

May 11, 2022

# Verde's Q1 2022 revenue grows 1,260%

## Results surpass EPS guidance by 254%

(All figures are in Canadian dollars, unless stated otherwise. Average exchange rate in 2021: C\$1.00 = R\$4.12)

**Belo Horizonte, Brazil. Verde AgriTech Plc** (TSX: "NPK") (OTCQB: "AMHPF") ("**Verde**" or the "**Company**") is pleased to announce its financial results for the first quarter of 2022 ("**Q1 2022**").

### Q1 2022 FINANCIALS

- Revenue increased by 1,260% in Q1 2022, to \$11,304,000 compared to \$831,000 in Q1 2021.
- Revenue in Brazilian Real ("**R\$**") increased by 1,196% in Q1 2022, to R\$46,627,000 compared to R\$3,597,000 in Q1 2021.
- Sales by volume increased by 574% in Q1 2022, to 111,667 tonnes sold compared to 16,558 tonnes sold in Q1 2021.
- Gross margin increased to 77% in Q1 2022, compared to 41% in Q1 2021.
- EBITDA before non-cash events increased to \$3,678,000 in Q1 2022, compared to an operating loss of \$887,000 in Q1 2021.
- Net profit increased to \$3,033,000 in Q1 2022, compared to a net loss of \$1,811,000 in Q1 2021.

### SUBSEQUENT EVENTS

- In April 2022, the Company 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 Company 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 Company 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, it 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.

- In April 2022, Bio Revolution, Verde's newest technology that enables the incorporation of microorganisms to mineral fertilizers, was launched by the Company.<sup>1</sup> 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.

"2022 has started in a very shaky manner for the agricultural market globally. In Brazil, which depends on imports for over 96% of its potash supplies, the concern with fertilizers has been at the forefront of most farmers. Despite the record rainfalls during the period, which postponed Verde's delivery of an additional 25,133 tonnes of Product in Q1 2022, our Team successfully reached a growing portion of Brazil's market. Verde's target towards the delivery of 1,000,000 tonnes by the end of 2022 is further boosted by these latest results." declared Verde's Founder, President & CEO Cristiano Veloso.

## 2022 GUIDANCE

On May 03, 2022, Verde announced an increase in its 2022 and 2023 guidance,<sup>2</sup> previously published on January 10, 2022.<sup>3</sup> The Company's original and revised 2022 targets are detailed on a quarterly basis, to reflect the market demand's seasonality, as follows:

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<sup>1</sup> See the release at: <https://investor.verde.ag/verde-launches-bio-revolution/>

<sup>2</sup> See the release at: <https://investor.verde.ag/verdes-2022-guidance-and-two-year-outlook-revised-upwards/>

<sup>3</sup> See the release at: <https://investor.verde.ag/verde-announces-2022-guidance-and-two-year-outlook/>

Period	Q1 2022		Q2 2022		Q3 2022		Q4 2022		FY 2022	
Guidance	Original Jan 2022	Achieved in Q1 2022	Original Jan 2022	Revised May 2022						
EPS (C\$)	0.02	<b>0.06</b>	0.18	<b>0.21</b>	0.25	<b>0.35</b>	0.06	<b>0.25</b>	0.50	<b>0.87</b>
EBITDA (C\$'000) <sup>4</sup>	1,358	<b>3,678</b>	10,155	<b>11,808</b>	13,414	<b>19,259</b>	3,506	<b>14,319</b>	28,434	<b>49,065</b>
Revenue (C\$'000)	10,070	<b>11,304</b>	21,954	<b>22,902</b>	27,228	<b>40,121</b>	13,011	<b>34,769</b>	72,263	<b>109,097</b>
Sales target (tonnes)	115,000	<b>111,667</b>	200,000	<b>200,000</b>	250,000	<b>353,718</b>	135,000	<b>334,615</b>	700,000	<b>1,000,000</b>

The 2022 guidance is underpinned by the following assumptions:

- Average Brazilian Real (“R\$”) to Canadian Dollar exchange rate: C\$1.00 = R\$4.40
- Verde’s Product CIF and FOB average price for the full year, including delivered orders, committed orders and projected orders: C\$109 per tonne
- Sales Incoterms: 50% CIF and 50% FOB
- Sales channels: 40% direct sales and 60% indirect sales

## 2023 GUIDANCE

For 2023, Verde’s updated sales volume target is 2,000,000 tonnes. This target represents a potential 100% growth Year-on-Year (“YoY”).

Period	FY 2023	
Guidance	Original Jan 2022	Revised May 2022
Sales target (tonnes)	1,400,000	<b>2,000,000</b>

<sup>4</sup> Before non-cash events.

## SELECTED ANNUAL FINANCIAL INFORMATION

The table below summarizes Q1 2022 financial results compared to Q1 2021:

All amounts in CAD \$'000	Q1 2022	Q1 2021
Tonnes sold '000	112	17
Revenue per tonne sold \$	101	50
Production cost per tonne sold \$	(24)	(30)
Gross Profit per tonne sold \$	77	20
Gross Margin	77%	41%
Revenue	11,304	831
Production costs	(2,654)	(490)
Gross Profit	8,650	341
Gross Margin	77%	41%
Sales and product delivery freight expenses	(3,931)	(531)
General and administrative expenses	(1,041)	(697)
EBITDA <sup>(1)</sup>	3,678	(887)
Share Based and Bonus Payments (Non-Cash Event) <sup>(2)</sup>	(64)	(822)
Depreciation and Amortisation <sup>(2)</sup>	(26)	(5)
Profit on disposal of plant and equipment <sup>(2)</sup>	-	9
Operating Profit / (loss) after non-cash events	3,588	(1,705)
Interest Income/Expense	(185)	(75)
Net Profit / (Loss) before tax	3,403	(1,780)
Income tax	(370)	(31)
Net Profit / (Loss)	3,033	(1,811)

<sup>(1)</sup> – Non GAAP measure

<sup>(2)</sup> – Included in General and Administrative expenses in financial statements

### External Factors

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

	Change %	3 months ended Mar 31, 2022	3 months ended Mar 31, 2021
<b>Canadian Dollar (C\$) Average Exchange Rate</b>	-5%	R\$4.12	R\$4.33
<b>Potassium Chloride CIF (Minas Gerais) Lowest Price<sup>(1)</sup></b>	+154%	US\$800	US\$315
<b>Potassium Chloride CIF (Minas Gerais) Highest Price<sup>(1)</sup></b>	+204%	US\$1,200	US\$395

<sup>(1)</sup> – Source: Acerto Limited Report.

## **Net Profits and EPS**

The Company generated a net profit of \$3,033,000 for Q1 2022, an increase of \$4,844,000 compared to a net loss of \$1,811,000 for Q1 2021. The basic earnings per share was \$0.060 for Q1 2022, compared to loss per share of \$0.036 for Q1 2021.

## **Product Sales**

Sales by volume increased by 574% in Q1 2022, to 111,667 tonnes sold compared to 16,558 tonnes sold in Q1 2021.

## **Revenue**

Revenue from sales increased by 1,260% in Q1 2022, to \$11,304,000 from the sale of 111,667 tonnes of the Product, at \$101 per tonne sold; compared to \$831,000 in Q1 2021 from the sale of 16,558 tonnes of the Product, at \$50 per tonne sold.

Revenue per tonne excluding freight expenses (FOB price) improved by 105% in Q1 2022, to \$75 compared to \$36 in Q1 2021.

The KCI price increased by 204% in Q1 2022, compared to Q1 2021. Verde did not, however, see a proportional increase in its pricing for Q1 2022 sales because it had sold part of its Q1 production in Q4 2021 and discounts are applied.

Revenue per tonne in Q1 2022 was higher than Q1 2021 mainly due to:

1. Product volume sold as CIF (Cost Insurance and Freight) increased from 34% of total sales in Q1 2021 to 60% in Q1 2022.
2. Potassium Chloride CIF (Minas Gerais) price increased from US\$315-395 per tonne in Q1 2021 to US\$800-US\$1,200 per tonne in Q1 2022 (as reported by Acerto Limited, a market intelligence firm).

## **Production costs**

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

Production costs increased by 442% in Q1 2022, to \$2,654,000 compared to \$490,000 in Q1 2021. This was due to a 574% increase in volume sold, from 16,558 tonnes in Q1 2022 to 111,667 tonnes in Q1 2021. Cost per tonne decreased by 20% in Q1 2022, to \$24 compared to \$30 in Q1 2021. This reduction was mainly driven by fixed cost dilution in Q1 2022.

## SALES EXPENSES

CAD \$'000	Q1 2022	Q1 2021
Sales and marketing expenses	(822)	(293)
Fees paid to independent sales agents	(136)	(9)
Product delivery freight expenses	(2,973)	(229)
<b>Total</b>	<b>(3,931)</b>	<b>(531)</b>

### Sales and marketing expenses

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

Expenses increased by 181% in Q1 2022, to \$822,000 compared to \$293,000 in Q1 2021, mainly due to a further expansion of Verde's sales and marketing team, with professional headcount in the team increasing from an average of 43 in Q1 2021 to 62 in Q1 2022. This increase is in line with the Company's accelerated growth strategy.

### Fees paid to independent sales agents

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

Fees paid to independent sales agents increased by 1431% in Q1 2022, to \$136,000 compared to \$9,000 in Q1 2021, as a direct result of increased sales and higher volume sold by sales agents compared to internal sales and distributors.

### Product delivery freight expenses

Product delivery freight expenses increased by 1197% in Q1 2022, to \$2,973,000 compared to \$229,000 in Q1 2021, as the Company has significantly increased the volume sold as CIF (Cost Insurance and

Freight), up from 34% of total sales in Q1 2021 to 60% in Q1 2022 and due to higher fuel prices, which increased 44% in Q1 2022 compared to Q1 2021.

## GENERAL AND ADMINISTRATIVE EXPENSES

CAD \$'000	Q1 2022	Q1 2021
General administrative expenses	(410)	(478)
Legal, professional, consultancy and audit costs	(411)	(159)
IT/Software expenses	(204)	(52)
Taxes and licenses fees	(16)	(8)
<b>Total</b>	<b>(1,041)</b>	<b>(697)</b>

### General administrative expenses

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

Expenses decreased by 14% in Q1 2022, to \$410,000 compared to \$478,000 in Q1 2021 mainly due to incentive compensation to the key management in Q1 2021.

Despite the reduction, salary costs have increased in 2022 as they include additional administrative employees, with professional headcount in the team increasing from an average of 26 in Q1 2021 to 57 in Q1 2022 to help support the Company's growth.

### Legal, professional, consultancy and audit costs

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

Expenses increased by 159% in Q1 2022, to \$411,000 compared to \$159,000 in Q1 2021, due to higher expenses with environmental, legal, accounting, and IT consultancies.

### **IT/Software expenses**

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

Expenses increased by 290% in Q1 2022, to \$204,000 compared to \$52,000 in Q1 2021, mainly due to CRM and ERP consultants services.

### **Taxes and licences**

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

Expenses increased in Q1 2022, to \$16,000 compared to \$8,000 in Q1 2021.

### **Share Based and Bonus Payments (Non-Cash Event)**

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

Share Based Payments costs decreased by 92% in Q1 2022, to \$64,000 compared to \$822,000 in Q1 2021.

## **Q1 2022 RESULTS CONFERENCE CALL**

The Company will host a conference call on Wednesday, May 25, 2022, at 09:00 am Eastern Time, to discuss Q4 and FY 2021 results and provide an update. Subscribe using the link below and receive the conference details by email.

<b>Date:</b>	Wednesday, May 25, 2022
<b>Time:</b>	09:00 am Eastern Time
<b>Subscription link:</b>	<a href="https://bit.ly/Q1-2022_Results_Presentation">https://bit.ly/Q1-2022_Results_Presentation</a>

The questions can be submitted in advance through the following link up to 48 hours before the conference call: [https://bit.ly/VerdeAgriTech-Q1\\_2022-questions](https://bit.ly/VerdeAgriTech-Q1_2022-questions)

The Company's first quarter financial statements and related notes for the period ended March 31, 2021 are available to the public on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.investor.verde.ag/](http://www.investor.verde.ag/).



## ABOUT VERDE AGRITECH

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

Verde is a fully integrated Company: it mines and processes its main feedstock from its 100% owned mineral properties, then sells and distributes the Product.

Verde's focus on research and development has resulted in one patent and eight patents pending. Among its proprietary technologies are Cambridge Tech, 3D Alliance, MicroS Technology, N Keeper, and Bio Revolution.<sup>5</sup> Currently, the Company is fully licensed to produce up to 2.8 million tonnes per year of its multinutrient potassium fertilizers K Forte® and BAKS®, sold internationally as Super Greensand®.<sup>6</sup>

By the end of 2022, Verde aims to become Brazil's largest potash producer by capacity.<sup>7</sup> Verde has a combined measured and indicated mineral resource of 1.47 billion tonnes at 9.28% K<sub>2</sub>O and an inferred mineral resource of 1.85 billion tonnes at 8.60% K<sub>2</sub>O (using a 7.5% K<sub>2</sub>O cut-off grade).<sup>8</sup> This amounts to 295.70 million tonnes of potash in K<sub>2</sub>O. For context, in 2021 Brazil's total consumption of potash in K<sub>2</sub>O was 7.92 million.<sup>9</sup>

Brazil ranks second in global potash demand and is its single largest importer, currently depending on external sources for over 96% of its potash needs. In 2021, potash accounted for approximately 2% of all Brazilian imports by dollar value.

## CORPORATE PRESENTATION

For further information on the Company, please view shareholders' deck:

<https://verde.docsend.com/view/tr4c6e5qhr442t3>

## INVESTORS NEWSLETTER

Subscribe to receive the Company's updates at:

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<sup>5</sup> Learn more about our technologies: <https://verde.docsend.com/view/yvthnpuv8jx6g4r9>

<sup>6</sup> See the release at: <https://investor.verde.ag/2-5-million-tonnes-per-year-potash-mining-concession-granted-to-verde/>

<sup>7</sup> See the release at: <https://investor.verde.ag/verde-to-reach-3-million-tonnes-potash-production-capacity-in-2022/>

<sup>8</sup> As per the National Instrument 43-101 Standards of Disclosure for Mineral Projects within Canada ("NI 43 -101"), filed on SEDAR in 2017. See the Pre-Feasibility Study at: <https://investor.verde.ag/wp-content/uploads/2021/01/NI-43-101-Pre-Feasibility-Technical-Report-Cerrado-Verde-Project.pdf>

<sup>9</sup> Union of the Agricultural Fertilizers and Correctives Industry, in the State of São Paulo ("SIACESP", from *Sindicato da Indústria de Fertilizantes e Corretivos Agropecuários, no Estado de São Paulo*).



<http://cloud.marketing.verde.ag/InvestorsSubscription>

The last edition of the newsletter can be accessed at: <https://bit.ly/InvestorsNL-April2022>

#### CAUTIONARY LANGUAGE AND FORWARD-LOOKING STATEMENTS

[This news release contains “forward-looking information” and “forward-looking statements” \(collectively, “forward-looking statements”\) within the meaning of the applicable Canadian securities legislation. The Cautionary Language and Forward-Looking Statements can be accessed at this link.](#)

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