



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

Glossary	3
To our Shareholders.....	9
Forward Looking Statements	9
Group Overview	10
Q4 2021 Financial Highlights	10
FY 2021 Financial Highlights	11
Subsequent Events	11
Operations.....	12
Outlook	12
Selected Annual Financial Information.....	14
Selected Quarterly Financial Information	14
Results of Operations.....	15
Sales Expenses.....	18
General and Administrative Expenses	20
Income tax.....	22
Liquidity and Cash Flows	22
Interest-bearing loans and borrowings.....	24
Summary of Interest-bearing loans and borrowings	24
Commitments and Contingent Liabilities.....	24
Off-Balance Sheet Financing	25
Financial Instruments	25
Financial Reporting Standards.....	26
Critical Judgements and Accounting Estimates	27
Management’s Report on Internal Controls	28
Outstanding Share Data.....	28
Risks.....	29
Qualified Person.....	37
Further information	37

GLOSSARY

3D Alliance®: Technology developed to transform the three-dimensional structure of the raw materials added to the fertilizer. The materials are subjected to a mechanical process, increasing their specific surfaces and forming microparticles that release nutrients progressively. The fertilizers resulting from the mixture are homogeneous and can be evenly distributed in the soil. The 3D Alliance® technology is used in the BAKS® production process.

ANM: See “National Mining Agency”.

BAKS®: The Group’s newest product, which is a combination of K Forte® (source of potassium, silicon and magnesium) plus three other nutrients that can be chosen by customers according to their crops’ needs. BAKS® was launched by the Group on December 15, 2020.

Cerrado Verde Project (“the Project”): Located in Minas Gerais state, Brazil. Potassium-rich deposit owned by Verde, from which the Group is producing solutions for crop nutrition, crop protection, soil improvement, and increased sustainability. The Project has an NI 43-101 Measured and Indicated Mineral Resource Estimate of 1.47 billion tonnes at a grade of 9.2% K₂O, which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K₂O. The Pre-Feasibility Study of the Project evaluated the technical and financial aspects of producing 25 Mtpy of the Product divided in three phases: Phase 1 (0.6 Mtpy); Phase 2 (5 Mtpy) and Phase 3 (25 Mtpy). The Cerrado Verde Project has been in production since 2017.

CIF (“Cost Insurance and Freight”): Shipment term used to indicate that the seller is responsible for the goods and costs of insurance and freight from the factory to the buyer’s destination.

Exploration Authorisation Application (“Requerimento de Pesquisa”): Claim for the geological exploration of an area. Interested parties must file an application for exploration authorisation with the ANM and state a case for conducting mineral exploration activities. The Exploration Authorisation Applications are analysed in order of filing date. If the party requesting an exploration authorisation meets the necessary legal requirements and an exploration authorisation has not been previously issued for any part of the area in question, then the ANM will grant the exploration authorisation.

Exploration Authorisation (“Alvará de Pesquisa”): Once mineral exploration is completed, a final exploration report must be submitted for ANM’s review and approval. If approved, the next step is to file, within one year, all applications for a mining concession with the Ministry of Mines and Energy (MME). The Exploration Authorisation guarantees to the owner, be it an individual or a legal entity, the power and duty to carry out mineral research work in the entitled area. It grants the rights to conduct exploration activities for a period from two to four years, which may be renewed for an additional period (and potentially additional renewals on a case-by-case basis). An exploration authorisation does not entitle the holder the right to extract mineral substances. During the research work, extraction will only be allowed in exceptional circumstances, with a specific title

issued by the ANM (Mining Permit – “Guia de Utilização”). At the end of the research stage, the holder of the mining right must present a Final Exploration Report with the results obtained from the work.

Environmental License (“Licença Ambiental”): The environmental licensing process consists of a three-step system, each step is a separate license contingent upon the prior step. In the state of Minas Gerais there is the possibility of licensing phases simultaneously, depending on the size of the project, according to the Normative Resolution 217/2017. The three phases are, as follows:

- **Preliminary License (“Licença Prévia – LP”):** Granted at the planning stage of the project, this license signals the approval of its location, concept and environmental feasibility. It establishes the basic requirements to be met during the subsequent implementation phases. The maximum term for LPs is five years.
- **Installation License (“Licença de Instalação – LI”):** This license authorises the setup of the works and commencement of construction based on the specifications set forth in the previous license and the approved plans, programs and project designs, including environmental control measures. The maximum term for LIs is six years.
- **Operating License (“Licença de Operação – LO”):** This license authorises the operation contingent upon compliance with the terms of the LO and the LI, including any environmental control measures and operating conditions. The maximum term for LOs is 10 years.

At the federal level, the environmental licenses are regulated by the Brazilian National Council for the Environment (“Conselho Nacional do Meio Ambiente - CONAMA”) Resolution No. 237/1997 and by Complementary Law No. 140/2011; at the state level, the environmental license are regulated by the State Environmental Policy Council (“Conselho Estadual de Política Ambiental – COPAM”).

Feasibility Study (“Plano de Aproveitamento Econômico – PAE”): report filed as part of the Mining Concession Application. It demonstrates quantitative geological and technological study of the mineral deposit and as well as demonstrating the technical-economic feasibility of a mine.

Final Exploration Report (“Relatório Final de Pesquisa”): At the end of the exploration stage, the holder of the mining right must present a Final Exploration Report with the results obtained from the work, containing a quantitative geological and technological study of the mineral deposit and demonstrate the technical-economic feasibility of a mine. The ANM analyses this report technically through a site visit. If the ANM approves the report based on the potential merits of a future mining operation, the titleholder has a one-year period to prepare and file the Mining Concession Application with the Federal Minister of Mines and Energy.

FOB (“Free on Board”): Shipment term used to indicate that the buyer is responsible for the goods and costs of insurance and freight from the seller’s product factory.

Group: Verde AgriTech Plc and its subsidiaries.

Hectare: Metric unit of square measure, equal to 10,000 square meters.

KCl: See “Potassium Chloride”.

K Forte® (“the Product”): Multinutrient potassium fertilizer brand marketed in Brazil by the Group.

K₂O: Chemical term used in the analysis and marketing of fertilizers that contain different potassium compounds, as a comparison of their relative potassium content when compared to equivalent potassium oxide (K₂O).

Kilometer: Metric unit of measurement approximately equal to 0.62 miles.

MME: See “Ministry of Mines and Energy”.

Micro S Technology®: The Group’s exclusive elemental sulfur micronization technology, that allows for a larger contact surface. This facilitates the work of microorganisms and oxidation rate increases and so nutrients become available to plants more efficiently. This increases the absorption of sulfur and, consequently, the development of the plant. Micro S Technology® allows micronized sulfur, one of the additional nutrients most required by farmers, to be added to BAKS®.

Mine Site: An economic unit comprised of an underground and/or open pit mine, a treatment plant and equipment and other facilities necessary to produce metals concentrates, in existence at a certain location.

Mineral Reserve: A mineral reserve is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which mineral reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a mineral reserve must be demonstrated by a pre-feasibility study or feasibility study.

Probable Mineral Reserve: The economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applied to a probable mineral reserve is lower than that applied to a proven mineral reserve.

- **Proven Mineral Reserve:** The economically minable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors.

Mineral Resource A mineral resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

- **Indicated Mineral Resource:** That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. An indicated mineral resource has a lower level of confidence than that applied to a measured mineral resource and may only be converted to a probable mineral reserve.
- **Inferred Mineral Resource:** That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.
- **Measured Mineral Resource:** That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve.

Mineral Right (“Direito Minerário”): Authorisation to research and/or prospect a tenement. It is granted by the federal government through the ANM or the MME, depending on their respective competencies.

Mineralization: The concentration of minerals within a body of rock.

Mining Concession Application (“Requerimento de Lavra”): This application must satisfy certain requirements, including the presentation of the mining Group’s Feasibility Study (“Plano de Aproveitamento

Econômico – PAE”). While the ANM reviews the application for a mining concession, the applicant retains the exclusive rights to this area. Mine construction and development activity can only begin after the publication of a mining concession issued by the MME and provided that the respective license is also granted pursuant to applicable Brazilian environmental laws.

Mining Concession (“Portaria de Concessão de Lavra”): guarantees to the owner the power and duty to explore the mineral deposit until it is exhausted, without a definite term. The title can only be obtained by mining companies and only after undertaking the authorised exploration through an exploration authorisation and subsequent approval of the Final Exploration Report. One of the essential documents for requesting a mining concession is the Feasibility Study, which must demonstrate the technical and economic viability of the project and indicate, among other information, the mining method, the planned scale of production and the mine closure plan.

Mining Permit (“Guia de Utilização”): exceptional mining permit with predetermined expiration date. It is granted by the ANM and allows the mineral extraction in the area before the grant of a Mining Concession, according to the environmental legislation.

Ministry of Mines and Energy (“Ministério de Minas e Energia – MME”): federal government’s branch responsible for making public policy that covers the geological, mineral and energy resources, hydroelectric, mining, and metallurgic energy sectors.

Mtpy: Million tonnes per year.

N Keeper® Technology: proprietary processing technology for glauconitic siltstone that alters its physical-chemical properties to enable ammonia retention for use as a calibrated additive in Nitrogen fertilizers. N Keeper® leads to the reduction of Nitrogen volatilization loss, which increases the efficiency of crop fertilization and mitigates the impact on the environment and climate changes.

National Mining Agency (“Agência Nacional de Mineração – ANM”): federal agency subordinated to the Ministry of Mines and Energy. It is responsible for the management of mining activities and Brazilian mineral resources. Former National Department of Mineral Production (“Departamento Nacional de Produção Mineral - DNPM”).

NI 43-101: National Instrument 43-101 - Standards of Disclosure for Mineral Projects within C 1a.

Open Pit: Surface mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the ore body.

Ore: A mineral or aggregate of minerals from which metal can be economically mined or extracted.

Ore Grade: The average amount of K₂O expressed as a percentage.

PFS: See “Pre-Feasibility Study”.

Potassium chloride (“KCl”): The most commonly used source of potash. It is composed of approximately 52% of potassium (“K”) and 47% of Chloride (Cl⁻), representing 60% of K₂O. Potassium Chloride’s salinity index is 116. According to the article ‘Effects of Some Synthetic Fertilizers on the Soil Ecosystem’ (HEIDE HERMARY, 2007), applying 1 pound of potassium chloride to the soil is equivalent to applying 1 gallon of bleach. Verde’s Product eliminates the need for Potassium Chloride. KCl is also frequently referred to as muriate of potash (“MOP”).

Pre-Feasibility Study (“PFS”): A pre-feasibility study is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the mineral resource may be converted to a mineral reserve at the time of reporting. A pre-feasibility study is at a lower confidence level than a feasibility study.

Product: Multinutrient potassium fertilizer marketed in Brazil under the brands K Forte® and BAKS® and internationally as Super Greensand®, whose production and sale is the principal activity of the Group.

Tonne: A unit of weight. One metric tonne equals 2,204.6 pounds or 1,000 kilograms.

tpy: Tonnes per year.

Qualified Person: As defined in NI 43-101, an individual who: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member or licensee in good standing of a professional association.

Super Greensand® (“the Product”): Multinutrient potassium fertilizer brand marketed internationally by the Group.

TO OUR SHAREHOLDERS

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Verde AgriTech Plc and its subsidiaries ("Verde" or the "Group") covers the year ended December 31, 2021 ("FY 2021"). It provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 ("FY 2021"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), as adopted by the United Kingdom and with IFRS and their interpretations issued by the IASB. All amounts herein are expressed in Canadian Dollars unless otherwise stated, and the information is current to March 22, 2022.

At December 31, 2021, the average rate of exchange was 4.31 and the closing rate was 4.40 Brazilian Real ("R\$") to the Canadian Dollar. These rates were used to prepare these financial results.

Additional information relating to Verde is available under the Group's profile on SEDAR at www.sedar.com and the Group's website at www.investor.verde.ag.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Although the Group believes that its expectations, reflected in forward-looking information, to be reasonable, such information involves known or unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group or the Group's projects in Brazil to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the actual results from current development activities; conclusions of economic evaluations; unexpected increases in capital or operating costs; changes in equity markets, inflation and changes in foreign currency exchange rates; changes in project parameters as plans continue to be refined; changes in labour costs; future prices of commodities; possible variations of mineral grade or recovery rates; accidents, labour disputes and other risks of the mineral exploration industry; political risks arising from operating in Brazil; delays in obtaining governmental consents, permits, licenses and registrations; approvals or financing; as well as those factors discussed in the section entitled "Risks" in this MD&A.

Although the Group has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein, unless stated otherwise, is made at the

date of this MD&A and the Group takes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

GROUP OVERVIEW

Verde is an agricultural technology company that produces potassium fertilizers. Our purpose is to improve the health of all people and the planet. Rooting our solutions in nature, we make agriculture healthier, more productive, and profitable.

The Group's ordinary shares trade on the Canadian Toronto Stock Exchange ("TSX") under the symbol "NPK" and the New York Open Transparent Connected Venture Market ("OTCQB") under the symbol "AMHPF".

The principal activity of the Group is the production and sale of a multinutrient potassium fertilizer marketed in Brazil under the brands K Forte® and BAKS®, and internationally as Super Greensand®.

Cerrado Verde Project, located in the heart of Brazil's largest agricultural market, is the source of a naturally occurring potassium silicate rock from which the Group produces its Products, to supply salinity and chloride free potassium specialty fertilizers directly to farmers for the same cost as conventional fertilizers.

In 2017, the Group announced the conclusion of a Pre-Feasibility Study for the expansion of the current production. The PFS evaluated the technical and financial aspects of producing 25 Mtpy of the Product 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.

After announcing the start-up of its processing plant in July 2018, the Group concluded Plant 1's expansion project in October 2019, increasing production capacity to 500,000 tonnes per year ("tpy"). In October 2020, the Group concluded a new expansion project to Plant 1, enabling the combination of two additional nutrients to the Product according to the specific needs of each customer's crop, enhancing its effectiveness.

In August 2021, the Group started the construction of the Plant 2, which is expected to reach commercial production by Q3 2022. Plant 2 will have an operational capacity of 1,200,000 tonnes tpy and will raise Verde's overall production capacity to 1,800,000 tpy. The Group remains focused on the expansion of the Cerrado Verde Project.

Q4 2021 FINANCIAL HIGHLIGHTS

- Revenue increased by 391% in Q4 2021, to \$10,851,000 compared to \$2,209,000 in Q4 2020.
- Revenue in Brazilian Real ("R\$") increased by 450% in Q4 2021, to R\$46,723,000 compared to R\$8,489,000 in Q4 2020.
- Sales by volume increased by 137% in Q4 2021, to 134,350 tonnes sold compared to 56,585 tonnes sold in Q4 2020.

- Gross margin increased to 75% in Q4 2021, compared to 59% in Q4 2020.
- Operating profit before non-cash events increased by 6786% in Q4 2021, to \$2,452,000 compared to \$36,000 in Q4 2020.
- Net profit increased to \$1,878,000 in Q4 2021, compared to a net loss \$192,000 in Q4 2020.

FY 2021 FINANCIAL HIGHLIGHTS

- Revenue increased by 202% in FY 2021, to \$27,709,000 compared to \$9,167,000 in FY 2020.
- Revenue in R\$ increased by 239% in FY 2021, to R\$119,310,000, compared to R\$35,232,000 in FY 2020.
- Sales by volume increased by 64% in FY 2021, to 400,133 tonnes sold compared to 243,707 tonnes in FY 2020.
- Gross margin increased to 74% in FY 2021, compared to 62% in FY 2020.
- Operating profit before non-cash events increased by 305% in FY 2021, to \$6,450,000 compared to \$1,591,000 in FY 2020.
- Net profit increased by 540%, to \$3,522,000 in FY 2021 compared to \$550,000 in FY 2020.

SUBSEQUENT EVENTS

- In January 2022, as a result of the Group's continued accelerated market expansion, Verde announced its Paid for Growth ("P4G") strategy, a cornerstone program aimed at distributing gains to shareholders. P4G strategy is possible because cashflow is now freed up thanks to Verde's ability to finance expansion backed by future sales contracts. Previously, financing could only be secured by invoice discounting or guaranteed by capital goods; now, Verde's future sales contracts are accepted as debt collateral.
- In February 2022, the Group received a new Mining Concession for the extraction of up to 2,500,000 tpy of Product. Verde is now fully permitted to produce up to 2,833,000 tpy.
- In February 2022, Verde AgriTech Plc's Brazilian subsidiaries, Verde Fertilizantes LTDA and FVS Mineração LTDA, earned ISO 9001 and ISO 14001 certifications.
- In February 2022, the Group created a Special Committee to evaluate when and how to share profits with shareholders. The Special Committee to conduct the analysis is comprised of independent directors of the Board, consisting of Mr. Michael St Aldwyn (Verde's Lead Independent Director), Mr. Renato Gomes and Mr. Paulo Sérgio Ribeiro.
- In February 2022, the Group's Board of Directors unanimously approved an accelerated investment program to bolster an expansion plan, that has two objectives: First, expand Plant 2's operational capacity from 1,200,000 to 2,400,000 tpy by Q4 2022; and second, upgrade local infrastructure to sustain Plant 2's logistics with added capacity to enable a future Plant 3. By Q4 2022, with Plant 2's expansion, Verde expects to have raised its overall production capacity to 3,000,000 tpy. The approved expansion plan investment totals R\$ 51 million Brazilian Reais ("R\$"), which comes on top of the R\$22

million previously approved for the construction of Plant 2. The Group aims to fund the expansion plan through a combination of future cashflow and debt finance backed by future sales contracts.

OPERATIONS

In August 2021, the Group started the construction of Plant 2, which is expected to reach commercial production by Q3 2022. Plant 2 will have an operational capacity of 1,200,000 tpy and will raise Verde's overall production capacity to 1,800,000 tpy.

In October 2021, the Group secured \$3.75 million (R\$16 million) in loan agreements to support capital expenditure for the construction of Plant 2. The first \$1.17 million (R\$5 million) was released to the Group by Santander. The remaining \$2.58 million (R\$11 million) was approved in the same month by Santander and Bradesco, to be drawn down according to the project requirements.

In December 2021, the Group has received a \$1.17 million (R\$5 million) loan from Banco do Brasil.

Summary of Licenses and Permits¹

Under Brazilian law, a pit is fully permitted to mine when the Group holds both a Mining Concession/Permit and Environmental License for that area. Verde is fully permitted to mine 2,833,000 tpy and has submitted concurrent mining and environmental applications for an additional 2,500,000 tpy, still pending approval. The Group has 3 different mine pits, each at different permitting stages and targeting different volumes, as summarized in the table below.

Mine Pit	Fully Permitted to Produce (tpy)	Mining (tpy)		Environmental (tpy)	
		Granted	Pending	Granted	Pending
1	233,000	233,000	0	233,000	0
2	2,600,000	2,600,000	22,500,000	2,600,000	0
3	0	49,800	2,500,000	0	2,500,000
Total	2,833,000	2,882,800	25,000,000	2,833,000	2,500,000

OUTLOOK

The Group continues to expand its Cerrado Verde Project and will continue with the market development, engineering studies, construction, finance and environmental licensing efforts to advance the project.

¹ Please refer to the 2021 Annual Information Form for full explanation of movement in licences and permits.

OUTLOOK (CONTINUED)

2022 Guidance

On January 10, 2022, Verde issued a press release announcing the 2022 and 2023 guidance. The Company's 2022 target is detailed on a quarterly basis, to reflect the market demand's seasonality, as follows:

Period	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Sales target (tonnes)	115,000	200,000	250,000	135,000	700,000
Revenue (C\$'000)	10,070	21,954	27,228	13,011	72,263
EBITDA (C\$'000)	1,358	10,155	13,414	3,506	28,434
EPS (C\$)	0.02	0.18	0.25	0.06	0.50

The 2022 guidance is underpinned by the following assumptions:

- Average Brazilian Real (“R\$”) to Canadian Dollar exchange rate: C\$1.00 = R\$4.40 (in March 18, 2022, the exchange rate closed at C\$1.00 = R\$3.99).
- Average KCI CFR Brazil of US\$500, compared to current price of US\$1,025 per tonne (as per the market intelligence firm Acerto Limited weekly price for March 17, 2022).
- Sales Incoterms: 50% CIF and 50% FOB.
- Sales channels: 50% direct sales and 50% indirect sales.

Note that the assumption above does not include the grant of a new mining concession, as originally presented in the January 10, 2022, press release, because in February 2022, Verde was awarded a Mining Concession for extraction of an additional amount 2,500,000 tpy of Product, bringing Verde’s total permitted mining capacity to 2,833,000 tpy.

2023 Guidance

For 2023, Verde’s original sales volume target is 1.4 million tonnes. This target represents a potential 100% growth Year-on-Year (“YoY”) but it is now under review in light of the recent total 2.8 million tonnes permitted production capacity following the permits received in February, 2022, and increased production potential for 2022.

SELECTED ANNUAL FINANCIAL INFORMATION

All values are expressed in Canadian Dollars (\$'000).

Category	Year to Dec 31, 2021	Year to Dec 31, 2020	Year to Dec 31, 2019
Product sales (tonnes '000)	400	244	120
Revenue	27,709	9,167	6,029
Production costs	7,131	3,515	3,166
Sales and general administrative expenses	14,128	4,061	2,839
Share based and non cash bonus payments *	1,551	425	787
Depreciation and amortization *	53	23	22
Net profit / (loss)	3,522	550	(1,107)
Cash Flow (utilized in) / generated from operating activities	(1,677)	1,062	(719)
Cash Flow utilized in investing activities	(2,552)	(1,467)	(1,478)
Cash Flow generated from financing activities	3,669	2,081	2,080
Net (decrease) / increase in cash	(560)	1,676	(170)
Cash and cash equivalents at end of year	1,534	2,237	666
Total Assets	41,400	28,732	29,165
Total Liabilities	15,042	7,592	5,253
Working Capital	8,321	3,627	1,080
Weighted average number of shares outstanding ('000)	50,321	47,583	45,345
Earnings / (Loss) per share (basic and diluted) (\$)	0.07	0.012	(0.024)

* - Included in administrative expenses in Financial Statements

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides information on selected operating results for the past eight fiscal quarters. All values are expressed in Canadian Dollars (\$'000).

All amounts in CAD \$'000	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenue	10,851	10,651	5,376	831
Net Income / (loss) after tax	1,878	3,182	273	(1,811)
Basic and diluted earnings/(loss) per share	0.037	0.063	0.005	(0.036)
Total Assets	41,400	35,274	31,873	26,754
Current Liabilities	9,364	5,802	4,191	2,199
Non-current Liabilities	5,678	4,407	4,923	4,519
All amounts in CAD \$'000	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Revenue	2,209	3,956	2,492	510
Net Income/(loss) after tax	(192)	1,090	444	(792)
Basic and diluted earnings/(loss) per share	(0.003)	0.023	0.009	(0.017)
Total Assets	28,732	28,101	24,952	25,966
Current Liabilities	2,347	2,812	2,057	1,924
Non-current Liabilities	5,245	4,535	3,035	3,250

RESULTS OF OPERATIONS

The following table provides information about three and twelve months ended December 31, 2021 as compared to the three and twelve months ended December 31, 2020. All amounts in CAD \$'000.

All amounts in CAD \$'000	3 months ended Dec 31, 2021	3 months ended Dec 31, 2020	12 months ended Dec 31, 2021	12 months ended Dec 31, 2020
Tonnes sold '000	134	57	400	244
Revenue per tonne sold \$	81	39	69	38
Production cost per tonne sold \$	(20)	(16)	(18)	(14)
Gross Profit per tonne sold \$	61	23	51	23
Gross Margin	75%	59%	74%	62%
Revenue	10,851	2,209	27,709	9,167
Production costs	(2,691)	(912)	(7,131)	(3,515)
Gross Profit	8,160	1,297	20,578	5,652
Gross Margin	75%	59%	74%	62%
Sales and product delivery freight expenses	(4,463)	(673)	(11,252)	(2,270)
General and administrative expenses	(1,245)	(588)	(2,876)	(1,791)
Operating Profit before non-cash events	2,452	36	6,450	1,591
Share Based and Bonus Payments (Non-Cash Event) ⁽¹⁾	(23)	(18)	(1,551)	(425)
Depreciation and Amortisation ⁽¹⁾	(18)	(4)	(53)	(23)
Profit on disposal of plant and equipment ⁽¹⁾	-	-	9	(17)
Operating Profit after non-cash events	2,411	14	4,855	1,126
Income tax ⁽²⁾	(360)	(79)	(931)	(330)
Interest Income/Expense	(173)	(127)	(402)	(246)
Net Profit / (Loss)	1,878	(192)	3,522	550

⁽¹⁾ – Included in General and Administrative expenses in financial statements

⁽²⁾ – Please see Income Tax notes.

External Factors

Revenue and costs are affected by external factors including changes in the exchange rates between the C\$ and R\$ along with fluctuations in potassium chloride CIF (Minas Gerais) prices.

The table below summaries these changes.

	Change %	3 months ended Dec 31, 2021	3 months ended Dec 31, 2020	Change %	12 months ended Dec 31, 2021	12 months ended Dec 31, 2020
Canadian Dollar (C\$) Average Exchange Rate	+7%	R\$4.43	R\$4.14	+12%	R\$4.31	R\$3.84
Potassium Chloride CIF (Minas Gerais) Lowest Price⁽¹⁾	+141%	US\$760	US\$315	+13%	US\$315	US\$280
Potassium Chloride CIF (Minas Gerais) Highest Price⁽¹⁾	+165%	US\$850	US\$320	+136%	US\$850	US\$360

⁽¹⁾ – Source: Acerto Limited Report.

RESULTS OF OPERATIONS (CONTINUED)

Q4 and FY 2021 compared with Q4 and FY 2020

Q4 2021

The Group generated a net profit of \$1,878,000 for Q4 2021, an increase of \$2,070,000 compared to a net loss of \$192,000 for Q4 2020. The profit per share was \$0.037 for Q4 2021, compared to loss per share of \$0.003 for Q4 2020.

FY 2021

The Group generated a net profit of \$3,522,000 in FY 2021, an increase of 540% compared to a net profit of \$550,000 in FY 2020. The increase was due to the continued growth of the Group. The earnings per share was \$0.070 for FY 2021, compared to \$0.012 for FY 2020.

Product Sales

Q4 2021

Sales by volume increased by 137% in Q4 2021, to 134,350 tonnes sold compared to 56,585 tonnes sold in Q4 2020.

FY 2021

Sales increased by 64% in FY 2021, to 400,133 tonnes sold, compared to 243,707 tonnes FY 2020, as the Group's Product continues to grow in the market.

Revenue

Q4 2021

Revenue from sales increased by 391% in Q4 2021, to \$10,851,000 from the sale of 134,350 tonnes of the Product, at \$81 per tonne sold; compared to \$2,209,000 in Q4 2020 from the sale of 56,585 tonnes of the Product, at \$39 per tonne sold.

Revenue per tonne excluding freight expenses (FOB price) improved by 24% in Q4 2021, to \$53 compared to \$31 in Q4 2020.

The KCI price increased by 165% in Q4 2021, compared to Q4 2020. Verde did not, however, see a proportional increase in its pricing for Q4 2021 sales because it had sold most of its Q4 production earlier in the year.

RESULTS OF OPERATIONS (CONTINUED)

Despite the 7% Brazilian Real devaluation against the Canadian Dollar, revenue per tonne in Q4 2021 was higher than Q4 2020 mainly due to:

1. Product volume sold as CIF (Cost Insurance and Freight) increased from 23% of total sales in Q4 2020 to 63% in Q4 2021.
2. Potassium Chloride CIF (Minas Gerais) price increased from US\$315-US\$320 per tonne in Q4 2020 to US\$760-850 per tonne in Q4 2021 (as reported by Acerto Limited, a market intelligence firm).
3. BAKS® has a higher sales price per tonne than K Forte®. BAKS® was launched in December 2020 and in Q4 2021 it accounted for 7,2% of the total volume sold by the Company.

FY 2021

Revenue from sales increased by 202% in FY 2021, to \$27,709,000 from the sale of 400,133 tonnes of the Product, at \$69 per tonne sold; compared to \$9,167,000 in FY 2020 from the sale of 243,707 tonnes of the Product, at \$38 per tonne sold.

Revenue per tonne excluding freight expenses (FOB price) improved by 42% in FY 2021, to \$47 compared to \$33 in FY 2020.

The KCl price increased by 136% in FY 2021, compared to FY 2020. Verde did not, however, see a proportional average increase in its pricing for FY 2021 sales because it had sold most of its Q4 production earlier in the year.

Despite the 12% Brazilian Real devaluation against the Canadian Dollar, revenue per tonne in FY 2021 was higher than FY 2020 mainly due to:

1. Product volume sold as CIF (Cost Insurance and Freight) increased from 13% of total sales in FY 2020 to 52% in FY 2021.
2. Potassium Chloride CIF (Minas Gerais) price increased from US\$280-US\$360 per tonne in FY 2020 to US\$315-850 per tonne in FY 2021 (as reported by Acerto Limited).
3. BAKS® has a higher sales price per tonne than K Forte®. BAKS® was launched in December 2020 and in FY 2021 it accounted for 9.8% of the total volume sold by the Company.

Production costs

Production costs include all direct costs from mining, processing, and the addition of the other nutrients to the Product, such as Sulfur and Boron. They also include the logistics costs from the mine to the factory and related salaries.

RESULTS OF OPERATIONS (CONTINUED)

Q4 2021

Production costs increased by 195% in Q4 2021, to \$2,691,000 compared to \$912,000 in Q4 2020. This was due to a 135% increase in volume sold, from 57,000 tonnes in Q4 2020 to 134,000 tonnes in Q4 2021, and due to local inflation. Cost per tonne increased by 24% in Q4 2021, to \$20 compared to \$16 in Q4 2020. This increase was due in large part to higher fuel prices, which increased by 45% in Q4 2021 compared to Q4 2020.

FY 2021

Production costs increased by 103% in FY 2021, to \$7,131,000 compared to \$3,515,000 in FY 2020. This was due to a 64% increase in volume sold, from 244,000 tonnes in FY 2020 to 400,000 tonnes in FY 2021, and due to local inflation. Cost per tonne increased by 24% in FY 2021, to \$18 compared to \$14 in FY 2020. This increase was due in large part to higher fuel prices, which increased by 37% in FY 2021 compared to FY 2020. The production costs increase are also due to the larger production of BAKS®, which has a higher cost per tonne because its feedstock includes other nutrients that Verde purchases from third parties.

SALES EXPENSES

CAD \$'000	3 months	3 months	12 months	12 months
	ended	ended	ended	ended
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Sales and marketing expenses	(578)	(179)	(1,818)	(975)
Fees paid to independent sales agents	(203)	(16)	(464)	(162)
Product delivery freight expenses	(3,682)	(478)	(8,970)	(1,133)
Total	(4,463)	(673)	(11,252)	(2,270)

Sales and marketing expenses

Sales and marketing expenses include employees' salaries, car rentals, travel within Brazil, hotel expenses, customer relationship management (CRM) software licenses, and the promotion of the Product in marketing events.

Q4 2021

Expenses increased by 222% in Q4 2021, to \$578,000 compared to \$179,000 in Q4 2020, mainly due to a further expansion of Verde's sales and marketing team, with professional headcount in the team increasing from an average of 35 in Q4 2020 to 54 in Q4 2021. This increase is in line with the Group's accelerated growth strategy.

SALES EXPENSES (CONTINUED)

FY 2021

Expenses increased by 86% in FY 2021, with a total of \$1,818,000, compared to \$975,000 in FY 2020, also mainly due to a further expansion of Verde's sales and marketing team, with professional headcount in the team increasing from an average of 32 in FY 2020 to 46 in FY 2021. Such as for Q4 2021, this increase is in line with the Group's accelerated growth strategy.

Fees paid to independent sales agents

As part of Verde's marketing and sales strategy, the Group pays out commissions to its independent sales agents.

Q4 2021

Fees paid to independent sales agents increased by 1150% in Q4 2021, to \$203,000 compared to \$16,000 in Q4 2020, as a direct result of increased sales.

FY 2021

Fees paid to independent sales agents increased by 185% in FY 2021, to \$464,000 compared to \$162,000 in FY 2020, for the same reason as in the quarter.

Product delivery freight expenses

Q4 2021

Product delivery freight expenses increased by 671% in Q4 2021, to \$3,682,000 compared to \$478,000 in Q4 2020, as the Group has significantly increased the volume sold as CIF (Cost Insurance and Freight), up from 23% of total sales in Q4 2020 to 63% in Q4 2021 and due to higher fuel prices, which increased 45% in Q4 2021 compared to Q4 2020.

FY 2021

Expenses increased by 692% in FY 2021, to \$8,970,000 compared to \$1,133,000 in FY 2020, as the Group has significantly increased the volume sold as CIF (Cost Insurance and Freight), up from 13% of total sales in FY 2020 to 52% in FY 2021 and due to higher fuel prices, which increased 37% in FY 2021 compared to FY 2020.

GENERAL AND ADMINISTRATIVE EXPENSES

CAD \$'000	3 months	3 months	12 months	12 months
	ended	ended	ended	ended
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
General administrative expenses	(612)	(494)	(1,621)	(1,149)
Legal, professional, consultancy and audit costs	(516)	(75)	(915)	(520)
IT/Software expenses	(103)	(23)	(307)	(98)
Taxes and licenses fees	(14)	4	(33)	(24)
Total	(1,245)	(588)	(2,876)	(1,791)

General administrative expenses

These costs include general office expenses, rent, bank fees, insurance, foreign exchange variances and remuneration of executive and administrative staff in Brazil.

Q4 2021

Expenses increased by 24% in Q4 2021, to \$612,000 compared to \$494,000 in Q4 2020, as they include additional administrative employees, with professional headcount in the team increasing from an average of 20 in Q4 2020 to 51 in Q4 2021 to help support the Group's growth and incentive compensation.

FY 2021

Expenses increased by 41% in FY 2021, to \$1,621,000 compared to \$1,149,000 in FY 2020, as they include additional administrative employees, with professional headcount in the team increasing from an average of 18 in FY 2020 to 43 in FY 2021.

Legal, professional, consultancy and audit costs

Legal and professional fees include legal, professional, consultancy fees along with accountancy, audit and regulatory costs. Consultancy fees are consultants employed in Brazil, such as accounting services, patent process, lawyer's fees and regulatory consultants.

Q4 2021

Expenses increased by 584% in Q4 2021, to \$516,000 compared to \$75,000 in Q4 2020. The increase is largely due to a \$347,000 provision in Q4 2021, set aside for a contested claim made by a consultant retained by the Company in 2012. The consultancy services were for an environmental report, the quality of which was disputed by Verde and payments withheld. A court decision in Q4 2021 was partially favourable to the consultant and requested an adjusted payment, the Company has appealed the decision.

FY 2021

Expenses increased by 76% in FY 2021, to \$915,000 compared to \$520,000 in FY 2020, mainly due to the provision in Q4 2021.

GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

IT/Software expenses

IT/Software expenses include software licenses such as Microsoft Office, Customer Relationship Management (CRM) software and enterprise resource planning (ERP).

Q4 2021

Expenses increased by 350% in Q4 2021, to \$103,000 compared to \$23,000 in Q4 2020.

FY 2021

Expenses increased by 213% in FY 2021, to \$307,000 compared to \$98,000 in FY 2020, due to an increase in third party computing services and number of software licenses used by the Group in Brazil.

Taxes and licences

Taxes and licence expenses include general taxes, product branding and licence costs.

Q4 2021

Expenses increased by 450% in Q4 2021, to \$14,000 compared to a credit of \$4,000 in Q4 2020. During Q4 2020, an amount of \$15,000 was credited to licence costs for reversal expenses which should have been capitalised in Q1 and Q3 2020.

FY 2021

Expenses increased by 34% in FY 2021, to \$33,000 compared to \$24,000 in FY 2020.

Share Based and Bonus Payments (Non-Cash Event)

These costs represent the expense associated with stock options granted to employees and directors and non-cash bonuses paid to key management.

Q4 2021

Share Based Payments costs increased by 25% in Q4 2021, to \$23,000 compared to \$18,000 in Q4 2020, as they represent the expense associated with stock options granted to employees as part of the Group's long-term incentive programme in Q4 2021. These are measured under the Black-Scholes Model.

FY 2021

Share Based Payments costs increased by 265% in FY 2021, to \$1,551,000 compared to \$425,000 in FY 2020.

INCOME TAX

Brazilian corporations are subject to income taxes (IRPJ and CSLL) using an 'Actual Profits' method (i.e. APM - Lucro Real), which is based on taxable income (i.e. earnings before taxes or EBT), adjusted by certain additions and exclusions as determined by the legislation. The Actual Profit can be calculated annually or quarterly - for the annual calculation, the tax authorities collect anticipations during the year, as the taxpayer is obliged to calculate the income tax monthly.

Subject to certain restrictions (i.e. where gross income does not exceed R\$78 million and depending on the activity), Brazilian taxpayers have the option to calculate IRPJ and CSLL using a 'Assumed Profits' method (i.e. PPM - Lucro Presumido). Under the PPM, the income is calculated on a quarterly basis on an amount equal to different percentages of gross revenue (i.e. based on the entity's activities) and adjusted as determined by the prevailing legislation.

The Brazil subsidiaries are currently under 'Assumed Profits' method, which is the most efficient method at this time. Under 'Assumed Profits' method, it is not possible to utilise prior period losses to reduce income tax. When the Company switches to "Realized Profits" method, these losses can be utilised.

LIQUIDITY AND CASH FLOWS

For additional details see the consolidated statements of cash flows for the quarters ended December 31, 2021 and December 31, 2020 in the annual financial statements.

Cash received from / (used for): CAD \$'000	3 months ended Dec 31, 2021	3 months ended Dec 31, 2020	12 months ended Dec 31, 2021	12 months ended Dec 31, 2020
Operating activities	(2,323)	(420)	(1,677)	1,062
Investing activities	(760)	(422)	(2,552)	(1,467)
Financing activities	2,267	544	3,669	2,081

On December 31, 2021, the Group held cash of \$1,534,000, a decrease of \$703,000 on the same period in 2020. This was expected due to the increase in trade receivables at the year end.

Operating activities

Q4 2021

Net cash utilised under operating activities increased by 453% in Q4 2021, to \$2,323,000 compared to \$420,000 in Q4 2020.

LIQUIDITY AND CASH FLOWS (CONTINUED)

FY 2021

Net cash utilised under operating activities increased by 258% in FY 2021, to \$1,677,000 compared to net cash generated of \$1,062,000 in FY 2020. This was mainly due to an increase in receivables and payables compared to previous financial year reflecting the profit growth of the Group's trading activities and changes in working capital.

Trade and other receivables increased by 375% in FY 2021, to \$15,055,000 compared to \$3,170,000 in FY 2020. Trade and other payables increased by 388% in FY 2021, to \$6,858,000 compared to \$1,406,000 in FY 2020.

Investing activities

Q4 2021

Cash utilised from investing activities increased by 80% in Q4 2021, to \$760,000 compared to \$422,000 in Q4 2020.

FY 2021

Cash utilised from investing activities increased by 74% in FY 2021, to \$2,552,000 compared to \$1,467,000 in FY 2020, mainly due to infrastructure investments in Plant 2.

Financing activities

Q4 2021

Cash generated from financing activities increased by 317% in Q4 2021, to \$2,267,000 compared to \$544,000 in Q4 2020.

FY 2021

Cash generated from financing activities increased by 76% in FY 2021, to \$3,669,000 compared to \$2,081,000 in FY 2020. This was due to additional bank loans received in the year, along with \$901,000 cash proceeds from the issue of shares in FY 2021.

Financial condition

The Group's current assets increased by 196% in FY 2021, to \$17,685,000 on December 31, 2021, compared to \$5,974,000 on December 31, 2020. Current liabilities increased by 299% in FY 2021, to \$9,364,000 on December 31, 2021, compared to \$2,347,000 on December 31, 2020; providing a working capital surplus of \$8,321,000, an increase of 155% compared to the working capital surplus of \$3,627,000 on December 31, 2020.

INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2021	31 Dec 2020
Non-current liabilities	\$'000	\$'000
Bank loans	3,079	2,529
Current liabilities		
Bank loans	2,506	941
Total	5,585	3,470

SUMMARY OF INTEREST-BEARING LOANS AND BORROWINGS

Lender (security ref)	Loan start date	Purpose	Grace period (months)	Term (months)	Loan value (R\$\$'000)	Balance at Dec 31, 2021 (C\$'000)	Repayable by	Total interest payable*
Brasil	Dec, 2021	Working capital	06	36	5,000	1,289	Dec, 2024	* CDI + 2.92%
Santander	Oct, 2021	Working capital	01	24	5,000	1,309	Sept, 2023	14.32%
ABC Brazil	Sept, 2021	Working capital	01	06	2,000	472	Mar, 2022	13.45%
Bradesco	Mar, 2021	Vehicle	01	36	168	32	Feb, 2024	10.46%
Santander	Oct, 2020	Equipment and working capital	01	36	2,000	381	Oct, 2023	10.95%
ABC Brazil	Aug, 2020	Equipment and working capital	01	42	2,000	492	Mar, 2024	*CDI + 7.53%
Santander	July,2020	Equipment	06	18	359	62	July,2022	**IPCA + 8.46%
Bradesco	July,2020	Equipment and working capital	06	60	5,000	1,265	July, 2025	10.95%
Bradesco	Mar, 2020	Vehicle	01	48	119	19	Apr, 2024	12.49%
Santander	Jan, 2020	Equipment	06	36	364	55	June, 2023	**IPCA + 7,12%
Bradesco	Jan, 2020	Equipment	00	48	450	72	Feb, 2024	11.98%
Santander	Apr,2019	Equipment	01	36	73	7	Oct, 2022	**IPCA + 7,12%
Santander	Apr,2019	Equipment	01	36	150	15	Oct, 2022	**IPCA + 7,12%
Santander	May, 2018	Equipment	12	60	1,040	115	May, 2023	**IPCA + 7,05%
Total						5,585		

* - CDi, (Certificado de Depósito Interbancário) is the average of interbank overnight rates in Brazil. As at December 31, 2021, the 12 months cumulative rate was 4,38%.

** - Inc Variable interest (IPCA) - Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services. As at December 31, 2021 the 12 months cumulative rate was 10,06%.

The Group's average current loan rates is 12,42% per annum. The Brazilian Government long term bond rate is currently 11,65% per annum

COMMITMENTS AND CONTINGENT LIABILITIES

The Group has the following capital expenditure commitments in its projects:

Amounts payable (\$'000)	31 Dec 2021	31 Dec 2020
Amount payable within one year	62	62
Amounts payable after more than one year and less than five years	48	47
After five years	240	246
Total	350	355

OFF-BALANCE SHEET FINANCING

The Group has not entered into any off-balance sheet financing arrangements.

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 close to 0.1% of the total sold as of December 31, 2021 and bank deposits have been made with financial institutions which are considered to be safe by the Board of Directors. There were no derivative instruments outstanding on December 31, 2021.

Foreign currency risk

The Group's cash resources are mainly held in Brazilian Real. 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 Brazilian Real. The appreciation of the Brazilian Real against the Canadian Dollar could increase the actual revenues and operating costs of the Group's operations and materially affect the results presented in the Group's financial statements.

Currency exchange fluctuations may also materially affect the Group's future cash flow from operations, its results from 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 had the following cash and cash equivalents in currencies other than its presentational currency. The amounts are stated in Canadian Dollar equivalents.

Currency (\$'000)	31 Dec 2021	31 Dec 2020
Canadian Dollar	110	83
Brazilian Real	1,414	2,072
American Dollar	4	81
British Pound	6	1
Total	1,534	2,237

The results of a foreign currency risk sensitivity analysis showing a 10% weakening/strengthening of the Brazilian Real against Canadian Dollars, with all other variables held constant, are as follows:

Equity (\$'000)	30 Dec 2021	31 Dec 2020
10% weakening of Brazilian Real	(406)	(203)
10% strengthening of Brazilian Real	496	249

FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The Group has relied on revenue generated from the sale of Product, along with shareholder funding and long-term loans to finance its operations. The liquidity risk is significant and is managed by controls over expenditure and cash resources.

Interest rate risk

The Group's policy is to retain its surplus funds in 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 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 financial instruments.

Classes of financial instruments

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

FINANCIAL REPORTING STANDARDS

The Group has adopted all the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2021. 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.

No standards issued but not yet effective have been adopted early.

CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

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 ongoing 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 or uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgements

- **Impairment of Intangible assets:**

The directors have assessed whether there are any indicators of impairment in respect of the mineral properties totalling \$19,608,000. 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 the 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. The directors have concluded no provision for impairment is necessary. Management's estimates of these factors are subject to risk and uncertainties affecting the recoverability of the Group's mineral property costs.

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.

CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (CONTINUED)

- **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 Group 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 Group's earnings and net assets.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Disclosure Controls and Procedures ("DC&P")

As at December 31, 2021, the CEO and the CFO evaluated the design and operation of the Group's DC&P. Based on that evaluation, the CEO and CFO concluded that the Group's DC&P was effective as at December 31, 2021.

Internal control over financial reporting ("ICFR")

Based on the evaluation of the design and operating effectiveness of the Group's ICFR, the CEO and the CFO concluded that the Group's ICFR was effective as at December 31, 2021.

There have been no changes during the year ended December 31, 2021 that have a material effect on the disclosure controls and procedures or the internal controls over financial reporting.

OUTSTANDING SHARE DATA

As at the date of this MD&A the following securities are outstanding:

Type	Amount
Ordinary shares	50,398,619
Stock options	3,825,227
Total	54,223,846

RISKS

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

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

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

There has been no change to the impact of risks on the previous year.

Covid-19 (Coronavirus) risk

Covid-19 (Coronavirus) remains an ongoing risk for all businesses worldwide. It is not clear for how long the pandemic will last or how much more extensive it will become, or the further measures that will be taken by governments and others to seek to control the pandemic and its impact.

The Group's trade agriculture continues to fall under the food chain category and as such, the Brazilian government has confirmed there is no restriction on trade. During 2021, the plant remained open and was in full operation. Office staff worked from home.

Management has considered the risk to the supply chain and consider this low due to the simplicity of the operations. The Group can manage the on-site risk at the production facility if the employees were to get ill and have contingency plans in place. Management and the directors consider this scenario to be a remote risk.

Uncertainty in the estimation of mineral resources and mineral reserves

The estimation of mineral reserves, mineral resources and related grades has a degree of uncertainty. Until such time as the mineral reserves and mineral resources are actually mined and processed, the quantity of grades must be considered as estimates only. The mineral reserve estimates of the Group have been determined or reviewed by an independent consultant and are 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.

RISKS (CONTINUED)

Mining risks

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

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

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

Credit risk

The Group is exposed to credit risk, which is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises primarily from trade receivables.

The Group has developed procedures to ensure that the sale of goods is made only to customers with an appropriate credit history. Customers who do not meet the Group's credit requirements may only conduct transactions with the Group on a prepayment basis.

Production risk

Production risk relates to the possibility that the Group output levels will be lower than expected. Factors affecting production include adverse weather conditions and failure of equipment and machinery. Mining of the Product continues throughout the year with maximum capacity (within permitted mining limits) during the summer, dry months of the year. Regular inspection and service of equipment and machinery is carried out to ensure they are in full working order.

Expected Market Potential of the Product

The Product is a new product without an established market. Substantial investment may be required to develop the market in Brazil and, if relevant, 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 sales of the Product.

RISKS (CONTINUED)

Uncertainty of Acquiring Necessary Permits

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

Uninsurable Risks

The development and production of mineral properties involves numerous risks including unexpected or unusual geological operating conditions such as rock bursts, cave-ins, fires, flooding and earthquakes. Insurance may not be available to cover all of these risks, may only be available at economically unacceptable premiums or may be inadequate to cover any resulting liability. Any uninsured liabilities that arise would have a material adverse effect on the Group's business and results of operations.

Operations in a Foreign Country and Regulatory Requirements

All the Group's properties are located in Brazil and mineral exploration and mining activities as well as project development may be affected in varying degrees by changes in political, social and financial stability, inflation and changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political, social or financial conditions are beyond the control of the Group and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Brazil's status as a developing country may make it more difficult for the Group to obtain any financing required for the exploration and development of its properties due to Real or perceived increased investment risk.

Currently there are no restrictions on the repatriation from Brazil on the earnings of foreign entities. Capital investments registered with the central bank in Brazil may similarly be repatriated. There can be no assurance that restrictions on repatriation of earnings and capital investments from Brazil will not be imposed in the future.

RISKS (CONTINUED)

Competition

The Group competes with other mining companies as well as other companies producing agricultural products, many of which have greater financial and technical resources and experience, particularly with respect to the potash industry and the limited number of mineral opportunities available in South America. Competition in the mining industry is primarily for properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. In addition, many competitors not only explore for and mine potash, but conduct refining and marketing operations on a world-wide basis.

Such competition may result in the Group being unable to acquire desired properties on terms acceptable to the Group, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Group's inability to compete with other mining companies for these resources would have a material adverse effect on the Group's business and results of operations.

The Group also competes with other potash mining and/or marketing companies, many of which have greater marketing, financial and technical resources and experience, in exporting and marketing its potash or potassium-based products. The Group is vulnerable to increases in the supply of potash beyond market demand either from the opening of new potash mines or the expansion of existing potash mines by the Group's competitors, which could depress prices and have a material adverse effect on the Group's business, financial condition and results of operation.

Title Matters

While the Group has diligently investigated title to all mineral properties and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be affected by undetected defects in title, such as the reduction in size of the mineral claims and other third party claims affecting the Group's priority rights, at the discretion of the ANM. The Group's interests in mineral properties are comprised of exclusive rights under government licences and contracts to conduct operations in the nature of exploration and, in due course if warranted, development and mining, on the licence areas. Maintenance of such rights is subject to ongoing compliance with the terms of such licences and contracts.

RISKS (CONTINUED)

Uncertainty of Additional Capital

In the past, the Group has relied on sales of equity securities to meet its capital requirements. The Group plans to use predominately production revenue to cover costs going forward with a small amount of bank financing. 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. The development of the Group's projects may require substantial additional financing. Failure to obtain such financing may result in delaying 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 the Group, through the issuance of securities from treasury, raises additional financing, control of the Group may change and security holders may suffer additional dilution. See "Risk Factors – Dilution".

Government Royalties

The Federal Government of Brazil collects royalties on mineral production, with up to half of such royalties being paid to surface rights owners. The current Brazilian federal royalty applicable to fertilizer production is a 2% Financial Compensation for Mineral Exploration ("CFEM", from *Compensação Financeira pela Exploração Mineral*) for Glauconitic Siltstone. This level and the level of any other royalties, payable to the Brazilian government in respect of the production of minerals may be varied at any time as a result of changing legislation, which could materially adversely affect the Group's results of operations.

Market Factors and Volatility of Commodity Prices

The Group's future profitability and long-term viability will depend, in large part, on the global market price of minerals produced and their marketability. The marketability of mineralized material, which may be acquired or discovered by the Group, will be affected by numerous factors beyond the control of the Group. These factors include market fluctuations in the prices of minerals sought, which are highly volatile, inflation, consumption patterns, speculative activities, international political and economic trends, currency exchange fluctuations, interest rates, production costs and rates of production. The effect of these factors cannot be accurately predicted, but may result in the Group not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the control of the Group. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Group would have a material adverse effect on the Group, and could result in the suspension of mining operations by the Group.

RISKS (CONTINUED)

Cyclical Industry

The market for potash tends to move in cycles. Periods of high demand, increasing profits and high capacity utilization lead to new plant investment and increased production. This growth increases supply until the market is over-saturated, leading to declining prices and declining capacity utilization until the cycle repeats. This cyclical nature in prices can result in supply/demand imbalances and pressures on potash prices and profit margins, which may impact the Group's financial results, and common share prices. The potash industry is dependent on conditions in the economy generally and the agriculture sector. The agricultural sector can be affected by adverse weather conditions, cost of inputs, commodity prices, animal diseases, the availability of government support programs and other uncertainties that may affect sales of fertilizer products.

Exchange Rate Fluctuations

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 incurred primarily in Canadian Dollars and Brazilian Real. 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 affects the results presented in the Group's financial statements. Currency exchange fluctuations may also materially adversely affect the Group's future cash flow from operations, its results of operations, financial condition and prospects. The Group does not currently have in place a policy for hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency.

Dependence on Key Executives and Technical Personnel

The Group is currently dependent on the services of a relatively small management team. Locating mineral deposits and successfully bringing them into production in Brazil depends on a number of factors, not the least of which is the technical skill of the personnel involved. Due to the relatively small size of the Group, the loss of members of the management team or the Group's inability to attract and retain additional highly skilled employees may materially adversely affect its business and future operations. The Group does not currently carry any "key man" life insurance on any of its executives. The non-executive directors of the Group devote only part of their time to the affairs of the Group.

Lack of Hedging Policy

The Group does not have a resource hedging policy and has no present intention to establish one. Accordingly, the Group has no protection from declines in mineral prices. The Group will explore the merits of hedging foreign currency reserves against foreign currency exchange rate fluctuations.

RISKS (CONTINUED)

History of Earnings

The Group generated operating revenue of C\$27,709,000 and achieved an operating profit of C\$4,855,000 for the year ended December 31, 2021. Management anticipates that the Group will continue to generate net profits going forward. However, there is no assurance the Group will generate sufficient earnings, operate profitably, or provide a return on investment in the future.

Dilution

The Group currently has 50,398,619 Ordinary Shares outstanding and 52,093,987 on a fully diluted basis. The Group currently has no warrants outstanding. To the extent the Group should, in future, issue any additional warrants, additional options, convertible securities or other similar rights, the holders of such securities will have the opportunity to profit from a rise in the market price of the Ordinary Shares with a resulting dilution in the equity interest of any persons who become holders of Ordinary Shares. The Group's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the Ordinary Shares. The holders of warrants, options and other rights may exercise such securities at a time when the Group would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights.

In some circumstances, the increase in the number of Ordinary Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of the Ordinary Shares. In addition, as a result of such additional Ordinary Shares, the voting power of the Group's existing shareholders may be diluted.

Officers and Directors of the Group Own a Significant Number of Ordinary Shares and Can Exercise Significant Influence

The officers and directors of the Group, as a group, beneficially own, on a non-diluted basis, approximately 21.69% of the outstanding Ordinary Shares. The officers and directors, as shareholders, will be able to exert significant influence on matters requiring approval by shareholders, including the election of directors and the approval of any significant corporate transactions.

Future Sales of Ordinary Shares by Existing Shareholders

Sales of a large number of Ordinary Shares in the public markets, or the potential for such sales, could decrease the trading price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of Ordinary Shares.

RISKS (CONTINUED)

Conflicts of Interest

Directors of the Group are or may become directors of other reporting companies or have significant shareholdings in other mining companies and, to the extent that such other companies may participate in ventures in which the Group may participate, the directors of the Group may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Group and its directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Group, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Group will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. The directors of the Group are required to act honestly, in good faith and in the best interests of the Group. In determining whether or not the Group will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Group, the degree of risk to which the Group may be exposed and its financial position at that time.

The Cerrado Verde Project is Managed by a Subsidiary

The material operating subsidiary for the Cerrado Verde Project is Verde Fertilizantes. The managers (“administradores”) of Verde Fertilizantes are Felipe Paolucci, CFO, and Elton Golçaves, Mining Engineer. Despite the controls that the Group has put in place, there may be risks associated with ensuring that the corporate actions of Verde Fertilizantes reflect the decisions of the Board of Directors and management of the Group.

Political, Economic and Social Instability Associated Key Priorities

Political, economic and social instability may affect our business including, for instance, if any of the jurisdictions in which we operate introduce restrictions on monetary distributions, forced divestitures or changes to or nullification of existing agreements, mining permits or leases.

Cybersecurity Threats

Cyberattacks or breaches of our systems, including our CRM, or exposure to potential computer viruses, could lead to disruptions to our operations, loss of data, or the unintended disclosure of confidential information and/or personally identifiable information or property damage.

QUALIFIED PERSON

Scientific and technical information contained in this MD&A is based on the Pre-Feasibility Study technical report filed by the Company in 2017, and prepared by consultants, specialists in the fields of geology, exploration, mineral resource and mineral reserve estimation and classification, mining, geotechnical, environmental, permitting, metallurgical testing, mineral processing, processing design, capital and operating cost estimation, and mineral economics.

The following individuals, by virtue of their education, experience and professional association, are considered Qualified Person (QP) as defined in the NI 43-101 standard, for this report, and are members in good standing of appropriate professional institutions:

- Bradley Ackroyd. B.Sc., MAIG, principal consulting geologist for AMS, responsible for the resource estimates;
- Beck Nader. D.Sc., M.Sc., MAIG, Senior Advisor at BNA, responsible for the reserve estimates, processing and economical assessment.

FURTHER INFORMATION

Additional information relating to the Group can be found on SEDAR at www.sedar.com and on the Group's website at www.investor.verde.ag.