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REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
VERDE AGRITECH PLC

VERDE AGRITECH PLC

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VERDE AGRITECH PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

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VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL ACTIVITIES

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® (“the Product”). The principal activity Verde AgriTech PLC (“the company”) is that of a holding company.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the Group earned revenue of \$27,709,000 (2020: \$9,167,000) and made a gross profit of \$20,578,000 (2020: \$5,652,000) from the sale of 400,000 tonnes (2020: 244,000 tonnes) of the Product. Overall, the Group made an operating profit \$4,855,000 (2020: operating profit of \$1,126,000) and a net profit of \$3,522,000 (2020: profit \$550,000) for the year. Sales and General Administrative expenses increased to \$15,723,000 (2020 \$4,526,000) as the Group operations expand and share based payments increased to \$942,000 (2020: \$106,000) as a result of the issue of options during the year.

The volume sold as CIF (Cost Insurance and Freight) and Potassium Chloride Price increase and also the devaluation of the Brazilian Real against the Canadian Dollar of 12% during the year has had a significant effect on the results of the Group.

In 2021, the Group continued to invest in the expansion of the factory capacity. Plant 1 has an operational capacity of 600,000 tonnes per year (“tpy”). 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 tpy and will raise Verde’s overall production capacity to 1,800,000 tpy. Property, plant and equipment increased by \$2,179,000 (2020: \$1,357,000) during the year. Cash decreased to \$1,534,000 (2020: \$2,237,000). Trade receivables increased to \$13,245,000 (2020: \$2,106,000) due to increased sales to December 2021 vs December 2020. The mine closure provision has decreased to \$2,599,000 (2020: \$2,716,000) due to the revaluation of the provision from Brazilian Real to the Groups reporting currency Canadian Dollars.

The Group’s financial Key Performance Indicators are production and Product sold. Production is monitored by reference to the mining permits and the Group mined 395,760 (2020: 248,653) tonnes in 2021. The Group sold 400,133 (2020: 243,707) tonnes. Revenue per tonne was \$69 and production costs were \$18, compared to revenue per tonne of \$38 and production costs of \$14 in 2020. This is due to the increase in potash price. At the year end, the plant held 4,096 (2020: 3,195) tonnes of finished Product and 19,085 (2020: 29,817) tonnes of raw material.

Summary of the Cerrado Verde Project

Cerrado Verde Project (“**Cerrado Verde**” or the “**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.

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

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

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

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

Project Highlights:

- Proven and Probable Reserves of 777.28 Mt, grading 9.78% K₂O.
- Capex for Phase 1 is estimated at US\$3.05 million.
- Capex for Phase 2 is estimated at US\$17.1 million.
- Capex for all phases is estimated at US\$369.53 million.
- Sustaining capital for the Project is estimated at US\$222.26 million.
- Estimated after-tax Net Present Value ("NPV") for the Project, using an 8% discount rate, of US\$1,987.97 million.
- Estimated after-tax Internal Rate of Return ("IRR") of 290%.
- Payback of 0.5 years for Phase 1, 0.2 years for Phase 2 and 1.2 years for Phase 3, from the start of production in each phase (years 1, 3 and 6, respectively).
- Adopted Potassium Chloride ("KCl") long term price of US\$250 CFR Brazil as reference for K Forte pricing.
- Estimated Operating Cost of US\$14.53, US\$6.77, US\$7.92 per product tonne for Phases 1, 2 and 3 respectively.

The PFS is based on the following assumptions:

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

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

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

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

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 tpy and will raise Verde's overall production capacity to 1,800,000 tpy.

As of March 22, 2022, 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 continues to develop its Cerrado Verde Project and will carry on with the market development, engineering studies, construction, finance and environmental licensing efforts to advance the project, while at the same time continues to evaluate the potential of its mineral resource for additional products for the agricultural market.

2021 Project Developments

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 tonnes per year ("**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 the 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.

2021 Permits Status¹

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.

As of March 22, 2022, the Group has 3 different mine pits, each at different permitting stages and targeting different volumes, as summarized in the following table.

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

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

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

2022 Guidance

On January 10, 2022, Verde issued a press release announcing the 2022 and 2023 guidance. The Group'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 (on 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.

The Group expects to revise these numbers upwards as the year progresses to reflect both Product demand and increased potash prices, despite the one of the wettest ever raining season and the increased oil prices.

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.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

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

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.

At the date of signing this report, the globe is already showing signs of recovery following the development of multiple vaccines.

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.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES (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 to 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.

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.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

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.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Uncertainty of Additional Capital

In the past, the Group has relied on sales of equity securities to meet its capital requirements. The Group plans to use predominantly 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.

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.

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.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 Reals. 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 affects 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 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.

History of Earnings

The Group generated operating revenue of \$27,709,000 and achieved an operating profit of \$4,855,000 for the year ended 31 December 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.

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

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.

DIRECTORS' SECTION 172 STATEMENT

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

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

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

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

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

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

Key Stakeholder groups	Why is it important to engage this group of stakeholders	How Verde Agritech Plc engaged with the stakeholder group	What came out of the engagement	
Equity investors	The long-term success of the Group has been a result of capital investment. This has allowed the Group to successfully complete the exploration and evaluation stage and start commercial production. This has been key to the success of the project without which the Group cannot create value to the investors and a return on investment.	<p><i>Substantial Shareholders</i></p> <ul style="list-style-type: none"> Regular meetings with the Chairman, CEO and CFO. <p><i>Prospective and existing investors</i></p> <ul style="list-style-type: none"> The AGM and Annual and Interim Reports. Investor roadshows and presentations. Regular news and project updates. Social media accounts e.g. Twitter (@verdeagritech) LinkedIn (Verde AgriTech Investors) <p>Website (www.investor.verde.ag)</p>	The Group received C\$1,4 million in share warrants exercised in March 2021. 59% was from outside investors.	
Debt providers	Loans from BNDES Finame, Banco Santander and Banco Bradesco banks in Brazil	Access to capital is of vital importance to the long-term success of our business to be able to expand the Cerrado Verde Project. Ongoing support from Debt providers is crucial to enable the construction of the plant.	<ul style="list-style-type: none"> One-on-one meetings with the CEO and CFO. Monthly reporting on project progress. Ad hoc discussions with management as required. 	In the period, the Group agreed four new loans totalling C\$2.8m which allowed them to fund the build and buy new equipment for the second processing plant.
Workforce	The Group has over 250 employees including its directors. Two of the Directors are UK resident. The CEO is based in the UK and CFO is based in Brazil. The rest of the Group's workforce is based in Brazil.	The vast majority of its employees are based in Brazil. The Directors consider workforce issues for the Group as a whole. The Group's long-term success is predicated on the commitment of our workforce to our vision and the demonstration of our values on a daily basis.	<p><i>General Workforce:</i></p> <ul style="list-style-type: none"> The Group maintains an open line of communication between its employees, senior management and Board of Directors. <p><i>UK Directors</i></p> <ul style="list-style-type: none"> The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited to some of the audit committee meetings. 	<p><i>Brazil</i></p> <p>The team are trained in aspects of corporate policies and procedures to engender a positive corporate culture aligned with the Group code of conduct.</p> <p>Meetings are held with staff to provide project updates and ongoing business objectives.</p> <p>Efforts to focus on plant safety have yielded significant improvements in safety performance.</p>

Workforce (Continued)

- There is a formalised employee induction into the Group’s corporate governance policies and procedures.

Brazil

- There is a Brazil HR department.
- Senior management regularly visit the operations in São Gotardo and engage with employees through one-on-one and staff meetings, employee events, project updates, etc.

Governmental bodies

The Group is impacted by local governmental organisations in Brazil.

The Group is restricted to relevant licences and permits from government to mine.

- The Group provides general corporate presentations regarding the Cerrado Verde project development as part of ongoing stakeholder engagement with the Brazilian state government, São Gotardo local government and Brazilian federal government. The Group continues to maintain good relations with the respective government bodies and frequently communicates its progress.
- The Group engages with the relevant departments of the Brazilian government in order to progress the operational licences it will require.

To date, the Group has received its requisite environmental and mining permits. With this in place, the Group is now focused on increasing these permits.

Community

The local community at the mine town and the surrounding area.

We need to engage with the local community to build trust. Having the community’s trust will mean it is more likely that any fears that the community has can be assuaged and our plans and strategies are more likely to be

The Group has identified all key stakeholders with the local community within the reporting period.

The Group has ongoing engagements with the local community as part of the development of its sustainability initiatives.

Community (Continued)	<p>accepted. Community engagement will inform better decision making.</p>	<p>Verde Agritech Plc has open dialogue with the São Gotardo local government and community leaders regarding the project development. The Group develops social and environmental projects along with the community impacted by its operations, in order to have the best possible relationship with the stakeholders.</p>	
	<p>The local community in Sao Gotardo and wider Belo Horizonte will provide employees to the mine and our suppliers.</p>		
	<p>The Group will in due course have a social and economic impact on the local community and surrounding area. The Group is committed to ensuring sustainable growth minimising adverse impacts. The Group will engage these stakeholders as appropriate.</p>		
Suppliers	<p>Our suppliers are fundamental to ensuring that the Group can meet its targets on time and on budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners.</p>	<p>One on one meetings between management and suppliers.</p> <p>Assist local suppliers to address liquidity challenges.</p>	<p>Smaller local vendors are engaged at a broader level to better align with Group objectives.</p>
<p>At a local level, the Group also partner with a variety of smaller companies, some of whom are independent or family run businesses.</p>			

VERDE AGRITECH PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS' SECTION 172 STATEMENT (CONTINUED)

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

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

On behalf of the board:



C Veloso, Director and Chairman
22 March 2022

VERDE AGRITECH PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report with the audited financial statements of Verde Agritech Plc and its subsidiaries ("the Group" or "Verde") for the year ended 31 December 2021. The financial statements are presented in Canadian Dollars.

DIRECTORS

The Directors during the period under review were:

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

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021 (2020: \$nil).

SUBSTANTIAL SHARE INTERESTS

At 22 March 2022 Verde Agritech Plc was aware of the following substantial share interests:

	Number of Ordinary Shares	% of Share Capital
Cristiano Veloso	9,451,547	18.75%

FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash, liquid resources and items such as short-term debtors and creditors that arise from its operations. These financial instruments are the sole source of finance for the Group's operations. The principal risks relate to currency exposure and liquidity (see note 25 to the consolidated financial statements).

The majority of the Group's cash resources are held in 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 Brazilian Reais. The appreciation of the Brazilian Real against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements.

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

Cash balances in Brazilian Reais are kept under constant review.

VERDE AGRITECH PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

The Group has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the likely future developments in the business of the Group which would otherwise be required to be contained in the Director's report within the Strategic report on pages 2 to 18

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, liquidity risk, credit risk and interest rate risk, each of which is discussed in note 25 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

A resolution to reappoint PKF Littlejohn LLP will be put forward at the Annual General Meeting.

On behalf of the board:



C Veloso, Director and Chairman
22 March 2022

VERDE AGRITECH PLC

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

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

Each of the Directors confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

VERDE AGRITECH PLC

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

Audit Committee

The Audit Committee meets no less than quarterly and considers the Group's financial reporting (including accounting policies) and internal financial controls. The members of the Audit Committee are Messrs. Renato Gomes, Michael St Aldwyn, and Getulio Fonseca. The Audit committee receives reports from management and from the Group's auditor. The Group has in place a series of procedures and controls designed to identify and prevent the risk of loss. These procedures are formally documented and are reported on regularly. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

Composition of the Audit Committee

Mr. Gomes, Mr. St Aldwyn, and Mr. Fonseca are all "financially literate" and all three members are "independent", as those terms are defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110").

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an audit committee member is as follows:

Mr. Gomes is co-Founder & President of Pix Force, ranked as Brazil's number one artificial intelligence startup, he is also co-Founder and a Board Director of Graphite Company of the Americas, which is developing a graphite mine and processing plant in Brazil. Renato Gomes holds a degree in electronics and a law degree both from the Federal University of Minas Gerais (Brazil), a masters degree from the London School of Economics (U.K.) and a doctorate from Georgetown University (U.S.A.).

VERDE AGRITECH PLC

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Mr. St Aldwyn is an executive with strong connections with global investment markets and with long track record in Latin America. He worked in Brazil from 1973-1979; between 1979-1989 was responsible for Latin American markets when at the New York office of ED&F Man and moving to London from 1989-1994 still with ED&F Man, an agricultural commodities trader with over 7,000 staff spread across 60 countries started in 1783. Mr. St Aldwyn then established his own company, 1994-2010, dedicated to the promotion of hedge funds. He also served as Chairman of the Anglo-Brazilian Society from 1996-2002 and as a Director of BlackRock Latin American Investment Trust from 1996-2017. He is fluent in Portuguese and in 2017 he completed a Master's degree at King's College London in "Brazil in Global Perspective".

Getulio Fonseca is a senior economist with over 40 years of government and consulting experience in the Brazilian resource, electrical and power generation sectors, and served as Deputy Minister of the Environment (Brazil) in 1994. Since 1990, Mr. Fonseca has been employed by GL Consultoria Ltda as a consultant to the Brazilian resource, electric and power generation industries. In that role, Mr. Fonseca has assisted businesses such as Bank of Montréal, Samarco Mineração S.A., Klabin S.A., Alcoa Inc., KLM Aerocarto B.V., Construtora Norberto Odebrecht S.A., Acesita S.A. and Dow Corning Corporation with major projects in Brazil. From 1985 to 1990, Mr. Fonseca was the General Director of the National Department of Power and Water Supply (DNAEE) at the Brazilian Ministry of Mining and Power Supply, and from 1979 to 1984, was the Executive Secretary of the Industrial Development Council at the Brazilian Industry and Commerce Ministry. For various periods between 1972 and 1979, Mr. Fonseca was the Associate Secretary for the Minas Gerais State Industry, Commerce and Tourism Secretariat, and also served as the Co-ordinator of the Economic Advisory Team to the Minas Gerais State Finance Secretariat. From 1971 to 1972, he was employed with the Minas Gerais state Industrial Development Institute, and the office of the Industry, Commerce and Tourism Superintendent. From 1966 to 1971, Mr. Fonseca held positions with Companhia Energetica de Minas Gerais S.A. (CEMIG).

Compensation Committee

The Compensation Committee meets at least once a year and is responsible for making decisions on directors' and senior executive remuneration packages. The members of the Compensation Committee are Messrs. Renato Gomes, Michael St Aldwyn, and Getulio Fonseca.

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

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes. The members of the Corporate Governance and Nominating Committee are Messrs. Renato Gomes, Michael St Aldwyn, and Paulo Sérgio Machado Ribeiro.

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

The Board notes that additional information supplied by the Audit Committee and by the Compensation Committee has been disseminated across the whole of this Annual Report, rather than included as separate Committee Reports.

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

Opinion

We have audited the financial statements of Verde AgriTech Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2.1 to the group financial statements the group, in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included an evaluation of management's assessment and a review of management's budget and cash flow forecasts prepared. This included an analysis of qualitative and quantitative aspects within management's assessments. Based on the phased approach to extraction activities, it is noted that a continuous increase in extraction and production activities is expected for the foreseeable future.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group materiality was \$400,000 (2020: \$400,000) for balances at year-end and \$150,000 (2020: \$80,000) for transactions during the year, with parent company materiality being \$180,000 (2020: \$180,000) for balances at year-end and \$72,000 (2020:\$38,000) for transactions during the year. These metrics were based on 1% of gross assets for balances at year-end and 1% of turnover for transactions during the period. From a group perspective the key benchmark is considered gross assets, given that current and potential investors will be most interested in the asset base of the group, although as production increases, revenue is also a key benchmark to consider.

Component materiality for all entities within the group was set lower than our overall group materiality and ranged from \$180,000 to \$240,000 (2020: \$180,000 to \$240,000) for balances at year-end and \$60,000 to \$96,000 (2020: \$32,000 to \$51,000) for transactions during the year. Performance materiality for the group, and all significant components, was set at 60% of overall materiality, consistent with the prior year.

We agreed with the audit committee that we would report all audit differences identified during the course of our audit in excess of \$20,000 (2020: \$20,000) for balances at year-end and \$7,500 (2020: \$4,000) for transactions within the year. There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material.

Our approach to the audit

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. The recoverability of intangible assets, investments and the valuation of share-based payments were assessed as areas which involved significant accounting estimates and judgements by management. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. All significant and / or material components were audited, some with the assistance of component auditors. We used PKF Brazil, a firm within our network, to perform the component audit work in accordance with our group audit instructions. We were actively involved in their audit process, and reviewed their working papers and their findings to ensure that their approach and conclusions were consistent with the approach we would have taken and the conclusions we would have reached. Regular meetings and calls were held between the group audit team and component auditor during the planning, execution and completion phases.

Key audit matters

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

Key Audit Matter	How our scope addressed this matter
Revenue recognition	
There is a presumption of fraud risk related to revenue recognition under UK and international auditing standards. Verde Agritech commenced commercial production of its multi-nutrient potassium fertiliser in 2018, with revenues increasing year on year since that date. Revenue is recognised when control of the product sold is transferred to the customer, which is when the goods are shipped to the customer.	Our work in this area included: <ul style="list-style-type: none">■ Gaining an understanding of the controls over revenue recognition.■ Obtaining and reviewing the sales agreements with significant customers and assessing the terms and conditions of the agreement for their impact on revenue recognition.■ Assessing whether or not revenue has been recognised in line with the Group's accounting policy and ensuring that policy complies with

<p>Revenue needs to be recognised and recorded accurately in accordance with the terms of the underlying sales agreements and performance obligations with customers in accordance with IFRS15, and in accordance with the Group's accounting policy as per note 2.19.</p>	<p>the revenue recognition principles within IFRS 15.</p> <ul style="list-style-type: none"> ■ Testing completeness of revenue by ensuring all inventory shipped has a corresponding sales invoice. ■ Obtaining a sales listing and verifying occurrence and accuracy of transactions by agreeing to supporting documentation. ■ Performing testing around the year-end on sales transactions before and after the year-end to ensure recognition in the correct period. <p>From the testing performed, no misstatements were noted and no control deficiencies reported.</p>
<p>Carrying value of mineral properties</p>	
<p>As at 31 December 2021, the Group's mineral properties totalled \$19.608m and details of these assets and the related critical judgements and estimates are disclosed in notes 2.12, 2.20 and 12.</p> <p>Management is required to assess annually whether there is any indication that the Group's mineral properties may be impaired, and consider whether the carrying value exceeds the recoverable amount through value in use calculations involving future discounted cash flows.</p> <p>Calculation of the recoverable amount is dependent on various significant judgements and estimates, including the life of mine plan, potash price, production margins and discount rates.</p> <p>The subjectivity of the judgements and estimates, together with significant carrying value of mineral properties, make this area a key focus for the audit.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> ■ Critically assessing whether there are any indicators of impairment and, if so, assessing the impairment model prepared by management. ■ Reviewing relevant licensing and permitting, including those in process, to ensure consistent with forecast operational performance and plans. ■ Searching Departamento Nacional de Producao Mineral ("DNPM") website and agree ownership and expiry of licences held by the group. ■ Comparing actual production against planned productions under the pre-feasibility study performed in 2017. ■ Obtaining Management's discounted cash flow model and assessing the reasonableness of the inputs included in the models, including likely sensitivities which could remove the headroom. ■ Obtaining Management's discounted cash flow model and assessing the reasonableness of the inputs included in the models, in relation to external data and those applied within the pre-feasibility study. ■ Reviewing budgets, forecasts and strategic plans to consider the extent to which Management's judgement regarding future planned activity are supported by those plans and actual performance achieved to date. ■ Considering publicly available information and other information obtained during our work in

	<p>order to assess whether there were any other potential indicators of impairment that have not been identified by Management.</p> <ul style="list-style-type: none">■ Reviewing appropriateness of the disclosures made in the financial statements. <p>Based on the procedures performed, we consider management's estimates and judgements to be reasonable and the related disclosures appropriate.</p>
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Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

In preparing the group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

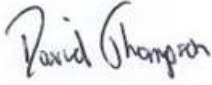
- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, as well as the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, IFRS accounting standards, and the operating terms set out in the mining licenses, as well as local laws and regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to specific enquiries of management, reviewing board minutes and any legal or regulatory compliance correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud at both the group and parent company level. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key accounting estimates and judgements could include management bias. We addressed these risks by challenging the assumptions and judgements made by management when auditing significant accounting estimates.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, as well as discussions with management where relevant.
- The audit team noted no non-compliance at parent level and the component auditor reported no non-compliance at the local operating level. The audit team discussed the possibility of non-compliance with Those Charged with Governance, as well as with Component Auditors, and through audit procedures performed, no instances were noted.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
22 March 2022

15 Westferry Circus
Canary Wharf

London E14 4HD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC FOR CANADIAN FILING PURPOSES

Opinion

We have audited the financial statements of Verde Agritech Plc and its subsidiaries (the 'Group') for the year ended 31 December 2021 and its comparatives for 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and 31 December 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Revenue Recognition	
<p>There is a presumption of fraud risk related to revenue recognition under international auditing standards.</p> <p>Verde Agritech commenced commercial production of its multi-nutrient potassium fertiliser in 2018. Revenue is recognised when control of the product sold is transferred to the customer, which is when the goods are shipped to the customer.</p> <p>Revenue needs to be recognised and recorded accurately in accordance with the terms of the underlying sales agreements and performance obligations with customers in accordance with IFRS15, and in accordance with the Group's accounting policy as per note 2.19.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> ▪ Gaining an understanding of the controls over revenue recognition. ▪ Obtaining and reviewing the sales agreements with significant customers and assessing the terms and conditions of the agreement for their impact on revenue recognition. ▪ Assessing whether or not revenue has been recognised in line with the Group's accounting policy and ensuring that policy complies with IFRS15. ▪ Testing completeness of revenue by ensuring all inventory shipped has a corresponding sales invoice. ▪ Obtaining a sales listing and verifying occurrence and accuracy of transactions by agreeing to supporting documentation. ▪ Performing testing around the year-end on sales transactions before and after the year-end to ensure recognition in the correct period.

	From the testing performed, no material misstatements were noted and no control deficiencies reported.
Carrying value of mineral properties	
<p>As at 31 December 2021, the Group's mineral properties totalled \$19.608m and details of these assets and the related critical judgements and estimates are disclosed in notes 2.12, 2.20 and 12.</p> <p>Management is required to assess annually whether there is any indication that the Group's mineral properties may be impaired, and consider whether the carrying value exceeds the recoverable amount through value in use calculations involving future discounted cash flows.</p> <p>Calculation of the recoverable amount is dependent on various significant judgements and estimates, including the life of mine plan, potash price, production margins and discount rates.</p> <p>The subjectivity of the judgements and estimates, together with significant carrying value of mineral properties, make this area a key focus for the audit.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> ▪ Critically assessing whether there are any indicators of impairment and, if so, assessing the impairment model prepared by management. ▪ Reviewing relevant licensing and permitting, including those in process, to ensure consistent with forecast operational performance and plans. ▪ Searching Departamento Nacional de Producao Mineral ("DNPM") website and agree ownership and expiry of licences held by the group. ▪ Comparing actual production against planned productions under the pre-feasibility study performed in 2017. ▪ Obtaining Management's discounted cash flow model and assessing the reasonableness of the inputs included in the models, including likely sensitivities which could remove the headroom. ▪ Obtaining Management's discounted cash flow model and assessing the reasonableness of the inputs included in the models, in relation to external data and those applied within the pre-feasibility study. ▪ Reviewing budgets, forecasts and strategic plans to consider the extent to which Management's judgement regarding future planned activity are supported by those plans and actual performance achieved to date. ▪ Considering publicly available information and other information obtained during our work in order to assess whether there were any other potential indicators of impairment that have not been identified by Management. ▪ Reviewing appropriateness of the disclosures made in the financial statements. <p>Based on the procedures performed, we consider management's estimates and judgements to be reasonable and the related disclosures appropriate.</p>

Other information

The other information comprises the information included in the report of the directors and audited financial statements and the management discussion and analysis, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is David Thompson.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants
London, UK
22 March 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

All amounts expressed in Canadian Dollars.

	Note	2021 \$'000	2020 \$'000
Revenue	4	27,709	9,167
Production costs		(7,131)	(3,515)
Gross Profit		20,578	5,652
Sales and distribution expenses		(11,252)	(2,270)
General and administrative expenses		(4,471)	(2,256)
Operating Profit	5	4,855	1,126
Finance income	7	55	121
Finance costs	8	(457)	(367)
Net Profit before tax		4,453	880
Income tax	9	(931)	(330)
Net Profit		3,522	550

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations		(1,270)	(4,490)
Total comprehensive profit / (loss) for the year attributable to equity holders of the parent		2,252	(3,940)

Earnings per share (\$)		2021	2020
Basic earnings per share	10	0.070	0.012
Diluted earnings per share	10	0.068	0.012

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

All amounts expressed in Canadian Dollars.

Assets	Note	2021		2020	
		Group (\$'000)	Company (\$'000)	Group (\$'000)	Company (\$'000)
Property, plant and equipment	11	4,107	100	2,429	-
Mineral properties	12	19,608	5,665	20,329	5,690
Intangible assets	13	-	-	-	-
Investments	14	-	46,060	-	46,060
Total non-current assets		23,715	51,825	22,758	51,750
Inventory	15	1,096	-	567	-
Trade and other receivables	16	15,055	127	3,170	75
Cash and cash equivalents	17	1,534	120	2,237	165
Total current assets		17,685	247	5,974	240
Total assets		41,400	52,072	28,732	51,990
Equity attributable to the equity holders of the parent					
Issued capital	18	20,464	20,464	19,699	19,699
Share premium		48,933	48,933	47,243	47,243
Warrant reserve	19	-	-	431	431
Merger reserve		(4,557)	-	(4,557)	-
Translation reserve		(17,417)	-	(16,147)	-
Accumulated losses		(21,065)	(17,913)	(25,529)	(16,037)
Total equity		26,358	51,484	21,140	51,336
Liabilities					
Interest-bearing loans and borrowings	22	3,079	-	2,529	-
Provisions	23	2,599	-	2,716	-
Total non-current liabilities		5,678	-	5,245	-
Trade and other payables	21	6,858	588	1,406	654
Interest-bearing loans and borrowings	22	2,506	-	941	-
Total current liabilities		9,364	588	2,347	654
Total liabilities		15,042	588	7,592	654
Total equity and liabilities		41,400	52,072	28,732	51,990

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent Company's loss for the financial year was \$2,818,000 (2020: loss of \$1,513,000).

On behalf of the board:



C Veloso
 Director and Chairman

Approved and authorised for issue by the Board on 22 March 2022.

VERDE AGRITECH PLC

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2021

All amounts expressed in Canadian Dollars.

Cash flows from operating activities	2021		2020	
	Group \$'000	Company \$'000	Group \$'000	Company \$'000
Operating profit / (loss)	4,855	(2,965)	1,126	(1,636)
Dividends received	-	147	-	123
Depreciation	290	8	165	-
Loss on disposal of property, plant and equipment	-	-	58	-
Amortisation of mineral property	93	25	65	15
Foreign exchange differences	(56)	-	(116)	-
Share-based payments	942	942	106	106
Increase in inventories	(529)	-	(275)	-
(Increase)/Decrease in receivables	(11,885)	(51)	(1,532)	174
Increase in payables	5,476	1,055	1,964	1,013
Cash (utilised) / generated in operations	(814)	(839)	1,561	(205)
Interest paid	(377)	-	(258)	-
Taxation paid	(486)	-	(241)	-
Net cash (utilised)/generated in operating activities	(1,677)	(839)	1,062	(205)
Cash flows from investing activities				
Interest received	55	-	120	-
Acquisition of mineral property assets	(428)	-	(230)	-
Acquisition of property, plant and equipment	(2,179)	(107)	(1,357)	-
Investment in subsidiary	-	-	-	(112)
Net cash utilised in investing activities	(2,552)	(107)	(1,467)	(112)
Cash flows from financing activities				
Bank loan received	2,768	-	2,081	-
Proceeds from issue of shares	901	901	-	-
Net cash generated from financing activities	3,669	901	2,081	-
Net increase/(decrease) in cash and cash equivalents	(560)	(45)	1,676	(317)
Cash and cash equivalents at beginning of period	2,237	165	666	482
Effect of exchange rate fluctuations on cash held	(143)	-	(105)	-
Cash and cash equivalents at end of period	1,534	120	2,237	165

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

Group	Share capital (\$'000)	Share premium (\$'000)	Share warrant reserve (\$'000)	Merger reserve (\$'000)	Translatio n reserve (\$'000)	Accumulate d losses (\$'000)	Total (\$'000)
Balance at 1 January 2020	18,752	47,128	431	(4,557)	(11,657)	(26,185)	23,912
Comprehensive loss							
Profit for the year	-	-	-	-	-	550	550
Foreign exchange translation differences	-	-	-	-	(4,490)	-	(4,490)
Total comprehensive loss for the year	-	-	-	-	(4,490)	550	(3,940)
Transactions with owners							
Issue of share capital	947	115	-	-	-	-	1,062
Expiry of share warrants	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	106	106
Total transactions with owners	947	115	-	-	-	106	1,168
Balance at 31 December 2020	19,699	47,243	431	(4,557)	(16,147)	(25,529)	21,140
Balance at 1 January 2021	19,699	47,243	431	(4,557)	(16,147)	(25,529)	21,140
Comprehensive loss							
Profit for the year	-	-	-	-	-	3,522	3,522
Foreign exchange translation differences	-	-	-	-	(1,270)	-	(1,270)
Total comprehensive profit / (loss) for the year	-	-	-	-	(1,270)	3,522	(2,252)
Transactions with owners							
Issue of share capital	765	1,259	-	-	-	-	2,024
Exercise of share warrants	-	423	(423)	-	-	-	-
Expiry of share warrants	-	8	(8)	-	-	-	-
Share-based payments	-	-	-	-	-	942	942
Total transactions with owners	765	1,690	(431)	-	-	942	2,966
Balance at 31 December 2021	20,464	48,933	-	(4,557)	(17,417)	(21,065)	26,358

VERDE AGRITECH PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

Company	Share capital (\$'000)	Share premium (\$'000)	Share warrant reserve (\$'000)	Accumulate d losses (\$'000)	Total (\$'000)
Balance at 1 January 2020	18,752	47,128	431	(14,630)	51,681
Comprehensive loss					
Loss for the year	-	-	-	(1,513)	(1,513)
Total comprehensive loss for the year	-	-	-	(1,513)	(1,513)
Transactions with owners					
Issue of share capital	947	115	-	-	1,062
Expiry of share warrants	-	-	-	-	-
Share-based payments	-	-	-	106	106
Total transactions with owners	947	115	-	106	1,168
Balance at 31 December 2020	19,699	47,243	431	(16,037)	51,336
Balance at 1 January 2021	19,699	47,243	431	(16,037)	51,336
Comprehensive loss					
Loss for the year	-	-	-	(2,818)	(2,818)
Total comprehensive loss for the year	-	-	-	(2,818)	(2,818)
Transactions with owners					
Issue of share capital	765	1,259	-	-	2,024
Exercise of share warrants	-	423	(423)	-	-
Expiry of share warrants	-	8	(8)	-	-
Share-based payments	-	-	-	942	942
Total transactions with owners	765	1,690	(431)	942	2,966
Balance at 31 December 2021	20,464	48,933	-	(17,913)	51,484

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Nature of operation and going concern

The Directors have prepared cash flow forecasts for the Group covering a period through to the end of June 2023 which shows income from revenue supporting capital, operating and administrative expenses throughout the period with only a small financing loan. As at December 31, 2021, the Group had current assets of \$17,685,000 and current liabilities of \$9,364,000 providing a working capital surplus of \$8,321,000. Having prepared budgets and cash flow forecasts based on current resources, and assessing the financial resources available through trading activities and borrowing facilities, the Directors believe the Group has sufficient resources to meet its obligations for a period of at least 12 months from the date of approval of these financial statements.

The cash forecast to June 2023 is based on the ramp up of production to 700,000 tpy and the Group being able to achieve similar pricing for the Product as demonstrated in 2021. Based on the Group's experience and saleability of the products, along with forward orders taken, the Directors consider that the mine in full operation will generate sufficient cash flows to continue its operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the annual financial statements.

The group has complied with all borrowing terms and covenants as set by lenders.

2. Significant accounting policies

Verde Agritech Plc (the "Company") is a company registered in England and Wales. The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2.1 Statement of compliance

The consolidated financial statements and company financial statements of Verde Agritech Plc have been prepared in accordance with UK-adopted international accounting standards and with IFRSs as promulgated by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRIC.

The Group has adopted all of the new and revised Standards and Interpretations issued by the IASB that are relevant to its operations and effective for accounting periods beginning 1 January 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.

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of Verde Agritech Plc ("Verde") and its subsidiaries (the "Group") for the year ended 31 December 2021.

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

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

2.3 Foreign currency

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

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

On consolidation, the assets and liabilities of the Group's overseas operations in Brazil that do not have a Canadian Dollar functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate during the quarter when the transaction occurs. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income. At 31 December 2021 the closing rate of exchange of Canadian Dollars to one Brazilian Reais was 4.40 (2020: 4.08) and the average rate of exchange of Canadian Dollars to one Brazilian Reais for the year was 4.31 (2020: 3.84).

2.4 Mineral property

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges.

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

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

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.5 Intangible assets

Intangible assets are carried at cost, less accumulated impairment charges. The useful life of intangible assets is infinite and has not been amortised.

2.6 Taxation

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

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

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

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

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

2.7 Cash and cash equivalents

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

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

2.8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges.

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

	%	Method
Plant and equipment	10	Straight line
Computer equipment	20	Straight line
Furniture and fixtures	10	Straight line
Motor Vehicles		3 Straight line years with a residual value of \$52,436

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.9 Inventory

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

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

2.10 Trade and other receivables

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

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

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

2.11 Investments in and loans to subsidiaries (Company only)

Investments are stated at their cost less any provision for impairment (see accounting policy 2.12).

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

2.12 Impairment

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

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

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.12 Impairment (continued)

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

2.13 Trade and other payables

Trade and other payables are stated at their amortised cost using the effective interest method.

2.14 Equity-settled share-based payments

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

2.15 Share warrants

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

2.16 Loans and borrowings

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

2.17 Provisions

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

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.18 Operating segments

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

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

2.19 Revenue recognition

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

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

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

2.20 Critical judgements and sources of estimation uncertainty

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

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

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

Judgements

- **Impairment of Mineral Property**

The Directors have assessed whether there are any indicators of impairment in respect of mineral property costs totalling \$19.6 million. In making this assessment they have considered the Group's business plan which includes resource estimates, future processing capacity, future exchange rates, the forward market and longer-term price outlook and assumptions regarding weighted average cost of capital. Resource estimates have been based on the most recently filed pre-feasibility study NI 43 101 report and its opportunities economic model which includes resource estimates without conversion of its inferred resources.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.20 Critical judgements and sources of estimation uncertainty (continued)

Management's estimates of these factors are subject to risk and uncertainties affecting the recoverability of the Group's mineral property costs. See note 12.

Estimates

- **Share-based payments**

The Group charges the consolidated statement of comprehensive income with the fair value of share options issued. This charge is not based on historical cost, but is derived based on assumptions input into an option pricing model. The model requires management to make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Group's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given there is no market for the options and they are not transferable. The value derived from the option-pricing model is highly subjective and dependent entirely upon the input assumptions made. See note 20.

- **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.

3. Operating segments

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

4. Revenue

(\$'000)	2021	2020
Sale of K Forte® / Super Greensand® / BAKS®	27,709	9,167

The geographic distribution of sales for the year was as follows:

	2021	2020
	%	%
Brazil	99	99
Rest of the world	1	1
	100%	100%

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Operating profit

The operating profit is stated after charging:

(\$'000)	2021	2020
Depreciation – owned assets	289	164
Amortization of mineral property (Note 12)	93	65
Loss on sale of property, plant and equipment	-	18
Directors' emoluments (see Note 26)	1,428	1,027
Share-based payments (see Note 20)	942	106
Auditor remuneration payable to the Company's auditor and its associates		
Audit of the Group and Company financial statements	56	60

6. Personnel expenses

Employee costs (\$'000)	2021		2020	
	Group	Company	Group	Company
Directors' emoluments (See Note 26)	1,428	1,428	1,027	1,027
Salaries	1,582	-	766	-
Compulsory social security contributions	316	-	178	-
Share based payments	942	942	106	106
Total	4,268	2,370	2,077	1,133

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

Position	2021		2020	
	Group	Company	Group	Company
Executive directors	1	1	1	1
Non-executive directors	5	5	5	5
Administration	43	-	18	-
Sales and marketing	46	-	32	-
Production	80	-	42	-
Total	175	6	98	6

7. Finance Income

(\$'000)	2021	2020
Interest received	44	92
Foreign exchange gain	11	29
Total	55	121

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Finance costs

(\$'000)	2021	2020
Interest on bank overdrafts and loans	378	262
Unwinding of discount on mine closure provision	79	105
Total	457	367

9. Income tax

Recognised in the income statement

Current tax	2021	2020
	(\$'000)	(\$'000)
Income tax charge	931	330
Reconciliation of effective tax rate		
Profit / (Loss) before tax	4,453	880
Tax using the domestic Group tax rate of 19% (2020: 19%)	874	167
Effect of overseas tax rates	638	378
Non-deductible expenses	336	132
Origination of temporary differences on which no deferred tax has been recognized	(917)	(581)
Effect of tax losses not recognised	-	234
Income tax charge for the year	931	330

Factors that may affect future tax charges

The Group has UK tax losses of approximately \$22,722,000 (2020: \$17,021,000) and overseas tax losses of approximately \$3,863,000 (BRL16,980,000) (2020: \$4,162,000 (BRL16,980,000)) available to be carried forward and set off against future profits.

The Group companies in Brazil are currently under "presumed profit" taxation method, which is the most efficient method at this time. Under "presumed profit" method, it is not possible to utilise prior period losses to reduce Income tax. When the Group switches to "real profit" method, these losses can be utilised.

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Income tax (continued)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Balance 2021	Balance 2020	Balance 2021	Balance 2020	Balance 2021	Balance 2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	-	-	(1,396)	(819)	(1,396)	(819)
Intangible assets	-	-	(6,734)	(6,951)	(6,734)	(6,951)
Tax value of loss carry-forwards recognized	8,130	7,770	-	-	8,130	7,770
Net tax assets/(liabilities)	8,130	7,770	(8,130)	(7,770)	-	-

Unrecognised deferred tax assets

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

(\$'000)	2021	2020
UK tax losses	3,583	3,234
Brazilian tax losses	1,313	-
Total	4,896	3,234

Movement in deferred tax assets and liabilities

	Balance on 1 Jan 2020	Recognised in income	Balance on 31 Dec 2020
	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	718	101	819
Intangible assets	9,168	(2,217)	6,951
Tax value of loss carry-forwards	(9,886)	(2,116)	(7,770)

	Balance on 1 Jan 2021	Recognised in income	Balance on 31 Dec 2021
	(\$'000)	(\$'000)	(\$'000)
Property, plant and equipment	819	577	1,396
Intangible assets	6,951	(217)	6,734
Tax value of loss carry-forwards	(7,770)	360	(8,130)

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on the profit attributable to ordinary shareholders of \$3,522,000 (2020: \$550,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2021 of 50,321,384 (2020: 47,582,730) calculated as follows:

Profit attributable to ordinary shareholders

	2021	2020
Profit for the period (\$'000)	3,522	550
Profit attributable to ordinary shareholders (\$'000)	3,522	550

Weighted average number of ordinary shares

	2021	2020
Weighted average number of ordinary shares outstanding – basic ('000)	50,321	47,583
Dilutive Stock options	1,695	188
Weighted average number of ordinary shares outstanding – dilutive ('000)	52,016	47,771
Basic earnings per share	\$0.070	\$0.012
Diluted earnings per share	\$0.068	\$0.012

The determination of the weighted average number of ordinary shares outstanding for the calculation of diluted earnings per share does not include the following effect of stock options which were anti-dilutive to earnings per share in the period:

	2021	2020
Anti-dilutive Stock options	2,130	3,012

Details of share warrants and share options that could potentially dilute earnings per share in future periods are set out in notes 19 and 20 respectively.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. Property, plant and equipment – Group

(\$'000)	Land and buildings	Plant and equipment	Computer equipment	Furniture and fixtures	Total
Cost					
Balance at 1 January 2020	612	1,395	85	359	2,451
Additions	654	651	46	6	1,357
Transfer to mineral property	-	(259)	-	-	(259)
Disposals	-	(75)	-	-	(75)
Effect of movements in foreign exchange	(184)	(336)	(17)	(86)	(623)
Balance at 31 December 2020	1,082	1,376	114	279	2,851
Balance at 1 January 2021	1,082	1,376	114	279	2,851
Additions	1,012	882	255	30	2,179
Effect of movements in foreign exchange	(98)	(109)	(11)	(21)	(239)
Balance at 31 December 2021	1,996	2,149	358	288	4,791

Depreciation and impairment losses					
Balance at 1 January 2020	-	136	77	125	338
Depreciation charge for the period	-	153	6	5	164
Depreciation on disposals	-	(16)	-	-	(16)
Effect of movements in foreign exchange	-	(22)	(12)	(30)	(64)
Balance at 31 December 2020	-	251	71	100	422
Balance at 1 January 2021	-	251	71	100	422
Depreciation charge for the year	-	257	27	5	289
Effect of movements in foreign exchange	-	(16)	(4)	(7)	(27)
Balance at 31 December 2021	-	492	94	98	684

Carrying amounts					
At 1 January 2020	612	1,257	8	234	2,113
At 31 December 2020	1,082	1,125	43	179	2,429
At 1 January 2021	1,082	1,125	43	179	2,429
At 31 December 2021	1,996	1,657	264	190	4,107

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. Property, plant and equipment – Company

	Computer Equipment	Motor Vehicles	Total
Cost (\$'000)			
Balance at 1 January 2020 and 31 December 2020	105	-	105
Balance at 1 January 2021	105	-	105
Additions	-	107	107
Balance at 31 December 2021	105	107	212
Depreciation and impairment losses			
Balance at 1 January 2020 and 31 December 2020	105	-	105
Balance at 1 January 2021	105	-	-
Depreciation charge for the year	-	7	7
Balance at 31 December 2021	105	7	112
Carrying amounts			
At 1 January 2020	-	-	-
At 31 December 2020	-	-	-
At 1 January 2021	-	-	-
At 31 December 2021	-	100	100

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Mineral properties – Group

Cost	Total (\$'000)
Balance at 1 January 2020	24,527
Additions	230
Transfer from property, plant and equipment	259
Effect of movements in foreign exchange	(4,571)
Balance at 31 December 2020	20,445
Balance at 1 January 2021	20,445
Additions	428
Effect of movements in foreign exchange	(1,066)
Balance at 31 December 2021	19,807
Amortisation	
Balance at 1 January 2020	72
Amortisation charge for the year	65
Effect of movements in foreign exchange	(21)
Balance at 31 December 2020	116
Balance at 1 January 2021	116
Amortisation charge for the year	93
Effect of movements in foreign exchange	(10)
Balance at 31 December 2021	199
Carrying amounts	
At 1 January 2020	24,455
At 31 December 2020	20,329
At 1 January 2021	20,329
At 31 December 2021	19,608

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Mineral properties – Company

	Total (\$'000)
Cost	
Balance at 1 January 2020	5,713
Balance at 31 December 2020	5,713
Balance at 1 January 2021	5,713
Balance at 31 December 2021	5,713
Amortisation	
Balance at 1 January 2020	8
Amortisation charge for the year	18
Effect of movements in foreign exchange	(3)
Balance at 31 December 2020	23
Balance at 1 January 2021	23
Amortisation charge for the year	27
Effect of movements in foreign exchange	(2)
Balance at 31 December 2021	48
Carrying amounts	
At 1 January 2020	5,705
At 31 December 2020	5,690
At 1 January 2021	5,690
At 31 December 2021	5,665

Consideration of impairment for the mineral property costs

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Intangible assets - Group

	Calcário Project (\$'000)
Cost	
Balance at 1 January 2020	566
Effect of movements in foreign exchange	(137)
Balance at 31 December 2020	429
Balance at 1 January 2021	429
Effect of movements in foreign exchange	(31)
Balance at 31 December 2021	398
Provision for impairment	
Balance at 1 January 2020	566
Effect of movements in foreign exchange	(137)
Balance at 31 December 2020	429
Balance at 1 January 2021	429
Effect of movements in foreign exchange	(31)
Balance at 31 December 2021	398
Carrying amounts	
At 1 January 2020	-
At 31 December 2020	-
At 1 January 2021	-
At 31 December 2021	-

The Calcário project was necessary for mining limestone which is necessary for the production of TK47[®]. Following the decision to produce the Product, the Company will retain title to this project and is considering various options for its future. A provision of \$663,000 was made against the project in 2017. At the year end, at current exchange rates this provision has been revalued as \$398,000.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. Investments – Company

(\$'000)	Investment in subsidiaries	Loans	Total
Cost			
Balance at 1 January 2020	41,791	4,157	45,948
Additions	112	-	112
Balance at 31 December 2020	41,903	4,157	46,060
Balance at 1 January 2021 and 31 December 2021	41,903	4,157	46,060

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

Verde Agritech Plc had the following wholly owned subsidiaries at 31 December 2021:

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

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

GB10N Limited is an intermediate holding company.

15. Inventory

(\$'000)	2021		2020	
	Group	Company	Group	Company
Finished goods	234	-	110	-
Packaging	542	-	195	-
Stockpile ore	320	-	262	-
Total	1,096	-	567	-

The cost of inventories recognised as an expense and included in production costs for the year amounted to \$7,060,000 (2020: \$3,515,000).

16. Trade and other receivables

(\$'000)	2021		2020	
	Group	Company	Group	Company
Trade receivables	13,245	3	2,106	21
Other receivables	1,057	24	870	23
Prepayments	753	100	194	31
Total	15,055	127	3,170	75

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

17. Cash and cash equivalents

(\$'000)	2021		2020	
	Group	Company	Group	Company
Cash at bank and in hand	1,534	120	2,237	165
Total	1,534	120	2,237	165

18. Share capital

(\$'000)	2021		2020	
	Number	\$'000	Number	\$'000
Authorised - Ordinary Shares of \$0.3918 each	500,000,000	195,900,000	500,000,000	195,900,000

Issued - Ordinary Shares of \$0.3918 each	2021		2020	
	Number	\$'000	Number	\$'000
At 1 January	48,444,803	19,699	46,028,766	18,752
14 February 2020 for \$0.40 each	-	-	899,999	353
1 July 2020 for \$0.50 each	-	-	766,038	300
1 July 2020 for \$0.425 each	-	-	750,000	294
14 January 2021 for \$0.425 each	36,000	14	-	-
16 February 2021 for \$1.00 each	166,666	66	-	-
26 February 2021 for \$1.00 each	82,500	32	-	-
9 March 2021 for \$1.00 each	146,016	57	-	-
12 March 2021 for \$1.00 each	989,873	388	-	-
12 March 2021 for \$1.22 each	499,000	196	-	-
24 March 2021 for \$0.40 each	13,761	5	-	-
16 December 2021 for \$0.425 each	20,000	7	-	-
At 31 December	50,398,619	20,464	48,444,803	19,699

During the year share capital increased by \$765,000 and share premium increased by \$1,259,000, totalling \$2,024,000 as shown in the statement of changes in equity.

During the year, 499,000 shares were issued to key management that cannot be traded until the following conditions are met:

- 50% of the total number of shares once the Company share value achieves CAD6.45 per unit.
- 50% of the total number of shares if the Company achieves a full year Audited EBITDA of BRL50,000,000

The company secretary has retained the share certificates for these issues.

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.

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

18. Share capital (continued)

Merger reserve

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

Translation reserve

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

19. Share warrant reserve

	2021		2020	
	Number	\$'000	Number	\$'000
Balance at beginning of year	1,410,057	431	1,410,057	431
Warrants exercised during year	(1,385,057)	(424)	-	-
Warrants expired during year	(25,000)	(7)	-	-
Balance at end of year	-	-	1,410,057	431

1,410,057 Ordinary Share purchase warrants were issued on 12 March 2019, at a fair value of \$0.31 each. The warrants were exercisable to purchase half an Ordinary Share at an exercise price of \$1.00 until 12 March 2021 being the second anniversary of the closing of the Placement. The Warrants were unlisted. The fair value of the share purchase warrants were measured using the Black-Scholes model assuming an expected volatility of 97%, a risk-free interest rate of 1.65% and a contractual life of the warrant of 2 years. The fair value of services received in return for the warrants issued is measured by reference to the fair value of the warrants issued in the absence of information on the fair value of the services provided.

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

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

20. Share-based payments

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

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

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	\$0.58	3,199,715	\$0.70	3,738,923
Granted during the period	\$1.23	941,221	\$0.40	380,375
Exercised during the period	\$0.42	(69,761)	\$0.425	(750,000)
Cancelled/Forfeited during the period	\$0.64	(245,948)	\$0.28	(169,583)
Outstanding at the end of the period	\$0.58	3,825,227	\$0.58	3,199,715
Exercisable at the end of the period	\$0.80	3,078,801	\$0.72	2,316,614

The options outstanding at 31 December 2021 have an exercise price in the range of \$0.40 to \$1.48 (2020: \$0.40 to \$1.05) and a weighted average remaining contractual life of 7.7 years (2020: 8.7 years). Five option awards were granted in 2021. Four option awards will vest in six tranches, 10% immediately with an additional 10% vest in years two to five. At the sixth year from grant, the remaining 50% of the options vest. The fifth option vested in full on 1 July 2021. At 31 December 2021, 3,078,801 of the options had vested (31 December 2020: 2,316,614).

Fair value of share options and assumptions (\$)	2021	2020
Weighted average fair value of options granted during the year	1.10	0.24
Weighted average share price	1.42	0.41
Weighted average exercise price	1.25	0.40
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	111%	77%
Option life	5	5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	0.97%	0.1%

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.

(\$'000)	2021	2020
Total expense recognised as employee and consultants' costs	942	106

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

20. Share-based payments (continued)

Details of share options outstanding at 31 December 2021 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	
289,200	-	-	-	(56,000)	233,200	233,200	\$0.425	10 Dec 2014	10 Dec 2024	
20,000	-	-	-	-	20,000	20,000	\$0.40	12 Nov 2015	12 Nov 2025	
50,000	-	-	-	-	50,000	50,000	\$0.40	10 Dec 2015	10 Dec 2025	
61,538	-	-	-	-	61,538	61,538	\$0.40	31 Jan 2017	31 Jan 2027	
144,000	-	-	-	-	144,000	44,000	\$0.40	9 Feb 2017	9 Feb 2027	
200,000	-	-	-	-	200,000	60,000	\$1.02	30 May 2018	30 May 2028	
1,244,308	-	-	-	-	1,244,308	1,244,308	\$0.61	24 Sept 2018	24 Sept 2028	
125,000	-	-	(10,000)	-	115,000	-	\$0.61	24 Sept 2018	24 Sept 2028	
328,876	-	-	-	-	328,876	328,876	\$0.63	1 Mar 2019	1 Mar 2029	
450,000	-	-	(5,000)	-	445,000	249,000	\$0.63	1 Mar 2019	1 Mar 2029	
5,000	-	-	(5,000)	-	-	-	\$0.64	31 May 2019	31 May 2029	
50,500	-	-	(10,500)	-	40,000	12,000	\$0.67	1 Sept 2019	1 Sept 2029	
185,780	-	-	(148,166)	(13,761)	23,853	5,502	\$0.40	14 Feb 2020	14 Feb 2030	
45,513	-	-	(14,829)	-	30,684	6,137	\$0.40	25 Mar 2020	25 Mar 2030	
-	75,004	-	(19,577)	-	55,427	5,539	\$1.22	5 Mar 2021	5 Mar 2031	
-	750,000	-	-	-	750,000	750,000	\$1.22	5 Mar 2021	5 Mar 2031	
-	10,000	-	(10,000)	-	-	-	\$1.69	25 Mar 2021	25 Mar 2031	
-	96,217	-	(22,876)	-	73,341	7,696	\$1.21	10 May 2021	10 May 2031	
-	10,000	-	-	-	10,000	1,000	\$1.48	9 Nov 2021	9 Nov 2031	
3,199,715	941,221	-	(245,948)	(69,761)	3,825,227	3,078,796				

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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

21. Trade and other payables

(\$'000)	2021		2020	
	Group	Company	Group	Company
Trade payables	2,558	184	262	95
Income tax	576	-	156	-
Other payables	1,278	-	265	1
Amounts owed to Group undertakings	-	20	-	157
Accruals and deferred income	2,446	384	723	401
Total	6,858	588	1,406	654

22. Interest-bearing loans and borrowings

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

The Group received four loans during the year from various banks totaling \$2,768,000 (BRL \$12,167,990).

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 ⁴	Dec, 2021	Working capital	06	36	5,000	1,289	Dec, 2024	* CDI + 2.92%
Santander ²	Oct, 2021	Working capital	01	24	5,000	1,309	Sept, 2023	14.32%
ABC Brazil ²	Sept, 2021	Working capital	01	06	2,000	472	Mar, 2022	13.45%
Bradesco ³	Mar, 2021	Vehicle	01	36	168	32	Feb, 2024	10.46%
Santander ¹	Oct, 2020	Equipment and working capital	01	36	2,000	381	Oct, 2023	10.95%
ABC Brazil ²	Aug, 2020	Equipment and working capital	01	42	2,000	492	Mar, 2024	*CDI + 7.53%
Santander ³	July,2020	Equipment	06	18	359	62	July,2022	**IPCA + 8.46%
Bradesco ¹	July,2020	Equipment and working capital	06	60	5,000	1,265	July, 2025	10.95%
Bradesco ³	Mar, 2020	Vehicle	01	48	119	19	Apr, 2024	12.49%
Santander ³	Jan, 2020	Equipment	06	36	364	55	June, 2023	**IPCA + 7,12%
Bradesco ³	Jan, 2020	Equipment	00	48	450	72	Feb, 2024	11.98%
Santander ³	Apr,2019	Equipment	01	36	73	7	Oct, 2022	**IPCA + 7,12%
Santander ³	Apr,2019	Equipment	01	36	150	15	Oct, 2022	**IPCA + 7,12%
Santander ³	May, 2018	Equipment	12	60	1,040	115	May, 2023	**IPCA + 7,05%
Total						5,585		

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NOTES TO THE GROUP FINANCIAL STATEMENTS

22. Interest-bearing loans and borrowings (Continued)

* - 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%.

Bank loans are secured as follows;

Indicator ¹ - Covid-19 loans - 80% of loan value guaranteed by the Brazilian government

Indicator ² – Loan value secured by trade receivables

Indicator ³ – Fixed charge over the equipment purchased

Indicator ⁴ – Future sales contracts

Repayment analysis of the bank loan is as follows:

	Less than one year (\$'000)	2021 2 – 4 years (\$'000)	Greater than 4 years (\$'000)	Less than one year (\$'000)	2020 2 – 4 years (\$'000)	Greater than 4 years (\$'000)
Bank loans	2,506	2,873	206	940	1,927	603

23. Provisions

Mine closure provision	2021 \$'000	2020 \$'000
Opening balance	2,716	3,450
Unwinding of discount	79	99
Effect of movements in foreign exchange	(196)	(833)
Total	2,599	2,716

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 as the present value of expected future cash-flows associated with closure activities. We have used a discount rate of 3.05% and the calculation assumes an area of 1,524 hectares which will require rehabilitation at a cost of US\$5,183 per hectare. The area and cost assumptions have been taken from a published pre-feasibility study (PFS) undertaken in 2017.

24. Commitments and contingent liabilities

Commitments

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

	2021 \$'000	2020 \$'000
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

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24. Commitments and contingent liabilities (Continued)

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

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

	2021	2020
	\$'000	\$'000
Amount payable within one year	11	12
Amounts payable after more than one year and less than five years	8	20
Total	19	32

Contingent liabilities

Brazilian labour law entitles a former employee to lodge complaints up to two years after leaving the company. Claims are usually for alleged unpaid remuneration and compensation in the event of dismissal. The Company, whilst contesting each claim, notes that should a claim be successful future liability may arise.

25. Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There is no perceived credit risk as the Group and Company have minimal other financial receivables and bank deposits are made with financial institutions considered to have strong credit ratings. There were no derivative instruments outstanding as of 31 December 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 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 adversely affect the Group's future cash flows from operations, its results of operations, financial condition and prospects. The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency to match expected expenditure in foreign currency.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

25. Financial instruments (continued)

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

Currency (\$'000)	2021		2020	
	Group	Company	Group	Company
Canadian Dollars	110	110	83	83
Brazilian Reais	1,414	-	2,072	-
American Dollars	4	4	81	81
British Pounds	6	6	1	1
Total	1,534	120	2,237	165

The Brazilian Reais deposits are held as interbank deposit certificates, with no maturity date and track Brazil's short term interest rate which is currently 9.25%.

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

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

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

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. The Group and Company have borrowings, trade and other payables with a maturity of less than one year with borrowings and a provision greater than one year. Further details of the liquidity position are explained in note 1 regarding going concern.

Interest rate risk

The Group's 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.

The Group's current loan rates vary from 7.30% to 18.52% per annum. The Brazilian Government long term bond rate is currently 7.5% per annum. The Group's last loan rates are an average 3% higher than the government bonds, which management considers to be competitive.

Credit risk

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

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25. Financial instruments (continued)

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

	2021 \$'000	2020 \$'000
A+	120	165
B	1,125	-
BB-	280	2,063
Not rated	9	9
Total	1,534	2,237

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

Financial assets

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

Fair values

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

Classes of financial instruments

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

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NOTES TO THE GROUP FINANCIAL STATEMENTS

26. Related party transactions

Key management compensation was as follows:

Year ended 31 December 2021

	Fees \$'000	Salary \$'000	Short term employment benefits \$'000	Bonuses \$'000	Bonuses (non- cash) \$'000	2021 Total \$'000
C Veloso	-	166	245	420	487	1,318
R Gomes	22	-	-	-	-	22
G Fonseca	22	-	-	-	-	22
A Paolinelli	22	-	-	-	-	22
P M Ribeiro	22	-	-	-	-	22
M St Aldwyn	22	-	-	-	-	22
Directors' total	110	166	245	420	487	1,428
Other key management	-	102	88	88	122	400
Total	110	268	333	508	609	1,828

Bonuses (non-cash) of \$609,000 relate to the issue of shares to key management that cannot be traded until the following conditions are met:

- 50% of the total number of shares once the Company share value achieves CAD6.45 per unit.
- 50% of the total number of shares if the Company achieves a full year Audited EBITDA of BRL50,000,000

The company secretary has retained share certificates for these issues.

On 31 December 2021, C Veloso and all other board of directors were owed \$42,000 (2020: \$49,000). Other key management personnel were owed \$Nil (2020: \$18,000).

Year ended 31 December 2020

	Fees \$'000	Short term employment benefits \$'000	Bonuses \$'000	2020 Total \$'000
C Veloso	-	420	551	971
R Gomes	12	-	-	12
G Fonseca	11	-	-	11
A Paolinelli	11	-	-	11
P M Ribeiro	11	-	-	11
M St Aldwyn	11	-	-	11
Directors' total	56	420	551	1,027
Other key management	103	76	60	239
Total	159	496	611	1,266

Share-based payment charges relates to options granted in 2017, 2018 and 2021 based on valuations made under the Black Scholes method as described in note 20 above and relate to options exercisable at prices significantly in excess of the current share price.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

26. Related party transactions (continued)

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

Year ended 31 December 2021

	Outstanding at beginning of period	Granted	Exercised	Outstanding at end of period
C Veloso	1,242,308	750,000	-	1,992,308
R Gomes	226,538	-	-	226,538
G Fonseca	226,538	-	-	226,538
A Paolinelli	226,538	-	-	226,538
P M Ribeiro	200,000	-	-	200,000
M St Aldwyn	200,000	-	-	200,000
Directors' total	2,321,922	750,000	-	3,071,922
Other key management	275,000	-	-	275,000
Total	2,596,922	750,000	-	3,346,922

Year ended 31 December 2020

	Outstanding at beginning of period	Granted	No longer key management	Exercised	Outstanding at end of period
C Veloso	1,992,308	-	-	(750,000)	1,242,308
R Gomes	226,538	-	-	-	226,538
G Fonseca	226,538	-	-	-	226,538
A Paolinelli	226,538	-	-	-	226,538
P M Ribeiro	200,000	-	-	-	200,000
M St Aldwyn	200,000	-	-	-	200,000
Directors' total	3,071,922	-	-	(750,000)	2,321,922
Other key management	336,000	-	(61,000)	-	275,000
Total	3,407,922	-	(61,000)	(750,000)	2,596,922

The transactions between the parent Company and its subsidiary GB10N Limited are disclosed in note 14.

27. Subsequent events

- In January 2022, a dividend of \$230,000 (R\$1,000,000) was declared and paid from Verde Fertilizantes Ltda to the parent company.
- 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.

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27. Subsequent events (continued)

- 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.