
VERDE AGRITECH PLC

UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2022



VERDE AGRITECH PLC

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VERDE AGRITECH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022

The accompanying unaudited consolidated financial statements of Verde AgriTech Plc (“Verde”, the “Company”, or the “Group”) for the first quarter ended 31 March 2022 have been prepared by and are the responsibility of the Company's management. They have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ issued by the International Auditing and Assurance Board (“IAASB”) and as adopted by the United Kingdom and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Group’s audited financial statements including the notes thereto for the year ended 31 December 2021. The financial information has not been reviewed or audited by the Group’s auditor.

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

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Quarter Ended 31 March 2022

All amounts expressed in Canadian Dollars.

	Note	3 months ended 31 Mar 2022 \$'000	3 months ended 31 Mar 2021 \$'000
Revenue		11,304	831
Production costs		(2,654)	(490)
Gross Profit		8,650	341
Sales and distribution expenses		(3,931)	(531)
General and administrative expenses		(1,131)	(1,515)
Operating Profit / (Loss)		3,588	(1,705)
Finance income		53	9
Finance costs		(238)	(84)
Net Profit / (Loss) before tax		3,403	(1,780)
Income tax		(370)	(31)
Net Profit / (Loss)		3,033	(1,811)

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations		3,515	(1,522)
Total comprehensive profit / (loss) for the period attributable to equity holders of the parent		6,548	(3,333)

Earnings / (loss) per share (\$)			
Basic earnings per share	4	0.060	(0.036)
Diluted earnings per share	4	0.057	(0.036)

VERDE AGRITECH PLC

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2022

All amounts expressed in Canadian Dollars.

Assets	Note	31 Mar 2022	31 Dec 2021
		(\$'000)	(\$'000)
Property, plant and equipment	5	8,129	4,107
Mineral properties	6	21,982	19,608
Intangible assets	7	-	-
Total non-current assets		30,111	23,715
Inventory		2,776	1,096
Trade and other receivables		17,618	15,055
Cash and cash equivalents	13	4,684	1,534
Total current assets		25,078	17,685
Total assets		55,189	41,400
Equity attributable to the equity holders of the parent			
Issued capital	8	20,536	20,464
Share premium		48,960	48,933
Merger reserve		(4,557)	(4,557)
Translation reserve		(13,902)	(17,417)
Accumulated losses		(17,968)	(21,065)
Total equity		33,069	26,358
Liabilities			
Interest-bearing loans and borrowings	11	5,138	3,079
Provisions	12	3,029	2,599
Total non-current liabilities		8,167	5,678
Trade and other payables		10,071	6,858
Interest-bearing loans and borrowings	11	3,882	2,506
Total current liabilities		13,953	9,364
Total liabilities		22,120	15,042
Total equity and liabilities		55,189	41,400

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STATEMENTS OF CASH FLOWS

For the Quarter Ended 31 March 2022

All amounts expressed in Canadian Dollars.

Cash flows from operating activities	3 months ended 31 Mar 2022 \$'000	3 months ended 31 Mar 2021 \$'000
Operating profit / (loss)	3,588	(1,705)
Depreciation	97	57
Amortisation of mineral property	30	4
Foreign exchange differences	392	58
Share-based payments	64	822
(Increase)/Decrease in inventories	(1,680)	57
(Increase)/Decrease in receivables	(2,563)	313
Increase/(Decrease) in payables	3,759	(102)
Cash generated/(utilised) in operations	3,687	(496)
Interest paid	(217)	(62)
Taxation paid	(186)	(72)
Net cash generated/(utilised) in operating activities	3,284	(630)
Cash flows from investing activities		
Interest received	53	9
Acquisition of mineral property assets	(209)	(42)
Acquisition of property, plant and equipment	(3,226)	(301)
Net cash utilised in investing activities	(3,382)	(334)
Cash flows from financing activities		
Bank loan received	2,775	29
Proceeds from issue of shares	30	893
Net cash generated from financing activities	2,805	922
Net increase/(decrease) in cash and cash equivalents	2,707	(42)
Cash and cash equivalents at beginning of period	1,534	2,237
Effect of exchange rate fluctuations on cash held	443	(174)
Cash and cash equivalents at end of period	4,684	2,021

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

Group	Share capital (\$'000)	Share premium (\$'000)	Share warrant reserve (\$'000)	Merger reserve (\$'000)	Translation reserve (\$'000)	Accumulated losses (\$'000)	Total (\$'000)
Balance at 1 January 2021	19,699	47,243	431	(4,557)	(16,147)	(25,529)	21,140
Comprehensive loss							
Loss for the period	-	-	-	-	-	(1,811)	(1,811)
Foreign exchange translation differences	-	-	-	-	(1,522)	-	(1,522)
Total comprehensive loss for the period	-	-	-	-	(1,522)	(1,811)	(3,333)
Transactions with owners							
Issue of share capital	758	1,258	-	-	-	-	2,016
Exercise of share warrants	-	423	(423)	-	-	-	-
Expiry of share warrants	-	8	(8)	-	-	-	-
Share-based payments	-	-	-	-	-	213	213
Total transactions with owners	758	1,689	(431)	-	-	213	2,229
Balance at 31 March 2021	20,457	48,932	-	(4,557)	(17,669)	(27,127)	20,036
Comprehensive profit							
Profit for the period	-	-	-	-	-	5,333	5,333
Foreign exchange translation differences	-	-	-	-	252	-	252
Total comprehensive profit for the period	-	-	-	-	252	5,333	5,585
Transactions with owners							
Issue of share capital	7	1	-	-	-	-	8
Share-based payments	-	-	-	-	-	729	729
Total transactions with owners	7	1	-	-	-	729	737
Balance at 31 December 2021	20,464	48,933	-	(4,557)	(17,417)	(21,065)	26,358
Balance at 1 January 2022	20,464	48,933	-	(4,557)	(17,417)	(21,065)	26,358
Comprehensive profit							
Profit for the period	-	-	-	-	-	3,033	3,033
Foreign exchange translation differences	-	-	-	-	3,515	-	3,515
Total comprehensive profit for the period	-	-	-	-	3,515	3,033	6,548
Transactions with owners							
Issue of share capital	72	27	-	-	-	-	99
Share-based payments	-	-	-	-	-	64	64
Total transactions with owners	72	27	-	-	-	64	163
Balance at 31 March 2022	20,536	48,960	-	(4,557)	(13,902)	(17,968)	33,069

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 March 31, 2022, the Group had current assets of \$25,078,000 and current liabilities of \$13,953,000 providing a working capital surplus of \$11,125,000. 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 first quarter ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in the acquisition and development of mineral resource assets. The interim financial statements have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' issued by the IASB and as adopted by the United Kingdom.

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

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Group's audited consolidated financial statements and notes thereto for the year ended 31 December 2021. The annual financial statements are prepared in accordance with international accounting standards in conformity with the Companies Act 2006 and with IFRSs as promulgated by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRIC.

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Group's audited financial statements and notes for the year ended 31 December 2021.

The statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

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. Earnings / (loss) per share

Basic earnings / (loss) per share

The calculation of basic earnings per share at 31 March 2022 was based on the profit attributable to ordinary shareholders of \$3,033,000 (2021: loss \$1,811,000) and a weighted average number of Ordinary Shares outstanding during the period of 50,411,197 (2021: 49,774,846) calculated as follows:

Profit / (loss) attributable to ordinary shareholders

	3 months ended 31 Mar 2022	3 months ended 31 Mar 2021
Profit / (loss) for the period (\$'000)	3,033	(1,811)
Profit / (loss) attributable to ordinary shareholders (\$'000)	3,033	(1,811)

Weighted average number of ordinary shares

	Number 31 Mar 2022	Number 31 Mar 2021
Weighted average number of ordinary shares outstanding – basic ('000)	50,411	49,775
Dilutive Stock options	2,546	692
Weighted average number of ordinary shares outstanding – dilutive ('000)	52,957	50,467
Basic earnings per share	\$0.060	(\$0.036)
Diluted earnings per share	\$0.057	(\$0.036)

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:

	3 months ended 31 Mar 2022	3 months ended 31 Mar 2021
Anti-dilutive Stock options	1,154	3,136

Details of share warrants and share options that could potentially dilute earnings per share in future periods are set out in notes 9 and 10 respectively.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Property, plant and equipment

(\$'000)	Land and buildings	Plant and equipment	Computer equipment	Furniture and fixtures	Total
Cost					
Balance at 1 January 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
Balance at 1 January 2022	1,996	2,149	358	288	4,791
Additions	277	2,890	53	6	3,226
Effect of movements in foreign exchange	337	551	56	46	990
Balance at 31 March 2022	2,610	5,590	467	340	9,007

Depreciation and impairment losses					
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
Balance at 1 January 2022	-	492	94	98	684
Depreciation charge for the period	-	84	12	1	97
Effect of movements in foreign exchange	-	70	11	16	97
Balance at 31 March 2022	-	646	117	115	878

Carrying amounts					
At 1 January 2021	1,082	1,125	43	179	2,429
At 31 December 2021	1,996	1,657	264	190	4,107
At 1 January 2022	1,996	1,657	264	190	4,107
At 31 March 2022	2,610	4,944	350	225	8,129

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NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Mineral properties

Cost	Total (\$'000)
Balance at 1 January 2021	20,445
Additions	428
Effect of movements in foreign exchange	(1,066)
Balance at 31 December 2021	19,807
Balance at 1 January 2022	19,807
Additions	209
Effect of movements in foreign exchange	2,229
Balance at 31 March 2022	22,245
Amortisation	
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
Balance at 1 January 2022	199
Amortisation charge for the period	30
Effect of movements in foreign exchange	34
Balance at 31 March 2022	263
Carrying amounts	
At 1 January 2021	20,329
At 31 December 2021	19,608
At 1 January 2022	19,608
At 31 March 2022	21,982

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NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Intangible assets

	Calcário Project (\$'000)
Cost	
Balance at 1 January 2021	429
Effect of movements in foreign exchange	(31)
Balance at 31 December 2021	398
Balance at 1 January 2022	398
Effect of movements in foreign exchange	63
Balance at 31 March 2022	461
Provision for impairment	
Balance at 1 January 2021	429
Effect of movements in foreign exchange	(31)
Balance at 31 December 2021	398
Balance at 1 January 2022	398
Effect of movements in foreign exchange	63
Balance at 31 March 2022	461
Carrying amounts	
At 1 January 2021	-
At 31 December 2021	-
At 1 January 2022	-
At 31 March 2022	-

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 period end, at current exchange rates this provision has been revalued as \$461,000.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Share capital

(\$'000)	31 Mar 2022		31 Dec 2021	
	Number	\$'000	Number	\$'000
Authorised - Ordinary Shares of \$0.3918 each	500,000,000	195,900,000	500,000,000	195,900,000

Issued - Ordinary Shares of \$0.3918 each	31 Mar 2022		31 Dec 2021	
	Number	\$'000	Number	\$'000
At 1 January	50,398,619	20,464	48,444,803	19,699
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
24 March 2022 for \$0.63 each	110,000	43	-	-
28 March 2022 for \$0.40 each	30,000	12	-	-
28 March 2022 for \$0.67 each	3,000	1	-	-
29 March 2022 for \$0.40 each	40,000	16	-	-
At end of period	50,581,619	20,536	50,398,619	20,464

9. Share warrant reserve

	31 Mar 2022		31 Dec 2021	
	Number	\$'000	Number	\$'000
Balance at beginning of year	-	-	1,410,057	431
Warrants exercised during period	-	-	(1,385,057)	(424)
Warrants expired during period	-	-	(25,000)	(7)
Balance at end of period	-	-	-	-

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

10. Share-based payments

During the period 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:

	31 Mar 2022		31 Dec 2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	\$0.58	3,825,227	\$0.58	3,199,715
Granted during the period	\$6.64	63,662	\$1.23	941,221
Exercised during the period	\$0.57	(183,000)	\$0.42	(69,761)
Cancelled/Forfeited during the period	\$1.09	(6,072)	\$0.64	(245,948)
Outstanding at the end of the period	\$0.90	3,699,817	\$0.58	3,825,227
Exercisable at the end of the period	\$0.76	3,033,201	\$0.80	3,078,801

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NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Share-based payments (continued)

Details of share options outstanding at 31 March 2022 are as follows:

Outstanding at beginning of period	Granted	Expired	Number of options			Outstanding at end of period	Exercisable at end of period	Option price (\$)	Exercisable period	
			Forfeited / Restated	Exercised	Grant date				Expiry date	
233,200	-	-	-	-	233,200	233,200	\$0.425	10 Dec 2014	10 Dec 2024	
20,000	-	-	-	(20,000)	-	-	\$0.40	12 Nov 2015	12 Nov 2025	
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	144,000	\$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	
115,000	-	-	10,000	-	125,000	-	\$0.61	24 Sept 2018	24 Sept 2028	
328,876	-	-	-	-	328,876	328,876	\$0.63	1 Mar 2019	1 Mar 2029	
445,000	-	-	-	(110,000)	335,000	167,000	\$0.63	1 Mar 2019	1 Mar 2029	
40,000	-	-	-	(3,000)	37,000	9,000	\$0.67	1 Sept 2019	1 Sept 2029	
23,853	-	-	(917)	-	22,936	6,875	\$0.40	14 Feb 2020	14 Feb 2030	
30,684	-	-	-	-	30,684	9,205	\$0.40	25 Mar 2020	25 Mar 2030	
55,427	-	-	-	-	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	
73,341	-	-	(5,155)	-	68,186	7,294	\$1.21	10 May 2021	10 May 2031	
10,000	-	-	-	-	10,000	1,000	\$1.48	9 Nov 2021	9 Nov 2031	
-	53,662	-	-	-	53,662	5,366	\$7.76	16 Mar 2022	16 Mar 2032	
3,825,227	53,662	-	3,928	(183,000)	3,699,817	3,033,201				

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

10. Share-based payments (continued)

The options outstanding at 31 March 2022 have an exercise price in the range of \$0.40 to \$7.76 (2021: \$0.40 to \$1.48) and a weighted average remaining contractual life of 7.4 years (2021: 7.7 years). One option award was granted in 2022. The option awards will vest in six tranches, 10% immediately with an additional 10% vest in years two to five. At 31 March 2022, 3,033,201 of the options had vested (31 December 2021: 3,078,801).

Fair value of share options and assumptions (\$)	31 Mar 2022	31 Dec 2021
Weighted average fair value of options granted during the period	6.01	1.10
Weighted average share price	7.69	1.42
Weighted average exercise price	7.76	1.25
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	114%	111%
Option life	5	5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	1.99%	0.97%

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)	31 Mar 2022	31 Mar 2021
Total expense recognised as employee and consultants' costs	64	213

11. Interest-bearing loans and borrowings

(\$'000)	31 Mar 2022	31 Dec 2021
Non-current liabilities (\$'000)		
Bank loans	5,138	3,079
Current liabilities (\$'000)		
Bank loans	3,882	2,506
Total	9,020	5,585

VERDE AGRITECH PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. Interest-bearing loans and borrowings (continued)

Summary of Interest-bearing loans and borrowings

Lender	Loan start date	Purpose	Grace period (months)	Term (months)	Loan value (R\$'000)	Balance at Mar 31, 2022 (C\$'000)	Repayable by	Total interest payable*
Santander	Feb, 2022	Equipment	03	36	260	73	Feb, 2025	* CDI + 4,60%
Santander	Feb, 2022	Equipment	03	36	888	250	Feb, 2025	* CDI + 4,60%
Santander	Feb, 2022	Equipment	03	36	1,340	378	Feb, 2025	* CDI + 4,60%
Santander	Feb, 2022	Equipment	03	36	2,169	611	Jan, 2025	* CDI + 4,60%
Santander	Feb, 2022	Equipment	03	36	888	250	Jan, 2025	* CDI + 4,60%
Brazil	Jan, 2022	Working capital	06	36	5,000	1,443	Dec, 2024	CDI+2,92%
Brazil	Dec, 2021	Working capital	06	36	5,000	1,453	Dec, 2024	* CDI + 2.92%
Santander	Oct, 2021	Working capital	01	24	5,000	1,470	Sept, 2023	13,45%
ABC Brazil	Sept, 2021	Working capital	01	06	2,000	519	Mar, 2022	10.46%
Bradesco	Mar, 2021	Vehicle	01	36	168	33	Feb, 2024	10.95%
Santander	Oct, 2020	Equipment and working capital	01	36	2,000	381	Oct, 2023	* CDI + 7,53%
ABC Brazil	Aug, 2020	Equipment and working capital	01	42	2,000	493	Mar, 2024	** IPCA + 8,46%
Santander	July,2020	Equipment	06	18	359	34	July,2022	10.95%
Bradesco	July,2020	Equipment and working capital	06	60	5,000	1,362	July, 2025	12.49%
Bradesco	Mar, 2020	Vehicle	01	48	119	20	Apr, 2024	**IPCA + 7,12%
Santander	Jan, 2020	Equipment	06	36	364	52	June, 2023	11.98%
Bradesco	Jan, 2020	Equipment	00	48	450	73	Feb, 2024	**IPCA + 7,12%
Santander	Apr,2019	Equipment	01	36	73	6	Oct, 2022	**IPCA + 7,12%
Santander	Apr,2019	Equipment	01	36	150	12	Oct, 2022	** IPCA + 7,05%
Santander	May, 2018	Equipment	12	60	1,040	107	May, 2023	* CDI + 4,60%
Total						9,020		

* - CDi, (Certificado de Depósito Interbancário) is the average of interbank overnight rates in Brazil. As at March 31, 2022, the 12 months cumulative rate was 6,37%.

** - Inc Variable interest (IPCA) - Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services. As at March 31, 2022 the 12 months cumulative rate was 11,30%.

12. Provisions

Mine closure provision	31 Mar 2022 \$'000	31 Dec 2021 \$'000
Opening balance	2,599	2,716
Unwinding of discount	21	79
Effect of movements in foreign exchange	409	(196)
Total	3,029	2,599

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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There is no perceived credit risk as the Group and Company have minimal other financial receivables and bank deposits are made with financial institutions considered to have strong credit ratings. There were no derivative instruments outstanding as of 31 March 2022.

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.

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

Currency (\$'000)	31 Mar 2022	31 Dec 2021
Canadian Dollars	214	110
Brazilian Reais	4,429	1,414
American Dollars	32	4
British Pounds	9	6
Total	4,684	1,534

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 11.75%.

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

	Equity (\$'000)	
	31 Mar 2022	31 Dec 2021
10% weakening of Brazilian Real	(292)	(406)
10% strengthening of Brazilian Real	357	496

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 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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Financial instruments (continued)

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.

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.

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.

14. Subsequent events

- In April 2022, the Group announced that Plant 2 was on track to start production in Q3 2022, initially with a 1,200,000 tpy production capacity, as announced by the Group in the press release published on March 03, 2022. The final Plant 2 capacity of 2,400,000 tpy is expected to be reached in Q4 2022. Therefore, by Q4 2022, with Plant 2's expansion, overall production capacity is expected to be 3,000,000 tpy, establishing Verde as Brazil's largest potash producer.
- In April 2022, the Market Study (the "**Study**") that will underpin the preparation of the New Pre-Feasibility Study announced by the Group on March 01, 2021 (the "**PFS**") was concluded. The Study calculated the potential Brazilian agricultural market for potash, sulphur, and the micronutrients zinc, boron, copper and manganese. The Study was conducted between May 2021 and March 2022 and will be an integral part of the PFS. The PFS will contemplate a scenario of total annual production of up to 50,000,000 tonnes per year ("tpy") of Verde's Product, equivalent to 63% of the total Brazilian potash consumption in 2021.

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- In April 2022, Bio Revolution, Verde's newest technology that enables the incorporation of microorganisms to mineral fertilizers, was launched by the Group. K Forte® will be the first fertilizer in the world to use Bio Revolution technology. *Bacillus aryabhatai*, widely renowned in agriculture for its multiple benefits, will be the first microorganism to be incorporated into Verde's Product. Verde's Plant 1 is already equipped with a facility for deploying Bio Revolution. At Plant 2, a proportionally larger Bio Revolution facility will be built, with operations expected by the end of 2022.
 - In May 2022, Verde announced an increase in its 2022 guidance, previously published on January 10, 2022. The revised 2022 guidance provides for sales of 1,000,000 tonnes of Verde's multinutrient potassium products, BAKS® and K Forte® sold internationally as Super Greensand® (the "**Product**"), with revenue of C\$109.09 million, EBITDA of C\$49.06 million and net earnings per share ("**EPS**") of C\$0.87. The 2023 guidance provides for sales of 2,000,000 tonnes.