
VERDE AGRITECH PLC
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2020



TABLE OF CONTENTS

| | |
|---|---|
| Consolidated Statement of Comprehensive Income..... | 3 |
| Statements of Financial Position | 4 |
| Statements of Cash Flows..... | 5 |
| Consolidated Statement of Changes in Equity..... | 6 |
| Notes to the Group Financial Statements | 7 |

VERDE AGRITECH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

The accompanying unaudited consolidated financial statements of Verde AgriTech Plc (“Verde”, the “Company”, or the “Group”) for the first quarter ended 31 March 2020 have been prepared by and are the responsibility of the Company’s management. They have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ issued by the International Auditing and Assurance Board (“IAASB”) and as adopted by the European Union and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements including the notes thereto for the year ended 31 December 2019. The financial information has not been reviewed or audited by the Company’s auditor.

These financial statements have been approved by the Audit Committee and the Board of Directors of the Company.

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2020

All amounts expressed in Canadian Dollars.

| Continuing operations | Note | 3 months ended 31 Mar 2020 \$'000 | 3 months ended 31 March 2019 \$'000 |
|--------------------------------------|------|---|---|
| Revenue | | 510 | 154 |
| Production costs | | (331) | (49) |
| Gross Profit | | 178 | 105 |
| SG&A (Includes Share Based Payments) | | (894) | (957) |
| Operating Loss | | (716) | (852) |
| Corporation tax | | (18) | (8) |
| Interest Income/Expense | | (58) | (13) |
| Net Loss | | (792) | (873) |

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

| | | | |
|---|--|----------------|----------------|
| Exchange differences on translating foreign operations | | (2,729) | (404) |
| Total comprehensive loss for the year attributable to equity holders of the parent | | (3,521) | (1,277) |

| Loss per share (\$) | | | |
|----------------------------------|--|---------|---------|
| Basic and diluted loss per share | | (0.017) | (0.020) |

VERDE AGRITECH PLC

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

All amounts expressed in Canadian Dollars.

| | | | Restated |
|---------------------------------|-------------|--------------------|--------------------|
| Assets | Note | 31 Mar 2020 | 31 Dec 2019 |
| | | (\$'000) | (\$'000) |
| Property, plant and equipment | 5 | 2,364 | 2,113 |
| Mineral properties | 6 | 21,607 | 24,455 |
| Intangible assets | 7 | - | - |
| Total non-current assets | | 23,971 | 26,568 |
| Inventory | | 214 | 293 |
| Trade and other receivables | | 975 | 1,638 |
| Cash and cash equivalents | 13 | 806 | 666 |
| Total current assets | | 1,995 | 2,597 |
| Total assets | | 25,966 | 29,165 |

| Equity attributable to the equity holders of the parent | | | |
|--|----|---------------|---------------|
| Issued capital | 8 | 19,105 | 18,752 |
| Share premium | | 47,136 | 47,128 |
| Warrant reserve | 9 | 431 | 431 |
| Merger reserve | | (4,557) | (4,557) |
| Translation reserve | | (14,386) | (11,657) |
| Accumulated losses | | (26,937) | (26,185) |
| Total equity | | 20,792 | 23,912 |
| Liabilities | | | |
| Interest-bearing loans and borrowings | 11 | 292 | 286 |
| Provisions | 12 | 2,958 | 3,450 |
| Total non-current liabilities | | 3,250 | 3,736 |
| Trade and other payables | | 1,526 | 1,207 |
| Interest-bearing loans and borrowings | 11 | 398 | 310 |
| Total current liabilities | | 1,924 | 1,517 |
| Total liabilities | | 5,174 | 5,253 |
| Total equity and liabilities | | 25,966 | 29,165 |

VERDE AGRITECH PLC

STATEMENTS OF CASH FLOWS

For the Period Ended 31 March 2020

All amounts expressed in Canadian Dollars.

| | 3 months ended 31 Mar 2020 | 3 months ended 31 Mar 2019 |
|--|-------------------------------|-------------------------------|
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Operating loss | (716) | (852) |
| Depreciation | 43 | 17 |
| Foreign exchange differences | 89 | 242 |
| Share-based payments | 40 | 384 |
| Decrease / (Increase) in inventories | 79 | (130) |
| Decrease / (Increase) in receivables | 663 | (20) |
| Increase in payables | 530 | 16 |
| Cash utilised in operations | 728 | (343) |
| Interest paid | (24) | (13) |
| Taxation paid | 2 | - |
| Net cash generated / (utilised) in operating activities | 706 | (356) |
| Cash flows from investing activities | | |
| Interest received | 12 | - |
| Acquisition of mineral property assets | (53) | (30) |
| Acquisition of property, plant and equipment | (677) | (132) |
| Net cash utilised in investing activities | (718) | (162) |
| Cash flows from financing activities | | |
| Bank loan received | 222 | - |
| Proceeds from issue of shares | - | 1,828 |
| Net cash from financing activities | 222 | 1,828 |
| Net increase in cash and cash equivalents | 210 | 1,310 |
| Cash and cash equivalents at beginning of period | 666 | 836 |
| Effect of exchange rate fluctuations on cash held | (70) | (11) |
| Cash and cash equivalents at end of period | 806 | 2,135 |

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 2019 | 17,417 | 46,146 | 777 | (4,557) | (10,093) | (25,865) | 23,825 |
| Comprehensive loss | | | | | | | |
| Loss for the year | - | - | - | - | - | (873) | (873) |
| Foreign exchange translation differences | - | - | - | - | (404) | - | (404) |
| Total comprehensive loss for the year | - | - | - | - | (404) | (873) | (1,277) |
| Transactions with owners | | | | | | | |
| Issue of share capital | 1,301 | 204 | 431 | - | - | - | 1,936 |
| Share-based payments | - | - | - | - | - | 384 | 384 |
| Total transactions with owners | 1,301 | 204 | 431 | - | - | 384 | 2,320 |
| Balance at 31 March 2019 | 18,718 | 46,350 | 1,208 | (4,557) | (10,497) | (26,354) | 24,868 |
| Balance at 1 January 2020 | | | | | | | |
| | 18,752 | 47,128 | 431 | (4,557) | (11,657) | (26,185) | 23,912 |
| Comprehensive loss | | | | | | | |
| Loss for the year | - | - | - | - | - | (792) | (792) |
| Foreign exchange translation differences | - | - | - | - | (2,729) | - | (2,729) |
| Total comprehensive loss for the year | - | - | - | - | (2,729) | (792) | (3,521) |
| Transactions with owners | | | | | | | |
| Issue of share capital | 353 | 8 | - | - | - | - | 361 |
| Share-based payments | - | - | - | - | - | 40 | 40 |
| Total transactions with owners | 353 | 8 | - | - | - | 40 | 401 |
| Balance at 31 March 2020 | 19,105 | 47,136 | 431 | (4,557) | (14,386) | (26,937) | 20,792 |

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 March 31, 2020, the Group had current assets of \$1,995,000 and current liabilities of \$1,924,000 providing a working capital surplus of \$71,000.

The cash forecast to June 2021 is based on the ramp up production to 222,000 tonnes 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.

In 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 in every country and restrictions on certain movement of trade and people have been sanctioned. This is believed to be a temporary event. At the date of 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 is a company domiciled in England and Wales. The interim statements of the Group for the first quarter ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the acquisition and development of mineral resource assets. The interim financial statements have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' issued by the IASB and as adopted by the European Union.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this interim report has not been reviewed or audited by the Company's auditor.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended 31 December 2019. The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union and with IFRSs and the interpretations issued by the IASB.

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2019.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

The statutory accounts for the year ended 31 December 2019 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

3. Operating segments

IFRS 8 Operating Segments 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, C Veloso, in order to allocate resources to the segments and to assess their performance.

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. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 March 2020 was based on the loss attributable to ordinary shareholders of \$792,000 (31 March 2019: \$873,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 March 2020 of 46,493,601 (31 March 2019: 43,402,692) calculated as follows:

Loss attributable to ordinary shareholders

| | 3 months ended 31 March 2020 | 3 months ended 31 March 2019 |
|---|------------------------------------|------------------------------------|
| Loss for the period (\$'000) | 792 | 873 |
| Loss attributable to ordinary shareholders (\$'000) | 792 | 873 |

Weighted average number of ordinary shares

| | Number | Number |
|---|--------|--------|
| Number of shares in issue at beginning of year ('000) | 46,029 | 42,620 |
| Effect of shares issued during period ('000) | 465 | 783 |
| Weighted average number of ordinary shares in issue for the year ('000) | 46,494 | 43,403 |

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 9 and 10 respectively.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Property, plant and equipment

| (\$'000) | Land and buildings | Plant and equipment | Computer equipment | Furniture and fixtures | Total |
|---|--------------------|---------------------|--------------------|------------------------|--------------|
| Cost | | | | | |
| 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 |
| Balance at 1 January 2020 | 612 | 1,395 | 85 | 359 | 2,451 |
| Additions | 337 | 185 | 2 | 153 | 677 |
| Effect of movements in foreign exchange | (126) | (221) | (8) | (70) | (425) |
| Balance at 31 March 2020 | 823 | 1,359 | 79 | 442 | 2,703 |

| Depreciation and impairment losses | | | | | |
|---|---|-----|-----|------|------|
| 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 |

| | | | | | |
|---|----------|------------|-----------|------------|------------|
| Balance at 1 January 2020 | - | 136 | 77 | 125 | 338 |
| Depreciation charge for the year | - | 15 | 1 | 25 | 41 |
| Effect of movements in foreign exchange | - | (10) | (8) | (22) | (40) |
| Balance at 31 March 2020 | - | 141 | 70 | 128 | 339 |

| Carrying amounts | | | | | |
|-------------------------|------------|--------------|----------|------------|--------------|
| At 1 January 2019 | 127 | 778 | 8 | 79 | 992 |
| At 31 December 2019 | 612 | 1,259 | 8 | 234 | 2,113 |
| At 1 January 2020 | 612 | 1,259 | 8 | 234 | 2,113 |
| At 31 March 2020 | 823 | 1,218 | 9 | 314 | 2,364 |

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Mineral properties

| | Total (\$'000) |
|---|----------------|
| Cost | |
| Balance at 1 January 2019 | 28,676 |
| Prior period adjustment (note 14) | (2,437) |
| Balance at 1 January 2019 as restated | 26,239 |
| Additions | 149 |
| Effect of movements in foreign exchange | (1,861) |
| Balance at 31 December 2019 | 24,527 |
| Balance at 1 January 2020 | 24,527 |
| Additions | 53 |
| Effect of movements in foreign exchange | (2,911) |
| Balance at 31 March 2020 | 21,669 |
| Amortisation | |
| 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 |
| Balance at 1 January 2020 | 72 |
| Amortisation charge for the year | 2 |
| Effect of movements in foreign exchange | (12) |
| Balance at 31 March 2020 | 62 |
| Carrying amounts | |
| At 1 January 2019 | 28,641 |
| At 31 December 2019 | 26,892 |
| At 1 January 2020 | 24,455 |
| At 31 March 2020 | 21,607 |

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Intangible assets

| (\$'000) | Calcário Project |
|---|------------------|
| Cost | |
| Balance at 1 January 2019 | 616 |
| Effect of movements in foreign exchange | (50) |
| Balance at 31 December 2019 | 566 |
| Balance at 1 January 2020 | 566 |
| Effect of movements in foreign exchange | (88) |
| Balance at 31 March 2020 | 478 |
| Provision for impairment | |
| Balance at 1 January 2019 | 616 |
| Effect of movements in foreign exchange | (50) |
| Balance at 31 December 2019 | 566 |
| Balance at 1 January 2020 | 566 |
| Effect of movements in foreign exchange | (88) |
| Balance at 31 March 2020 | 478 |
| Carrying amounts | |
| At 1 January 2019 | - |
| At 31 December 2019 | - |
| At 1 January 2020 | - |
| At 31 March 2020 | - |

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 current exchange rates this provision has been revalued as \$478,000.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Share capital

| (\$'000) | 31 Mar 2020 | | 31 Dec 2019 | |
|---|-------------|-------------|-------------|-------------|
| | 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 | 31 Mar 2020 | | 31 Dec 2019 | |
|---|-------------------|---------------|-------------|--------|
| | Number | \$'000 | Number | \$'000 |
| At 1 January | 46,028,766 | 18,752 | 42,619,690 | 17,417 |
| 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 |
| 14 February 2020 for \$0.40 each | 899,999 | 353 | - | - |
| At end of period | 46,928,765 | 19,105 | 46,028,766 | 18,752 |

9. Share warrant reserve

| | 31 Mar 2020 | | 31 Dec 2019 | |
|---|------------------|------------|-------------|--------|
| | Number | \$'000 | Number | \$'000 |
| Balance at beginning of year | 1,410,057 | 431 | 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 | 1,410,057 | 431 |

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.

10. Share-based payments

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

| | 31 Mar 2020 | | 31 Dec 2019 | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Outstanding at the beginning of the period | \$0.70 | 3,738,923 | \$0.61 | 3,634,460 |
| Granted during the period | \$0.40 | 380,375 | \$0.55 | 541,112 |
| Exercised during the period | - | - | \$0.43 | (180,036) |
| Forfeited during the period | \$0.64 | (11,000) | \$0.79 | (365,830) |
| Expired during the period | - | - | \$0.28 | (128,700) |
| Outstanding at the end of the period | \$0.59 | 4,108,297 | \$0.70 | 3,738,923 |
| Exercisable at the end of the period | \$0.54 | 1,637,530 | \$0.54 | 1,596,045 |

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Share-based payments (continued)

The options outstanding at 31 March 2020 have an exercise price in the range of \$0.40 to \$1.05 and a weighted average remaining contractual life of 7 years. Two options were issued to 31 March 2020. Both issues 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 March 2020, 3,019,460 of the options had vested (31 December 2019: 2,934,922).

Details of share options outstanding at 31 March 2020 are as follows:

| Outstanding at beginning of period | Number of options | | | | | Exercisable period | | | |
|------------------------------------|-------------------|---------|-----------------|-----------|------------------------------|------------------------------|-------------------|--------------|--------------|
| | Granted | Expired | Forfeited | Exercised | Outstanding at end of period | Exercisable at end of period | Option price (\$) | Grant date | Expiry date |
| 1,039,200 | - | - | - | - | 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 |
| 61,538 | - | - | - | - | 61,538 | 61,538 | \$0.40 | 31 Jan 2017 | 31 Jan 2027 |
| 144,000 | - | - | - | - | 144,000 | 24,000 | \$0.40 | 9 Feb 2017 | 9 Feb 2027 |
| 200,000 | - | - | - | - | 200,000 | 20,000 | \$1.02 | 30 May 2018 | 30 May 2028 |
| 1,244,308 | - | - | - | - | 1,244,308 | 1,244,308 | \$0.61 | 24 Sept 2018 | 24 Sept 2028 |
| 125,000 | - | - | - | - | 125,000 | - | \$0.61 | 24 Sept 2018 | 24 Sept 2028 |
| 328,876 | - | - | - | - | 328,876 | 328,876 | \$0.63 | 1 Mar 2019 | 1 Mar 2029 |
| 455,000 | - | - | (5,000) | - | 450,000 | 222,000 | \$0.63 | 1 Mar 2019 | 1 Mar 2029 |
| 10,000 | - | - | (5,000) | - | 10,000 | 500 | \$0.64 | 31 May 2019 | 31 May 2029 |
| 61,000 | - | - | (1,000) | - | 60,000 | 6,000 | \$0.67 | 1 Sept 2019 | 1 Sept 2029 |
| - | 334,862 | - | - | - | 334,862 | 33,486 | \$0.40 | 14 Feb 2020 | 14 Feb 2030 |
| - | 45,513 | - | - | - | 45,513 | 4,551 | \$0.40 | 25 Mar 2020 | 25 Mar 2030 |
| 3,738,922 | 380,375 | - | (11,000) | - | 3,738,922 | 3,019,459 | | | |

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.

| Fair value of share options and assumptions (\$'000) | 31 Mar 2020 | 31 Mar 2019 |
|--|-------------|-------------|
| Weighted average fair value of options granted during the year | 0.24 | 0.38 |
| Weighted average share price | 0.41 | 0.62 |
| Weighted average exercise price | 0.40 | 0.63 |
| Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model) | 77% | 102% |
| Option life | 5 | 1 – 6 |
| Expected dividends | - | - |
| Risk-free interest rate (based on national government bonds) | 0.0131% | 0.0183% |

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Share-based payments (continued)

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) | 31 Mar 2020 | 31 Mar 2019 |
|---|----------------|----------------|
| | 15 | 384 |

11. Interest-bearing loans and borrowings

| | 31 Mar 2020 | 31 Mar 2019 |
|--------------------------------|----------------|----------------|
| Non-current liabilities | \$'000 | \$'000 |
| Bank loan | 292 | 320 |
| Current liabilities | | |
| Bank loan | 398 | 103 |
| Total | 690 | 365 |

The Group received a loan of \$99,445 (R\$364,000) during the period, from Banco Santander. Per the terms of the agreement, the loan is for 36 months with a 6 month grace period. The loan is repayable by April 2023 and interest charged at 8.72% variable IPCA rate (Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services) plus fixed elements of 4.42%. At the period end, the total rates payable was 13.14%. The loan is secured by a fixed charge over the equipment purchased.

In addition, the Group received a second loan during the year from Banco Bradesco of \$122,940 (R\$450,000). Per the terms of the agreement, the loan is for 48 months with no grace period. The loan is repayable by February 2024 and interest charged at 10%. The loan is secured by a fixed charge over the equipment purchased.

12. Provisions

| Mine closure provision | 31 Mar 2020 | 31 Mar 2019 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Opening balance | 5,887 | 6,308 |
| Prior period adjustment (note 14) | (2,437) | (2,437) |
| Opening balance as restated | 3,450 | 3,871 |
| Unwinding of discount | 45 | 23 |
| Effect of movements in foreign exchange | (537) | (152) |
| Total | 2,958 | 3,742 |

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

13. 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 March 2020.

Foreign currency risk

The Group's cash resources are mainly held in Canadian Dollars and Brazilian Reals. 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 Reals.

The appreciation of Brazilian Reals 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) | 31 Mar 2020 | 31 Dec 2019 |
|-------------------|-------------|-------------|
| Canadian Dollars | 278 | 329 |
| Brazilian Reals | 393 | 184 |
| American Dollars | 131 | 93 |
| British Pounds | 4 | 60 |
| Total | 806 | 666 |

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

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

| Currency (\$'000) | 31 Mar 2020 | 31 Dec 2019 |
|-------------------------------------|-------------|-------------|
| 10% weakening of Brazilian Real | (15) | (99) |
| 10% strengthening of Brazilian Real | 12 | 121 |

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Financial instruments (continued)

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 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.

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 and Company's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

14. Prior period adjustment

During the period ended March 31, 2020, the Company identified a prior period adjustment in respect of accounting for the mine closure provision. As such, the Company has retrospectively restated its previously reported consolidated financial statements to reflect the overstated amounts.

The carrying value of the mineral property and the mine closure provision have been reduced by \$2,437,000 following a correction to the discount calculation of the provision. There was no material effect on the income statement.

| Restated 2019 (\$'000) | As previously reported | 2019 adjustment | As restated |
|------------------------|------------------------|-----------------|-------------|
| Mineral Property | 28,676 | (2,437) | 26,239 |
| Mine closure provision | (5,887) | 2,437 | (3,450) |

There was no effect on the Consolidated Statements of Comprehensive Loss or Cash Flows or on net loss per share as a result of the restatement.