

VERDE AGRITECH PLC  
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THIRD QUARTER ENDED 30 SEPTEMBER 2019



## VERDE AGRITECH PLC

### UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

The accompanying unaudited consolidated financial statements of Verde AgriTech Plc ("Verde", the "Company", or the "Group") for the third quarter ended 30 September 2019 have been prepared by and are the responsibility of the Company's management. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Auditing and Assurance Board ("IAASB") and as adopted by the European Union and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended 31 December 2018. The financial information has not been reviewed or audited by the Company's auditor.

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

# VERDE AGRITECH PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 September 2019  
(EXPRESSED IN CANADIAN DOLLARS)

	Note	3 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2018 \$'000	9 months ended 30 Sept 2019 \$'000	9 months ended 30 Sept 2018 \$'000
<b>Continuing operations</b>					
Revenue		3,055	666	4,538	666
Production costs		(1,496)	(401)	(2,205)	(401)
Gross profit		1,559	265	2,333	265
Selling and distribution expenses		(108)	-	(196)	-
Administrative expenses		(1,324)	(558)	(2,979)	(1,365)
Operating profit / (loss)		127	(293)	(842)	(1,100)
Finance income		5	2	10	7
Finance costs		(35)	(17)	(118)	(17)
Profit / (loss) before tax		97	(308)	(950)	(1,110)
Income tax expense		(96)	-	(145)	-
<b>Profit / (loss) for the period attributable to equity holders of the parent</b>		<b>1</b>	<b>(308)</b>	<b>(1,095)</b>	<b>(1,110)</b>
<b>Other comprehensive loss:</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating foreign operations		(1,359)	(962)	(1,843)	(2,822)
Other comprehensive income for the period (net of tax)		(1,359)	(962)	(1,837)	(2,822)
<b>Total comprehensive loss for the period attributable to equity holders of the parent</b>		<b>(1,358)</b>	<b>(1,270)</b>	<b>(2,932)</b>	<b>(3,932)</b>
<b>Loss per share</b>					
Basic and diluted loss per share	4	0.000	(0.007)	(0.024)	(0.027)

# VERDE AGRITECH PLC

## STATEMENT OF FINANCIAL POSITION

As at 30 September 2019  
(EXPRESSED IN CANADIAN DOLLARS)

	Note	30 Sept 2019 \$'000	31 Dec 2018 \$'000
<b>Assets</b>			
Property, plant and equipment	5	1,675	992
Mineral properties	6	26,549	28,641
Intangible assets	7	-	-
Total non-current assets		28,224	29,633
Inventory		342	314
Trade and other receivables		2,412	827
Cash and cash equivalents	13	742	836
Total current assets		3,496	1,977
Total assets		31,720	31,610
<b>Equity attributable to the equity holders of the parent</b>			
Issued capital	8	18,752	17,417
Share premium		47,128	46,146
Warrant reserve	9	431	777
Merger reserve		(4,557)	(4,557)
Translation reserve		(11,930)	(10,093)
Accumulated losses		(26,059)	(25,865)
Total equity		23,765	23,825
<b>Liabilities</b>			
Interest-bearing loans and borrowings	11	301	280
Provisions	12	5,777	6,308
Total non-current liabilities		6,078	6,588
Interest-bearing loans and borrowings	11	129	85
Trade and other payables		1,748	1,112
Total current liabilities		1,877	1,197
Total liabilities		7,955	7,785
Total equity and liabilities		31,720	31,610

# VERDE AGRITECH PLC

## STATEMENTS OF CASH FLOWS

For the Quarter Ended 30 September 2019  
(EXPRESSED IN CANADIAN DOLLARS)

	3 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2018 \$'000	9 months ended 30 Sept 2019 \$'000	9 months ended 30 Sept 2018 \$'000
<b>Cash flows from operating activities</b>				
Operating profit / (loss)	127	(293)	(842)	(1,100)
Depreciation and depletion	38	14	84	26
Loss on disposal of plant and equipment	-	-	-	3
Foreign exchange differences	382	(16)	645	20
Share-based payments	446	70	901	133
Decrease / (Increase) in inventories	374	(76)	(28)	(76)
(Increase) / Decrease in receivables	(924)	(486)	(1,585)	(445)
(Decrease) / Increase in payables	(84)	555	137	844
Cash utilised in operations	359	(232)	(688)	(595)
Interest paid	36	(5)	(47)	(5)
Taxation paid	(97)	-	(145)	-
<b>Net cash generated / (utilised) in operating activities</b>	<b>298</b>	<b>(237)</b>	<b>(880)</b>	<b>(600)</b>
<b>Cash flows from investing activities</b>				
Interest received	5	2	10	7
Redemption of short-term deposits	-	-	-	900
Revenue receipts capitalised	-	30	-	125
Acquisition of mineral property assets	(47)	-	(209)	-
Acquisition of evaluation and exploration assets	-	(4)	-	(337)
Acquisition of property, plant and equipment	(596)	(420)	(892)	(781)
<b>Net cash utilised in investing activities</b>	<b>(638)</b>	<b>(392)</b>	<b>(1,091)</b>	<b>(86)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares and warrants	35	9	1,863	60
Bank loan received	71	335	71	335
<b>Net cash generated from financing activities</b>	<b>106</b>	<b>344</b>	<b>1,934</b>	<b>395</b>
Net increase/(decrease) in cash and cash equivalents	(234)	(285)	(37)	(291)
Cash and cash equivalents at beginning of period	1,022	612	836	645
Effect of exchange rate fluctuations on cash held	(46)	(28)	(57)	(55)
<b>Cash and cash equivalents at end of period</b>	<b>742</b>	<b>299</b>	<b>742</b>	<b>299</b>

# VERDE AGRITECH PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<b>Period to 30 September 2018</b> <b>(EXPRESSED IN CANADIAN DOLLARS)</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Share warrant reserve \$'000</b>	<b>Merger reserve \$'000</b>	<b>Translation reserve \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2018	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	-	-	(1,110)	(1,110)
Foreign exchange translation differences	-	-	-	-	(2,822)	-	(2,822)
Total comprehensive loss for the period	-	-	-	-	(2,822)	(1,110)	(3,932)
<b>Transactions with owners</b>							
Issue of share capital	915	274	-	-	-	-	1,189
Share-based payments	-	-	-	-	-	133	133
Transactions with owners	915	274	-	-	-	133	1,322
Balance at 30 September 2018	17,417	46,146	777	(4,557)	(11,571)	(25,275)	22,937

<b>Period to 30 September 2019</b> <b>(EXPRESSED IN CANADIAN DOLLARS)</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Share warrant reserve \$'000</b>	<b>Merger reserve \$'000</b>	<b>Translation reserve \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total \$'000</b>
Balance at 1 January 2019	17,417	46,146	777	(4,557)	(10,093)	(25,865)	23,825
<b>Comprehensive Income</b>							
Loss for the period	-	-	-	-	-	(1,095)	(1,095)
Foreign exchange translation differences	-	-	-	-	(1,837)	-	(1,837)
Total other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(1,837)	(1,095)	(2,932)
<b>Transactions with owners</b>							
Issue of share capital	1,335	982	431	-	-	-	2,748
Expiry of share warrants	-	-	(777)	-	-	-	(777)
Share-based payments	-	-	-	-	-	901	901
Total transactions with owners	1,335	982	(346)	-	-	901	2,872
Balance at 30 September 2019	18,752	47,128	431	(4,557)	(11,930)	(26,059)	23,866

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 1. Nature of operation and going concern

The Directors have prepared cash flow forecasts for the Group covering a period through to the end of May 2020. At September 30, 2019, the Group had current assets of \$3,496,000 and current liabilities of \$1,877,000 providing a working capital surplus of \$1,619,000.

The cash forecast to May 2020 is based on the ramp up production 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 generate sufficient cash flows to continue its operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the annual financial statements.

### 2. Significant accounting policies

Verde Agritech Plc is a company domiciled in England and Wales. The interim statements of the Company for the third quarter ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the acquisition and development of mineral resource assets. The interim financial statements have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' issued by the IASB and as adopted by the European Union.

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

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended 31 December 2018. The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union and with IFRSs and the interpretations issued by the IASB.

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2018.

The statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

### 3. Operating segments

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker, C Veloso, in order to allocate resources to the segments and to assess their performance.

The Group's operations relate to the 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.

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 4. Loss per share

#### Basic loss per share

The calculation of basic loss per share at 30 September 2019 was based on the loss attributable to ordinary shareholders of \$1,095,000 (30 September 2018: \$1,110,000) and a weighted average number of ordinary shares outstanding during the period ended 30 September 2019 of 45,105,018 (30 September 2018: 40,481,539) calculated as follows:

#### Loss attributable to ordinary shareholders

	<b>9 months ended 30 Sept 2019</b>	9 months ended 30 Sept 2018
	<b>\$'000</b>	\$'000
Loss for the period	<b>(1,095)</b>	(802)
Loss attributable to ordinary shareholders	<b>(1,095)</b>	(802)

#### Weighted average number of ordinary shares

	<b>Number '000</b>	Number '000
Number of shares in issue at beginning of period	<b>42,620</b>	40,286
Effect of shares issued during period	<b>2,485</b>	103
Weighted average number of ordinary shares in issue for the period	<b>45,105</b>	40,389

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

Details of share options that could potentially dilute earnings per share in future periods are set out in note 10.



# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 5. Property, plant and equipment

	\$'000
<b>Cost</b>	
Balance at 1 January 2018	450
Additions	845
Disposals	(6)
Effect of movements in foreign exchange	(32)
Balance at 31 December 2018	<u>1,257</u>
Balance at 1 January 2019	<b>1,257</b>
Additions	<b>892</b>
Effect of movements in foreign exchange	<b>(171)</b>
Balance at 30 September 2019	<b>1,978</b>
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2018	237
Depreciation charge for the year	40
Disposals	(4)
Effect of movements in foreign exchange	(8)
Balance at 31 December 2018	<u>265</u>
Balance at 1 January 2019	<b>265</b>
Depreciation charge for the year	<b>57</b>
Effect of movements in foreign exchange	<b>(19)</b>
Balance at 30 September 2019	<b>303</b>
<b>Carrying amounts</b>	
At 1 January 2018	<u>213</u>
At 31 December 2018	<u>992</u>
At 1 January 2019	<b>992</b>
At 30 September 2019	<b>1,675</b>

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 6. Mineral properties

	<b>Total \$'000</b>
<b>Cost</b>	
Balance at 1 January 2018	-
Transfer from exploration costs	22,416
Provision for mine closure costs	6,260
Balance at 31 December 2018	<u>28,676</u>
Balance at 1 January 2019	<b>28,676</b>
Additions	<b>209</b>
Effect of movements in foreign exchange	<b>(2,275)</b>
Balance at 30 September 2019	<b>26,610</b>
<b>Amortisation</b>	
Balance at 1 January 2018	-
Amortisation charge for the period	35
Balance at 31 December 2018	<u>35</u>
Balance at 1 January 2019	<b>35</b>
Amortisation charge for the year	<b>32</b>
Effect of movements in foreign exchange	<b>(6)</b>
Balance at 30 September 2019	<b>61</b>
<b>Carrying amounts</b>	
At 1 January 2018	-
At 31 December 2018	<u>28,641</u>
At 1 January 2019	<b>28,641</b>
At 30 September 2019	<b>26,549</b>

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 7. Intangible assets

	Projects		Total exploration costs \$'000
	Cerrado Verde \$'000	Calcario \$'000	
<b>Cost</b>			
Balance at 1 January 2018	23,404	663	24,067
Additions	488	-	488
Pre-production revenue capitalised	(116)	-	(116)
Transfer to inventory on commercial production	(80)	-	(80)
Transfer to mineral property on commercial production	(22,416)	-	(22,416)
Effect of movements in foreign exchange	(1,280)	(47)	(1,327)
Balance at 31 December 2018	-	616	616
Balance at 1 January 2019	-	616	616
Effect of movements in foreign exchange	-	(59)	(59)
Balance at 30 September 2019	-	557	557
<b>Provision for impairment</b>			
Balance at 1 January 2018	-	663	663
Effect of movements in foreign exchange	-	(47)	(47)
Balance at 31 December 2018	-	616	616
Balance at 1 January 2019	-	616	616
Effect of movements in foreign exchange	-	(59)	(59)
Balance at 30 September 2019	-	557	557
<b>Carrying amounts</b>			
At 1 January 2018	23,405	-	23,405
At 31 December 2018	-	-	-
At 1 January 2019	-	-	-
At 30 September 2019	-	-	-

The Calcario project was necessary for the production of limestone for the TK47<sup>®</sup> product. Following the decision to produce Super Greensand<sup>®</sup> the Company will retain title to this project and is considering various options for its future. A provision of \$616,000 was made against the project in 2018. At current exchange rates this provision has been revalued as \$557,000.

On the announcement of commercial production on July 1, 2018, the Cerrado Verde exploration and evaluation project costs for the were transferred to mineral properties.

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 8. Share capital

	30 Sept 2019	30 Sept 2019	31 Dec 2018	31 Dec 2018
	Number	\$'000	Number	\$'000
Authorised - Ordinary shares of \$0.3918 each	<b>500,000,000</b>	<b>195,900</b>	500,000,000	195,900
Issued - Ordinary shares of \$0.3918 each				
At beginning and end of period	<b>42,619,690</b>	<b>17,417</b>	40,285,922	16,502
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
4 March 2019 for \$0.63 each	<b>173,548</b>	<b>68</b>	-	-
4 March 2019 for \$0.40 each	<b>159,076</b>	<b>62</b>	-	-
4 March 2019 for \$0.425 each	<b>169,800</b>	<b>66</b>	-	-
12 March 2019 for \$0.60 each	<b>2,820,114</b>	<b>1,105</b>	-	-
30 August 2019 for \$0.425 each	<b>25,000</b>	<b>10</b>	-	-
30 August 2019 for \$0.40 each	<b>61,538</b>	<b>24</b>	-	-
At end of period	<b>46,028,766</b>	<b>18,752</b>	42,619,690	17,417

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.

### 9. Share warrants

	30 Sept 2019	30 Sept 2019	31 Dec 2018	31 Dec 2018
	Number	\$'000	Number	\$'000
Balance at beginning of period	<b>1,727,075</b>	<b>777</b>	1,727,075	777
Fair value of warrants issued during the period	<b>1,410,057</b>	<b>431</b>	-	-
Expired during the period	<b>(1,727,075)</b>	<b>(777)</b>	-	-
Balance at end of period	<b>1,410,057</b>	<b>431</b>	1,727,075	777

1,410,057 Ordinary Share purchase warrants were issued on 12 March 2019, at a fair value of \$0.31 each. The warrants are exercisable to purchase one Ordinary Share at an exercise price of \$1.00 for a period of two years.

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

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 10. Share-based payments

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

	Weighted average exercise price 30 Sept 2019	Number of options 30 Sept 2019	Weighted average exercise price 31 Dec 2018	Number of options 31 Dec 2018
Outstanding at the beginning of the period	\$0.61	3,634,460	\$0.58	3,566,998
Granted during the period	\$0.70	983,876	\$0.69	1,679,308
Exercised during the period	\$0.43	(415,414)	\$0.41	(1,388,846)
Forfeited during the period	\$0.80	(260,000)	\$0.65	(223,000)
Expired during the period	\$0.30	(165,000)	\$0.00	-
Outstanding at the end of the period	\$0.69	3,777,922	\$0.61	3,634,460
Exercisable at the end of the period	\$0.61	1,949,922	\$0.57	581,152

The options outstanding at 30 September 2019 have an exercise price in the range of \$0.40 to \$1.02 and a weighted average remaining contractual life of 7 years. Four options have been issued in 2019. The first option vested immediately. The second, third and fourth options will vest in six tranches, 10% annually for the first 5 years and the remaining 50% in the final year. At 30 September 2019, 1,949,922 of the options had vested (31 December 2018: 581,152).

Details of share options outstanding at 30 September 2019 are as follows:

Outstanding at beginning of period	Number of options				Outstanding at end of period	Exercisable at end of period	Option price \$	Exercisable period	
	Granted	Expired	Forfeited	Exercised				Grant date	Expiry date
165,000	-	(165,000)	-	-	-	\$0.78	14 January 2014	14 January 2019	
1,234,000	-	-	-	(194,800)	1,039,200	\$0.425	10 December 2014	10 December 2024	
20,000	-	-	-	-	20,000	\$0.40	12 November 2015	12 November 2025	
50,000	-	-	-	-	50,000	\$0.40	10 December 2015	10 December 2025	
246,152	-	-	-	(184,614)	61,538	\$0.40	31 January 2017	31 January 2027	
180,000	-	-	-	(36,000)	144,000	\$0.40	9 February 2017	9 February 2027	
60,000	-	-	(60,000)	-	-	\$0.83	12 May 2017	12 May 2027	
200,000	-	-	-	-	200,000	\$1.02	30 May 2018	30 May 2028	
100,000	-	-	(100,000)	-	-	\$1.05	30 May 2018	30 June 2020	
1,244,308	-	-	-	-	1,244,308	\$0.61	24 September 2018	24 September 2028	
135,000	-	-	(10,000)	-	125,000	\$0.61	24 September 2018	24 September 2028	
-	328,876	-	-	-	328,876	\$0.63	1 March 2019	1 March 2029	
-	455,000	-	-	-	455,000	\$0.63	1 March 2019	1 March 2029	
-	130,000	-	(90,000)	-	40,000	\$0.64	31 May 2019	31 May 2029	
-	70,000	-	-	-	70,000	\$0.67	31 May 2019	31 May 2029	
3,634,460	983,876	(165,000)	(260,000)	(415,414)	3,777,922	1,949,922			

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 10. Share-based payments (continued)

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

#### Fair value of share options and assumptions

	<b>30 Sept 2019</b>	30 Sept 2018
	<b>\$'000</b>	\$'000
Weighted average fair value of options granted during the period	<b>0.37</b>	0.36
Weighted average share price	<b>0.63</b>	0.69
Weighted average exercise price	<b>0.63</b>	0.69
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	<b>98.83%</b>	137.66%
Option life	<b>1 – 6</b>	1 – 5
Expected dividends	<b>-</b>	-
Risk-free interest rate (based on national government bonds)	<b>0.02%</b>	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.

	<b>3 months to 30 Sept 2019</b>	3 months to 30 Sept 2018	<b>9 months to 30 Sept 2019</b>	9 months to 30 Sept 2018
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Total expense recognized as employee and consultants costs	<b>109</b>	69	<b>588</b>	61

### 11. Interest-bearing loans and borrowings

	<b>30 Sept 2019</b>	30 Sept 2018
	<b>\$'000</b>	\$'000
<b>Non-current liabilities</b>		
Bank loan	<b>301</b>	307
<b>Current liabilities</b>		
Bank loan	<b>129</b>	40

The Group has three loans from BNDES Santander bank to assist with the mine expansion.

The first loan was received in 2018 for B\$1,040,000. The terms of the agreement are 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 period end, the total rate payable was 8.37%.

The second and third loans were received in 2019 for B\$150,000 and B\$73,000 retrospectively. The terms of the agreements are the loans are for forty two months with a six month grace period. Each loan is repayable by October 2022 and interest charged at a variable IPCA rate with fixed elements of 7.12%. At the period end, the total rate payable was 8.26%.

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 12. Provisions

	30 Sept 2019	30 Sept 2018
	\$'000	\$'000
<b>Mine closure provision</b>		
Opening balance	6,308	-
Unwinding of discount	66	-
Effect of movements in foreign exchange	(597)	-
	<b>5,777</b>	-

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.

### 13. Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk, each of which is discussed below. Late receivables are below 0,1% of the total sold until September 30, 2019, and bank deposits are made with financial institutions considered to be safe by the Board of Directors. There were no derivative instruments outstanding on September 30, 2019.

#### Foreign currency risk

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

The appreciation of 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. 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.

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

	30 Sept 2019	31 Dec 2018
	\$'000	\$'000
Canadian Dollars	361	406
Brazilian Reais	273	395
British Pounds	55	4
American Dollars	54	31
	<b>742</b>	836

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 13. Financial Instruments (continued)

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

	Equity	
	30 Sept 2019	31 Dec 2018
	\$'000	\$'000
10% weakening of Brazilian Real	26	(1)
10% strengthening of Brazilian Real	(21)	1

#### Liquidity risk

To date the Group and Company have relied on shareholder funding to finance its operations. As the Group and Company have finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources. In addition, the Group has long-term loans and trade and other payables with maturity of less 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 no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

#### Financial assets

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

#### Fair values

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

#### Classes of financial instruments

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

### 14. Subsequent events

- Plant 1 expansion was concluded in October increasing Plant 1's production capacity to 500 thousand tonnes per year.