(47,929)	(125,453)	(173,382)
<b>Balance, June 30, 2023</b>	\$ 1,675,352	\$ 355,688	\$ 2,031,040
Disposals	(186,725)	-	(186,725)
Depreciation	515,398	1,805,292	2,320,690
Foreign exchange	49,778	(332,448)	(282,670)
<b>Balance, June 30, 2024</b>	\$ 2,053,803	\$ 1,828,532	\$ 3,882,335

### CARRYING AMOUNT

	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Balance, June 30, 2023</b>	\$ 2,674,585	\$ 1,466,384	\$ 4,140,969
<b>Balance, June 30, 2024</b>	\$ 1,349,583	\$ 850,164	\$ 2,199,747

Vehicles and equipment are depreciated over 24 to 48 months.

During the year ended June 30, 2024, the Company sold vehicles and equipment for proceeds that were offset against the outstanding lease liability balance (six months ended June 30, 2023 - \$nil) which resulted in a gain on disposition of right-of-use assets of \$131,946 (six months ended June 30, 2023 - \$nil).

### 9. Goodwill

<b>Balance, June 30, 2023</b>	\$ 53,861,319
Impairment on goodwill	(41,383,150)
Foreign exchange	100,119
<b>Balance, June 30, 2024</b>	\$ 12,578,288

<b>Balance, December 31, 2022</b>	\$ 54,016,601
Foreign exchange	(155,282)
<b>Balance, June 30, 2023</b>	\$ 53,861,319

# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

### 9. Goodwill (continued)

For the purpose of annual impairment testing, goodwill is allocated to the group of CGUs expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below and is compared to its recoverable amount as at December 31, 2023 and June 30, 2024. The Company completed its required annual impairment test as of December 31st to coincide with its previous year-end date. Management also determined that there were indicators of impairment as of December 31st. These indicators included significant and continued losses, worse economic performance than expected, and declining gross revenues on a year-over-year basis generated from acquired assets, indicating that the carrying values of assets potentially exceeded their recoverable amounts. The Company then updated its required annual impairment test to take place on June 30th, to coincide with its new year-end date. As of June 30th, management determined that there were no new indicators of impairment.

Tests were performed as at December 31, 2023 and June 30, 2024, with the recoverable amount of the Company was calculated based VIU, determined using the income approach based on discounted cash flows projected over a period of five years. A terminal growth rate was determined and applied to project future cash flows after the fifth year of 2%. The present value of the expected cash flows from the CGUs are determined by applying a suitable discount rate reflecting current market assessments of the time value of money and the risks specific the CGU. Projected future cash flows are based on revenue and EBITDA growth rates for each CGU. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

At December 31, 2023, the recoverable amount of each CGU 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.

	Carrying Amount	Recoverable Amount	Impairment Loss
Data Analysis	\$ 90,253,741	\$ 51,249,409	\$ 39,004,332
Data Collections	4,128,091	-	4,128,091
	<b>\$ 94,381,832</b>	<b>\$ 51,249,409</b>	<b>\$ 43,132,423</b>

#### Key assumptions (December 31, 2023)

	Data collections CGU	Data analytics CGU
Growth rates	-1.3%	11.0%
Gross margin	51.7%	68.2%
EBITDA margin	-3.7%	26.9%
Post-Tax Discount rate	16.16%	16.16%
Pre-Tax Discount rate	19.12%	20.65%

At June 30, 2024, 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.

	Carrying Amount	Recoverable Amount	Impairment Loss
Data Analysis	\$ 39,962,098	\$ 47,362,000	\$ -
Data Collections	-	-	-
	<b>\$ 39,962,098</b>	<b>\$ 47,362,000</b>	<b>\$ -</b>

# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

### 9. Goodwill (continued)

#### Key assumptions (June 30, 2024)

	<u>Data collections CGU</u>	<u>Data analytics CGU</u>
Growth rates	-1.3%	12.0%
Gross margin	51.7%	68.2%
EBITDA margin	-4.4%	27.0%
Post-Tax Discount rate	17.01%	17.01%
Pre-Tax Discount rate	20.01%	21.95%

#### 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.

#### 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 conducted a sensitivity analysis based on a range of reasonable discount rates and the terminal growth. If the Data Analytics CGU (no further impairment to Data Collections CGU) were to be discounted using a 1% higher discount rate and a 1% lower terminal growth rate, the carrying amount of the CGU would exceed its recoverable amount as follows:

	<b>Carrying Amount</b>	<b>Recoverable Amount</b>	<b>Impairment Loss</b>
Data Analytics	\$ 39,962,098	\$ 45,859,000	\$ -

If the discount rate were to be 1% lower discount rate and 1% higher terminal growth rate, the carrying amount of the CGU would exceed its recoverable amount as follows:

	<b>Carrying Amount</b>	<b>Recoverable Amount</b>	<b>Impairment Loss</b>
Data Analytics	\$ 39,962,098	\$ 48,085,000	\$ -



## DEVERON CORP.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2024 and 2023  
(Expressed in Canadian Dollars)

### 10. Intangible assets

<b>COST</b>	<b>Software technologies</b>	<b>Customer list</b>	<b>Other intangibles</b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	<b>\$ 5,883,000</b>	<b>\$ 13,430,726</b>	<b>\$ 8,904,903</b>	<b>\$ 28,218,629</b>
Additions	-	-	439,976	439,976
Foreign exchange	-	(97,250)	(54,491)	(151,741)
<b>Balance, June 30, 2023</b>	<b>\$ 5,883,000</b>	<b>\$ 13,333,476</b>	<b>\$ 9,290,388</b>	<b>\$ 28,506,864</b>
Additions	-	-	455,273	455,273
Dispositions	(54,575)	-	-	(54,575)
Impairment	-	(1,747,373)	(784,371)	(2,531,744)
Foreign exchange	-	167,844	92,400	260,244
<b>Balance, June 30, 2024</b>	<b>\$ 5,828,425</b>	<b>\$ 11,753,947</b>	<b>\$ 9,053,690</b>	<b>\$ 26,636,062</b>
<b>ACCUMULATED AMORTIZATION</b>	<b>Software technologies</b>	<b>Customer list</b>	<b>Other intangibles</b>	<b>Total</b>
<b>Balance, December 31, 2022</b>	<b>\$ 490,250</b>	<b>\$ 1,047,623</b>	<b>\$ 1,030,272</b>	<b>\$ 2,568,145</b>
Amortization	420,216	670,425	699,021	1,789,662
Foreign exchange	-	(15,353)	(14,613)	(29,966)
<b>Balance, June 30, 2023</b>	<b>\$ 910,466</b>	<b>\$ 1,702,695</b>	<b>\$ 1,714,680</b>	<b>\$ 4,327,841</b>
Impairment	-	(432,433)	(358,978)	(791,411)
Amortization	840,429	1,198,914	1,415,095	3,454,438
Foreign exchange	-	(59,052)	236,346	177,294
<b>Balance, June 30, 2024</b>	<b>\$ 1,750,895</b>	<b>\$ 2,410,124</b>	<b>\$ 3,007,143</b>	<b>\$ 7,168,162</b>
<b>CARRYING AMOUNT</b>	<b>Software technologies</b>	<b>Customer list</b>	<b>Other intangibles</b>	<b>Total</b>
<b>Balance, June 30, 2023</b>	<b>\$ 4,972,534</b>	<b>\$ 11,630,781</b>	<b>\$ 7,575,708</b>	<b>\$ 24,179,023</b>
<b>Balance, June 30, 2024</b>	<b>\$ 4,077,530</b>	<b>\$ 9,343,823</b>	<b>\$ 6,046,547</b>	<b>\$ 19,467,900</b>

### 11. Investment in associate

As at June 30, 2024, A&L Canada Laboratories East, Inc. ("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 Biological 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 2023 and 2024, 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 June 30, 2024 is has therefore been determined to be a nominal amount of \$100 (June 30, 2023 - \$100)

In addition, no dividends were received from Biological during the year ended June 30, 2024 (six months ended June 30, 2023 - \$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.

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 12. Loans payable

(i) During the year ended June 30, 2024, the Company has repaid \$269,479 to John Deere Financial (six months ended June 30, 2023 – \$126,327). The balance outstanding as of June 30, 2024 is \$375,180 (June 30, 2023 – \$644,659). The loan is non-interest bearing and has a term of four years.

(ii) During the year ended June 30, 2024, the Company has repaid \$22,347 (six months ended June 30, 2023 - \$10,483) to CLE Capital, a lease financing specialist. The balance outstanding as of June 30, 2024 is \$11,996 (June 30, 2023 - \$94,343). The loan has an interest rate of 8.99% and a term of four years.

(iii) During the year ended June 30, 2024, the Company has received \$27,750 (six months ended June 30, 2023 - \$Nil) from Royal Bank of Canada, for the purchase of a vehicle. During the year ended June 30, 2024, the Company has repaid \$3,666 (June 30, 2023 – \$Nil). The balance outstanding as of June 30, 2024 is \$24,084 (June 30, 2023 - \$Nil). The loan has an interest rate of 7.42% and a term of five years.

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Current	\$	231,826
Non-current		179,434
<b>Balance, June 30, 2024</b>	<b>\$</b>	<b>411,260</b>

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

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#### 13. Lease liabilities

The Company leases assets to support revenue. Leased assets range from lab equipment to support Data Analytics or in-field equipment to support Data Collections. These assets are reviewed and refreshed on an annual basis, with financing aligned to the expected useful life of the asset.

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<b>Balance, December 31, 2022</b>	<b>\$</b>	<b>4,468,916</b>
Additions		191,744
Acquired from acquisition of A&L		75,889
Lease payments		(825,331)
Foreign exchange		(259,829)
<b>Balance, June 30, 2023</b>	<b>\$</b>	<b>3,651,389</b>
Additions		126,374
Disposition		(1,079,558)
Interest expense		64,527
Lease payments		(834,663)
Foreign exchange		216,688
<b>Balance, June 30, 2024</b>	<b>\$</b>	<b>2,144,757</b>
<b>Allocated as:</b>		
Current	\$	996,705
Non-current		1,148,052
<b>Balance, June 30, 2024</b>	<b>\$</b>	<b>2,144,757</b>

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 13. Lease liabilities (continued)

##### Allocated as:

Current	\$	380,000
Non-current		3,271,389
<b>Balance, June 30, 2023</b>	<b>\$</b>	<b>3,651,389</b>

#### 14. Deferred and contingent consideration

	Contingent Consideration	Deferred Consideration	Total
<b>Balance, December 31, 2022</b>	<b>\$ 1,355,703</b>	<b>\$ 1,749,294</b>	<b>\$ 3,104,997</b>
Accretion interest expense	3,122	64,924	68,046
Contingent consideration - shares issued	(103,265)	-	(103,265)
Contingent consideration - cash payout	(292,912)	(540,615)	(833,527)
Contingent consideration - reversal	(547,317)	-	(547,317)
Foreign exchange	(96,434)	96,737	303
<b>Balance, June 30, 2023</b>	<b>\$ 318,897</b>	<b>\$ 1,370,340</b>	<b>\$ 1,689,237</b>
Contingent consideration - shares issued (i)	(66,275)	-	(66,275)
Contingent consideration - cash and shares payout (ii)	(91,647)	-	(91,647)
Contingent consideration - shares earned but not yet paid (iii)	(15,517)	-	(15,517)
Deferred consideration - earned and not yet paid (iv)	-	(278,039)	(278,039)
Deferred consideration - earned and not yet paid (v)	-	(564,484)	(564,484)
Foreign exchange	(36,593)	36,668	75
<b>Balance, June 30, 2024</b>	<b>\$ 108,865</b>	<b>\$ 564,485</b>	<b>\$ 673,350</b>
<b>Allocated as:</b>			
Current	\$ 108,865	\$ 564,485	\$ 673,350
Non-current	-	-	-
<b>Balance, June 30, 2024</b>	<b>\$ 108,865</b>	<b>\$ 564,485</b>	<b>\$ 673,350</b>
<b>Allocated as:</b>			
Current	\$ 19,905	\$ 912,652	\$ 932,557
Non-current	298,992	457,688	756,680
<b>Balance, June 30, 2023</b>	<b>\$ 318,897</b>	<b>\$ 1,370,340</b>	<b>\$ 1,689,237</b>

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

(ii) On December 31, 2023, Frontier received \$152,099 (USD \$115,000) cash payment on the one year anniversary.

(iii) On March 11, 2024, Agri-Labs earned \$15,517 (USD \$12,210 as additional consideration equal to 25% of the excess amount of earnings before interest, taxes, depreciation and amortization "EBITDA" generated).

(iv) On March 11, 2024, Agri-Labs earned \$278,039 (USD \$210,000) cash payment (not yet paid) on the two year anniversary.

(v) On October 27 2023, Frontier earned \$564,484 (USD \$412,500) cash payment (not yet paid) on the one year anniversary, with a partial payment made on December 31, 2023 as outlined above in paragraph (ii).

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 15. Convertible Debenture

##### (a) May 2022 Convertible Debenture

A continuity of the convertible debenture as at June 30, 2024 is as follows:

<b>Opening balance, June 30, 2023</b>	\$ 8,521,667
Repayment of interest	(701,055)
Accretion and accrued interest	1,467,315
<b>Carrying value, June 30, 2024</b>	<b>\$ 9,287,927</b>

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 June 30, 2024 is \$1,740,090 (June 30, 2023 - \$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 June 30, 2024.

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.

##### (b) October 2023 Convertible Debenture

A continuity of the convertible debenture as at June 30, 2024 is as follows:

<b>Opening balance, June 30, 2023</b>	\$ -
Gross proceeds	\$ 1,750,000
Allocation to conversion feature	(200,960)
Convertible Debenture finders fee	(97,122)
Repayment of interest	(36,000)
Accretion and accrued interest	175,858
<b>Carrying value, June 30, 2024</b>	<b>\$ 1,591,776</b>

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 15. Convertible Debenture (continued)

##### (b) October 2023 Convertible Debenture (continued)

On October 5, 2023, the Company closed a \$1,750,000 private placement of convertible debentures (the "Debentures II"), in the principal amount of \$1,750,000. The Company issued 1,750 Debentures II, each with a principal amount \$1,000. The Debentures II mature three years from the closing date and bears interest at a rate of 9% per annum, payable annually, in arrears in cash or common shares at the option of the holder. The principal amount of the Debentures II may be convertible, only at the option of the holder, into common shares of the Company at a price of \$0.42 per common share. Interest is payable annually on the anniversary of the closing date of the private placement, commencing in October 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 II was valued using the discounted cash flow model, based on an estimated effective interest rate of 15.79%. The difference between the \$1,750,000 principal amount of the Debentures II and the discounted fair value of the liability component was recognized as the embedded derivative portion of the Debenture II 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 June 30, 2024 is \$200,960 (June 30, 2023 - \$nil). 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 June 30, 2024.

Pursuant to the convertible debenture, 216,000 broker warrants were issued with an exercise price of \$0.42 per warrant for a period of 12 months after closing, as well as finders fees of \$91,000 was paid. The 216,000 broker warrants were valued at \$6,122 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.26; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 58.04%; risk-free interest rate - 4.90%; and an expected life - 1 year.

##### (c) April 2024 Convertible Debenture

A continuity of the convertible debenture as at June 30, 2024 is as follows:

<b>Opening balance, June 30, 2023</b>	\$	-
Gross proceeds	\$	575,000
Allocation to conversion feature		(27,570)
Accretion and accrued interest		13,554
<b>Carrying value, June 30, 2024</b>	<b>\$</b>	<b>560,984</b>

On April 25, 2024, the Company closed a \$575,000 private placement of convertible debentures (the "Debentures III"), in the principal amount of \$575,000. The Company issued 575 Debentures III, each with a principal amount \$1,000. The Debentures III mature three years from the closing date and bears interest at a rate of 12% per annum, payable annually, in arrears in cash or common shares at the option of the holder. The principal amount of the Debentures III may be convertible, only at the option of the holder, into common shares of the Company at a price of \$0.20 per common share. Interest is payable annually on the anniversary of the closing date of the private placement, commencing in April 2024, 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 Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 15. Convertible Debenture (continued)

(c) April 2024 Convertible Debenture (continued)

The liability component of Debentures III was valued using the discounted cash flow model, based on an estimated effective interest rate of 14.49%. The difference between the \$575,000 principal amount of Debentures III and the discounted fair value of the liability component was recognized as the embedded derivative portion of Debentures III 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 June 30, 2024 is \$27,570 (June 30, 2023 - \$nil). 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 June 30, 2024.

#### 16. 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 7.7% for the current quarter. As at June 30, 2024, the Company owed \$27,129,918 (June 30, 2023 - \$29,715,557). This credit facility has certain financial and non-financial covenants. The Company is in compliance with all covenants as of June 30, 2024 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.

<b>Balance, December 31, 2022</b>	<b>\$ 30,238,189</b>
Additions	695,368
Principal repayments	(1,218,000)
<b>Balance, June 30, 2023</b>	<b>\$ 29,715,557</b>
Principal repayments	(2,664,776)
Other costs	79,137
<b>Balance, June 30, 2024</b>	<b>\$ 27,129,918</b>
<b>Allocated as:</b>	
Current	\$ 27,129,918
Non-current	-
<b>Balance, June 30, 2024</b>	<b>\$ 27,129,918</b>

#### 17. 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.

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 17. Share capital (continued)

##### b) Common shares issued

	Number of common shares	Amount
<b>Balance, June 30, 2023</b>	<b>155,930,424</b>	<b>\$ 47,122,082</b>
Share issue costs	-	(13,000)
Shares issued related to prior year acquisitions (note 20)	635,632	365,038
Shares issued related to debt settlement (i)(ii)	6,367,257	767,325
<b>Balance, June 30, 2024</b>	<b>162,933,313</b>	<b>\$ 48,241,445</b>

	Number of common shares	Amount
<b>Balance, December 31, 2022</b>	<b>136,421,107</b>	<b>\$ 41,007,368</b>
Private placements (iii)(iv)(v)	16,774,194	5,200,000
Broker warrant valuation (iii)	-	(55,316)
Share issue costs (iii)(iv)(v)	-	(216,702)
Shares issued pursuant to prior year acquisitions (note 20)	417,183	334,995
Shares issued related to debt settlement ( )	2,317,940	851,737
<b>Balance, June 30, 2023</b>	<b>155,930,424</b>	<b>\$ 47,122,082</b>

(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 price of \$0.30 per common share. The shares issued were related to the Stealth Ag acquisition and related revenue earnout.

(ii) On June 21, 2024, the Company settled an aggregate of \$701,050 of indebtedness owed to an arm's length creditor of the Company through the issuance of 6,146,373 common shares of the Company at a price of \$0.11 per common share. The shares issued were related to the holders of unsecured convertible debentures, for the interest payment due on the first anniversary of the date of issuance.

(iii) On May 5, 2023, the Company closed a non-brokered private placement of common shares at a price of \$0.31 per common share for gross proceeds of \$4,115,000 and a total of 13,274,194 common shares issued. As consideration for the services provided for the private placement, the broker received 451,613 compensation warrants. Each compensation warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.31 per warrant for a period of 18 months after closing. The 451,613 compensation warrants were valued at \$55,316 using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.31; 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 - 18 months.

(iv) On May 5, 2023, the Company closed a non-brokered private placement of common shares at a price of \$0.31 per unit for gross proceeds of \$914,500 and a total of 2,950,000 common shares issued.

(v) On May 17, 2023, the Company closed a non-brokered private placement of units at a price of \$0.31 per unit for gross proceeds of \$170,500 and a total of 550,000 units issued.

(vi) On March 16, 2023, the Company settled 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.

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 17. Share capital (continued)

##### b) Common shares issued (continued)

(vii) During the year ended June 30, 2023, 4,903,819 warrants were exercised at a price of \$0.45 per unit for gross proceeds of \$2,206,719 and 694,644 warrants were exercised at a price of \$0.35 per unit for gross proceeds of \$243,125.

(viii) During the six months ended June 30, 2023, 500,000 options were exercised at a price of \$0.30 per unit for gross proceeds of \$150,000, and 1,500,000 options were exercised at a price of \$0.365 per unit for gross proceeds of \$547,500.

#### 18. Stock options

The following table reflects the continuity of options for the year ended June 30, 2024 and period ended June 30, 2023:

	Number of options	Weighted average exercise price (\$)
<b>Balance, December 31, 2022</b>	<b>6,593,637</b>	<b>0.37</b>
Granted (i)(ii)(iii)	4,030,833	0.62
<b>Balance, June 30, 2023</b>	<b>10,624,470</b>	<b>0.52</b>
<b>Balance, June 30, 2023</b>	<b>10,624,470</b>	<b>0.37</b>
Granted (iv)(v)	3,000,000	0.21
Expired	(1,225,000)	0.25
<b>Balance, June 30, 2024</b>	<b>12,399,470</b>	<b>0.46</b>

(i) On December 23, 2022, the Company granted 2,900,000 stock options to certain officers, directors and employees of the Company. The stock options, at a price of \$0.43 per share, will expire in five years from the issue date. A fair value of \$886,384 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 year ended June 30, 2024, \$246,892 (six months ended June 30, 2023 - \$422,955) was expensed to share-based payments.

(ii) On May 5, 2023, the Company granted 335,000 stock options to certain officers, directors and employees of the Company. The stock options, at a price of \$0.33 per share, will expire in five years from the issue date. A fair value of \$78,299 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 year ended June 30, 2024, \$19,626 (six months ended June 30, 2023 - \$26,490) was expensed to share-based payments.



# DEVERON CORP.

## Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

### 18. Stock options (continued)

(iii) On June 30, 2023, the Company granted 795,833 stock options to an officer 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 - 3.96%; and an expected life - 5 year. The options vested one third immediately, one third on the second and third anniversary. During the year ended June 30, 2024, \$47,120 (six months ended June 30, 2023 - \$56,389) was expensed to share-based payments.

(iv) 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 year ended June 30, 2024, \$65,197 (six months ended June 30, 2023 - \$nil) was expensed to share-based payments.

(v) On December 28, 2023, the Company granted 2,500,000 stock options to certain officers, directors and employees of the Company. The stock options, at a price of \$0.185 per share, will expire in five years from the issue date. A fair value of \$319,690 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - \$0.19; dividend yield - 0%; expected volatility (based on historical price data of the Company's common share) - 86.21%; risk-free interest rate - 3.17%; and an expected life - 5 year. The options are subject to a four-month hold period from the original date of grant. During the year ended June 30, 2024, \$153,983 (six months ended June 30, 2023 - \$nil) was expensed to share-based payments.

(vi) The portion of the estimated fair value of options granted in the prior years and vested during the year ended June 30, 2024, amounted to \$311,760 (six months ended June 30, 2023 - \$480,899).

Details of the stock options outstanding as at June 30, 2024 are as follows:

Fair value (\$)	Weighted average remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
169,360	1.65	108,333	325,000	0.64	February 22, 2026
108,662	1.70	58,333	175,000	0.75	March 12, 2026
105,327	1.82	116,667	175,000	0.74	April 27, 2026
197,432	1.98	200,000	300,000	0.80	June 24, 2026
47,406	2.75	70,000	105,000	0.63	March 31, 2027
136,571	3.00	129,546	388,637	0.55	June 29, 2027
81,409	3.40	100,000	300,000	0.48	November 23, 2027
669,847	3.48	966,667	2,900,000	0.43	December 27, 2027
938,372	3.55	1,066,667	1,600,000	0.75	January 18, 2028
46,116	3.85	111,667	335,000	0.33	May 5, 2028
103,509	4.00	265,278	795,833	0.33	June 30, 2028
586,646	4.16	300,000	2,000,000	0.56	August 26, 2028
65,197	4.20	166,666	500,000	0.30	September 11, 2028
153,983	4.48	608,333	2,500,000	0.19	December 23, 2028
3,409,837	3.72	4,268,157	12,399,470	0.46	

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 19. Warrants

The following table reflects the continuity of warrants for the period ended June 30, 2024 and 2023:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, June 30, 2023</b>	<b>18,369,624</b>	<b>0.84</b>
Issued pursuant to the convertible debenture (note 15)	216,666	0.42
Expired	(17,764,011)	0.85
<b>Balance, June 30, 2024</b>	<b>822,279</b>	<b>0.41</b>
<b>Balance, December 31, 2022</b>	<b>17,918,011</b>	<b>0.84</b>
Issued for private placement (note 17(b)(iii))	451,613	0.31
<b>Balance, June 30, 2023</b>	<b>18,369,624</b>	<b>0.84</b>

The following table reflects the warrants issued and outstanding as of June 30, 2024:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
154,000	32,867	0.50	October 4, 2024
451,613	55,315	0.31	November 5, 2024
216,666	6,123	0.42	October 5, 2026
<b>822,279</b>	<b>94,305</b>		

#### 20. Shares to be issued

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

<b>Balance, June 30, 2023</b>	<b>\$ 551,769</b>
Shares issued - Frontier (ii)	(186,642)
Shares issued - Agronomic Solutions (i)	(178,396)
<b>Balance, June 30, 2024</b>	<b>\$ 186,731</b>
<b>Balance, December 31, 2022</b>	<b>\$ 844,306</b>
Shares issued - Farm Dog (iii)	(62,745)
Shares issued - Tana Ag (iv)	(45,375)
Shares issued - Stealth Ag (v)	(184,417)
<b>Balance, June 30, 2023</b>	<b>\$ 551,769</b>

- On July 20, 2023, Agronomic was issued 262,347 common shares at \$0.68 on the two year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.
- On January 26, 2024, Frontier received 373,285 common shares at \$0.50 per share on the one year anniversary.
- On February 22, 2023, Farm Dog was issued 98,040 common shares at a price of \$0.64 on the two year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 20. Shares to be issued (continued)

- iv. On May 16, 2023, Tana Ag was issued 55,335 common shares at \$0.82 on the two year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.
- v. On May 26, 2023, Stealth Ag was issued 263,808 common shares at \$0.86 on the two year anniversary of the acquisition, drawing down on the shares to be issued recognized as part of the acquisition.

#### 21. Net loss per common share

	Twelve Months Ended June 30, 2024	Six Months Ended June 30, 2023
Loss available to common shareholders	\$ (57,481,145)	\$ (13,582,085)
Weighted average number of shares, basic and diluted	156,786,972	142,087,346
Basic and diluted loss per share	\$ (0.37)	\$ (0.10)

The calculation of basic and diluted loss per share for the year ended June 30, 2024 were based on the loss attributable to common shareholders of \$57,481,145 (six months ended June 30, 2023 - net loss of \$13,582,085) and the weighted average number of common shares outstanding of 156,786,972 (six months ended June 30, 2023 - 142,087,346). Diluted loss per share for the year ended June 30, 2024, presented did not include the effect of 822,279 warrants (six months ended June 30, 2023 - 18,369,624 warrants) and 12,399,470 stock options (six months ended June 30, 2023 - 10,624,470 stock options) as they are anti-dilutive.

#### 22. Cost of services

	Twelve Months Ended June 30, 2024	Six Months Ended June 30, 2023
Agronomic services and laboratory fees	\$ 1,235,589	\$ 1,016,995
Salaries and benefits	6,220,644	2,251,663
Supplies, courier and shipping	3,851,737	1,443,311
Software and processing fees	368,977	115,737
Travel, training and other costs	30,997	45,274
<b>Cost of services</b>	<b>\$ 11,707,944</b>	<b>\$ 4,872,980</b>

#### 23. Income tax

##### Income tax expense

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

	June 30, 2024	June 30, 2023
Current tax expense	\$ 1,710,357	\$ 445,300
Deferred tax expense (recovery)	51,005	(325,259)
Income tax expense	1,761,362	120,041

## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

#### 23. Income tax (continued)

##### Income tax expense (continued)

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:

	2024	2023
Loss before income tax	\$ (54,597,084)	\$ (13,581,565)
Combined statutory tax rate	26.50%	26.68%
Expected income tax recovery	(14,468,227)	(3,623,427)
Differences in depreciation and capital cost allowance	-	-
Share issue costs recorded in equity	(29,182)	(46,174)
Non-deductible share based payment expense	1,396,853	217,799
Permanent differences - non-deductible goodwill impairment	9,147,046	-
Other non-taxable or non-deductible permanent differences	3,266,309	1,379,867
Change in deferred income tax asset not recognized	2,448,563	2,191,976
Income tax expense	\$ 1,761,362	\$ 120,041

##### Deferred income taxes

A breakdown of the deferred tax assets and liabilities are presented below:

	June 30, 2024	June 30, 2023
<b>Deductible (taxable) temporary differences</b>		
Deferred tax assets/(liabilities):		
Tax loss carry-forwards	\$ 10,976,061	\$ 9,408,817
Fixed assets	(1,105,014)	(1,266,925)
Intangible assets	(4,424,116)	(5,019,492)
Non-current assets	162,888	(237,784)
Share issue costs and other	569,398	639,354
Deferred tax assets	6,179,217	3,523,970
Tax benefit not recognized	(11,663,799)	(8,908,237)
Deferred tax liability	\$ (5,484,582)	\$ (5,384,267)

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 foreseeable 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.

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 23. Income tax (continued)

As at June 30, 2024, 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
	2043		5,595,325
	2044		<u>4,042,600</u>
			<u>\$ 28,864,355</u>

As at June 30, 2024, the Company has unclaimed foreign federal losses of \$13,343,806 and state net operating losses of \$8,956,713. The Federal net operating losses will carryforward indefinitely and state net operating losses begin to expire in 2039.

#### 24. Related party transactions

##### Shareholder

As of June 30, 2024, the Company has a short term loan due from a related party in the amount of \$547,684 (June 30, 2023 - \$584,158) owed to them from a shareholder of the Company. This loan is non-interest bearing and is due on demand.

##### Marrelli Group of Companies

During the year ended June 30, 2024, the Company incurred professional fees of \$14,804 (six months ended June 30, 2023 - \$125,161) to a group of companies of which Carmelo Marrelli was Managing Director. As of June 30, 2024, 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 June 30, 2024, the group of companies was owed \$31,678 (June 30, 2023 - \$10,721) and this amount is included in accounts payable and accrued and other liabilities.

##### Related party transactions

During the year ended June 30, 2024, the Company also incurred legal fees of \$86,120 (six months ended June 30, 2023 - \$62,915) 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 June 30, 2024 accounts payable, accrued and other liabilities is \$170,050 due to Irwin Lowy LLP (June 30, 2023 - \$49,661).

## DEVERON CORP.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2024 and 2023  
(Expressed in Canadian Dollars)

### 24. Shareholder and related party transactions (continued)

Remuneration of directors and key management personnel of the Company was as follows:

	Twelve Months Ended June 30, 2024	Six Months Ended June 30, 2023
Salaries and benefits	\$ 671,783	\$ 505,965
Directors fees	53,750	62,189
Professional fees	100,924	188,076
	<b>\$ 826,457</b>	<b>\$ 756,230</b>

### 25. Segmented information

As at June 30, 2024, the Company's operations comprise one reportable 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
<b>As at June 30, 2024</b>			
Current assets	\$ 3,025,957	\$ 2,338,424	\$ 5,364,381
Non-current assets	5,952,884	45,541,568	51,494,452
Revenues	14,533,556	20,783,383	35,316,939
Cost of services	5,163,619	6,544,325	11,707,944
Operating expenses	21,348,499	56,857,580	78,206,079

Geographical segment	USA	Canada	Total
<b>As at June 30, 2023</b>			
Current assets	\$ 3,047,441	\$ 5,571,482	\$ 8,618,923
Non-current assets	17,164,884	83,444,438	100,609,322
Revenues	6,459,294	7,805,715	14,265,009
Cost of services	2,668,401	2,204,579	4,872,980
Operating expenses	10,067,706	12,905,888	22,973,594

### 26. Events after the reporting period

- a) On May 14, 2024, the Company received \$200,000 and a further \$250,000 on June 19, 2024, for a total of \$450,000 as a non-interest bearing, bridge loan from a shareholder to fund ongoing operations. This amount was to be settled as part of the private placement settled as per the terms outlined below (see note 26(b)).

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## DEVERON CORP.

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023 (Expressed in Canadian Dollars)

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#### 26. Events after the reporting period (continued)

- b) On August 15, 2024, the Company announced that it had reached a settlement agreement ("Settlement Agreement") with the principal of 27436130 Ontario Inc., Greg Patterson. Pursuant to the Settlement Agreement, the Company intends to complete a non-brokered private placement offer for units of the Company at an offering price of \$0.07 per unit for net proceeds of up to \$3,000,000. Each unit shall be comprised of one common share in the capital of the Company and one half of one common share purchase warrants excisable for 18 months at an exercise price of at least \$0.10. As part of the Settlement Agreement:
- Greg Patterson agrees to withdraw the Requisition and, along with the Settlement Parties, agrees to customary standstill covenants related to, among other things, the solicitation of proxies and the voting of securities of the Company, until the later of the day after the 2025 annual meeting of shareholders of the Company or the repayment of the Promissory Notes.
  - The repayment of the Promissory Notes will be extended 30 months and the relevant Settlement Parties agree to work towards development of a reasonable repayment plan.
  - Greg Patterson will have the right to have one nominee (the "Initial Nominee") serve on the board of directors of the Company (the "Board") until the later of the 2025 annual meeting of shareholders of the Company or the repayment of the amounts outstanding under the Promissory Notes (the "Outside Date").
  - The Board will be fixed at five persons and Ron Patterson, as the initial nominee of Greg Patterson, will be appointed to the Board along with Albert Contardi. Upon the occurrence of certain specified events, Greg Patterson shall be entitled to replace Albert Contardi with an additional nominee to the Board.
  - To facilitate the transition to the new Board, Bill Linton, Chris Irwin, Joelle Faulkner and Tim Close agree to resign as directors of the Company such that the new Board will be comprised of Greg Patterson, Ron Patterson (who shall serve as Chair of the Board), Roger Dent, David MacMillan and Albert Contardi.
  - The Settlement Parties agree to ensure that the Company does not take certain actions relating to, among other things, certain financings and acquisitions and dispositions, changes to the management of the Company or its subsidiaries or material changes in the business of the Company or its subsidiaries, without the approval of at least four directors.
- c) On September 4, 2024, the Company completed the first tranche of its non-brokered private placement noted above through the issuance of 22,805,991 units (the "Units") in the capital of the Company at a price of \$0.07 per Unit for gross proceeds of \$1,596,419 (the "Offering"). Each Unit is comprised of one common share (each, a "Common Share") in the capital of the Company and one-half of one whole Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.10 per Common Share until the date that is eighteen (18) months from the date of issuance. In connection with the Offering, the Company paid Stephen Avenue Securities Inc. an aggregate of \$35,750 and issued an aggregate of 510,713 broker warrants (each, a "Broker Warrant"). Each Broker Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.10 per Common Share for a period of 18 months from the date of issuance.
- d) On September 16, 2024, the Company completed of the final tranche of its non-brokered private placement through the issuance of 21,991,300 Units in the capital of the Company at a price of \$0.07 per Unit for gross proceeds of \$1,539,391. In total, an aggregate of 44,797,291 Units were issued for gross proceeds of \$3,135,810 through the completion of the two tranches of the Offering. In connection with the Offering, the Company paid Canaccord Genuity Corp. an aggregate of \$100,060 and issued an aggregate of 1,429,430 Broker Warrant. In addition, further to the Company announced it intends to settle an outstanding promissory note in the amount of \$400,000 through the issuance of 5,714,285 Units (the "Debt Settlement"), with each Unit being comprised of one Common Share and one-half of one Warrant. The Debt Settlement remains subject to receipt of all necessary corporate and regulatory approvals, including the approval of the TSX Venture Exchange.
- e) On October 4, 2024, the Company settled an outstanding promissory note in the amount of \$400,000 through the issuance of 5,714,285 Units, with each Unit being comprised of one common share and one half of one whole common share purchase warrant. Each warrant entitles the holder thereof to acquire one Common Share at a price of \$0.10 per Common Share until the date that is eighteen months from the date of issuance.