

REGISTERED NUMBER: 05904885 (ENGLAND AND WALES)

REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 FOR
VERDE AGRITECH PLC



VERDE AGRITECH PLC

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VERDE AGRITECH PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors: Cristiano Veloso
Alysson Paolinelli
Getulio Fonseca
Renato Gomes
Paulo Machado Ribeiro
Michael St Aldwyn

Secretary: Tim Slater

Registered office: Salatin House
19 Cedar Road
Sutton
Surrey
SM2 5DA

Registered number: 5904885 (England and Wales)

Auditor: BDO LLP
55 Baker Street
London
W1U 7EU

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL ACTIVITIES

The principal activity of Verde Agritech Plc (“Verde” or the “Group”) is the production of innovative agri-tech products of high agronomic efficiency that foster sustainable, profitable and productive agriculture. The principal activity Verde Agritech PLC is that of a holding company.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Group is the production and sale of a multinutrient potassium fertilizer marketed in Brazil as K Forte[®] and internationally as Super Greensand[®] (“the Product”).

Following the announcement of commercial production on July 1, 2018, 2019 was the first full trading year of the Product, produced at the Cerrado Verde Project (“Cerrado Verde”) located in the state of Minas Gerais, Brazil.

During the year the Group earned revenue of \$6,029,000 (2018: \$1,358,000) and made a gross profit of \$2,863,000 (2018: \$291,000) from the sale of 119,809 tonnes (2018: 29,648 tonnes) of the product. Overall, the Group made an operating loss of \$784,000 (2018: \$1,639,000) and a net loss of \$1,107,000 (2018: \$1,748,000) for the year. In 2019 the Group invested \$1,341,000 to expand the factory capacity. Property, plant and equipment during the year increased to \$1,341,000 (2018: \$845,000) as the Group continued to invest in the expansion of production. Trade receivables increased to \$664,000 (2018: \$208,000) due to higher sales in December 2019 vs 2018. Prepayments increased to \$638,000 (\$290,000) due to increased advances to suppliers. The mine closure provision has decreased to \$5,887,000 (2018: \$6,308,000) due to the revaluation of the provision from Brazilian Real to the Groups reporting currency Canadian Dollars. Administrative expenses increased to \$3,254,000 (2018: \$1,857,000) as the company operations expand and share based payments increased to \$787,000 (2018: 330,000) as more options vested during the year.

The Group’s financial Key Performance Indicators are production and Product sold. Production is monitored by reference to the mining permits and the Group mined 122,035 (2018: 29,764) tonnes in 2019. The Group sold 119,809 (2018: 29,648) tonnes. At the year end, the plant held 4,320 tonnes of finished Product and 11,717 tonnes of raw material.

Summary of the Cerrado Verde Project

During 2008 the Group staked a large mineral occurrence of a potassium silicate rock, which is believed to be uniquely suited to Brazil’s domestic fertilizer needs.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

Throughout 2009-2014, the Group advanced and completed a large drilling program at Cerrado Verde, which has a strike length exceeding 100km. Potassium mineralization was found from the surface to a maximum depth of 80m, rendering the deposit amenable to open pit mining. Cerrado Verde has an NI 43-101 Measured and Indicated Mineral Resource Estimate of 1.47 billion tonnes at a grade of 9.2% K₂O which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K₂O. Additionally, the Inferred Mineral Resource Estimate is 1.85 billion tonnes at a K₂O grade of 8.6%. The mineral resource was estimated from data collected from a total of 41,021m of reverse circulation drilling from 710 drill holes with a collar spacing ranging from 100m x 100m (measured resource) to 400m x 400m (inferred resource) and 1,717m of DC drilling from 25 drill holes.

The Group produces Super Greensand®. Super Greensand® is both a fertilizer and a soil conditioner. As a fertilizer it provides potassium, magnesium, silicon, iron and manganese. As a soil conditioner it increases the soil's capacity to retain water and nutrients. A 100% natural product, Super Greensand® is certified for use in organic agriculture.

In February 2017 the Group obtained an environmental license to mine 20,000 tonnes per year (Mine Pit 2).

In April 2017, the Group obtained the mining permit for 20,000 tonnes per year (Mine Pit 2).

In November 2017, the Group obtained an environmental license to mine 49,800 t per year (Mine Pit 3).

In November 2017, the Group announced the completion of its Pre-Feasibility Study ("PFS"). The PFS evaluated the technical and financial aspects of producing 25 Million tonnes per year ("Mtpy") of K Forte divided in three phases: Phase 1 (0.6Mtpy); Phase 2 (5Mtpy) and Phase 3 (25Mtpy). The proposed scalable development is predicated on production growth being financed largely from expected internal cash flow.

Project Highlights:

- Proven and Probable Reserves of 777.28 Mt, grading 9.78% K₂O.
- Capex for Phase 1 is estimated at US\$3.05 million.
- Capex for all phases is estimated at US\$369.53 million.
- Sustaining capital for the Project is estimated at US\$222.26 million.
- Estimated after-tax Net Present Value ("NPV") for the Project, using an 8% discount rate, of US\$1,987.97 million.
- Estimated after-tax Internal Rate of Return ("IRR") of 290%.
- Payback of 0.5 years for Phase 1, 0.2 years for Phase 2 and 1.2 years for Phase 3, from the start of production in each phase (years 1, 3 and 6, respectively).
- Adopted Potassium Chloride ("KCl") long term price of US\$250 CFR Brazil as reference for K Forte pricing.
- Estimated Operating Cost of US\$14.53, US\$6.77, US\$7.92 per product tonne for Phases 1, 2 and 3 respectively.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

The PFS is based on the following assumptions:

- 100% equity.
- Phase 1 production of 0.6 Mtpy; Phase 2 production of 5 Mtpy; Phase 3 production of 25 Mtpy.
- A projected mine life of 36 years.
- Contract Mining.
- A 15% contingency applied to Capex.
- US Dollar-Brazilian Real exchange rate of US\$1 = R\$3.28.
- Potassium Chloride (“KCl”) long term price of US\$250 CFR Brazil as reference for K Forte pricing.

On December 22, 2017, the Group received the results of the new NI43-101 compliant technical report of its Pre-Feasibility studies. The results of the study indicate that the Product can be produced in the desired purity and that there is demand in the market in its use as a fertilizer.

In March 2018, the Group signed a turnkey agreement for the construction of a processing plant in the municipality of São Gotardo, in the state of Minas Gerais. The expected production capacity was 45 tons per hour.

In May 2018, the Group secured funding from BNDES via Santander of approximately \$350,000 (B\$1,040,000) to finance the turnkey agreement signed in March 2018.

In July 2018, the Group announced the start-up of the processing plant. The cost of the production facility was initially budgeted at US\$500,000. However, the total investment reached US\$600,000 because the Group advanced part of the groundwork necessary for an expansion to reach the 600 thousand tonnes per annum capacity projected for Phase 1 in the pre-feasibility study (“PFS”).

With the successful completion of the production process the Group initiated commercial production on July 1, 2018.

Super Greensand[®] was listed as a product for sale at Amazon.com, as the Group continued to expand internationally.

The Group also announced a broader line of Super Greensand[®] products. The line is composed of three versions: Micronized, Powder and Granular. In May 2018 the first sale of the granular Product to Verde’s US Distributor was concluded.

In October 2018, the Group announced it had sold out of the Product.

2019 Project Developments

In January, 2019, Verde obtained two environmental licenses to increase the annual production from the open pit mine for 200,000 tonnes per year in each area (Mine Pit 1).

In February, 2019, the environmental license to expand the Plant 1 for 600,000 tonnes per annum was granted.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

In March, 2019 the group closed a non-brokered private placement raising C\$1,692,068 (the "Placement") through the issuance of 2,820,114 units of securities ("Units") at a price of \$0.60 per Unit. Each Unit comprised one ordinary share of the Company (an "Ordinary Share") and one-half of one Ordinary Share purchase warrant (a "Warrant"). Each whole Warrant is exercisable to purchase an Ordinary Share at an exercise price of C\$1.00 until the second anniversary of the closing of the Placement.

In March, 2019 the group appointed Felipe Buscacio Paolucci as the Chief Financial Officer ("CFO"). Mr. Paolucci is an executive with over 15 years of experience in finance in multinational companies and over 9 years of experience in the agricultural business. Mr. Paolucci is based in Belo Horizonte, Brazil, and replaced Mr. Tim Slater, who has acted as the Group's interim CFO for the past few years, based out of London, UK.

In July 2019, mining permits were granted for annual production of 233,000 tonnes per year (Mine Pit 1) and 49,800 tonnes per year (Mine Pit 3).

In August 2019, the Group was granted an environmental license for a new plant to be built on a site adjacent to Mine Pit 2 with annual production of 890,000 tonnes per annum of Product.

In September 2019, the Group applied for an operational license "Licença de Operação" ("LO") that will authorize the start of operations in Mine Pit 1.

In September 2019, the Group was awarded with the "Good Environmental Practices Award", promoted by the State System of Environment and Water Resources (SISEMA) in the category "Best Practice of Mineral Solid Waste Management". The Company had presented its sustainable mining project that is intended to improve the health of people and the Planet.

In October 2019, Plant 1 expansion was concluded increasing the production capacity to 500,000 tonnes per year.

Calcario Project

The Calcario project was necessary for mining limestone which is necessary for the production of TK47[®]. Following the decision to produce the product, the Group will retain title to this project and is considering various options for its future. A full provision was made against the project in 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly reviews the risks to which the Group is exposed and ensures through Board Committees and regular reporting that these risks are minimized to the extent possible. The Audit Committee is responsible for the implementation and review of the Group's internal financial controls and risk management systems.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The exploration for and exploitation of natural resources are speculative activities that involve a high degree of risk. The following risk factors should be considered in assessing the Group's activities. Should any one or more of these risks occur, it could have a material adverse effect on the business, prospects, assets, financial position or operating results of the Group. The risks noted below do not necessarily comprise all those faced by the Group.

Additional risks not currently known to the Group or that the Group currently deems would not likely influence an investor's decision to purchase securities of the Group may also impact the Group's business, prospects, assets, financial position or operating results.

With exception to the Covid-19 risk below, there has been no change of the impact to risks on the previous year.

Covid-19 (Coronavirus) risk

As at 31 December 2019, China had alerted the World Health Organization (WHO) of several cases of an unusual form of pneumonia in Wuhan. Since the year end, this has been identified as coronavirus. A global pandemic has since developed affecting the economy of every country and restrictions on certain movement of trade and people have been sanctioned. This is believed to be a temporary situation. At the date of signing this report, China is already showing signs of recovery with restrictions being lifted.

The Group's trade agriculture falls under the food chain category and as such, the Brazilian government have confirmed there will be no restriction on trade for the Group. The factory is still in operation and office staff work from home. Management has considered the risk to the supply chain and consider this low due to the simplicity of the operations. The Group can manage the on site risk at the production facility if the employees were to get ill and have contingency plans in place. Management and the directors have stress tested the cashflow forecast for a worse case scenario if the operation shut down for six months and have demonstrated they would have necessary funds. Management and the directors considers this scenario to be a remote risk.

Mining risks

Mining operations are inherently risky. These operations are subject to all hazards and risks encountered in exploration, development and production. These include but are not limited to formation pressures, seismic activity, rock bursts, fires, power outages, cave-ins, flooding, explosions and other conditions involved in the drilling and removal of material. Any of these events could result in serious damage to the mine and other infrastructure, damage to life or property, environmental damage and possible legal liability.

The Group has all necessary permits in place to continue with the current operation. As expansion plans progress, the Group will be required to submit revised plans for approval. There can be no guarantee that these revised plans will be agreed to or approved in a timely manner.

The Group's profitability will depend, in part, on the economic returns and actual costs of developing its mining projects, which may differ from the estimates made by the Group.

Uncertainty in the estimation of mineral resources and mineral reserves

The estimation of mineral reserves, mineral resources and related grades has a degree of uncertainty. Until such time as the mineral reserves and mineral resources are actually mined and processed, the quantity of grades must be considered as estimates only. The mineral reserve estimates of the Group

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

have been determined or reviewed by an independent consultant and is based on assumed cut-off grades and costs that may prove to be inaccurate. Any material change in these variables may affect the economic outcome of current and future projects.

Expected Market Potential of the Product

The Product is new and has no established market. Substantial investment will be required to develop the market in Brazil and internationally. Although an established market for potassium-based fertilizers already exists, there is no assurance that the Group's market development efforts will result in significant sales of the Product. The Group continued to make sales during 2019 and has been successful in obtaining registration as a fertilizer product in over 30 US states and is confident that further sales will be achieved at competitive, financially viable prices.

Uncertainty of Acquiring Necessary Permits

The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all the required permits on reasonable terms or in a timely basis. The Group has been successful in obtaining environmental and mining licences for small scale production and continues to apply for the appropriate licences to meet future production in line with its expansion plans.

Uncertainty of Additional Capital

In the past, the Group has relied on issues of equity securities to meet its capital requirements. The development of the Group's properties depends upon the Group's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Group will be successful in obtaining the required financing. The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Group. Development of the Group's projects will require substantial additional financing. Failure to obtain such financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the Group's projects or even a loss of property interest. There can be no assurance that additional capital.

Failure to obtain such financing may result in the delay or indefinite postponement of development or production on any or all of the Group's projects or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Group. If additional financing is raised by the Group through the issuance of securities from treasury, control of the Group may change and security holders may suffer additional dilution. The Group regularly reviews its capital requirements by monitoring cash flow and released a Pre-Feasibility Study in December 2017 with phased levels of production to control capital expenditure requirements.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

DIRECTORS' SECTION 172 STATEMENT

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to group reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term.
- (b) the interests of the Group's employees.
- (c) the need to foster the Group's business relationships with suppliers, customers and others.
- (d) the impact of the Group's operations on the community and the environment.
- (e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Group.

In the above Strategic Report section of this Annual Report, the Group has set out the short to long term strategic priorities and described the plans to support their achievement. We have split our analysis into two distinct sections, the first to addresses Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision-making.

Section 1. Stakeholder mapping and engagement activities within the reporting period.

The Group continuously interacts with a variety of stakeholders important to its success, such as equity investors, joint venture partners, debt providers, workforce, government bodies, local community, vendor partners and offtake partners. The Group strives to strike the right balance between engagement and communication. Furthermore, the Group works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

Key Stakeholder groups	Why is it important to engage this group of stakeholders	How Verde Agritech Plc engaged with the stakeholder group	What came out of the engagement
Equity investors	The long-term success of the Group has been a result of capital investment. This has allowed the Group to successfully complete the exploration and evaluation stage and start commercial production. This has been key to the success of the project. Without which the Group cannot create value to the investors and a return on the investment.	<p><i>Substantial Shareholders</i></p> <ul style="list-style-type: none"> Regular meetings with the Chairman, CEO and CFO. <p><i>Prospective and existing investors</i></p> <ul style="list-style-type: none"> The AGM and Annual and Interim Reports. Investor roadshows and presentations. Regular news and project updates. Social media accounts e.g. Twitter (@verdeagritech) facebook (@verdeagritech1) <p>Website (www.investor.verde.ag)</p>	The Group completed additional investment in March 2019 of C\$1,692,068 in an oversubscribed Private Placement of which 59% was from outside investors
Debt providers Loans from BNDES Finame bank in Brazil	Access to capital is of vital importance to the long-term success of our business to be able to expand the Cerrado Verde Project. Ongoing support from Debt providers is crucial to enable the construction of the plant.	<ul style="list-style-type: none"> One-on-one meetings with the CEO and CFO. Monthly reporting on project progress. Adhoc discussions with management as required. 	In the period, the Group agreed two new loans with BNDES Finame which allowed them to buy new equipment for the processing plant
Workforce The Group has over 69 employees including its directors. One of the Directors is a UK resident. Both the CEO and CFO are based in Brazil. The rest of the Group's workforce is based in Brazil.	The vast majority of its employees are based in Brazil. Directors consider workforce issues for the Group as a whole. The Group's long-term success is predicated on the commitment of our workforce to our vision and the demonstration of our values on a daily basis.	<p><i>General Workforce:</i></p> <ul style="list-style-type: none"> The Group maintains an open line of communication between its employees, senior management and Board of Directors. <p><i>UK Directors</i></p> <ul style="list-style-type: none"> The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited on 	<p><i>Brazil</i></p> <p>The team were trained in aspects of corporate policies and procedures to engender positive corporate culture aligned with the Group code of conduct.</p> <p>Meetings were held with staff to provide project updates and ongoing business objectives.</p> <p>Efforts to focus on plant safety have yielded significant improvements in safety performance.</p>

		<p>some of the audit committee meetings.</p> <ul style="list-style-type: none"> • There is a formalised employee induction into the Group's corporate governance policies and procedures. <p><i>Brazil</i></p> <ul style="list-style-type: none"> • There is a Brazil HR department • Senior management regularly visit the operations in São Gotardo and engage with its employees through one-on-one and staff meetings, employee events, project updates, etc. 	
<p>Governmental bodies The Group is impacted by local governmental organisations in the UK and Brazil.</p>	<p>The Group is restricted to relevant licences and permits from government to mine.</p>	<ul style="list-style-type: none"> • The Group provides general corporate presentations regarding the Cerrado Verde project development as part of ongoing stakeholder engagement with the Brazilian state government, São Gotardo local government and Brazilian federal government. The Group maintained its good relations with the respective government bodies and frequently communicated progress. • The Group engages with the relevant departments of the Brazilian government in order to progress the operational licences it will require. 	<p>To date, the Group has received its requisite environmental and mining permits. With this in place, the Group is now focused on increasing these permits.</p>
<p>Community The local community at the mine town and the surrounding area.</p>	<p>We need to engage with the local community to build trust. Having the community's trust will mean it is more likely that any fears the community has can be assuaged and our plans and strategies are more likely to be accepted. Community engagement will inform better decision making.</p>	<p>The Group has identified all key stakeholders with the local community within the reporting period.</p> <p>Verde Agritech Plc has open dialogue with the São Gotardo local government and community leaders regarding the project development</p>	<p>The Group has ongoing engagements with the local community as part of the development of its sustainability initiatives.</p>

	<p>The local community in Sao Gotardo and wider Belo Horizonte will provide employees to the mine and our suppliers.</p> <p>The Group will in due course have a social and economic impact on the local community and surrounding area. The Group is committed to ensuring sustainable growth minimising adverse impacts. The Group will engage these stakeholders as appropriate.</p>		
<p>Suppliers At a local level, the Group also partner with a variety smaller companies, some of whom are independent or family run businesses.</p>	<p>Our suppliers are fundamental to ensuring that the Group can meet their targets on time and budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners.</p>	<p>One on one meetings between management and suppliers.</p> <p>Assist local suppliers to address liquidity challenges.</p>	<p>Smaller local vendors were engaged at a broader level to better align with Group objectives.</p>

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' SECTION 172 STATEMENT (CONTINUED)

Section 2. Principal decisions by the board during the period.

We define principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to our key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct.

Investment by way of Private Placement:

The Board approved on February 25, 2019, a non-brokered private placement aimed at raising a minimum of C\$1,000,000 through the issuance of 1,666,666 units of securities ("Units") at a price of \$0.60 per unit. Each Unit comprised of one ordinary share of the Group (an "Ordinary Share") and one-half of one Ordinary Share purchase warrant (a "Warrant"). Each whole Warrant is exercisable to purchase an Ordinary Share at an exercise price of C\$1.00 until March 12, 2021. On March 13, 2019, the Group was pleased to announce it closed issuing 2,820,114 securities which raised C\$1,692,068.

On behalf of the board:

DocuSigned by:

Cristiano Veloso

Cristiano Veloso, Director
30 March 2020

VERDE AGRITECH PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report with the audited financial statements of Verde Agritech Plc and its subsidiaries (“the Group” or “Verde”) for the year ended 31 December 2019. The financial statements are presented in Canadian Dollars.

DIRECTORS

The directors during the period under review were:

Cristiano Veloso
 Alysson Paolinelli
 Getulio Fonseca
 Renato Gomes
 Paulo Machado Ribeiro
 Michael St Aldwyn

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: \$nil).

SUBSTANTIAL SHARE INTERESTS

At 30 March 2020 Verde Agritech Plc was aware of the following substantial share interests:

	Number of Ordinary Shares	% of Share Capital
Cristiano Veloso	7,250,789	15.45%

FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash, liquid resources and items such as short-term debtors and creditors that arise from its operations. These financial instruments are the sole source of finance for the Group's operations. The principal risks relate to currency exposure and liquidity (see note 22 to the consolidated financial statements).

The majority of the Group's cash resources are held in Canadian Dollars. Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are primarily incurred in Canadian Dollars and Brazilian Reais. The appreciation of the Brazilian Real against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements.

The policy in relation to the translation of foreign currency assets and liabilities is set out in note 2.3 'Significant Accounting policies; Foreign currency transactions' to the consolidated financial statements.

Cash balances in Brazilian Reais are kept under constant review.

VERDE AGRITECH PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

The Group has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the likely future developments in the business of the Group which would otherwise be required to be contained in the Director's report within the Strategic report on pages 2 to 12.

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, liquidity risk, credit risk and interest rate risk, each of which is discussed in note 23 to the financial statements. j

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

AUDITOR

A resolution to appoint BDO LLP will be put forward at the Annual General Meeting.

On behalf of the board:

DocuSigned by:

Cristiano Veloso

C Veloso, Director

30 March 2020

VERDE AGRITECH PLC

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

VERDE AGRITECH PLC

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

In formulating the Group's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in The UK Corporate Governance Code issued by the Financial Reporting Council and the size and development of the Group. The Group also has regard to but does not comply with the Quoted Companies Alliance Guidelines on Corporate Governance for Smaller Companies.

The Board of Verde Agritech Plc is made up of one executive director and five non-executive directors. C Veloso is the Group's Chief Executive Officer. It is the Board's policy to maintain independence by having at least half of the Board comprising non-executive directors. The structure of the Board ensures that no one individual or group dominates the decision-making process.

The Board corresponds regularly via email and telephone and meets via teleconference at least quarterly, thus providing effective leadership and overall control of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings. The Board delegates certain of its responsibilities to Board committees, which have clearly defined terms of reference. Between Board meetings, the executive director, non-executive directors and key operations personnel meet on a regular basis to review and discuss progress.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Group's expense in the furtherance of his duties.

The Audit Committee, which meets no less than quarterly and considers the Group's financial reporting (including accounting policies) and internal financial controls, is chaired by R Gomes, the other members being A Paolinelli and G Fonseca. The Audit committee receives reports from management and from the Group's auditor. The Group has in place a series of procedures and controls designed to identify and prevent the risk of loss. These procedures are formally documented and are reported on regularly. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

The Compensation Committee, which meets at least once a year and is responsible for making decisions on directors' remuneration packages, is chaired by R Gomes with G Fonseca and Michael St Aldwyn being the others committee members.

Remuneration of executive directors is established by the Compensation Committee with reference to the remuneration of executives of equivalent status both in terms of time commitment, level of responsibility of the position and by reference to their job qualifications and skills. The Compensation Committee will also have regard to the terms which may be required to attract an executive of equivalent experience to join the Board from another company. Such packages include performance related bonuses and the discretionary grant of share options.

The Corporate Governance and Nominating Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes. This committee is chaired by R Gomes with A Paolinelli being the other committee member.

The Group's principal communication with its shareholders is through the Annual General Meeting and through the annual report and accounts, news releases and interim statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC

Opinion

We have audited the financial statements of Verde Agritech Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2.1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt

the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Mineral Properties

As at 31 December 2019, the Group's mineral properties totaled C\$26.89m and details of these assets and the related critical judgements and estimates are disclosed in notes 2.4, 2.20 and 9.

Each year Management are required to assess whether there has been any indication that the mineral assets may be impaired and consider whether the carrying value exceeds the recoverable amount by considering the future discounted cash flows.

The recoverable amount of the assets is dependent on the life of the mine plan and various significant judgements and estimates, including the potash price and discount rates. The subjectivity of the judgements and estimates and the significant carrying value of the assets make this a key area of focus for the financial statements and the audit.

How the matter was addressed in our audit

- We visited the Cerrado Verde operations in March 2019 in order to check the existence of the asset, its physical condition and security thereof.
- We reviewed Management's assessment of indicators of impairment of mineral properties by performing the following:
 - We reviewed the performance of the mine against the original feasibility study, conducted by an independent third party and the future strategic plans therein, to assess the reasonableness of Management's judgment regarding operational activity.
 - We assessed the competence, capabilities and objectivity of the Directors' independent experts and verified their qualifications and independence.
 - We challenged the reasonableness of the key assumptions used with reference to external data in respect of discount rate and prices. Costs and sales were compared to actuals and the data in the Pre-Feasibility Study.
 - We applied sensitivities to the key estimates applied to the model including potash prices, capital expenditure, operating expenditure and discount rate to determine the available headroom under different scenarios.
 - We reviewed licensing correspondence with the government for confirmation of licenses being in good standing and performed a search on Departamento Nacional de Produção Mineral ("DNPM") website, agreeing the ownership and expiry of licenses held by the Group.
 - We considered publically available information and other information obtained during the audit to assess whether there were any other potential indicators of impairment that have not been identified by Management.
- We reviewed the relevant disclosures in the financial statements against the requirements of the applicable accounting standards.

Key Observations

Based on our procedures performed, we consider Management's estimates and judgements to be reasonable and the related disclosures appropriate.

Going Concern
The Directors are required to assess whether the Group will remain a going concern for a period of at least 12 months from the date the financial statements are signed.
The Directors have prepared cash flow forecasts for the Group covering a period through to the end of June 2021, which show that the Group has sufficient working capital over the period, and have made the relevant disclosures in Note 1 to the financial statements.
The cash flow projections include an increased level of production and sale of product over the 15-month period. The Group is currently in a loss making position as at 31 December 2019, with negative cash flows having been recorded in the period.
In addition, the outbreak of COVID-19 is causing a shock to the global economy and could have implications on the performance of the business for the current year, which would be outside of Management's control.
We have considered Going Concern to be a key audit matter because of the assumptions and judgments made by management in drawing their conclusions.
How the matter was addressed in our audit
<ul style="list-style-type: none"> We have performed a review of the cash flow projections to the end of June 2021 and assessed of costs production, sales and other significant inputs for reasonableness based on both past performance in 2019, current performance in 2020 and with regards to the overall life of mine forecast. We have sighted a list of open orders and agreed a sample to contracts with customers that supports the planned revenue in the going concern model. We assessed Management's sensitivity analysis on the stress tested cash flow forecasts to consider the available headroom under various sensitivity scenarios and agreed Managements mitigating factors to supporting information where available. We challenged Management's assumptions and considerations of COVID-19 and the potential impact to the business in light of Management's contingency plans and current Brazilian law. We assessed the adequacy of disclosures made in the financial statements in respect of going concern.
Key observations
We found the key assumptions made by Management and the Directors in respect of going concern to be reasonable and the disclosures in the financial statements to be in line with applicable accounting standards.

Our application of materiality

Group	Materiality FY2019	Materiality FY2018	Basis for Materiality
Income Statement	C\$80k	C\$340k	1.3% Revenue (2018: 1.4% total assets)
Statement of Financial Position	C\$475k	C\$340k	1.5% Total assets (2018: 1.4% total assets)
Company	Materiality FY2019	Materiality FY2018	Basis for Materiality
Income Statement	C\$50k	C\$225k	60% of Group materiality (2018: 66% of Group materiality)
Statement of Financial Position	C\$285k	C\$225k	60% of Group materiality (2018: 66% of Group materiality)

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including

omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We have selected a benchmark of 1.5% of total assets to be applied to the statement of financial position items. We consider this to be the most significant determinant of the Group's financial performance for the stakeholders of Verde Agritech as whilst the Group has moved into a full year of revenue generation there is still a significant reliance on the Group's asset base and its development.

We also determined that for the income statement, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users as this is the first full year of commercial production. As a result, we determined materiality for these items based on 1.3% of revenue. This is a change to the materiality approach from the prior year where total assets was used as the materiality benchmark for the entire financial statements.

Each significant component of the Group was audited at a lower level of materiality that ranged from C\$40k to C\$380k.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at C\$360k being 75% (2018: C\$255k; 75%) of the above materiality levels.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of C\$10k (2018: C\$7k). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal operating entities, Verde Agritech Plc, Verde Fertilizantes Ltda and FVS Mineracao Ltda. We identified these entities as significant components for the purposes of our audit, based on their relative share of total assets to the total assets of the Group. Two of the significant components were geographically located in Brazil. The audit of these two significant components was performed in Brazil by a BDO member firm. BDO LLP conducted the audit of the Parent Company, undertook the review work on the non-significant components, audited the majority of the areas determined during the course of the audit to be significant audit risks and audited the consolidation. All audit work was conducted by BDO LLP or BDO member firms.

As part of our audit strategy, the Group audit team issued group audit instructions and held meetings and calls with the Brazilian component auditor throughout the planning, execution and completion phases. The Group audit partner also met with Management of the Brazilian operations and BDO Brazil during the planning phase. BDO LLP had full access to and reviewed all audit working papers of the significant components audited by the BDO member firm.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the report of the directors and audited financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company'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 the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs (UK) 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 financial statements.

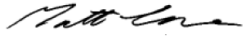
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

30 March 2020



Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES

Opinion

We have audited the financial statements of Verde Agritech Plc and its subsidiaries (the 'Group') for the year ended 31 December 2019 and 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and 31 December 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the IAASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as applied to listed entities, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Mineral Properties
As at 31 December 2019, the Group's mineral properties totaled C\$26.89m and details of these assets and the related critical judgements and estimates are disclosed in notes 2.4, 2.20 and 9.
Each year Management are required to assess whether there has been any indication that the mineral assets may be impaired and consider whether the carrying value exceeds the recoverable amount by considering the future discounted cash flows.
The recoverable amount of the assets is dependent on the life of the mine plan and various significant judgements and estimates, including the potash price and discount rates. The subjectivity of the judgements and estimates and the significant carrying value of the assets make this a key area of focus for the financial statements and the audit.
How the matter was addressed in our audit
<ul style="list-style-type: none"> • We visited the Cerrado Verde operations in March 2019 in order to check the existence of the asset, its physical condition and security thereof. • We reviewed Management's assessment of indicators of impairment of mineral properties by performing the following: <ul style="list-style-type: none"> • We reviewed the performance of the mine against the original feasibility study, conducted by an independent third party and the future strategic plans therein, to assess the reasonableness of Management's judgment regarding operational activity.

<ul style="list-style-type: none"> • We assessed the competence, capabilities and objectivity of the Directors' independent experts and verified their qualifications and independence. • We challenged the reasonableness of the key assumptions used with reference to external data in respect of discount rate and prices. Costs and sales were compared to actuals and the data in the Pre-Feasibility Study. • We applied sensitivities to the key estimates in the model including potash prices, capital expenditure, operating expenditure and discount rate to determine the available headroom under different scenarios. • We reviewed licensing correspondence with the government for confirmation of licenses being in good standing and performed a search on Departamento Nacional de Produção Mineral ("DNPM") website, agreeing the ownership and expiry of licenses held by the Group. • We considered publically available information and other information obtained during the audit to assess whether there were any other potential indicators of impairment that have not been identified by Management. • We reviewed the relevant disclosures in the financial statements against the requirements of the applicable accounting standards.
<p>Key Observations</p> <p>Based on our procedures performed, we consider Management's estimates and judgements to be reasonable and the related disclosures appropriate.</p>

<p>Going Concern</p> <p>The Directors are required to assess whether the Group will remain a going concern for a period of at least 12 months from the date the financial statements are signed.</p> <p>The Directors have prepared cash flow forecasts for the Group covering a period through to the end of June 2021, which show that the Group has sufficient working capital over the period, and have made the relevant disclosures in Note 1 to the financial statements.</p> <p>The cash flow projections include an increased level of production and sale of product over the 15-month period. The Group is currently in a loss making position as at 31 December 2019, with negative cash flows having been recorded in the period.</p> <p>In addition, the outbreak of COVID-19 is causing a shock to the global economy and could have implications on the performance of the business for the current year, which would be outside of Management's control.</p> <p>We have considered Going Concern to be a key audit matter because of the assumptions and judgements made by Management in drawing their conclusions.</p>
<p>Our Response</p> <ul style="list-style-type: none"> • We have performed a review of the cash flow projections to the end of June 2021 and assessed the costs, production, sales and other significant inputs for reasonableness based on both past performance in 2019, current performance in 2020 and with regards to the overall life of mine forecast. • We have sighted a list of open orders and agreed a sample to contracts with customers that supports the planned revenue in the going concern model. • We assessed Management's sensitivity analysis on the stress tested cash flow forecasts to consider the available headroom under various sensitivity scenarios and agreed Management's mitigating factors to supporting information where available. • We challenged Management's assumptions and considerations of COVID-19 and the potential impact to the business in light of Management's contingency plans and current Brazilian law. • We assessed the adequacy of disclosures made in the financial statements in respect of going concern.
<p>Key observations</p> <p>We found the key assumptions made by Management and the Directors in respect of going concern to be reasonable and the disclosures in the financial statements to be in line with the accounting standards.</p>

Other information

The other information comprises the information included in the report of the directors and audited financial statements and the management discussion and analysis, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the directors for the financial statements

As explained more fully in the Directors responsibilities statement, the directors are responsible for the preparation and fair presentation of the financial statements, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing (ISAs) 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the directors.
- Conclude on the appropriateness of the directors' 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 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 financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the 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 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 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 auditors' report is Matt Crane.

30 March 2020

BDO LLP

BDO LLP
Chartered Accountants
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

All amounts expressed in Canadian Dollars.

	Note	2019 \$'000	2018 \$'000
Revenue	3	6,029	1,358
Production costs		(3,166)	(1,067)
Gross Profit		2,863	291
Distribution expenses		(371)	(59)
Sales and marketing expenses		(539)	(346)
Administrative expenses		(2,737)	(1,525)
Operating Loss	4	(784)	(1,639)
Corporation tax	6	(186)	(45)
Interest Income/Expense		(137)	(64)
Net Loss		(1,107)	(1,748)

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations		(1,565)	(1,344)
Total comprehensive loss for the year attributable to equity holders of the parent		(2,759)	(3,092)

Loss per share (\$)		2019	2018
Basic and diluted loss per share	7	(0.024)	(0.041)

REGISTERED NUMBER: 05904885 (ENGLAND AND WALES)

VERDE AGRITECH PLC

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

All amounts expressed in Canadian Dollars.

Assets	Note	2019		2018	
		Group	Company	Group	Company
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	8	2,113	-	992	-
Mineral properties	9	26,892	5,705	28,641	5,713
Intangible assets	10	-	-	-	-
Investments	11	-	45,948	-	44,387
Total non-current assets		29,005	51,653	29,633	50,100
Inventory	12	293	-	314	-
Trade and other receivables	13	1,638	249	827	278
Cash and cash equivalents	14	666	482	836	441
Total current assets		2,597	731	1,977	719
Total assets		31,602	52,384	31,610	50,819
Equity attributable to the equity holders of the parent					
Issued capital	15	18,752	18,752	17,417	17,417
Share premium		47,128	47,128	46,146	46,146
Warrant reserve	16	431	431	777	777
Merger reserve		(4,557)	-	(4,557)	-
Translation reserve		(11,657)	-	(10,093)	-
Accumulated losses		(26,185)	(14,630)	(25,865)	(13,832)
Total equity		23,912	51,681	23,825	50,508
Liabilities					
Interest-bearing loans and borrowings	19	286	-	280	-
Provisions	20	5,887	-	6,308	-
Total non-current liabilities		6,173	-	6,588	-
Trade and other payables	18	1,207	703	1,112	311
Interest-bearing loans and borrowings	19	310	-	85	-
Total current liabilities		1,517	703	1,197	311
Total liabilities		7,690	703	7,785	311
Total equity and liabilities		31,602	52,384	31,610	50,819

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent Company's loss for the financial year was \$1,586,000 (2018: \$1,252,000).

On behalf of the board:

DocuSigned by:

Cristiano Veloso

C Veloso, Director

Approved and authorized for issue by the Board on 30 March 2020.

VERDE AGRITECH PLC

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2019

All amounts expressed in Canadian Dollars.

Cash flows from operating activities	2019		2018	
	Group	Company	Group	Company
	\$'000	\$'000	\$'000	\$'000
Operating loss	(784)	(1,585)	(1,639)	(1,253)
Depreciation	91	-	40	-
Loss on disposal of property, plant and equipment	-	-	3	-
Amortisation of mineral property	37	8	35	-
Foreign exchange differences	480	-	11	-
Share-based payments	787	787	181	181
Decrease / (Increase) in inventories	22	-	(234)	-
(Increase)/Decrease in receivables	(812)	28	32	238
(Decrease)/Increase in payables	(391)	501	1,071	538
Cash utilised in operations	(570)	(261)	(500)	(296)
Interest paid	(57)	-	(2)	-
Taxation paid	(92)	-	-	-
Net cash utilised in operating activities	(719)	(261)	(502)	(296)
Cash flows from investing activities				
Interest received	13	-	2	1
Redemption of short-term deposits	-	-	900	900
Acquisition of mineral property assets	(149)	-	-	-
Acquisition of evaluation and exploration assets	-	-	(360)	(29)
Revenue receipts capitalised	-	-	116	54
Acquisition of property, plant and equipment	(1,342)	-	(845)	-
Investment in subsidiary	-	(1,561)	-	(1,145)
Net cash utilised in investing activities	(1,478)	(1,561)	(187)	(219)
Cash flows from financing activities				
Bank loan received	217	-	365	-
Proceeds from issue of shares (note 15 to the accounts)	1,863	1,863	568	568
Net cash from financing activities	2,080	1,863	933	568
Net (decrease)/increase in cash and cash equivalents	(117)	41	244	53
Cash and cash equivalents at beginning of period	836	441	645	388
Effect of exchange rate fluctuations on cash held	(53)	-	(53)	-
Cash and cash equivalents at end of period	666	482	836	441

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

Group	Share capital (\$'000)	Share premium (\$'000)	Share warrant reserve (\$'000)	Merger reserve (\$'000)	Translation reserve (\$'000)	Accumulated losses (\$'000)	Total (\$'000)
Balance at 1 January 2018	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547
Comprehensive loss							
Loss for the year	-	-	-	-	-	(1,897)	(1,897)
Foreign exchange translation differences	-	-	-	-	(1,344)	-	(1,344)
Total comprehensive loss for the year	-	-	-	-	(1,344)	(1,897)	(3,241)
Transactions with owners							
Issue of share capital	915	274	-	-	-	-	1,189
Share-based payments	-	-	-	-	-	330 *	330
Total transactions with owners	915	274	-	-	-	330 *	1,519
Balance at 31 December 2018	17,417	46,146	777	(4,557)	(10,093)	(25,865)	23,825
Balance at 1 January 2019	17,417	46,146	777	(4,557)	(10,093)	(25,865)	23,825
Comprehensive loss							
Loss for the year	-	-	-	-	-	(1,107)	(1,107)
Foreign exchange translation differences	-	-	-	-	(1,564)	-	(1,564)
Total comprehensive loss for the year	-	-	-	-	(1,564)	(1,107)	(2,671)
Transactions with owners							
Issue of share capital	1,335	205	431	-	-	-	1,971
Expiry of share warrants	-	777	(777)	-	-	-	-
Share-based payments	-	-	-	-	-	787	787
Total transactions with owners	1,335	982	(346)	-	-	787	2,758
Balance at 31 December 2019	18,752	47,128	431	(4,557)	(11,657)	(26,185)	23,912

* Share based payment charge for 2018 were amended due to an immaterial to adjust the 2018 comparative income statement and statement of financial position

VERDE AGRITECH PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

Company	Share capital (\$'000)	Share premium (\$'000)	Share warrant reserve (\$'000)	Accumulated losses (\$'000)	Total (\$'000)
Balance at 1 January 2018	16,502	45,872	777	(12,760)	(50,391)
Comprehensive loss					
Loss for the year	-	-	-	(1,402)	(1,402)
Total comprehensive loss for the year	-	-	-	(1,402)	(1,402)
Transactions with owners					
Issue of share capital	915	274	-	-	1,189
Share-based payments	-	-	-	330 *	181
Total transactions with owners	915	274	-	330 *	1,370
Balance at 31 December 2018	17,417	46,146	777	(13,832)	50,508
Balance at 1 January 2019					
	17,417	46,146	777	(13,832)	50,508
Comprehensive loss					
Loss for the year	-	-	-	(1,585)	(1,585)
Total comprehensive loss for the year	-	-	-	(1,585)	(1,585)
Transactions with owners					
Issue of share capital	1,335	205	431	-	1,971
Expiry of share warrants	-	777	(777)	-	-
Share-based payments	-	-	-	787	787
Total transactions with owners	1,335	982	(346)	787	2,758
Balance at 31 December 2019	18,752	47,128	431	(14,630)	51,681

* Share based payment charge for 2018 were amended due to an immaterial to adjust the 2018 comparative income statement and statement of financial position

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Nature of operation and going concern

The Directors have prepared cash flow forecasts for the Group covering a period through to the end of June 2021 which shows income from revenue supporting capital, operating and administrative expenses throughout the period with only a small financing loan. The forecast shows a closing cash position at the end of June 2021 of \$2,841,000 (BRL \$8,796,000). On December 31, 2019, the Group had current assets of \$2,597,000 and current liabilities of \$1,517,000 providing a working capital surplus of \$1,080,000.

2019 was the first full year of commercial production. The performance of more than four times revenue compared to the six month period of trading in 2018 demonstrated that the Group is generating operating cash.

The cash forecast to June 2021 is based on the ramp up production to 222,000 and the Group being able to achieve similar pricing for the Product as demonstrated in 2019. Based on the Group's experience in its first whole year of production and the saleability of the Group's products, along with forward orders taken, the Directors consider that the mine in full operation will generate sufficient cash flows to continue its operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the annual financial statements.

As at 31 December 2019, China had alerted the World Health Organization (WHO) of several cases of an unusual form of pneumonia in Wuhan. Since the year end, this has been identified as coronavirus. A global pandemic has since developed effecting the economy in every country and restrictions on certain movement of trade and people have been sanctioned. This is believed to be a temporary. At the date of signing this report, China is already showing signs of recovery with restrictions being lifted.

The Group's trade agriculture, falls under the food chain category and as such, the Brazilian government have confirmed there will be no restriction on trade for the Group. The factory is still in operation and office staff work from home. Management has considered the risk to the supply chain and consider this low due to the simplicity of the operations. The Group can manage the on site risk at the production facility if the employees were to get ill and have contingency plans in place. Management and the directors have stress tested the cashflow forecast for a worse case scenario if the operation shut down for six months and have demonstrated they would have necessary funds. Management and the directors considers this scenario to be a remote risk.

2. Significant accounting policies

Verde Agritech Plc (the "Company") is a company registered in England and Wales. The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

2.1 Statement of compliance

The consolidated financial statements and company financial statements of Verde Agritech Plc have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and with IFRSs as promulgated by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRIC. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.1 Statement of compliance (continued)

The Group has adopted all of the new and revised Standards and Interpretations issued by the IASB that are relevant to its operations and effective for accounting periods beginning 1 January 2019. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group.'

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

IFRS 16 'Leases' – IFRS 16 'Leases' was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard is now the single module for lessors. The Group as lessee, is required to recognise a right-of-use asset, representing its right to see the underlying asset, and lease liability, representing its obligation to make lease payments. The Group was permitted to elect not to apply IFRS 16 to leases with a term of less than 12 months, which election is made by the underlying class of assets to which the right of use asset relates, or leases where the underlying asset is of low value, which election is made on an asset by asset basis. The accounting treatment for lessors remains largely the same as under IAS 17 'Leases'. The Group does not currently have any significant lease arrangements and the Directors do not consider that the financial and operational impact of this standard, will have a material impact.

2.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of Verde Agritech Plc ("Verde") and its subsidiaries (the "Group") for the year ended 31 December 2019.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Foreign currency

The Group's presentation currency is Canadian Dollars. Management considers this to be most appropriate for a company that is listed on the Toronto Stock Exchange, raises funding and remunerates the board of directors in Canadian Dollars. The functional currency of the parent company is also considered to be Canadian Dollars.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Foreign currency (continued)

Transactions in currencies other than the functional currency of the Company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations in Brazil that do not have a Canadian Dollar functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate during the quarter when the transaction occurs. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income. At 31 December 2019 the closing rate of exchange of Canadian Dollars to one Brazilian Reais was 3.09 – (2018: 2.84) and the average rate of exchange of Canadian Dollars to one Brazilian Reais for the year was 2.97 - (2018: 2.81).

2.4 Mineral property

When the technical and commercial feasibility of an area of interest has been demonstrated, financing has been secured and the appropriate permits have been issued, the area of interest enters its development phase. The accumulated costs are transferred from exploration and evaluation expenditure to mineral property.

At the point of transfer, an impairment test is required.

The mineral property is amortised on a unit of production method expected to amortize the cost including future forecast capital expenditure over the expected life of the mine based on the tonnes of ore expected to be extracted. Any changes to these estimates may result in an increase in the amortization charge with a corresponding reduction in the carrying value of the mineral property.

2.5 Intangible assets - Deferred exploration and evaluation expenditure

All costs incurred prior to the application for the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Exploration and evaluation costs arising following the application for the legal right are capitalized on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.5 Intangible assets - Deferred exploration and evaluation expenditure (continued)

Exploration and evaluation activity includes:

- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are expensed as incurred. Revenue earned prior to the commencement of commercial production is credited against exploration and evaluation net of production costs. Exploration and evaluation costs are tested for impairments and reclassified to mineral properties at the point that the project is successfully permitted, commercial viability ascertained and the necessary funds are available.

2.6 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilized.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realized or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax is recognised in the statement of comprehensive income, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised directly in equity.

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand and short-term highly liquid investments with an original maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

2.8 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the item, as follows:

	%	Method
Plant and equipment	10	Straight line
Computer equipment	20	Straight line
Furniture and fixtures	10	Straight line

2.9 Inventory

Stockpiled ore is recorded at the lower of production cost and net realisable value. Production costs include all direct costs plus an allocation of fixed costs associated with the mine site.

Operating supplies are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis.

2.10 Trade and other receivables

Trade and other receivables are recorded at their nominal amount less provision for impairment.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.11 Investments in and loans to subsidiaries (Company only)

Investments are stated at their cost less any provision for impairment.

The Company expects loans to subsidiaries to be ultimately repaid from trading cash flows to be generated from its mining activities. Consideration is given at each reporting date as to whether the subsidiaries have sufficient liquid assets to repay the loans if demanded in order to determine the probability of default. Given the early stage of production the probability of default is considered to be 100% and as such the Company measures the lifetime expected credit loss by considering all the different recovery strategies and credit loss scenarios. The recovery strategy considered is a repay over time strategy as net trading cash flows are expected to repay the balances. Likely credit losses scenarios are dependent on the operating capability factors inherent in the successful operation of the mine which include the selling price of the products, future costs and availability of capital, operating costs and tax rates. Sensitivity analysis is performed on the various factors and expected credit losses recognised as appropriate.

2.12 Impairment

The carrying amount of the Group's non-current assets is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Value in use is estimated by reference to the net present value of expected future cash flows of the relevant cash generating unit.

If the recoverable amount is less than the carrying amount of an asset, an impairment loss is recognised. The revised carrying amount is amortised in line with the Group's accounting policy.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. The reversal is recognised in the statement of comprehensive income and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the previous reporting period.

2.13 Trade and other payables

Trade and other payables are stated at their amortised cost.

2.14 Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period, based on an estimate of shares that will eventually vest. Fair values are determined through use of a Black-Scholes based model.

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.15 Share warrants

Share warrants are measured at fair value at the date of the grant. No further adjustments to their valuation are made. Fair values are determined through use of a Black-Scholes based model. Share warrants that have expired during the period are accounted for by recrediting the amount to the share premium account.

2.16 Loans and borrowings

Bank loans and other borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis except where the difference between cost and redemption value qualify to be capitalised as part of the cost of a qualifying asset.

2.17 Provisions

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and revegetation of affected areas.

The Group records a provision against the eventual cost of closing the mine. The unwinding of the discount is charged to the income statement as an interest expense.

2.18 Operating segments

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief operating decision maker to allocate resources to the segments and to assess their performance. The Group's chief operating decision maker is considered by Management to be the Board of Directors.

The Group's operations relate to the extraction of mineral deposits in a single geographical area – Brazil. The financial position and performance of the operating segment are therefore the same as that of the Group.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of sales tax.

The Company recognizes revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below.

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.19 Revenue recognition (continued)

Revenue from the sale of the Product is recognised when control of the product sold is transferred to the Group's customers which is when the goods are shipped to the customer.

2.20 Critical judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

Judgements

- **Impairment of Mineral Property**

The directors have assessed whether there are any indicators of impairment in respect of mineral property costs totalling \$27 million. In making this assessment they have considered the Group's business plan which includes resource estimates, future processing capacity, future exchange rates, the forward market and longer term price outlook and assumptions regarding weighted average cost of capital. Resource estimates have been based on the most recently filed pre-feasibility study NI43-101 report and its opportunities economic model which includes resource estimates without conversion of its inferred resources. Management's estimates of these factors are subject to risk and uncertainties affecting the recoverability of the Group's mineral property costs. See note 9.

Estimates

- **Share-based payments**

The Group charges the consolidated statement of comprehensive income with the fair value of share options issued. This charge is not based on historical cost, but is derived based on assumptions input into an option pricing model. The model requires management to make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Group's share price in the expected hold period (using

NOTES TO THE GROUP FINANCIAL STATEMENTS

2.20 Critical judgements and sources of estimation uncertainty (continued)

historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given there is no market for the options and they are not transferable. The value derived from the option-pricing model is highly subjective and dependent entirely upon the input assumptions made. See note 17.

- **Closure costs**

The Group has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimates are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Company's earnings and net assets.

3. Operating segments

The Group's operations relate to the mining of mineral deposits in Brazil with support provided from the UK and as such the Group has only one operating segment.

4. Operating loss

The operating loss is stated after charging:

(\$'000)	2019	2018
Depreciation – owned assets	90	40
Amortization of mineral property (Note 9)	42	35
Loss on sale of property, plant and equipment	-	3
Directors' emoluments (see Note 23)	476	471
Share-based payments (see Note 17)	787	181
Auditor remuneration		
Audit of the Group and Group financial statements	92	50

5. Personnel expenses

Employee costs (\$'000)	2019		2018	
	Group	Company	Group	Company
Directors' emoluments (See Note 23)	476	476	471	438
Salaries	406	-	348	-
Compulsory social security contributions	62	-	86	-
Total	944	476	905	438

NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Personnel expenses (continued)

The average number of employees and directors of the Group and Company were as follows:

Position	2019		2018	
	Group	Company	Group	Company
Executive directors	1	1	1	1
Non-executive directors	5	5	5	5
Administration	9	-	5	-
Sales and marketing	15	-	5	-
Production	39	-	9	-
Total	69	6	25	6

6. Income tax

Recognised in the income statement

Current tax	2019	2018
	(\$'000)	(\$'000)
Income tax charge	186	45

Reconciliation of effective tax rate		
Loss before tax	(921)	(1,703)
Tax using the domestic Group tax rate of 19% (2018: 19%)	(192)	(323)
Effect of overseas tax rates	(151)	(60)
Non-deductible expenses	155	48
Origination of temporary differences on which no deferred tax has been recognised	(15)	(91)
Effect of tax losses not recognised	389	471
Income tax charge for the year	186	45

Factors that may affect future tax charges

The Group has UK tax losses of approximately \$14,775,000 (2018: \$14,731,000) and overseas tax losses of approximately \$11,103,000 (2018: \$12,509,000) available to be carried forward and set off against future profits.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Income tax (continued)

No deferred tax asset has been recognised in the financial statements as the directors are not sufficiently certain that there will be future taxable profit to utilize these tax losses.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Balance 2019	Balance 2018	Balance 2019	Balance 2018	Balance 2019	Balance 2018
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	-	-	(718)	(337)	(718)	(337)
Intangible assets	-	-	(9,168)	(7,621)	(9,168)	(7,621)
Tax value of loss carry-forwards recognised	9,888	7,958	-	-	9,888	7,958
Net tax assets/(liabilities)	9,888	7,958	(9,888)	(7,958)	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

(\$'000)	2019	2018
UK tax losses	2,807	2,946
Brazilian tax losses	134	226
Total	2,941	3,172

Movement in deferred tax assets and liabilities

	Balance in 1 Jan 2018	Recognised in income	Balance in 31 Dec 2018
	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	72	265	337
Intangible assets	7,957	(336)	7,621
Tax value of loss carry-forwards	(8,029)	71	(7,958)
	-	-	-
	Balance in 1 Jan 2019	Recognised in income	Balance in 31 Dec 2019
	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	337	381	718
Intangible assets	7,621	1,547	9,168
Tax value of loss carry-forwards	(7,958)	(1,928)	(9,888)
	-	-	-

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2019 was based on the loss attributable to ordinary shareholders of \$1,194,000 (2018: \$1,748,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2019 of 45,345,440 (2018: 41,020,470) calculated as follows:

Loss attributable to ordinary shareholders

	2019	2018
Loss for the period (\$'000)	1,107	1,700
Loss attributable to ordinary shareholders (\$'000)	1,107	1,700

Weighted average number of ordinary shares

	2019	2018
Number of shares in issue at beginning of year ('000)	41,020	38,524
Effect of shares issued during period ('000)	4,325	2,496
Weighted average number of ordinary shares in issue for the year ('000)	45,345	41,020

There is no difference between the basic and diluted loss per share because the Group's loss means that any potential dilutive shares and warrants are antidilutive.

Details of share warrants and share options that could potentially dilute earnings per share in future periods are set out in notes 16 and 17 respectively.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Property, plant and equipment – Group

(\$'000)	Land and buildings	Plant and equipment	Computer equipment	Furniture and fixtures	Total
Cost					
Balance at 1 January 2018	137	78	82	153	450
Additions	-	785	10	50	845
Disposals	-	-	-	(6)	(6)
Effect of movements in foreign exchange	(10)	(7)	(4)	(11)	(32)
Balance at 31 December 2018	127	856	88	186	1,257

Balance at 1 January 2019	127	856	88	186	1,257
Additions	516	627	2	196	1,341
Effect of movements in foreign exchange	(31)	(88)	(5)	(23)	(147)
Balance at 31 December 2019	612	1,395	85	359	2,451

Depreciation and impairment losses					
Balance at 1 January 2018	-	78	78	81	237
Depreciation charge for the period	-	-	5	35	40
On disposals	-	-	-	(4)	(4)
Effect of movements in foreign exchange	-	-	(3)	(5)	(8)
Balance at 31 December 2018	-	78	80	107	265

Balance at 1 January 2019	-	78	80	107	265
Depreciation charge for the year	-	60	1	28	90
Effect of movements in foreign exchange	-	(2)	(4)	(10)	(16)
Balance at 31 December 2019	-	136	77	125	338

Carrying amounts					
At 1 January 2018	137	-	4	72	213
At 31 December 2018	127	778	8	79	992
At 1 January 2019	127	778	8	79	992
At 31 December 2019	612	1,259	8	234	2,113

Plant and equipment of approx. \$217,000 (R\$673,000) was purchased during the year by way of bank loans from BNDES and Bradesco bank. The loans are secured by a fixed charge over the equipment purchased.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Property, plant and equipment – Company

	Computer Equipment
Cost (\$'000)	
Balance at 1 January 2018 and 31 December 2018	105
Balance at 1 January 2019 and 31 December 2019	105
Depreciation and impairment losses	
Balance at 1 January 2018 and 31 December 2018	105
Balance at 1 January 2019 and 31 December 2019	
Carrying amounts	
At 1 January 2018	-
At 31 December 2018	-
At 1 January 2019	
At 31 December 2019	

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Mineral properties – Group

	Total (\$'000)
Cost	
Balance at 1 January 2018	-
Transfer from exploration costs	22,416
Provision for mine closure costs	6,260
Balance at 31 December 2018	28,676
Balance at 1 January 2019	28,676
Additions	149
Effect of movements in foreign exchange	(1,861)
Balance at 31 December 2019	26,964
Amortisation	
Balance at 1 January 2018	-
Amortisation charge for the year	35
Balance at 31 December 2018	35
Balance at 1 January 2019	35
Amortisation charge for the year	42
Effect of movements in foreign exchange	(5)
Balance at 31 December 2019	72
Carrying amounts	
At 1 January 2018	-
At 31 December 2018	28,641
At 1 January 2019	28,641
At 31 December 2019	26,892

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Mineral properties – Company

	Total (\$'000)
Cost	
Balance at 1 January 2018	-
Transfer from exploration costs	5,713
Balance at 31 December 2018	5,713
Balance at 1 January 2019	5,713
Balance at 31 December 2019	5,713
Amortisation	
Balance at 1 January 2018	-
Amortisation charge for the year	-
Balance at 31 December 2018	-
Balance at 1 January 2019	-
Amortisation charge for the year	8
Balance at 31 December 2019	8
Carrying amounts	
At 1 January 2018	-
At 31 December 2018	5,713
At 1 January 2019	5,713
At 31 December 2019	5,705

Commercial production

Commercial production was deemed to have been reached on July 1, 2018. (see note 2.20 critical judgements and estimates). At that date, exploration and evaluation assets were transferred to mineral property.

Consideration of impairment for the mineral property costs

The directors have assessed whether there are any indicators of impairment in respect of mineral property costs. See note 2.20. After consideration of those factors management concluded that no impairment triggers had been noted that would require a formal impairment test and no further impairment charge against in-production mining assets has been recorded.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Intangible assets

10.1. Group

(\$'000)	Projects		Total Exploration Costs
	Cerrado Verde	Calcário	
Cost			
Balance at 1 January 2018	23,404	663	24,067
Additions	488	-	488
Pre-production revenue capitalised	(116)	-	(116)
Transfer to inventory on commercial production	(80)	-	(80)
Transfer to mineral property on commercial production	(22,416)	-	(22,416)
Effect of movements in foreign exchange	(1,280)	(47)	(1,327)
Balance at 31 December 2018	-	616	616
Balance at 1 January 2019	-	616	161
Effect of movements in foreign exchange	-	(50)	(50)
Balance at 31 December 2019	-	566	566
Provision for impairment			
Balance at 1 January 2018	-	663	663
Effect of movements in foreign exchange	-	(47)	(47)
Balance at 31 December 2018	-	616	616
Balance at 1 January 2019	-	616	616
Effect of movements in foreign exchange	-	(50)	(50)
Balance at 31 December 2019	-	566	566
Carrying amounts			
At 1 January 2018	23,404	-	23,404
At 31 December 2018	-	-	-
At 1 January 2019	-	-	-
At 31 December 2019	-	-	-

The Calcário project was necessary for mining limestone which is necessary for the production of TK47[®]. Following the decision to produce the Product, the Company will retain title to this project and is considering various options for its future. A provision of \$663,000 was made against the project in 2017. At the year end, at current exchange rates this provision has been revalued as \$566,000. On the announcement of commercial production on July 1, 2018, the exploration and evaluation costs were transferred to mineral properties. See note 2.20 (Critical judgements) and note 10.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Intangible assets (continue)

10.2. Company

(\$'000)	Cerrado Verde
Cost	
Balance at 1 January 2018	5,611
Additions	102
Transfer to mineral property on commercial production	(5,713)
Balance at 31 December 2018 and 2019	-

Carrying amounts	
At 1 January 2018	5,611
At 31 December 2018	-
At 1 January 2019	-
At 31 December 2019	-

11. Investments – Company

(\$'000)	Investment in subsidiaries	Loans	Total
Cost			
Balance at 1 January 2018	39,085	4,157	43,242
Additions	1,145	-	1,145
Balance at 31 December 2018	40,230	4,157	44,387
Balance at 1 January 2019	40,230	4,157	44,387
Additions	1,561	-	1,561
Balance at 31 December 2019	41,791	4,157	45,948

The loans balance represents an amount of \$4,157,000 due from GB10N Limited. It is considered by the directors to be for the long-term use of the subsidiary and, as there is no intention to demand repayment for the foreseeable future, the loan has been classified as an investment. The loan is interest free.

Verde Agritech Plc had the following wholly owned subsidiaries at 31 December 2019:

- GB10N Limited (registered in England and Wales at Salatin House, 19 Cedar Road, Sutton, Surrey SM2 5DA);
- Verde Fertilizantes Ltda (registered in Brazil); and
- FVS Mineracao Ltda (registered in Brazil).

Verde Fertilizantes Ltda and FVS Mineracao Ltda are indirectly owned and all the Brazilian subsidiaries are engaged in mineral extraction and sale of K Forte to the Brazilian market. The registered office is at Av. Álvares Cabral 1777, 2° andar, Lourdes - Belo Horizonte-MG, 30180-008

GB10N Limited is an intermediate holding company.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Inventory

(\$'000)	2019		2018	
	Group	Company	Group	Company
Finished goods	38	-	3	-
Packaging	206	-	125	-
Stockpile ore	49	-	186	-
Total	293	-	314	-

13. Trade and other receivables

(\$'000)	2019		2018	
	Group	Company	Group	Company
Trade receivables	664	146	208	-
Other receivables	336	28	329	33
Prepayments	638	75	290	245
Total	1,638	249	827	278

There are no credit losses to recognise as full recovery is expected on trade receivables.

14. Cash and cash equivalents

(\$'000)	2019		2018	
	Group	Company	Group	Company
Cash at bank and in hand	666	482	836	441
Total	666	482	836	441

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

15. Share capital

	2019		2018	
	Number	\$'000	Number	\$'000
Authorised - Ordinary Shares of \$0.3918 each	500,000,000	195,900,000	500,000,000	195,900,000
Issued - Ordinary Shares of \$0.3918 each	2019		2018	
	Number	\$'000	Number	\$'000
At 1 January	42,619,690	17,417	40,285,922	16,502
12 March 2018 for \$0.40 each	-	-	15,000	6,000
12 March 2018 for \$0.425 each	-	-	6,000	2
13 March 2018 for \$0.40 each	-	-	61,538	24
14 March 2018 for \$0.425 each	-	-	12,000	5
14 March 2018 for \$0.41 each	-	-	30,000	12
12 April 2018 for \$0.76 each	-	-	64,540	25
10 September 2018 for \$0.77 each	-	-	165,975	65
18 September 2018 for \$0.45 each	-	-	20,000	8
24 September 2018 for \$0.61 each	-	-	714,407	280
24 September 2018 for \$0.425 each	-	-	732,000	287
24 September 2018 for \$0.40 each	-	-	512,308	201
4 March 2019 for \$0.63 each	173,548	68	-	-
4 March 2019 for \$0.40 each	159,076	62	-	-
4 March 2019 for \$0.425 each	169,800	66	-	-
12 March 2019 for \$0.60 each	2,820,114	1,105	-	-
30 August 2019 for \$0.425 each	25,000	10	-	-
30 August 2019 for \$0.40 each	61,538	24	-	-
At 31 December	46,028,766	18,752	42,619,690	17,417

During the year share capital increased by \$1,335,000 and share premium increased by \$982,000, totalling \$2,317,000 as shown in the statement of changes in equity. Of this, \$1,863,000 was paid in cash, \$110,000 was payment for services received by the board of directors and key management and \$346,000 was the movement in share warrants during the year.

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of shareholders. Given the nature of the Group's current activities the entity will remain dependent on equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of mineral resources.

Merger reserve

The merger reserve arose from the acquisition of GB10N Limited by Verde Agritech PLC in a prior period. As Verde was a newly incorporated entity which acquired a group by way of issue of shares to the existing shareholders of GB10N Limited the transaction was not a business combination within the meaning of IFRSs. The transaction was effectively treated as a group reorganization and the consolidated financial statements are presented in a way that reflects the continuation of the GB10N Limited Group resulting in the creation of a merger reserve.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

15. Share capital (continued)

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities which have a different functional currency from the presentation currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period of disposal of the operation.

16. Share warrant reserve

	2019		2018	
	Number	\$'000	Number	\$'000
Balance at beginning of year	1,727,075	777	1,727,075	777
Fair value of warrants issued during year	1,410,057	431	-	-
Warrants expired during year	(1,727,075)	(777)	-	-
Balance at end of year	1,410,057	431	1,727,075	777

1,410,057 Ordinary Share purchase warrants were issued on 12 March 2019, at a fair value of \$0.31 each. The warrants are exercisable to purchase half an Ordinary Share at an exercise price of \$1.00 until the second anniversary of the closing of the Placement. The Warrants will be unlisted. The fair value of the share purchase warrants is measured using the Black-Scholes model assuming an expected volatility of 97%, a risk-free interest rate of 1.65% and a contractual life of the warrant of 2 years. The fair value of services received in return for the warrants issued is measured by reference to the fair value of the warrants issued in the absence of information on the fair value of the services provided.

1,727,075 Ordinary Share purchase warrants issued on 25 July 2017 expired on 25 July 2019 without being exercised.

The share warrant reserve reflected the value of outstanding share warrants based on the fair value of the share warrants at the time of issue.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

17. Share-based payments

During the year the Company granted share options to key personnel to purchase shares in the entity.

The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	\$0.61	3,634,460	\$0.58	3,566,998
Granted during the period	\$0.55	541,112	\$0.69	1,679,308
Exercised during the period	\$0.43	(180,036)	\$0.41	(1,388,846)
Forfeited during the period	\$0.79	(365,830)	\$0.65	(223,000)
Expired during the period	\$0.28	(128,700)	\$0.00	-
Outstanding at the end of the period	\$0.70	3,738,923	\$0.61	3,634,460
Exercisable at the end of the period	\$0.54	1,596,045	\$0.57	581,152

The options outstanding at 31 December 2019 have an exercise price in the range of \$0.40 to \$1.05 (2018: \$0.40 to \$1.05) and a weighted average remaining contractual life of 6.9 years (2018: 6.8 years). Four options were issued in 2019. The first issue in March 2019 vested in whole on the day of issue. The second, third and fourth option issues in March, May and September 2019 will vest in six tranches, 10% immediately with an additional 10% vest in years two to five. At the sixth year from grant, the remaining 50% of the options vest. At 31 December 2019, 2,934,922 of the options had vested (31 December 2018: 581,152).

Fair value of share options and assumptions (\$'000)	2019	2018
Weighted average fair value of options granted during the year	0.45	0.45
Weighted average share price	0.63	0.46
Weighted average exercise price	0.63	0.49
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	99%	138%
Option life	5	1 - 5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	0.2%	0.2%

The expected volatility is based on the historic volatility of the share price (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. There are no market conditions associated with the share option grants.

Total expense recognised as employee and consultants costs (\$'000)	2019	2018
	787	181

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

17. Share-based payments (continued)

Details of share options outstanding at 31 December 2019 are as follows:

Outstanding at beginning of period	Number of options				Outstanding at end of period	Exercisable at end of period	Option price (\$)	Exercisable period	
	Granted	Expired	Forfeited	Exercised				Grant date	Expiry date
165,000	-	(165,000)	-	-	-	-	\$0.78	14 Jan 2014	14 Jan 2019
1,234,000	-	-	-	(194,800)	1,039,200	1,039,200	\$0.425	10 Dec 2014	10 Dec 2024
20,000	-	-	-	-	20,000	10,000	\$0.40	12 Nov 2015	12 Nov 2025
50,000	-	-	-	-	50,000	25,000	\$0.40	10 Dec 2015	10 Dec 2025
246,152	-	-	-	(184,614)	61,538	61,538	\$0.40	31 Jan 2017	31 Jan 2027
180,000	-	-	-	(36,000)	144,000	4,000	\$0.40	9 Feb 2017	9 Feb 2027
60,000	-	(60,000)	-	-	-	-	\$0.83	12 May 2017	12 May 2027
200,000	-	-	-	-	200,000	20,000	\$1.02	30 May 2018	30 May 2028
100,000	-	(100,000)	-	-	-	-	\$1.05	30 May 2018	30 June 2020
1,244,308	-	-	-	-	1,244,308	1,244,308	\$0.61	24 Sept 2018	24 Sept 2028
135,000	-	-	(10,000)	-	125,000	-	\$0.61	24 Sept 2018	24 Sept 2028
-	328,876	-	-	-	328,876	328,876	\$0.63	1 March 2019	1 March 2029
-	455,000	-	-	-	455,000	194,000	\$0.63	1 March 2019	1 March 2029
-	130,000	-	(120,000)	-	10,000	1,000	\$0.64	31 May 2019	31 May 2029
-	70,000	-	(9,000)	-	61,000	7,000	\$0.67	1 Sept 2019	1 Sept 2029
3,634,460	983,876	(325,000)	(139,000)	(415,414)	3,738,922	2,934,922			

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model.

18. Trade and other payables

Category (\$'000)	2019		2018	
	Group	Company	Group	Company
Trade payables	179	126	235	107
Corporation tax	94	-	41	-
Other payables	160	7	343	18
Amounts owed to Group undertakings	-	21	-	20
Accruals and deferred income	774	549	493	166
	1,207	703	1,112	311

Income of \$85,000 has been deferred relating to orders paid for in advance of delivery.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

19. Interest-bearing loans and borrowings

	2019		2018	
	Group	Company	Group	Company
Non-current liabilities (\$'000)				
Bank loan	286	-	280	-
Current liabilities (\$'000)				
Bank loan	310	-	85	-
Total	596	-	365	-

The Group received two loans during the year from BNDES of \$72,051 (R\$223,000). Per the terms of the agreements, the loans are for thirty six months with one month grace period. The loans are repayable by October 2022 and interest charged at a variable IPCA rate (Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services) plus fixed elements of 7.12%. At the year end, the total rates payable were 13.24%. The loan is secured by a fixed charge over the equipment purchased.

In addition, the Group received a third loan during the year from Bradesco of \$147,000 (R\$450,000). Per the terms of the agreement, the loan is for fifteen months with a three month grace period. The loan is repayable by December 2020 and interest charged at a fixed rate of 14.03%. The loan is secured by a fixed charge over the equipment purchased.

Repayment analysis of the bank loan is as follows:

	2019			2018		
	Less than one year (\$'000)	2 – 3 years (\$'000)	Greater than 4 years (\$'000)	Less than one year (\$'000)	2 – 3 years (\$'000)	Greater than 4 years (\$'000)
Bank loan	310	250	36	85	219	61

20. Provisions

Mine closure provision	2019	2018
	\$'000	\$'000
Opening balance	6,308	-
Additions	-	6,260
Unwinding of discount	92	48
Effect of movements in foreign exchange	(513)	-
Total	5,887	6,308

The mine closure provision has been made in respect of costs of land restoration and rehabilitation expected to be incurred at the end of the mine's expected useful life of 36 years. The provision has been calculated based on the present value of the expected future cash flows associated with closure activities.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

21. Commitments and contingent liabilities

Commitments

The Group has the following exploration and development capital expenditure commitments in respect of its projects:

	2019	2018
	\$'000	\$'000
Amount payable within one year	65	44
Amounts payable after more than one year and less than five years	62	65
After five years	341	370
Total	468	479

In addition, there is a commitment to rebuild a small house and a commitment of \$5,335 (R\$15,000) per hectare for damage to land caused during mining which is expected to be up to 35 hectares. The Group only makes payments on a per hectare basis at the time of impact.

The total commitments under non-cancellable operating leases in respect of land and buildings were as follows:

	2019	2018
	\$'000	\$'000
Amount payable within one year	58	80
Total	58	80

Contingent liabilities

In 2018, the Group received an unfavourable arbitration in a dispute with a private Brazilian consultancy company that performed environmental studies between and now claims an amount of approximately \$488,000. The Group had successfully appealed similar arbitration decisions on two different occasions. The latest ruling against the Group came in March 2020, a decision that can still be appealed and thereby postpone any financial obligation until the appellate court rules on the matter. A final decision by the appellate court would be expected sometime between 1.5 to 6 years from now, if the Group appeals. Therefore, though the Group considers that the payment might be ultimately mandated in the future, given its due date, no such provision has been made.

Brazilian labour law entitles a former employee to lodge complaints up to two years after leaving the company. Claims are usually for alleged unpaid remuneration and compensation in the event of dismissal. The Company, whilst contesting each claim, notes that should a claim be successful future liability may arise. A provision of \$107,000 for labour claims was provided at the year end.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

22. Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There is no perceived credit risk as the Group and Company have minimal other financial receivables and bank deposits are made with financial institutions considered to have strong credit ratings. There were no derivative instruments outstanding as of 31 December 2019.

Foreign currency risk

The Group's cash resources are mainly held in Canadian Dollars and Brazilian Reais. Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are primarily incurred in Canadian Dollars and Brazilian Reais.

The appreciation of Brazilian Reais against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements. Currency exchange fluctuations may also materially adversely affect the Group's future cash flows from operations, its results of operations, financial condition and prospects. The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency to match expected expenditure in foreign currency.

The Group and Company had the following short term deposits and cash and cash equivalents in various currencies including its presentational currency. The amounts are stated in Canadian Dollar equivalents:

Currency (\$'000)	2019		2018	
	Group	Company	Group	Company
Canadian Dollars	329	329	406	406
Brazilian Reais	184	-	395	-
American Dollars	93	93	4	4
British Pounds	60	60	31	31
Total	666	482	836	441

The Brazilian Reais deposits are held as interbank deposit certificates, with no maturity date and track Brazil's short term interest rate which is currently 3.75%.

The policy in relation to the translation of foreign currency monetary assets and liabilities is set out in note 2.3, 'Accounting policies, foreign currency' to the consolidated financial statements.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

22. Financial instruments (continued)

Foreign currency risk sensitivity analysis showing a 10% weakening/strengthening of the Brazilian Real against the Canadian Dollar with all other variables held constant is set out below. 10% represents managements' assessment of the reasonable possible exposure

	Equity (\$'000)	
	2019	2018
10% weakening of Brazilian Real	(99)	(1)
10% strengthening of Brazilian Real	121	1

Liquidity risk

To date the Group and Company have relied on shareholder funding to finance its operations. As the Group and Company have finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources. The Group and Company have borrowings, trade and other payables with a maturity of less than one year with borrowings and a provision greater than one year. Further details of the liquidity position are explained in note 1 regarding going concern.

Interest rate risk

The Group's and Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. Given that the directors do not consider that interest income is significant in respect of the Group's and Company's operations and as the Group does not currently have any debt, no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group generates revenue from the sale of products. Where credit is extended to customers this results in trade receivables which may be subject to default. This risk is mitigated by credit control procedures.

The Group's cash is held in major Canadian and Brazilian banks, and as such the Group is exposed to the risks of those financial institutions. Under Standard & Poor's short term credit ratings, the Group's cash balance is held in institutions with the following ratings:

	2019
	\$'000
A-1-	482
B	173
Not rated	11
Total	666

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

22. Financial instruments (continued)

In addition, the company has a credit risk relating to subsidiary investments. The Company expects loans to subsidiaries to be ultimately repaid from trading cash flows to be generated from its mining activities. Consideration is given at each reporting date as to whether the subsidiaries have sufficient liquid assets to repay the loans if demanded in order to determine the probability of default. Given the early stage of production the probability of default is considered to be 100% and as such the Company measures the lifetime expected credit loss by considering all the different recovery strategies and credit loss scenarios. The recovery strategy considered is a repay over time strategy as net trading cash flows are expected to repay the balances. Likely credit losses scenarios are dependent on the operating capability factors

inherent in the successful operation of the mine which include the selling price of the products, future costs and availability of capital, operating costs and tax rates. Sensitivity analysis is performed on the various factors and expected credit losses recognised as appropriate.

Financial assets

The floating rate financial assets comprise interest earning bank deposits at rates set by reference to the prevailing LIBOR or equivalent to the relevant country.

Fair values

In the directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments.

Classes of financial instruments

The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in the notes to the accounts. All of the Group's and Company's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

23. Related party transactions

Key management compensation was as follows:

Year ended 31 December 2019

	Fees	Short term employment benefits	Share-based payments	2019 Total
	\$'000	\$'000	\$'000	\$'000
C Veloso	-	420	508	928
R Gomes	12	-	61	73
G Fonseca	11	-	61	72
A Paolinelli	11	-	74	85
P M Ribeiro	11	-	33	44
M St Aldwyn	11	-	40	51
Directors' total	56	420	777	1,253
Other key management	-	104	48	152
Total	56	524	825	1,405

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

23. Related party transactions (continued)

C Veloso and all other board of directors compensation to 28 February 2019 was settled by issue of shares in the Group.

On 31 December 2019, C Veloso and all other board of directors were owed \$470,000 (2018: \$84,000). Other key management personnel were owed \$18,000 (2018: \$30,000).

Year ended 31 December 2018

	Fees	Short term employment benefits	Share-based payments	2019 Total
	\$'000	\$'000	\$'000	\$'000
C Veloso	-	420	76	496
R Gomes	12	-	8	20
G Fonseca	11	-	8	19
A Paolinelli	11	-	1	12
P M Ribeiro	11	-	12	23
M St Aldwyn	6	-	-	6
Directors' total	51	420	105	576
Other key management	-	62	7	69
Total	51	482	112	645

Share-based payment charge relates to options granted in 2012, 2013 and 2014 based on valuations made under the Black Scholes method as described in note 17 above and relate to options exercisable at prices significantly in excess of the current share price.

Share options granted to directors and key management were as follows:

Year ended 31 December 2019

	Outstanding at beginning of period	Granted	Forfeited	Exercised	Outstanding at end of period
C Veloso	1,992,308	150,000		(150,000)	1,992,308
R Gomes	226,538	71,438		(71,438)	226,538
G Fonseca	226,538	71,438		(71,438)	226,538
A Paolinelli	226,538	165,000	(165,000)	-	226,538
P M Ribeiro	200,000	36,000		(36,000)	200,000
M St Aldwyn	200,000	-	-	-	200,000
Directors' total	3,071,922	493,876	(165,000)	(328,876)	3,071,922
Other key management	147,538	275,000	-	(86,538)	336,000
Total	3,219,460	768,876	(165,000)	(415,414)	3,407,922

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

23. Related party transactions (continued)

Year ended 31 December 2018

	Outstanding at beginning of period	Granted	Forfeited	Exercised	Outstanding at end of period
C Veloso	1,992,308	1,092,308	-	(1,092,308)	1,992,308
R Gomes	226,538	66,000	-	(66,000)	226,538
G Fonseca	226,538	66,000	-	(66,000)	226,538
A Paolinelli	226,538	-	-	-	226,538
P M Ribeiro	200,000	20,000	-	(20,000)	200,000
M St Aldwyn	-	200,000	-	-	200,000
Directors' total	2,871,922	1,444,308	-	(1,244,308)	3,071,922
Other key management	475,076	-	(183,000)	(144,538)	147,538
Total	3,346,998	1,444,308	(183,000)	(1,388,846)	3,219,460

The transactions between the parent Company and its subsidiary GB10N Limited are disclosed in note 11.

24. Subsequent events

There are no relevant subsequent events.