

November 14, 2022

## Verde's revenue grows by 156% in Q3 2022, with a 123% increase in EBITDA

(All figures are in Canadian dollars, unless stated otherwise. Average exchange rate in Q3 2022: C\$1.00 = R\$3.99)

**Singapore. Verde AgriTech Ltd** (TSX: "**NPK**") (OTCMKTS: "**VNPKF**") ("**Verde**" or the "**Company**") is pleased to announce its financial results for the third quarter of 2022 ("**Q3 2022**").

### Q3 2022 FINANCIALS

- Revenue increased by 156% in Q3 2022, to \$27,269,000 compared to \$10,651 in Q3 2021.
- Revenue in Brazilian Real ("**R\$**") increased by 140% in Q3 2022, to R\$109,056,000 compared to R\$45,409,000 in Q3 2021.
- Sales of Verde's multinutrient potassium products, BAKS® and K Forte® sold internationally as Super Greensand® (the "**Product**") by volume increased by 23% in Q3 2022, to 189,548 tonnes, compared to 153,674 tonnes sold in Q3 2021.
- Gross margin increased to 78% in Q3 2022, compared to 77% in Q3 2021.
- EBITDA before non-cash events increased by 123% in Q3 2022 to \$8,177,000, compared to \$3,665,000 in Q3 2021.
- Net profit increased by 103% in Q3 2022, to \$6,458,000 compared to \$3,182,000 in Q3 2021.

### SUBSEQUENT EVENTS

- In October 2022, the Company announced that its second production plant ("**Plant 2**") achieved its nameplate production capacity of 1.2 million tonnes per year ("**Mtpy**") of Product. Plant 2 was commissioned on August 31, 2022. In parallel, Plant 2 was undergoing an expansion process to be capable of producing 2.4Mtpy. Verde's Plant 1 operates at a capacity of 0.6Mtpy; therefore, Verde's overall production capacity is expected to be 3Mtpy once Plant 2 achieves its nameplate capacity of 2.4Mtpy, after its ramp up is concluded.
- In October 2022, Verde secured a C\$5.01 million (R\$20 million) loan from Banco do Brasil, in line with the financing strategy for Plant 2's capex. The loan term is 48 months at CDI (based on SELIC, the Brazilian Central Bank overnight interest rate) + 3.70% per annum, preceded by a 12-month grace period.

- In November 2022, Verde announced that the expansion of Plant 2 was complete, with production now being ramped up from 1.2 Mtpy to 2.4 Mtpy of Verde's Product.

“The growth experienced throughout Q3 2022 reflects yet again the market’s growing demand for our Product. With Plant 2’s commissioning, we expect Verde to continue its growth trajectory and improving bottom-line. It was a pity that we could not fulfil all the orders placed in our books, having had to turn down so many orders because of the operational constraints then present, yet I applaud our team for their efforts and dedication during this quarter,” declared Verde’s Founder, President & CEO, Cristiano Veloso.

## 2022 GUIDANCE

Verde achieved its EPS, EBITDA, revenue and sales guidance for Q3 2022. The table below compares the Company’s 2022 to 2021 results.

Period	Year	EPS (C\$)	EBITDA <sup>1</sup> (C\$'000)	Revenue (C\$'000)	Sales (tonnes)
Q1	2021	-0.04	-887	831	16,558
	2022	0.06	3,678	11,304	111,667
	% Δ	N/A	N/A	1260%	574%
Q2	2021	0.01	1,220	5,376	96,233
	2022	0.19	10,765	24,861	202,255
	% Δ	3700%	782%	362%	110%
Q3	2021	0.06	3,665	10,651	153,674
	2022	0.12	8,177	27,269	189,548
	% Δ	117%	123%	156%	23%
Q4	2021	0.04	2,452	10,851	134,350
	2022	-	-	-	-
	% Δ	-	-	-	-
FY	2021	0.07	6,450	27,709	400,133
	2022	-	-	-	-
	% Δ	-	-	-	-

<sup>1</sup> Before non-cash events.

## SELECTED ANNUAL FINANCIAL INFORMATION

The table below summarizes Q3 2022 financial results compared to Q3 2021, and provides information about 2022 and 2021 year-to-date (“YTD”):

All amounts in CAD \$'000	Q3 2022	Q3 2021	YTD 2022	YTD 2021
<b>Tonnes sold '000</b>	189	154	503	266
<b>Revenue per tonne sold \$</b>	144	69	126	63
<b>Production cost per tonne sold \$</b>	(32)	(16)	(28)	(17)
<b>Gross Profit per tonne sold \$</b>	112	52	98	47
<b>Gross Margin</b>	78%	77%	78%	74%
<b>Revenue</b>	27,269	10,651	63,434	16,858
<b>Production costs</b>	(6,069)	(2,452)	(14,055)	(4,440)
<b>Gross Profit</b>	21,200	8,199	49,379	12,418
<b>Gross Margin</b>	78%	77%	78%	74%
<b>Sales and product delivery freight expenses</b>	(11,053)	(4,022)	(23,095)	(6,789)
<b>General and administrative expenses</b>	(1,970)	(512)	(3,666)	(1,631)
<b>EBITDA <sup>(1)</sup></b>	8,177	3,665	22,618	3,998
<b>Share Based and Bonus Payments (Non-Cash Event) <sup>(2)</sup></b>	(20)	(14)	(124)	(1,528)
<b>Depreciation and Amortisation <sup>(2)</sup></b>	(84)	(19)	(148)	(35)
<b>Profit on disposal of plant and equipment <sup>(2)</sup></b>	-	-	-	9
<b>Operating Profit after non-cash events</b>	8,073	3,632	22,346	2,444
<b>Interest Income/Expense</b>	(722)	(98)	(1,152)	(229)
<b>Net Profit before tax</b>	7,351	3,534	21,194	2,215
<b>Income tax <sup>(3)</sup></b>	(893)	(352)	(2,079)	(571)
<b>Net Profit</b>	6,458	3,182	19,115	1,644

(1) – Non GAAP measure

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

(3) – Please see Income Tax notes

## External Factors

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

	% Δ	Q3 2022	Q3 2021
<b>Canadian Dollar (C\$) Average Exchange Rate</b>	-6%	R\$3.99	R\$4.26
<b>Potassium Chloride CIF (Minas Gerais) Lowest Price<sup>(1)</sup></b>	+27%	US\$ 655	US\$ 515
<b>Potassium Chloride CIF (Minas Gerais) Highest Price<sup>(1)</sup></b>	+36%	US\$ 1,050	US\$ 772

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

## Net Profits and EPS

The Company generated a net profit of 6,458,000 for Q3 2022, an increase of \$3,275,000 compared to \$3,182,000 for Q3 2021. The basic earnings per share was \$0.12 for Q3 2022, compared to \$0.06 for Q3 2021.

## Product Sales

Sales by volume increased by 23% in Q3 2022, to 189,548 tonnes sold compared to 153,674 tonnes sold in Q3 2021.

## Revenue

Revenue from sales increased by 156% in Q3 2022, to \$27,269,000 from the sale of 189,548 tonnes of the Product, at \$144 per tonne sold; compared to \$10,651,000 in Q3 2021 from the sale of 153,674 tonnes of the Product, at \$69 per tonne sold.

Revenue per tonne excluding freight expenses (FOB price) improved by 98% in Q3 2022, to \$95 compared to \$48 in Q3 2021.

Revenue per tonne in Q3 2022 was higher than Q3 2021 mainly due to:

1. Product volume sold as CIF (Cost Insurance and Freight) increased from 50% of total sales in Q3 2021 to 78% in Q3 2022.
2. Potassium Chloride CIF (Minas Gerais) price increased from US\$515-772 per tonne in Q3 2021 to US\$655-1,050 per tonne in Q3 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. Production costs also include the logistics costs from the mine to the plant and related salaries.

Production costs increased by 147% in Q3 2022, to \$6,068,000 compared to \$2,452,000 in Q3 2021. This was due to a 23% increase in volume sold, from 153,674 tonnes in Q3 2021 to 189,548 tonnes in Q3 2022.

Cost per tonne increased by 101% in Q3 2022, to \$32 compared to \$16 in Q3 2021. This increase was mainly driven by a 60% increase in diesel price. Furthermore, there was an increase in Product sales in big bags that have a higher cost per tonne compared to bulk sales; big bags made up 27% of the total sales in Q3 2022 compared to 20% Q3 2021. Finally, Brazil's inflation over the twelve month period is over 11%.

## SALES EXPENSES

CAD \$'000	Q3 2022	Q3 2021	YTD 2022	YTD 2021
Sales and marketing expenses	(1,385)	(600)	(2,919)	(1,241)
Fees paid to independent sales agents	(481)	(189)	(976)	(260)
Product delivery freight expenses	(9,187)	(3,233)	(19,200)	(5,288)
Total	(11,053)	(4,022)	(23,095)	(6,789)

### 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 131% in Q3 2022, to \$1,385,000 compared to \$600,000 in Q3 2021, mainly due to an expansion of Verde's sales and marketing team, with professional headcount in the team increasing from an average of 57 in Q3 2021 to 70 in Q3 2022, and due to additional investments in media as a strategy to attract new customers. 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 155% in Q3 2022, to \$481,000 compared to \$189,000 in Q3 2021, due to sales price and volume increase.

### **Product delivery freight expenses**

Product delivery freight expenses increased by 184% in Q3 2022, to \$9,187,000 compared to \$3,233,000 in Q3 2021, as the Company has significantly increased the volume sold as CIF (Cost Insurance and Freight), up from 50% of total sales in Q3 2021 to 78% in Q3 2022, and due to higher fuel prices, which increased by 60% in Q3 2022 compared to Q3 2021.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

<b>CAD \$'000</b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>YTD 2022</b>	<b>YTD 2021</b>
General administrative expenses	(1,096)	(291)	(1,895)	(1,009)
Legal, professional, consultancy and audit costs	(667)	(134)	(1,155)	(399)
IT/Software expenses	(180)	(82)	(570)	(204)
Taxes and licenses fees	(27)	(5)	(46)	(19)
<b>Total</b>	<b>(1,970)</b>	<b>(512)</b>	<b>(3,666)</b>	<b>(1,631)</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 increased by 276% in Q3 2022, to \$1,096,000 compared to \$291,000 in Q3 2021 mainly due to an accrual of \$450,000 in management bonuses that was set aside in Q3. In addition, there was increased salary costs due to additional administrative employees hired to help support the Company's growth, with professional headcount increasing from an average of 56 in Q3 2021 to 115 in Q3 2022.

### **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 398% in Q3 2022, to \$667,000 compared to \$134,000 in Q3 2021. This was mainly due to additional relocation expenses associated with the redomicile of the Company to Singapore. There was also increased legal and consultancy costs in the quarter.

### **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 118% in Q3 2022, to \$180,000 compared to \$82,000 in Q3 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 Q3 2022, to \$27,000 compared to \$5,000 in Q3 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 increased by 41% in Q3 2022, to \$20,000 compared to \$14,000 in Q3 2021.

## **Q3 2022 RESULTS CONFERENCE CALL**

The Company will host a conference call on Thursday, November 17, 2022, at 10:00 a.m. Eastern Time, to discuss the Q3 2022 results and provide an update. Subscribe using the link below and receive the conference details by email.

<b>Date:</b>	Thursday, November 17, 2022
<b>Time:</b>	10:00 a.m. Eastern Time
<b>Subscription link:</b>	<a href="https://bit.ly/Q32022_ResultsPresentation">https://bit.ly/Q32022_ResultsPresentation</a>

The questions can be submitted in advance through the following link up to 48 hours before the conference call: [https://bit.ly/Q3\\_2022\\_ResultsPresentation\\_Questions](https://bit.ly/Q3_2022_ResultsPresentation_Questions)

The Company's first quarter financial statements and related notes for the period ended September 30, 2022 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>2</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>3</sup>

By the end of 2022, Verde aims to become Brazil's largest potash producer by capacity.<sup>4</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>5</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>6</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:

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<sup>2</sup> Learn more about our technologies: <https://verde.docsend.com/view/yvthnpuv8jx6g4r9>

<sup>3</sup> See the release at: <https://investor.verde.ag/2-5-million-tonnes-per-year-potash-mining-concession-granted-to-verde/>

<sup>4</sup> See the release at: <https://investor.verde.ag/verde-to-reach-3-million-tonnes-potash-production-capacity-in-2022/>

<sup>5</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>6</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*).



<https://verde.docsend.com/view/w9zdpq9istxftz9s>

## INVESTORS NEWSLETTER

Subscribe to receive the Company's updates at:

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

The last edition of the newsletter can be accessed at: [https://bit.ly/InvestorNewsletter\\_October2022](https://bit.ly/InvestorNewsletter_October2022)

## CAUTIONARY LANGUAGE AND FORWARD-LOOKING STATEMENTS

All Mineral Reserve and Mineral Resources estimates reported by the Company were estimated in accordance with the Canadian National Instrument 43-101 and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards (May 10, 2014). These standards differ significantly from the requirements of the U.S. Securities and Exchange Commission. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this document. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events and include, but are not limited to, statements with respect to:

- (i) the estimated amount and grade of Mineral Resources and Mineral Reserves;
- (ii) the PFS representing a viable development option for the Project;
- (iii) estimates of the capital costs of constructing mine facilities and bringing a mine into production, of sustaining capital and the duration of financing payback periods;
- (iv) the estimated amount of future production, both produced and sold;
- (v) timing of disclosure for the PFS and recommendations from the Special Committee;
- (vi) the Company's competitive position in Brazil and demand for potash; and,
- (vii) estimates of operating costs and total costs, net cash flow, net present value and economic returns from an operating mine.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans,

projections, objectives or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "envisages", "assumes", "intends", "strategy", "goals", "objectives" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

All forward-looking statements are based on Verde's or its consultants' current beliefs as well as various assumptions made by them and information currently available to them. The most significant assumptions are set forth above, but generally these assumptions include, but are not limited to:

- (i) the presence of and continuity of resources and reserves at the Project at estimated grades;
- (ii) the geotechnical and metallurgical characteristics of rock conforming to sampled results; including the quantities of water and the quality of the water that must be diverted or treated during mining operations;
- (iii) the capacities and durability of various machinery and equipment;
- (iv) the availability of personnel, machinery and equipment at estimated prices and within the estimated delivery times;
- (v) currency exchange rates;
- (vi) Super Greensand® and K Forte® sales prices, market size and exchange rate assumed;
- (vii) appropriate discount rates applied to the cash flows in the economic analysis;
- (viii) tax rates and royalty rates applicable to the proposed mining operation;
- (ix) the availability of acceptable financing under assumed structure and costs;
- (x) anticipated mining losses and dilution;
- (xi) reasonable contingency requirements;
- (xii) success in realizing proposed operations;
- (xiii) receipt of permits and other regulatory approvals on acceptable terms; and
- (xiv) the fulfilment of environmental assessment commitments and arrangements with local communities.

Although management considers these assumptions to be reasonable based on information currently

available to it, they may prove to be incorrect. Many forward-looking statements are made assuming the correctness of other forward looking statements, such as statements of net present value and internal rates of return, which are based on most of the other forward-looking statements and assumptions herein. The cost information is also prepared using current values, but the time for incurring the costs will be in the future and it is assumed costs will remain stable over the relevant period.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur as forecast, but specifically include, without limitation: risks relating to variations in the mineral content within the material identified as Mineral Resources and Mineral Reserves from that predicted; variations in rates of recovery and extraction; the geotechnical characteristics of the rock mined or through which infrastructure is built differing from that predicted, the quantity of water that will need to be diverted or treated during mining operations being different from what is expected to be encountered during mining operations or post closure, or the rate of flow of the water being different; developments in world metals markets; risks relating to fluctuations in the Brazilian Real relative to the Canadian dollar; increases in the estimated capital and operating costs or unanticipated costs; difficulties attracting the necessary work force; increases in financing costs or adverse changes to the terms of available financing, if any; tax rates or royalties being greater than assumed; changes in development or mining plans due to changes in logistical, technical or other factors; changes in project parameters as plans continue to be refined; risks relating to receipt of regulatory approvals; delays in stakeholder negotiations; changes in regulations applying to the development, operation, and closure of mining operations from what currently exists; the effects of competition in the markets in which Verde operates; operational and infrastructure risks and the additional risks described in Verde's Annual Information Form filed with SEDAR in Canada (available at [www.sedar.com](http://www.sedar.com)) for the year ended December 31, 2021. Verde cautions that the foregoing list of factors that may affect future results is not exhaustive.

When relying on our forward-looking statements to make decisions with respect to Verde, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Verde does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Verde or on our behalf, except as required by law.



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