Registered number: 05904885 (England and Wales)

Report of the directors and

Audited Financial Statements

for the Year Ended 31 December 2018 for

VERDE AGRITECH PLC

VERDE AGRITECH PLC

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VERDE AGRITECH PLC

Company Information

For the Year ended 31 December 2018

Directors:	Cristiano Veloso Alysson Paulinelli Getulio Fonseca Renato Gomes Paulo Machado Ribeiro Michael St Aldwyn (appointed 1 June 2018)
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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

The principal activity of the Group is the production of innovative agri-tech products of high agronomic efficiency that foster sustainable, profitable and productive agriculture. The Group announced commercial production on July 1, 2018. The principal activity of the Company is that of a holding company.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Following the construction and successful start up of the processing plant in the first half of 2018, the Group announced commercial production on July 1, 2018 of Super Greensand® at the Cerrado Verde Project ("Cerrado Verde") located in the state of Minas Gerais in Brazil.

Since declaring commercial production the Group earned revenue of $1,358,000 and made a gross profit of $291,000 from the sale of 29,648 tonnes of Super Greensand®. Overall the Group made an operating loss of $1,639,000 (2017: $2,239,000 - $1,576,000 before impairment) and a net loss of $1,748,000 (2017: $2,204,000) for the year.

From 1 January 2018 to 30 June 2018, the Group acquired $488,000 of costs and capitalised $116,000 or pre-production revenue to exploration and evaluation. On the declaration of commercial production on 1 July 2018, exploration and evaluation costs of $22,416,000 were transferred to mineral property costs. In addition, a cost of $6,260,000 was capitalized to mineral property in respect of expected mine closure costs.

The Group's financial Key Performance Indicators are production and tonnes sold. Production is monitored by reference to the mining permits and the Group mined 98,038 tonnes out of 100,000 permitted tonnes. Production was limited by the rainy season. Tonne sold was targeted at sales of 57,000 tonnes of Super Greensand® for the six months to 31 December 2018. The Group sold 29,648 tonnes. The shortfall was due to the lack of finished product restricting revenue during the year.

Cerrado Verde

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.

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 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% K_2O which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K_2O. Additionally, the Inferred Mineral Resource Estimate is 1.85 billion tonnes at a K_2O 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 PFS. The PFS evaluated the technical and financial aspects of producing 25 Million tonnes per year ("Mtpy") of Super Greensand® 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% K_2O.
- 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 Super Greensand® pricing.
- Estimated Operating Cost of US$14.53, US$6.77, US$7.92 per product tonne for Phases 1, 2 and 3 respectively.

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 Super Greensand® 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 Super Greensand® can be produced in the desired purity and that there is demand in the market in its use as a fertilizer.

2018 Project Developments

In February, 2018 the Group obtained environmental licenses to increase the open pit annual production to 100,000 tonnes (Mine Pit 2).

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. The total cost of the production facility was expected to be US$ 500,000.

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

In April 2018, the Group was awarded a mining permit for 50,000 tonnes per annum, valid until February 2021 (Mine Pit 2).

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

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

In June 2018, the Company obtained an environmental license for construction and operation of an industrial plant (Plant 1) with annual capacity of 199,500 tonnes, valid until September, 2021.

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 thousand. However, the total investment reached US$600 thousand because the Group advanced part of the ground work 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 commencement of the production process the Group declared commercial production on July 1, 2018.

In July 2018, the Group was awarded a second mining permit for 50,000 tonnes per annum, valid until February 2022, bringing the total granted mining permits to 100,000 tonnes (Mine Pit 2).

In August, 2018, the environmental license for mining 233,000 tonnes was granted (Mine Pit 1). This license establishes the environmental feasibility and viability of the projects and authorizes the installation, subject to compliance with specified conditions.

In September, 2018 VERDE entered into an agreement with Ysao Munemassa to buy all rights he had over the Project, in connection to discovery contract (Finder's Fee) dated September 29, 2008, by issuing 165,975 shares in Verde Agritech PLC.

In October 2018, the Group announced it had sold out of Super Greensand®. It also announced its expansion plan for 2019 which include continuing to use the existing processing plant to produce 200 thousand tonnes per year, and in parallel, start construction of a new processing facility capable of producing an added 600 thousand tonnes per annum. The total 800 thousand tonnes per annum capacity is expected to be reached by early 2020. Financing is expected to be a mix of accumulated cashflow and debt from BNDES bank.

In November, 2018, the Company filed the environmental license on ANM to grants the mining permit for 233 thousand tonnes per year (Mine Pit 1).

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.

Calcario Project

The Calcario project was necessary for the production of limestone which is necessary for the production of the TK47® product. Following the decision to produce Super Greensand® the Group 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 $616,000.

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 minimised 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.

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

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

Mining risks

Mining operations are inherently risky. These operations are subject to all hazards and risks encountered in the 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 a 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 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 Super Greensand®

Super Greensand® is a new product without an 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 the significant sales of Super Greensand®. The Group continued to made sales of Super Greensand® during 2018 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 required permits on reasonable terms or on 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.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Uncertainty of Additional Capital

In the past, the Group has relied on sales 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 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.

ON BEHALF OF THE BOARD:

C Veloso, Director
29 March 2019

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018. The financial statements are presented in Canadian Dollars.

DIRECTORS

The directors during the period under review were:

Cristiano Veloso
Alysson Paulinelli
Getulio Fonseca
Renato Gomes
Paulo Machado Ribeiro
Michael St Aldwyn (appointed 1 June 2018)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018 (2017: $nil).

SUBSTANTIAL SHARE INTERESTS

At 29 March 2019 Verde Agritech Plc was aware of the following substantial share interests:

	Number of Ordinary Shares	% of Share Capital
Cristiano Veloso	6,500,789	14.15%

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 2.4 'Significant Accounting policies; Foreign currency transactions' to the consolidated financial statements.

Cash balances in Brazilian Reais are kept under constant review.

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 6.

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 22 to the financial statements.

SUBSEQUENT EVENTS

On February 26, 2019 the group announced a non-brokered private placement to raise up to C$1 million (the "Placement") through the issuance of up to 1,666,666 units of securities ("Units") at a price of $ 0.60 per Unit. Each Unit will be comprised of one ordinary share of the Company (an "Ordinary Share") and one-half of one Ordinary Share purchase warrant (a "Warrant"). Each whole Warrant will be exercisable to purchase an Ordinary Share at an exercise price of C$1.00 until the second anniversary of the closing of the Placement. The Warrants will be unlisted.

The placement closed on March 13, 2019 raising C$1.7 million issuing 2,820,114 unit of securities.

On March 4, 2019 the group was pleased to welcome 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 will be based in Belo Horizonte, Brazil, and will replace Mr. Tim Slater, who has acted as the Group's interim CFO for the past few years, based out of London, UK.

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:

C Veloso
Director

29 March 2019

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.

Corporate Governance Report for the Year Ended 31 December 2018

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 Paulinelli 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 being the other committee member.

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 Paulinelli 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 2018 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and the parent company statement of changes in equity, the consolidated and the parent 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 the preparation of the financial statements 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 2018 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 2018 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's or the 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 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.

Transfer to Production and Carrying Value of Cerrado Verde
The group declared commercial production on 1 July 2018 and transferred the capitalised development assets to mineral properties. See notes 2.5 and 2.21 in the financial statements. Significant judgement is required in determining the point at which commercial production has been reached, considering factors such as mining volumes, plant throughput and overall recovery versus the life of mine plan. This assessment impacts the following areas: • Prior to commercial production, eligible costs incurred as part of bringing the plant into commercial production, such as borrowing costs, were capitalised and any revenue generated was treated as a reduction in Property, Plant and Equipment ("PPE"). Following the declaration of commercial production, revenue and production costs are recognised in the income statement and amortisation of mineral property commences. • Once commercial production was achieved the Group started to depreciate its production assets on a units of production method. The depreciation method requires judgement as to inputs used in these calculations. • On transfer to PPE, Management needs to undertake an impairment test. This requires judgement in determining whether it is likely that costs incurred will be recovered through successful development or sale of the asset under review when assessing impairment. Given the judgement required and the impact on the financial statements as a whole, we considered this to be a key focus area for our audit.
Our Response
• We have visited the Cerrado Verde operations in March 2019 in order to verify the existence of the asset and obtain an understanding of the operations. All assets were inspected and were identified as being in good order and being secured. • We considered Management's assessment when declaration of commercial production was achieved and assessed the judgement against industry practice. We have critically reviewed factors such as mining volumes, plant throughput and overall recovery versus the life of mine plan. • We reviewed Management's assessment of impairment under IAS 36 at the date commercial production was declared on 1 July 2018. We have considered whether there are any indicators of impairment. We have reviewed current versus planned production and costs included in the Pre-Feasibility Study ("PFS"). We have reviewed budgets, forecasts and strategic plans and considered that these support Management's judgments regarding future planned activity. We have agreed with Management's conclusion that they have not identified any indicators or impairment under IAS 36. • We assessed the appropriateness of depreciation policies, under Units of Production, based on the mine plan and nature of the assets, and recalculated the depreciation charges. • We have 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 to agree ownership and expiry of licences held by the Group. From our review there is no indication that licenses held by the Group are not in good standing. • We have reviewed the relevant disclosures in the financial statements against the requirements of the accounting standards

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 May 2020, which show that the Group has sufficient working capital over the period, as referred in Note 1 in the financial statements. The cash flow projections include an increased level of mining and sale of product over the 12-month period. The ramp up and increase of activity at any early stage operating mine carries a level of uncertainty over future forecasts. We have considered Going Concern to be a key audit matter because of the assumptions and judgments made by management in drawing their conclusions.
Our Response
• We have performed a review of the cash flow projections to the end of April 2020 and assessed the costs, production, sales and other significant inputs for reasonableness based on both past performance in 2018 and with regards to the life of mine forecast. • We visited the mine site in March 2019 and discussed the performance of the mine with operational Management. There was no indication on the mine site of a build up of stock or a shut in to operating activity which could significantly impact on the Group's funding position. • We have made an assessment of Management's sensitivity analysis on cash flow forecasts to consider the completeness of such sensitivity analysis, the available headroom under sensitivity scenarios and the validity of mitigating factors available to the Group. • We have reviewed the adequacy of disclosures made in the financial statements in respect of going concern and considered whether they are appropriate.

Our application of materiality

Group Materiality FY2018	**Group Materiality FY2017**	**Basis for Materiality**
C$340k	C$420k	1.4% of total assets (2017: 1.5% of total assets)

Company Materiality FY2018	**Company Materiality FY2017**	**Basis for Materiality**
C$225k	C$378k	66% of Group materiality (2017: 90% 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 reduced the basis of materiality, in both the Group and the Company, to reflect Cerrado Verde's change from the development stage to production and the risk associated with this. We consider total assets to be the most significant determinant of the Group's financial performance used by shareholders.

Whilst materiality for the financial statements as a whole was C$340k, each significant component of the Group was audited at a lower level of materiality of C$225k.

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 75% (2017: 75%) of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of $7k (2017: $20k). 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 and Verde Fertilizantes Ltda. We have identified both entities as significant components for the purposes of our financial statement audit, based on their relative share of total assets. We have performed a full scope audit for these components, having performed substantive procedures over 97% of total assets.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

All audit work (full scope audit or review work) was conducted by BDO LLP.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 or 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 9, 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.

Matt Crane

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

29 March 2018

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 (the 'Company') for the year ended 31 December 2018 and 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and the parent company statement of changes in equity, the consolidated and the parent 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as issued by the IAASB. Our opinion does not cover the parent company financial statements.

In our opinion:

- The financial statements present fairly, in all material respects, the financial position of Verde Agritech Plc as at 31 December 2018 and 31 December 2017 and its financial performance and its cash flows for the years then ended; and
- The financial statements have been properly prepared in accordance with IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by IAASB 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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs 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's or the 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 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.

Transfer to Production and Carrying Value of Cerrado Verde
The group declared commercial production on 1 July 2018 and transferred the capitalised development assets to mineral properties. See notes 2.5 and 2.21 in the financial statements. Significant judgement is required in determining the point at which commercial production has been reached, considering factors such as mining volumes, plant throughput and overall recovery versus the life of mine plan. This assessment impacts the following areas: • Prior to commercial production, eligible costs incurred as part of bringing the plant into commercial production, such as borrowing costs, were capitalised and any revenue generated was treated as a reduction in Property, Plant and Equipment ("PPE"). Following the declaration of commercial production, revenue and production costs are recognised in the income statement and amortisation of mineral property commences. • Once commercial production was achieved the Group started to depreciate its production assets on a units of production method. The depreciation method requires judgement as to inputs used in these calculations. • On transfer to PPE, Management needs to undertake an impairment test. This requires judgement in determining whether it is likely that costs incurred will be recovered through successful development or sale of the asset under review when assessing impairment. Given the judgement required and the impact on the financial statements as a whole, we considered this to be a key focus area for our audit.
Our Response
• We have visited the Cerrado Verde operations in March 2019 in order to verify the existence of the asset and obtain an understanding of the operations. All assets were inspected and were identified as being in good order and being secured. • We considered Management's assessment when declaration of commercial production was achieved and assessed the judgement against industry practice. We have critically reviewed factors such as mining volumes, plant throughput and overall recovery versus the life of mine plan. • We reviewed Management's assessment of impairment under IAS 36 at the date commercial production was declared on 1 July 2018. We have considered whether there are any indicators of impairment. We have reviewed current versus planned production and costs included in the Pre-Feasibility Study ("PFS"). We have reviewed budgets, forecasts and strategic plans and considered that these support Management's judgments regarding future planned activity. We have agreed with Management's conclusion that they have not identified any indicators or impairment under IAS 36. • We assessed the appropriateness of depreciation policies, under Units of Production, based on the mine plan and nature of the assets, and recalculated the depreciation charges. • We have 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 to agree ownership and expiry of licences held by the Group. From our review there is no indication that licenses held by the Group are not in good standing. • We have reviewed the relevant disclosures in the financial statements against the requirements of the accounting standards

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 May 2020, which show that the Group has at least 12 months working capital remaining, as referred in Note 1 in the financial statements. The cash flow projections include an increased level of mining and sale of product over the 12-month period. The ramp up and increase of activity at any early stage operating mine carries a level of uncertainty over future forecasts. We have considered Going Concern to be a key audit matter because of the assumptions and judgments made by management in drawing their conclusions.
Our Response
• We have performed a review of the cash flow projections to the end of April 2020 and assessed the costs, production, sales and other significant inputs for reasonableness based on both past performance in 2018 and with regards to the life of mine forecast. • We visited the mine site in March 2019 and discussed the performance of the mine with operational Management. There was no indication on the mine site of a build up of stock or a shut in to operating activity which could significantly impact on the Group's funding position. • We have made an assessment of Management's sensitivity analysis on cash flow forecasts to consider the completeness of such sensitivity analysis, the available headroom under sensitivity scenarios and the validity of mitigating factors available to the Group. • We have reviewed the adequacy of disclosures made in the financial statements in respect of going concern and considered whether they are appropriate

Other information

The other information comprises the information included in the annual report 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 management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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.

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

INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES (CONTINUED)

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 Group's and the parent company's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains 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 and the parent company'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 and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the 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 the auditor's report. However, future events or conditions may cause the Group and the parent company 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 (i.e gives a true and fair view).
- Are required to report on consolidated financial statements, obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for 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.

INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES (CONTINUED)

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 director in charge of the audit resulting in this independent auditors' report is Matt Crane.

BDO LLP

BDO LLP,
London, UK

29 March 2018

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018
(EXPRESSED IN CANADIAN DOLLARS)

	Note	2018	2017
Continuing operations		$'000	$'000
Revenue	3	1,358	-
Production costs		(1,067)	-
Gross profit		291	-
Selling and distribution expenses		(59)	-
Administrative expenses		(1,871)	(1,576)
Operating loss before impairment	4	(1,639)	(1,576)
Provision for impairment	10	-	(663)
Operating loss after impairment		(1,639)	(2,239)
Finance income		2	35
Finance costs		(66)	-
Loss before tax		(1,703)	(2,204)
Income tax expense	6	(45)	-
Loss for the year attributable to equity holders of the parent		(1,748)	(2,204)

Other comprehensive income:
Items that may be reclassified subsequently to profit or loss

		2018	2017
Exchange differences on translating foreign operations		(1,344)	(1,770)
Other comprehensive (loss)/profit for the year (net of tax)		(1,344)	(1,770)
Total comprehensive (loss)/profit for the year attributable to equity holders of the parent		(3,092)	(3,974)

Loss per share

		2018	2017
		$	$
Basic and diluted loss per share	7	(0.041)	(0.057)

VERDE AGRITECH PLC

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018
(EXPRESSED IN CANADIAN DOLLARS)

	Note	**Group 2018 $'000**	**Company 2018 $'000**	Group 2017 $'000	Company 2017 $'000
Assets					
Property, plant and equipment	*8*	992	-	213	-
Mineral properties	*9*	28,641	5,713	-	-
Intangible assets	*10*	-	-	23,404	5,611
Investments	*11*	-	44,387	-	43,242
Total non-current assets		29,633	50,100	23,617	48,853
Inventory	*12*	314	-	-	-
Trade and other receivables	*13*	827	278	850	508
Short-term deposits	*14*	-	-	900	900
Cash and cash equivalents	*15*	836	441	645	388
Total current assets		1,977	719	2,395	1,796
Total assets		31,610	50,819	26,012	50,649
Equity attributable to the equity holders of the parent					
Issued capital	*16*	17,417	17,417	16,502	16,502
Share premium		46,146	46,146	45,872	45,872
Warrant reserve	*17*	777	777	777	777
Merger reserve		(4,557)	-	(4,557)	-
Translation reserve		(10,093)	-	(8,749)	-
Accumulated losses		(25,865)	(13,832)	(24,298)	(12,760)
Total equity		23,825	50,508	25,547	50,391
Liabilities					
Interest-bearing loans and borrowings	*19*	280	-	-	-
Provisions	*20*	6,308	-	-	-
Total non-current liabilities		6,588	-	-	-
Interest-bearing loans and borrowings	*19*	85	-	-	-
Trade and other payables	*21*	1,112	311	465	258
Total current liabilities		1,197	311	465	258
Total liabilities		7,785	311	465	258
Total equity and liabilities		31,610	50,819	26,012	50,649

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 $1,252,000 (2017: $1,178,000).
ON BEHALF OF THE BOARD:

R Gomes
Director

C Veloso
Director

Approved and authorised for issue by the Board on 29 March 2019

VERDE AGRITECH PLC

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2018
(EXPRESSED IN CANADIAN DOLLARS)

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Cash flows from operating activities				
Operating loss	(1,639)	(1,253)	(2,239)	(1,185)
Depreciation	40	-	19	-
Loss on disposal of property, plant and equipment	3	-	2	-
Amortisation of mineral property	35	-	-	-
Impairment of intangible assets	-	-	663	-
Foreign exchange differences	11	-	(26)	-
Share-based payments	181	181	321	321
Increase in inventories	(234)	-	-	-
Decrease/(Increase) in receivables	32	238	(548)	(477)
Increase in payables	1,071	538	689	538
Cash utilised in operations	(500)	(296)	(1,119)	(803)
Interest paid	(2)	-	-	-
Net cash utilised in operating activities	(502)	(296)	(1,119)	(803)
Cash flows from investing activities				
Interest received	2	1	35	5
Investment in short-term deposits	-	-	(900)	(900)
Redemption of short-term deposits	900	900	-	-
Acquisition of evaluation and exploration assets	(360)	(29)	(1,152)	(122)
Revenue receipts capitalised	116	54	245	159
Acquisition of property, plant and equipment	(845)	-	(31)	-
Proceeds on disposal of plant and equipment	-	-	12	-
Investment in subsidiary	-	(1,145)	-	(1,495)
Net cash utilised in investing activities	(187)	(219)	(1,791)	(2,353)
Cash flows from financing activities				
Bank loan received	365	-	-	-
Proceeds from issue of shares (note 16 to the accounts)	568	568	1,852	1,852
Share issue expenses	-	-	(43)	(43)
Net cash from financing activities	933	568	1,809	1,809
Net decrease in cash and cash equivalents	244	53	(1,101)	(1,347)
Cash and cash equivalents at beginning of period	645	388	1,763	1,735
Effect of exchange rate fluctuations on cash held	(53)	-	(17)	-
Cash and cash equivalents at end of period	836	441	645	388

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group (EXPRESSED IN CANADIAN DOLLARS)	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 2017	15,457	45,475	-	(4,557)	(6,979)	(22,415)	26,981
Comprehensive loss							
Loss for the year	-	-	-	-	-	(2,204)	(2,204)
Foreign exchange translation differences	-	-	-	-	(1,770)	-	(1,770)
Total comprehensive loss for the year	-	-	-	-	(1,770)	(2,204)	(3,974)
Transactions with owners							
Issue of share capital	1,045	397	777	-	-	-	2,219
Share-based payments	-	-	-	-	-	321	321
Total transactions with owners	1,045	397	777	-	-	321	2,540
Balance at 31 December 2017	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547
Balance at 1 January 2018	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547
Comprehensive loss							
Loss for the year	-	-	-	-	-	(1,748)	(1,748)
Foreign exchange translation differences	-	-	-	-	(1,344)	-	(1,344)
Total comprehensive loss for the year	-	-	-	-	(1,344)	(1,748)	(3,092)
Transactions with owners							
Issue of share capital	915	274	-	-	-	-	1,189
Share-based payments	-	-	-	-	-	181	181
Total transactions with owners	915	274	-	-	-	181	1,370
Balance at 31 December 2018	17,417	46,146	777	(4,557)	(10,093)	(25,865)	23,825

VERDE AGRITECH PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

Company (EXPRESSED IN CANADIAN DOLLARS)	Share capital $'000	Share premium $'000	Share warrant reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2017	15,457	45,475	-	(11,903)	49,029
Comprehensive loss					
Loss for the year	-	-	-	(1,178)	(1,178)
Total comprehensive loss for the year	-	-	-	(1,178)	(1,178)
Transactions with owners					
Issue of share capital	1,045	397	777	-	2,219
Share-based payments	-	-	-	321	321
Total transactions with owners	1,045	397	777	321	2,540
Balance at 31 December 2017	16,502	45,872	777	(12,760)	50,391
Balance at 1 January 2018	16,502	45,872	777	(12,760)	50,391
Comprehensive loss					
Loss for the year	-	-	-	(1,253)	(1,253)
Total comprehensive loss for the year	-	-	-	(1,253)	(1,253)
Transactions with owners					
Issue of share capital	915	274	-	-	1,189
Share-based payments	-	-	-	181	181
Total transactions with owners	915	274	-	181	1,370
Balance at 31 December 2018	17,417	46,146	777	(13,832)	50,508

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 May 2020 which include the receipt of approximately $1.7 million from the private placement in March 2019. On December 31, 2018, the Group had current assets of $1,977,000 and current liabilities of $1,197,000 providing a working capital surplus of $780,000.

Following the construction and successful start up of the processing plant in the first half of 2018, the Group announced commercial production on July 1, 2018 of Super Greensand® . The performance in the second half of 2018 demonstrated that the Company is proven in delivering commercial production and generating operating cash inflows.

The cash forecast to May 2020 is based on the ramp up production to 200,000 tonnes and the company being able to achieve similar pricing for Super Greensand as demonstrated in the second half of 2018. Based on the Company's experience in its first period of production and the saleability of the Company's products evidenced by the orders taken, the Directors consider that the mine will generated 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.

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 2018 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.

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 2018. 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 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014 and was effective and adopted on 1 January 2018. The new standard provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the Company expects to be entitled to receive. The standard also updates revenue disclosure requirements.

IFRS 9 'Financial Instruments' was published in July 2014 and was effective and adopted on 1 January 2018. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model.

2. Significant accounting policies (continued)

2.1 Statement of compliance (continued)

Details of the impact these two standards have had are given in note 2.2 below.

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 will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The Standard provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. 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.

The financial statements have been prepared on the historical cost basis except for share based payments and share warrants that have been measured at fair value and are presented in Canadian Dollars. Foreign operations are included in accordance with the policies set out in Note 2.3.

2.2 Effects of changes in accounting policies

IFRS 15 'Revenue from Contracts with Customers'

- Overall impact

  The Group's accounting policies have remained unchanged from those previously disclosed in the 2017 financial statements. Under IAS 18, the timing of revenue recognition from the sale of goods was based primarily on the transfer of risks and rewards, whereas IFRS 15 focuses instead on when control of those goods has transferred to the customer. In both instances, this is when goods are shipped to the customer. This different approach has not resulted in a change of timing for revenue recognition for the Group. In addition, capitalisation of revenue to mineral properties during the period up to commercial production does not change under IFRS 15.

IFRS 9 'Financial Instruments'

- Overall impact

  The Group's financial assets comprise trade and other receivables and cash and short term deposits. All of these financial assets continue to be classified and measured at amortised cost. The Group's principal financial liabilities comprise trade and other payables and loans and borrowings. All of these financial liabilities continue to be classified and measured at amortised cost.

2.3 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 2018.

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.

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

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.

2.4 Foreign currency

The Group's presentation currency is Canadian Dollars. Management considers this to be most appropriate for a company 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.

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 recognized in other comprehensive income. At 31 December 2018 the closing rate of exchange of Canadian Dollars to one Brazilian Reais was
2.84 – (2017: 2.64) and the average rate of exchange of Canadian Dollars to one Brazilian Reais for the year was 2.81 - (2017: 2.46).

2.5 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 required.

Once mining commences the mineral property is amortised on a unit of production method expected to amortise 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 amortisation charge with a corresponding reduction in the carrying value of the mineral property.

2.6 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.

2.6 Intangible assets – deferred exploration and evaluation expenditure (continued)

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.

2. Significant accounting policies (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.

2.7 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 recognized, 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 recognized 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 recognized 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 recognized directly in equity.

2.8 Cash and cash equivalents

Cash and cash equivalents includes 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. Significant accounting policies (continued)

2.9 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
Computer equipment	20	Straight line
Furniture and fixtures	10	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

2.10 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.

2.11 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.

2.12 Investments in and loans to subsidiaries (Company only)

Investments are stated at their cost less any provision for impairment (see accounting policy 2.11).

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. Significant accounting policies (continued)

2.13 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.

2.14 Trade and other payables

Trade and other payables are stated at their amortised cost.

2.15 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.

2.16 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.

2.17 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. Significant accounting policies (continued)

2.18 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.

2.19 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 single geographical area – Brazil. The financial position and performance of the operating segment are therefore the same as that of the Group.

2.20 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 recognises 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. Any revenues generated during commissioning are treated as a contribution towards previously incurred costs and are therefore credited against mining and development assets accordingly.

Commissions of $41,000 were paid to sales agents during the year. The Group has no discount policy.

Sale of Super Greensand®

Revenue associated with the sale of Super Greensand® 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.

2.21 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 recognized 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 recognized in the consolidated financial statements are as follows:

Judgements

- Commercial production

  During the period, the Company completed the construction of its processing plant, and entered into the ramp-up phase, a period during which the production of Super Greensand® increased until commercial levels were reached.

  Prior to reaching commercial production levels, eligible production costs incurred as part of bringing the mine into production were capitalised.

2. Significant accounting policies (continued)

2.20 Critical judgements and sources of estimation uncertainty (continued)

Judgement was required with respect to the point at which commercial production was deemed to have been reached. The plant was successfully completed in July 2018. Management considered acquisition of mining equipment and full operation of the plant (within permitted licence limits) and concluded that commercial production had been reached on July 1, 2018. Following the declaration of commercial production revenue and production costs have been recognised in the income statement and amortisation of mineral property costs commenced.

- Impairment of Mineral Property

The directors have assessed whether there are any indicators of impairment in respect of mineral property costs totalling $22 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 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 18.

- Amortisation of Mineral Property

Amortisation of the Mineral Property is calculated on a unit of production method expected to amortise the cost including future forecast capital expenditure over the expected life of the mine based on the tonnes of ore expected to be extracted. Amortisation charged during the year was $35,000 . Any changes to these estimates may result in an increase in the amortisation charge with a corresponding reduction in the carrying value of the Mineral Property. See note 9.

- 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:

	2018 $'000	2017 $'000
Depreciation – owned assets	40	19
Amortisation of mineral property (Note 9)	35	-
Loss on sale of property, plant and equipment	3	2
Directors' emoluments (see Note 23)	471	465
Share-based payments (see Note 18)	181	321
Auditor remuneration:		
Audit of the Group and Company financial statements	50	50

5. Personnel expenses

Employee costs	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Directors' emoluments (See Note 23)	471	438	465	432
Salaries	348	-	178	-
Compulsory social security contributions	86	-	9	-
	905	438	652	432

Of the above employee salaries and compulsory social security contributions costs, $198,000 (2017: $140,000) has been capitalised to the exploration and evaluation intangible asset as these are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended.

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

	Group 2018 No.	Company 2018 No.	Group 2017 No.	Company 2017 No.
Executive directors	1	1	1	1
Non-executive directors	5	5	4	4
Administration	5	-	3	-
Sales and marketing	5	-	3	-
Production	9	-	-	-
	25	6	11	5

6. Income tax

Recognized in the income statement

	2018	2017
Current tax	$'000	$'000
Income tax charge	45	-
	45	-

Reconciliation of effective tax rate

	2018	2017
	$'000	$'000
Loss before tax	(1,655)	(2,253)
Tax using the domestic Group tax rate of 19% (2017: 19.25%)	(315)	(433)
Effect of overseas tax rates	(60)	(158)
Non-deductible expenses	48	68
Origination of temporary differences on which no deferred tax has been recognized	(91)	(295)
Effect of tax losses not recognized	463	818
	45	-

Factors that may affect future tax charges

The Group has UK tax losses of approximately $14,731,000 (2017: $13,276,000) and overseas tax losses of approximately $8,447,000 (2017: $7,084,000) available to be carried forward and set off against future profits. No deferred tax asset has been recognized 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 2018 $'000	Balance 2017 $'000	Balance 2018 $'000	Balance 2017 $'000	Balance 2018 $'000	Balance 2017 $'000
Property, plant and equipment	-	-	(337)	(72)	(337)	(72)
Intangible assets	-	-	(7,621)	(7,957)	(7,621)	(7,957)
Tax value of loss carry-forwards recognized	7,958	8,029	-	-	7,958	8,029
Net tax assets/(liabilities)	7,958	8,029	(7,958)	(8,029)	-	-

Unrecognized deferred tax assets

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

	2018	2017
	$'000	$'000
UK tax losses	2,946	2,098
Brazilian tax losses	226	226
	3,172	2,324

6. Income tax (continued)

Movement in deferred tax assets and liabilities

	Balance 1 Jan 2017 $'000	Recognized in income $'000	Balance 31 Dec 2017 $'000
Property, plant and equipment	80	(8)	72
Intangible assets	8,481	(524)	7,957
Tax value of loss carry-forwards	(8,561)	532	(8,029)
	-	-	-

	Balance 1 Jan 2018 $'000	Recognized in income $'000	Balance 31 Dec 2018 $'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)
	-	-	-

7. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2018 was based on the loss attributable to ordinary shareholders of $1,700,000 (2017: $2,204,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2018 of 41,020,470 (2017: 38,523,670) calculated as follows:

Loss attributable to ordinary shareholders

	2018 $'000	2017 $'000
Loss for the period	1,700	2,204
Loss attributable to ordinary shareholders	1,700	2,204

Weighted average number of ordinary shares

	2018 Number '000	2017 Number '000
Number of shares in issue at beginning of year	38,524	37,617
Effect of shares issued during period	2,496	907
Weighted average number of ordinary shares in issue for the year	41,020	38,524

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 17 and 18 respectively.

8. Property, plant and equipment - group

	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Furniture and fixtures $'000	Total $'000
Cost					
Balance at 1 January 2017	137	78	77	186	478
Additions	-	-	9	22	31
Disposals	-	-	-	(28)	(28)
Effect of movements in foreign exchange	-	-	(4)	(27)	(31)
Balance at 31 December 2017	137	78	82	153	450
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
Depreciation and impairment losses					
Balance at 1 January 2017	-	78	72	93	243
Depreciation charge for the period	-	-	10	8	18
On disposals	-	-	-	(12)	(12)
Effect of movements in foreign exchange	-	-	(4)	(8)	(12)
Balance at 31 December 2017	-	78	78	81	237
Balance at 1 January 2018	-	78	78	81	237
Depreciation charge for the year	-	-	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
Carrying amounts					
At 1 January 2017	137	-	5	93	235
At 31 December 2017	137	-	4	72	213
At 1 January 2018	137	-	4	72	213
At 31 December 2018	127	778	8	79	992

Plant and equipment of approx C$350,000 (R$1,040,000) was purchased by way of a bank loan from BNDES Santander. The loan is secured by a fixed charge over the equipment purchased.

8. Property, plant and equipment - Company

	Computer Equipment $'000
Cost	
Balance at 1 January 2017 and 31 December 2017	105
Balance at 1 January 2018 and 31 December 2018	105
Depreciation and impairment losses	
Balance at 1 January 2017 and 31 December 2017	105
Balance at 1 January 2018 and 31 December 2018	105
Carrying amounts	
At 1 January 2017	-
At 31 December 2017	-
At 1 January 2018	-
At 31 December 2018	-

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
Amortisation	
Balance at 1 January 2018	-
Amortisation charge for the year	35
Balance at 31 December 2018	35
Carrying amounts	
At 1 January 2018	-
At 31 December 2018	28,641

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
Amortisation	
Balance at 1 January 2018	-
Amortisation charge for the year	-
Balance at 31 December 2018	-
Carrying amounts	
At 1 January 2018	-
At 31 December 2018	5,713

Commercial production

Commercial production was deemed to have been reached on July 1, 2018. (see note 2.19 critical judgements and estimates) .

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 2.19 . 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.

10. Intangible assets - group

	Projects		Total
	Cerrado Verde	Calcario	exploration costs
	$'000	$'000	$'000
Cost			
Balance at 1 January 2017	24,219	725	24,944
Additions	1,076	-	1,076
Pre-production revenue capitalised	(245)	-	(245)
Effect of movements in foreign exchange	(1,646)	(62)	(1,708)
Balance at 31 December 2017	23,404	663	24,067
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
Provision for impairment			
Balance at 1 January 2017	-	-	-
Impairment charge for the year	-	663	663
Balance at 31 December 2017	-	663	663
Balance at 1 January 2018	-	663	663
Effect of movements in foreign exchange	-	(47)	(47)
Balance at 31 December 2018	-	616	616
Carrying amounts			
At 1 January 2017	24,219	725	24,944
At 31 December 2017	23,404	-	23,404
At 1 January 2018	23,404	-	23,404
At 31 December 2018	-	-	-

The Calcario project was necessary for the production of limestone which is necessary for the production of the TK47® product. Following the decision to produce Super Greensand® 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 $616,000.

On the announcement of commercial production on July 1, 2018, the exploration and evaluation costs were transferred to mineral properties. See note 2.19 (Critical judgements) and 9 to the accounts.

10. Intangible assets - Company

	Cerrado Verde $'000	Total exploration costs $'000
Cost		
Balance at 1 January 2017	5,648	5,648
Additions	(37)	(37)
Balance at 31 December 2017	5,611	5,611
Balance at 1 January 2018	5,611	5,611
Additions	102	102
Transfer to mineral property on commercial production	(5,713)	(5,713)
Balance at 31 December 2018	-	-
Carrying amounts		
At 1 January 2017	5,648	5,648
At 31 December 2017	5,611	5,611
At 1 January 2018	5,611	5,611
At 31 December 2018	-	-

11. Investments - Company

	Investment in subsidiaries	Loans	Total
	$'000	$'000	$'000
Cost			
Balance at 1 January 2017	37,590	4,157	41,747
Additions	1,495	-	1,495
Balance at 31 December 2017	39,085	4,157	43,242
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

The loans balance represents an amount of $4,157,000 due from GB10N Limited. Although the loan is technically repayable on demand, 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 2018:

- 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 Super Greensand® to the Brazilian market. The registered office is at Avenida do Contorno, 6594, 7º andar – Lourdes, Belo Horizonte – MG, Brazil . 30.110-044.

GB10N Limited is an intermediate holding company.

12. Inventory

	Group 2018	Company 2018	Group 2017	Company 2017
	$'000	$'000	$'000	$'000
Finished goods	3	-	-	-
Packaging	125	-	-	-
Stockpile ore	186	-	-	-
	314	-	-	-

13. Trade and other receivables

	Group 2018	Company 2018	Group 2017	Company 2017
	$'000	$'000	$'000	$'000
Trade receivables	208	-	76	-
Other receivables	619	278	774	508
	827	278	850	508

14. Short-term deposits

During the year, the Group held $900,000 in short-term deposits with HSBC Bank Canada. At the year end, all deposits had matured. They were excluded from cash and cash equivalents for the purposes of the statement of cashflow and were disclosed as current assets. Term and interest rates were as follows:

Short-term deposits:	Principal 2017 $'000	Maturity date	Fixed Interest rate (per annum)
180 days	100	23/1/2018	1.37%
270 days	100	23/4/2018	1.44%
12 months	700	27/7/2018	1.51%
	900		

15. Cash and cash equivalents

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Cash at bank and in hand	836	441	645	388
	836	441	645	388

16. Share capital

	2018 Number	2018 $'000	2017 Number	2017 $'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	2018 Number	2018 $'000	2017 Number	2017 $'000
At 1 January	40,285,922	16,502	37,617,430	15,457
25 July 2017 for $1.05 each	-	-	1,727,075	677
26 September 2017 for $0.56 each	-	-	250,000	98
10 November 2017 for $0.42 each	-	-	500,000	196
27 November 2017 for $0.62 each	-	-	98,417	38
5 December 2017 for $0.425 each	-	-	18,000	7
5 December 2017 for $0.40 each	-	-	15,000	6
6 December 2017 for $0.41 each	-	-	60,000	23
12 March 2018 for $0.40 each	15,000	6	-	-
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	-	-
At 31 December	42,619,690	17,417	40,285,922	16,502

16. Share capital (continued)

During the year share capital increased by $915,000 and share premium increased by $274,000, totalling $1,189.000 as shown in the statement of changes in equity. Of this, $568,000 was paid in cash and $621,000 was payment for services received by C Veloso, the board of directors, key management and settlement of royalty payments.

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.

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.

17. Share warrant reserve

	2018	2018	2017	2017
	Number	$'000	Number	$'000
Balance at beginning of year	1,727,075	777	-	-
Fair value of warrants issued during year	-	-	1,727,075	777
Balance at end of year	1,727,075	777	1,727,075	777

1,727,075 Ordinary Share purchase warrants were issued on 25 July 2017, at a fair value of $0.45 each. The warrants are exercisable to purchase one Ordinary Share at an exercise price of $2.00 for a period of two years subject to an acceleration provision under which if the 20-day volume weighted average trading price of the Ordinary Shares on the Toronto Stock Exchange (the "TSX") exceeds C$2.20, the Company can accelerate the expiry date of the Warrants by giving notice that the expiry date of the Warrants has been accelerated to 30 days after the notice. The fair value of the share purchase warrants is measured using the Black-Scholes model assuming an expected volatility of 122%, a risk-free interest rate of 3.2% and a contractual life of the warrant of 3 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.

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.

18. 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:

	Weighted average exercise price 2018	Number of options 2018	Weighted average exercise price 2017	Number of options 2017
Outstanding at the beginning of the period	$0.58	3,566,998	$0.58	2,609,000
Granted during the period	$0.69	1,679,308	$0.45	1,089,998
Exercised during the period	$0.41	(1,388,846)	$0.34	(93,000)
Forfeited during the period	$0.65	(223,000)	$0.14	(4,000)
Expired during the period	$0.00	-	$2.63	(35,000)
Outstanding at the end of the period	$0.61	3,634,460	$0.44	3,566,998
Exercisable at the end of the period	$0.57	581,152	$0.49	1,568,299

The options outstanding at 31 December 2018 have an exercise price in the range of $0.40 to $1.05 (2017: $0.40 to $0.83) and a weighted average remaining contractual life of 6.8 years (2017: 3.7 years). Four options were issued in 2018. The first issue in May 2018 will vest in six tranches, 10% a year after issue with an additional 10% vest each subsequent year. At the sixth year from grant, the remaining 50% of the options vest. The second issue in May 2018 will vest in three tranches, 10% on date of issue, 10% a month later and the remaining 80% a year later. The third issued in September 2018 will be vested in one tranche, a year after issue. The fourth issued in September 2018 will be vested in one tranche, five years after issue. At 31 December 2018, 581,152 of the options had vested (31 December 2017: 1,568,299).

Fair value of share options and assumptions	2018	2017
	$'000	$'000
Weighted average fair value of options granted during the year	0.45	0.30
Weighted average share price	0.46	0.47
Weighted average exercise price	0.49	0.47
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	138%	146%
Option life	1 – 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.

	2018	2017
	$'000	$'000
Total expense recognized as employee and consultants costs	181	321

18. Share-based payments (continued)

Details of share options outstanding at 31 December 2018 are as follows:

	Number of options							Exercisable period	
Outstanding at beginning of period	Granted	Expired	Forfeited	Exercised	Outstanding at end of period	Exercisable at end of period	Option price $	Grant date	Expiry date
165,000	-	-	(165,000)	-	-	-	$0.74	15 July 2013	15 July 2018
20,000	-	-	-	(20,000)	-	-	$0.45	19 September 2013	19 September 2018
30,000	-	-	-	(30,000)	-	-	$0.41	8 October 2013	8 October 2018
165,000	-	-	-	-	165,000	165,000	$0.78	14 January 2014	14 January 2019
2,002,000	-	-	(18,000)	(750,000)	1,234,000	50,000	$0.425	10 December 2014	10 December 2024
20,000	-	-	-	-	20,000	8,000	$0.40	12 November 2015	12 November 2025
90,000	-	-	(40,000)	-	50,000	20,000	$0.40	10 December 2015	10 December 2025
814,998	-	-	-	(568,846)	246,152	246,152	$0.40	31 January 2017	31 January 2027
200,000	-	-	-	(20,000)	180,000	20,000	$0.40	9 February 2017	9 February 2027
60,000	-	-	-	-	60,000	52,000	$0.83	12 May 2017	12 May 2027
-	200,000	-	-	-	200,000	-	$1.02	30 May 2018	30 May 2028
-	100,000	-	-	-	100,000	20,000	$1.05	30 May 2018	30 June 2020
-	1,244,308	-	-	-	1,244,308	-	$0.61	24 September 2018	24 September 2028
-	135,000	-	-	-	135,000	-	$0.61	24 September 2018	24 September 2028
3,566,998	1,679,308	-	(223,000)	(1,388,846)	3,634,460	581,152			

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.

19. Interest-bearing loans and borrowings

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Non-current liabilities				
Bank loan	280	-	-	-
Current liabilities				
Bank loan	85	-	-	-
	365	-	-	-

The Group received a loan during the year from BNDES Santander of B$1,040,000. Per the terms of the agreement, the loan is for sixty months with a twelve month grace period. The loan is repayable by May 2023 and interest charged at a variable IPCA rate with fixed elements of 7.05%. At the year end, the total rate payable was 9.57%. The loan is secured by a fixed charge over the equipment purchased.

19. Interest-bearing loans and borrowings (continued)

Repayment analysis of the bank loan is as follows:

	Less than one year $'000	2 – 3 years $'000	Greater than 4 years $'000
Bank loan	85	219	61

20. Provisions

	2018 $'000	2017 $'000
Mine closure provision		
Opening balance	-	-
Additions	6,260	-
Unwinding of discount	48	-
	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. As the mine was not operation in the previous year, there was no obligation to provide for closure cost in 2017.

21. Trade and other payables

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Trade payables	235	107	75	49
Corporation tax	41	-	-	-
Other payables	343	18	235	45
Amounts owed to Group undertakings	-	20	-	20
Accruals and deferred income	493	166	155	144
	1,112	311	465	258

Income of $323,248 has been deferred relating to orders paid for in advance of delivery

22. Commitments and contingent liabilities

Commitments

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

	2018 $'000	2017 $'000
Amount payable within one year	44	47
Amounts payable after more than one year and less than five years	65	68
After five years	370	392
	479	507

22. Commitments and contingent liabilities (continued)

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:

	2018	2017
	$'000	$'000
Amount payable within one year	80	-
	80	-

Contingent liabilities

During the previous year the Group received an unfavourable arbitration decision in favour of a private Brazilian consultancy company that undertook environmental studies between 2010 and 2013 claiming an amount of approximately $488,000. The Group successfully appealed the arbitration decision in January 2018 and the appeal was upheld. In addition the Group had a second appeal affirmed to suspend the enforcement of the arbitration award against them. The claimant subsequently filed an appeal which was dismissed. The Group and the claimant are able to appeal the previous decisions and, until the courts issue a final decision which overturns the initial arbitration award , the Group would not need to make payment. The final decision would expected to be made with 1.5 to 6 years. The Group considers that he likeliness of making any payment is possible and as such no provision has been made.

Brazilian labour law entitles a former employee to lodge within two years of leaving the company claims 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.

23. 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 at 31 December 2018.

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:

23. Financial instruments (continued)

	Group 2018 $'000	Company 2018 $'000	Group 2017 $'000	Company 2017 $'000
Canadian Dollars	406	406	1,122	1,122
Brazilian Reais	395	-	257	-
American Dollars	4	4	156	156
British Pounds	31	31	10	10
	836	441	1,545	1,288

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 6.5%.

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.

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 2018 $'000	Equity 2017 $'000
10% weakening of Brazilian Real	(1)	(45)
10% strengthening of Brazilian Real	1	55

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 counter-parties 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 has a significant concentration of credit risk arising from its bank holdings of cash and cash equivalents. This risk is mitigated by holding balances with banks having a high credit rating.

23. 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.

24. Related party transactions

Key management compensation was as follows:

Year ended 31 December 2018	Fees	Short term employment benefits	Share-based payments	2018 Total
	$'000	$'000	$'000	$'000
C Veloso	-	420	76	496
R Gomes	12	-	8	20
G Fonseca	11	-	8	19
A Paulinelli	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

C Veloso and all other board of directors compensation to 31 October 2018 was settled by issue of shares in the Company.

At 31 December 2018, C Veloso and all other board of directors were owed $84,000. Other key management personnel were owed $30,000 (2017: $84,000).

24. Related party transactions (continued)

Year ended 31 December 2017	Fees	Short term employment benefits	Share-based payments	2016 Total
	$'000	$'000	$'000	$'000
C Veloso	-	420	184	604
R Gomes	12	-	22	34
G Fonseca	11	-	22	33
A Paulinelli	11	-	12	23
P M Ribeiro	11	-	20	31
Directors' total	45	420	260	725
Other key management	-	127	26	153
Total	45	547	286	878

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 18 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:

For the 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 Paulinelli	226,538	-		-	226,538
P Machado 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

For the year ended 31 December 2017	Outstanding at beginning of period	Granted	Reclassified	Exercised	Outstanding at end of period
C Veloso	1,500,000	492,308			1,992,308
R Gomes	165,000	61,538			226,538
G Fonseca	165,000	61,538			226,538
A Paulinelli	165,000	61,538			226,538
A Schettino	165,000	61,538	(226,538)	-	-
P Machado Ribeiro	-	200,000			200,000
Directors total	2,160,000	938,460	(226,538)		2,871,922
Other key management	190,000	91,538	226,538	(33,000)	475,076
Total	2,350,000	1,029,998	-	(33,000)	3,346,998

24. Related party transactions (continued)

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

25. Subsequent events

On February 26, 2019 the group announced a non-brokered private placement to raise up to C$1 million (the “Placement”) through the issuance of up to 1,666,666 units of securities (“Units”) at a price of $ 0.60 per Unit.
Each Unit will be comprised of one ordinary share of the Company (an “Ordinary Share”) and one-half of one Ordinary Share purchase warrant (a “Warrant”). Each whole Warrant will be exercisable to purchase an Ordinary Share at an exercise price of C$1.00 until the second anniversary of the closing of the Placement. The Warrants will be unlisted.

On March 4, 2019 the group was pleased to welcome 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 will be based in Belo Horizonte, Brazil, and will replace Mr. Tim Slater, who has acted as the Company’s interim CFO for the past few years, based out of London, UK.