

REGISTERED NUMBER: 202222202R (SINGAPORE)

REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 FOR
VERDE AGRITECH LIMITED



VERDE AGRITECH LIMITED

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VERDE AGRITECH LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors: Cristiano Veloso
Alysson Paolinelli
Renato Gomes
Getulio Fonseca (Resigned 14 September 2022)
Paulo Machado Ribeiro (Resigned 14 September 2022)
Michael St Aldwyn (Resigned 14 September 2022)
Luciana Coelho (Appointed 13 September 2022)
Fernando Prezotto (Appointed 13 September 2022)
Madeleine Lee (Appointed 20 September 2022)

Secretary: Noraini Binte Noor Mohamed Abdul Latiff

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Singapore
049318

Registered number: 202222202R (Singapore)

Auditor: PKF Littlejohn LLP
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VERDE AGRITECH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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”).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the Group earned revenue of \$80,271,000 (2021: \$27,709,000) and made a gross profit of \$62,249,000 (2021: \$20,578,000) from the sale of 628,000 tonnes (2021: 400,000 tonnes) of the Product. Overall, the Group made an operating profit \$23,387,000 (2021: \$4,855,000) and a net profit of \$17,804,000 (2021: \$3,522,000) for the year. Sales and General Administrative expenses increased to \$38,862,000 (2021 \$15,723,000) as the Group operations expand.

The volume sold as CIF (Cost Insurance and Freight), the 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 2022, the Group continued to invest in the expansion of the factory capacity. In August 2022, the Group announced the commissioning of its second production plant (“**Plant 2**”), to produce up to 1.2 million tonnes per year (“**Mtpy**”) of the Product. It achieved its nameplate capacity in October 2022. In parallel, Plant 2 was undergoing an expansion process to be capable of producing 2.4Mtpy, construction of which is now concluded. Verde’s Plant 1 operates at a capacity of 0.6Mtpy; therefore, its current overall production capacity is 3Mtpy. The Group is fully permitted to mine 2,833,000 tpy.

Property, plant and equipment increased by \$41,623,000 (2021: \$2,179,000) during the year as the Group invested in the expansion of Plant 2. Cash decreased to \$1,163,000 (2021: \$1,534,000). Trade receivables increased to \$20,634,000 (2021: \$13,245,000) due to increased sales to December 2022 vs December 2021. The mine closure provision of \$2,944,000 was written back in 2022 following the issue of a new Pre-Feasibility Study in May 2022. Significant assumptions changed which results in waste rock being used to close each of the pits. This results in the mine closure costs being captured as an operating expense as the project develops. In addition, it was decided by the Group not to pursue the Calcario Project. This project was for the mining of limestone which was necessary for the production of TK47®. The project was fully provided for in 2017. At the date of disposal, at current exchange rates, this disposal was valued at \$449,000.

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 642,850 (2021: 395,760) tonnes in 2022. The Group sold 627,613 (2021: 400,133) tonnes. Revenue per tonne was \$128 and production costs were \$29, compared to revenue per tonne of \$69 and production costs of \$18 in 2021. This is due to the increase in potash price. At the year end, the plant held 21,470 (2021: 4,096) tonnes of finished Product and 16,949 (2021: 19,085) 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.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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%.

In November 2017, the Group announced the conclusion of a Pre-Feasibility Study (“**2017 PFS**”) for the expansion of production. The 2017 PFS evaluated the technical and financial aspects of producing 25 Mtpy of the Product divided in three phases: Phase 1 (0.6Mtpy); Phase 2 (5Mtpy) and Phase 3 (25Mtpy). The proposed scalable development was predicated on production growth being financed largely from expected internal cash flow.

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 Plant 2, initially with a 1,200,000 tpy production capacity.

2022 Project Developments

In May 2022, Verde concluded the updated Pre-Feasibility Study (“**PFS**”) for the Cerrado Verde Project, which supplants the Pre-Feasibility Study completed in December 2017, calculating the financial economic potential for the Brazilian agricultural market for potash, sulphur, and the micronutrients zinc, boron, copper and manganese.¹

The PFS contemplates three Product compositions:

- The Product as a source of potash (“**K₂O**”)
- The Product as a source of potash and sulphur (“**K₂O+S**”)
- The Product as a source of potash, sulphur, zinc, boron, copper and manganese (“**K₂O+S+Micronutrients**”)

¹ See the press release at: <https://investor.verde.ag/verde-announces-pre-feasibility-study/>

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

The PFS contemplates three distinct production scenarios:

- Annual production of 10Mtpy (“**Plant 3 Scenario**”), representing 13.51% of the Brazilian potash market demand projected for 2025.
- Annual production of 23Mtpy (“**23Mtpy Scenario**”), representing 31.07% of the Brazilian potash market demand projected for 2025.
- Annual production of 50Mtpy (“**50Mtpy Scenario**”), representing 54.97% of the Brazilian potash market demand projected for 2030.

The mineral resource for the PFS remains unchanged from the 2017 PFS (effective date March 2014). The 2017 PFS mineral resource estimate was completed by Bradley Ackroyd (MAIG), an independent “Qualified Person,” in accordance with NI 43-101. The 2017 PFS mining plan was modified, considering the three independent production scenarios of and Product compositions.

The PFS is based on the following assumptions:

- Contract mining.
- A projected mine life of 72 years for the Plant 3 Scenario, 31 years for the 23Mtpy Scenario and 26 years for the 50Mtpy Scenario.
- Expected mass recovery of 98%.
- A 15% contingency applied to Capex.
- US Dollar-Brazilian Real exchange rate of US\$1 = R\$5.30.
- KCl long term price of US\$368.65 per tonne CFR Brazil, which is the price reference for Product pricing in terms of K₂O equivalent content.
- S-bentonite long term price of US\$410.40 per tonne, which is the price reference for Product pricing in terms of Sulphur content.
- Zinc fertilizer (10%) long-term price of US\$400.00 per tonne, which is the price reference for the Product pricing in terms of Zinc content.
- Boron fertilizer (10%) long term price of US\$1,130.00 per tonne, which is the price reference for the Product pricing in terms of Boron content.
- Copper fertilizer (20%) long term price of US\$2,700.00 per tonne, which is the price reference for the Product pricing in terms of Copper content.
- Manganese fertilizer (10%) long term price of US\$120.00 per tonne, which is the price reference for the Product pricing in terms of Manganese content.
- An economic-financial analysis was conducted in order to evaluate the feasibility of the Project. The following tables show the summary of the financial-economic analysis for the three Scenarios.

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REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

Summary of the financial-economic analysis for the Plant 3 Scenario

Plant 3 Scenario				
Description	Unit	Value		
Proven and probable reserves	million tonnes	715.67		
K ₂ O grade	%	10.01		
Capex	US\$ million	52.77		
Operating cost	US\$/tonne of Product	12.83		
Sustaining capital	US\$/tonne of Product	0.50		
Product composition	Unit	K ₂ O	K ₂ O + S	K ₂ O + S + Micronutrients
Product Sale Price	US\$/tonne of Product	80.75	91.54	100.21
NPV after-tax	US\$ billion	2.91	3.41	3.97
NPV discount rate	%	8.00	8.00	8.00
IRR after-tax	%	427.17	482.93	560.86
Cumulative Cash Flow	US\$ billion	17.05	19.97	23.22

Summary of the financial-economic analysis for the 23Mtpy Scenario

23Mtpy Scenario				
Description	Unit	Value		
Proven and probable reserves	million tonnes	715.67		
K ₂ O grade	%	10.01		
Capex	US\$ million	129.84		
Operating cost	US\$/tonne of Product	11.18		
Sustaining capital	US\$/tonne of Product	0.50		
Product composition	Unit	K ₂ O	K ₂ O + S	K ₂ O + S + Micronutrients
Product sale price	US\$/tonne of Product	80.72	91.66	99.90
NPV after-tax	US\$ billion	5.81	6.84	7.95
NPV discount rate	%	8.00	8.00	8.00
IRR after-tax	%	387.11	437.95	505.02
Cumulative Cash Flow	US\$ billion	16.14	19.02	22.07

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REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

Summary of the financial-economic analysis for the 50Mtpy Scenario

50Mtpy Scenario				
Description	Unit	Value		
Proven and probable reserves	million tonnes	1,297.66		
K ₂ O grade	%	9.19		
Capex	US\$ million	553.99		
Operating cost	US\$/tonne of Product	10.07		
Sustaining capital	US\$/tonne of Product	0.50		
Product composition	Unit	K ₂ O	K ₂ O + S	K ₂ O + S + Micronutrients
Product Sale Price	US\$/tonne of Product	74.05	84.79	92.05
NPV after-tax	US\$ billion	9.34	11.50	13.54
NPV discount rate	%	8.00	8.00	8.00
IRR after-tax	%	167.86	196.19	227.08
Cumulative Cash Flow	US\$ billion	22.74	28.04	32.98

In August 2022, the Group announced the start up of its second production plant (“**Plant 2**”), to produce up to 1.2 Mtpy of the Product. It achieved its nameplate capacity in October 2022. In parallel, Plant 2 was undergoing an expansion process to be capable of producing 2.4Mtpy, which is now concluded.

Verde’s Plant 1 operates at a capacity of 0.6Mtpy; therefore, its current overall production capacity is 3Mtpy, establishing the Group as Brazil’s largest potash producer by capacity.

Verde is fully permitted to mine 2,833,000 tpy and has submitted concurrent mining and environmental applications for an additional 25,000,000 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.

During the year, the Group secured \$29 million (R\$114 million) in loan agreements to support the construction, capital expenditure and expansion of Plant 2.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

2022 Permits Status²

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 25,000,000 tpy, still pending approval.

The Group has 3 different mine pits, each at different permitting stages and targeting different volumes, as summarized in the table below.

Summary of Licenses and Permits

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	22,500,000
3	0	49,800	2,500,000	0	2,500,000
Total	2,833,000	2,882,800	25,000,000	2,833,000	25,000,000

2023 Guidance

As described in the Q4 and FY 2022 Management's Discussion and Analysis,³ potash trends did not meet the market's expectations after the Ukraine war, reflecting in decreasing fertilizer prices and lower demand throughout 2022. The price of potash has been on a downward trend since late 2022, with a decrease of 47% in 2022 average KCl CFR Brasil price, compared to the current price,⁴ leading farmers to holdback potash purchases with the expectation of even lower prices in the near future.

In light of the aforementioned factors, Verde's guidance for 2023 is described in the table below:

FY 2023 Guidance	Range
Sales target (tonnes)	800,000 - 1,200,000
Revenue (C\$'000)	78,135 - 115,332
EBITDA (C\$'000) ⁵	9,341 - 24,565
EPS (C\$)	0.04 - 0.29

² Please refer to the 2022 Annual Information Form for full explanation of movement in licences and permits.

³ For further information, please refer to the 2022 Overview on the Q4 & FY 2022 MD&A.

⁴ As of March 23, 2023. Source: Acerto Limited report.

⁵ Before non-cash events.

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REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

The 2023 guidance is underpinned by the following assumptions:

- Average Brazilian Real (“R\$”) to Canadian dollar exchange rate: C\$1.00 = R\$4.20
- Average KCI CFR Brazil price of US\$450, with an overall discount rate of 10%, resulting in a final price of US\$405.
- Sales Incoterms: 70% CIF and 30% FOB.
- Sales channels: 47% direct sales and 53% indirect sales.
- Income taxes: 34% of the Group’s net profit before taxes.

As of January 2023, the Brazilian Subsidiary (Verde Fertilizantes) is subject to income taxes using an ‘Actual Profits’ method (“Lucro Real”, in Portuguese), which is based on taxable income (the tax in this method is approximately 34% of the Net Profit before taxes), adjusted by certain additions and exclusions as determined by the legislation. The Actual Profit will be calculated quarterly.

Up to December 31, 2022, the Brazilian Subsidiary was under the ‘Assumed Profits’ method.

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.

Where applicable, the principal risks set out below have been updated from the previous year.

Ukraine and Russia conflict risk

The Group is exposed to price risk related to consumables and services. In 2022, prices for electricity, fuel, and other materials, commodities and consumables required for the Group’s operations have experienced substantial recent increases associated with global inflation as well as supply chain delivery, further heightened with the Russian-Ukraine conflict. To date, there has not been a significant impact on our operations relating to supply chain availability; however, inflationary increases on energy, fuel, contractor costs and consumables are expected to impact operating costs. The Group has implemented procurement strategies to mitigate the impact and to continue to monitor these risks.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

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.

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.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Uncertainty of Acquiring Necessary Permits

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

Uninsurable Risks

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

Operations in a Foreign Country and Regulatory Requirements

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

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

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Competition

The Group competes with other mining companies as well as other companies producing agricultural products, many of which have greater financial and technical resources and experience, particularly with respect to the potash industry and the limited number of mineral opportunities available in South America. Competition in the mining industry is primarily for properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. In addition, many competitors not only explore for and mine potash, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Group being unable to acquire desired properties on terms acceptable to the Group, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Group's inability to compete with other mining companies for these resources would have a material adverse effect on the Group's business and results of operations.

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

Title Matters

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

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.

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PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

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 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.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 \$80,271,000 and achieved an operating profit of \$23,387,000 for the year ended 31 December 2022. 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 52,597,951 Ordinary Shares outstanding and 53,041,661 on a fully diluted basis. To the extent the Group should, in future, issue any additional warrants, additional options, convertible securities or other similar rights, the holders of such securities will have the opportunity to profit from a rise in the market price of the Ordinary Shares with a resulting dilution in the equity interest of any persons who become holders of Ordinary Shares. The Group's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the Ordinary Shares. The holders of warrants, options and other rights may exercise such securities at a time when the Group would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights.

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

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

The officers and directors of the Group, as a group, beneficially own, on a non-diluted basis, approximately 21.91% 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.

VERDE AGRITECH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Conflicts of Interest

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

The Cerrado Verde Project is Managed by a Subsidiary

The material operating subsidiary for the Cerrado Verde Project is Verde Fertilizantes. The directors of Verde Fertilizantes are Felipe Paolucci, Elton Golçaves, and Gustavo Santos. 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.

On behalf of the board:

/s/ Cristiano Veloso

C Veloso, Director and Chairman
30 March 2023

VERDE AGRITECH LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report with the audited financial statements of Verde AgriTech Limited and its subsidiaries (“the Group” or “Verde”) for the year ended 31 December 2022. The financial statements are presented in Canadian Dollars.

DIRECTORS

The Directors during the period under review were:

Cristiano Veloso
Alysson Paolinelli
Renato Gomes
Getulio Fonseca (Resigned 14 September 2022)
Paulo Machado Ribeiro (Resigned 14 September 2022)
Michael St Aldwyn (Resigned 14 September 2022)

Luciana Coelho (Appointed 13 September 2022)
Fernando Prezotto (Appointed 13 September 2022)
Madeleine Lee (Appointed 20 September 2022)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022 (2021: \$nil).

SUBSTANTIAL SHARE INTERESTS

At 30 March 2023 Verde AgriTech Limited was aware of the following substantial share interests:

	Number of Ordinary Shares	% of Share Capital
Cristiano Veloso	9,889,134	18.80%

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 LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

The Group has chosen, 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 17.

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:

/s/ Cristiano Veloso

C Veloso, Director and Chairman
30 March 2023

VERDE AGRITECH LIMITED

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 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 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 Group and 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 company law. 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, 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 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 LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Verde AgriTech Limited 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 Mr. Renato Gomes, Mrs. Luciana de Oliveira Cezar Coelho and Ms. Madeleine Lee. 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

Renato Gomes, Luciana de Oliveira Cezar Coelho and Madeleine Lee 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:

Renato 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. Mr. 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.).

Luciana de Oliveira Cezar Coelho is the first women to join the board of directors. Mrs. Oliveira Cezar Coelho is the founding and managing partner of STS GAEA Capital and board member in multiple companies with billion-plus market valuation. She has over 20 years of experience in mergers and acquisitions, corporate restructuring, debt and equity capital markets, financial restructuring and private equity investment.

VERDE AGRITECH LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Madeleine Lee is the second woman to join the board of directors. Ms. Lee is an award-winning investment manager with experience on multiple board of directors. Ms. Lee has more than 30 years of experience in managing public and private equities, and has worked for the Government of Singapore Investment Corporation, Chase Manhattan Bank, and Morgan Grenfell Investment Management Asia. She was chief investment officer of Commerzbank Asset Management Asia Ltd., and the founder of bowtieAsia and Athenaeum Limited.

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 Renato Gomes, Luciana de Oliveira Cezar Coelho and Fernando Prezotto.

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 Renato Gomes, Madeleine Lee and Fernando Prezotto.

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.

VERDE AGRITECH LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Directors 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.

The disclosures in the table below describe how the Directors have promoted the success of the Group for the benefit of its members.

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.

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.

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.

Key Stakeholder groups	Why is it important to engage this group of stakeholders	How Verde AgriTech Limited 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) Website (www.investor.verde.ag) 	The Group received C\$1 million from the exercise of share options by management and employees.	
Debt providers	Loans from Banco Brazil, ABC Brazil, Votorantim, BDMG and Santander 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. 	During the year, the Group agreed twenty new loans totalling C\$29m 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. 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>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>

Key Stakeholder groups	Why is it important to engage this group of stakeholders	How Verde AgriTech Limited engaged with the stakeholder group	What came out of the engagement
Workforce (Continued)		<ul style="list-style-type: none"> There is a formalised employee induction into the Group's corporate governance policies and procedures. <p><i>Brazil</i></p> <ul style="list-style-type: none"> 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. 	
<p>Governmental bodies</p> <p>The Group is impacted by local governmental organisations in Brazil.</p>	<p>The Group is restricted to relevant licences and permits from government to mine.</p>	<ul style="list-style-type: none"> 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. 	<p>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.</p>
<p>Community</p> <p>The local community at the mine town and the surrounding area.</p>	<p>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</p>	<p>The Group has identified all key stakeholders with the local community within the reporting period.</p>	<p>The Group has ongoing engagements with the local community as part of the</p>

Key Stakeholder groups	Why is it important to engage this group of stakeholders	How Verde AgriTech Limited engaged with the stakeholder group	What came out of the engagement
Community (Continued)	<p>has can be assuaged and our plans and strategies are more likely to be accepted. Community engagement will inform better decision making.</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>	<p>Verde AgriTech Limited 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>development of its sustainability initiatives.</p>
Suppliers	<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> <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>

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

Opinion

We have audited the financial statements of Verde Agritech Limited and its subsidiaries (the 'Group') for the year ended 31 December 2022 and its comparatives for 31 December 2021 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 2022 and 31 December 2021 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, 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 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
<p>Revenue Recognition</p> <p>There is a presumption of fraud risk related to revenue recognition under international auditing standards.</p> <p>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 2.17.</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.

	<ul style="list-style-type: none"> ▪ Testing completeness of revenue by ensuring 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>Carrying value of mineral properties</p>	
<p>As at 31 December 2022, the Group's mineral properties totalled \$18.6m and details of these assets and the related critical judgements and estimates are disclosed in notes 2.11, 2.18 and 13.</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 studies performed in 2017 and 2022. ▪ 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. ▪ Testing the accuracy of the amortisation charge. ▪ 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.

	<ul style="list-style-type: none"> ▪ 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.
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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.

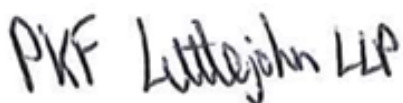
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies 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
Chartered Accountants
London, UK

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Canary Wharf
London E14 4HD

VERDE AGRITECH LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

All amounts expressed in Canadian Dollars.

	Note	2022 \$'000	2021 \$'000
Revenue	4	80,271	27,709
Production costs		(18,022)	(7,131)
Gross Profit		62,249	20,578
Sales and distribution expenses		(32,986)	(11,252)
General and administrative expenses		(5,876)	(4,471)
Operating Profit	5	23,387	4,855
Finance income	7	278	55
Finance costs	8	(3,242)	(457)
Net Profit before tax		20,423	4,453
Income tax	9	(2,619)	(931)
Net Profit		17,804	3,522

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations		2,947	(1,270)
Total comprehensive profit for the year attributable to equity holders of the parent		20,751	2,252

Earnings per share (\$)		2022	2021
Basic earnings per share	10	0.344	0.070
Diluted earnings per share	10	0.336	0.068

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

All amounts expressed in Canadian Dollars.

Assets	Note	2022	2021
		(\$'000)	(\$'000)
Property, plant and equipment	11	46,352	4,107
Right-of-use asset	12	174	-
Mineral properties	13	18,619	19,608
Intangible assets	14	-	-
Total non-current assets		65,145	23,715
Inventory	15	2,469	1,096
Trade and other receivables	16	28,533	15,055
Cash and cash equivalents	17	1,163	1,534
Total current assets		32,165	17,685
Total assets		97,310	41,400
Equity attributable to the equity holders of the parent			
Issued capital	18	20,611	20,464
Share premium		49,862	48,933
Merger reserve		(4,557)	(4,557)
Translation reserve		(14,470)	(17,417)
Accumulated losses		(3,095)	(21,065)
Total equity		48,351	26,358
Liabilities			
Interest-bearing loans and borrowings	22	19,977	3,079
Lease liabilities	12	178	-
Provisions	23	-	2,599
Total non-current liabilities		20,155	5,678
Trade and other payables	21	10,586	6,858
Interest-bearing loans and borrowings	22	18,131	2,506
Lease liabilities	12	87	-
Total current liabilities		28,804	9,364
Total liabilities		48,959	15,042
Total equity and liabilities		97,310	41,400

On behalf of the board:

/s/ Cristiano Veloso

C Veloso

Director and Chairman

Approved and authorised for issue by the Board on 30 March 2023.

VERDE AGRITECH LIMITED

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2022

All amounts expressed in Canadian Dollars.

	2022	2021
	\$'000	\$'000
Cash flows from operating activities		
Operating profit / (loss)	23,387	4,855
Depreciation	594	290
Amortisation of mineral property	164	93
Foreign exchange differences	444	(56)
Share-based payments	166	942
Increase in inventories	(1,373)	(529)
Increase in receivables	(13,478)	(11,885)
Increase in payables	6,608	5,476
Cash generated from / (utilised) in operations	16,512	(814)
Interest paid	(3,113)	(377)
Taxation paid	(1,930)	(486)
Net cash generated from / (utilised) in operating activities	11,469	(1,677)
Cash flows from investing activities		
Interest received	279	55
Acquisition of mineral property assets	(677)	(428)
Acquisition of property, plant and equipment	(41,623)	(2,179)
Net cash utilised in investing activities	(42,021)	(2,552)
Cash flows from financing activities		
Bank loans received	29,023	2,768
Proceeds from issue of shares	1,194	901
Expenses of share issue	(187)	-
Net cash generated from financing activities	30,030	3,669
Net decrease in cash and cash equivalents	(522)	(560)
Cash and cash equivalents at beginning of period	1,534	2,237
Effect of exchange rate fluctuations on cash held	151	(143)
Cash and cash equivalents at end of period	1,163	1,534

VERDE AGRITECH LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

	Share capital (\$'000)	Share premium / Capital contribution (\$'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 profit							
Profit for the year	-	-	-	-	-	3,522	3,522
Foreign exchange translation differences	-	-	-	-	(1,270)	-	(1,270)
Total comprehensive profit 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
Balance at 1 January 2022	20,464	48,933	-	(4,557)	(17,417)	(21,065)	26,358
Comprehensive profit							
Profit for the year	-	-	-	-	-	17,804	17,804
Foreign exchange translation differences	-	-	-	-	2,947	-	2,947
Total comprehensive profit for the year	-	-	-	-	2,947	17,804	20,751
Transactions with owners							
Issue of share capital	865	398	-	-	-	-	1,263
Transfer between share capital and capital contribution	(718)	718	-	-	-	-	-
Relocation expenses relating to capital restructure	-	(187)	-	-	-	-	(187)
Share-based payments	-	-	-	-	-	166	166
Total transactions with owners	147	929	-	-	-	166	1,242
Balance at 31 December 2022	20,611	49,862	-	(4,557)	(14,470)	(3,095)	48,351

VERDE AGRITECH LIMITED

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 2024 which shows income from revenue supporting capital, operating and administrative expenses throughout the period and compliance with loan repayment schedules, including covenant compliance. As at December 31, 2022, the Group had current assets of \$32,165,000 and current liabilities of \$28,804,000 providing a working capital surplus of \$3,361,000. 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 2024 is based on the ramp up of production to 1,000,000 tpy. 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 Limited (the "Company") is a company registered in Singapore. The consolidated financial statements of the Group for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

On July 29, 2022, Verde AgriTech Limited acquired 100% of the issued capital of Verde Agritech Plc (a company registered in England and Wales) by way of a scheme of arrangement.

As part of the redomicile, Verde Agritech Plc ordinary shares were exchanged on a one-for-one basis for common shares of Verde AgriTech Limited and are accounted for as a continuation of Verde Agritech Plc.

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 Limited have been prepared in accordance with 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 2022. 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 Group financial statements.

VERDE AGRITECH LIMITED

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 Limited ("Verde") and its subsidiaries (the "Group") for the year ended 31 December 2022.

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 2022 the closing rate of exchange of Canadian Dollars to one Brazilian Reais was 3.90 (2021: 4.40) and the average rate of exchange of Canadian Dollars to one Brazilian Reais for the year was 3.97 (2021: 4.31).

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 LIMITED

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 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. Land and buildings are not depreciated.

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 LIMITED

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 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.

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.

2.12 Trade and other payables

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

2.13 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.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.18 Critical judgements and sources of estimation uncertainty (continued)

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 \$18.6 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. Management's estimates of these factors are subject to risk and uncertainties affecting the recoverability of the Group's mineral property costs. See note 13.

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**

Following the revised pre-feasibility report issued in 2022, the previously accounted provision for closure costs were reversed as there were significant changes to assumptions which results in waste rock being used to close each pit. This results in the mine closure costs being captured as operating expenses as the project develops.

VERDE AGRITECH LIMITED

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 Singapore and the UK and as such, the Group has only one operating segment.

4. Revenue

(\$'000)	2022	2021
Sale of K Forte® / Super Greensand® / BAKS®	80,271	27,709

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

	2022	2021
	%	%
Brazil	99	99
Rest of the world	1	1
	100	100

5. Operating profit

The operating profit is stated after charging:

(\$'000)	2022	2021
Depreciation – owned assets	568	289
Amortization of mineral property (Note 13)	429	93
Directors' emoluments (see Note 26)	1,733	1,428
Share-based payments (see Note 20)	166	942
Auditor remuneration payable to the Company's auditor and its associates		
Audit of the Group and Company financial statements	102	56

6. Personnel expenses

Employee costs (\$'000)	2022	2021
Directors' emoluments (See Note 26)	1,551	1,428
Salaries	2,933	1,582
Compulsory social security contributions	660	316
Share based payments	166	942
Total	5,310	4,268

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Personnel expenses (continued)

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

Position	2022	2021
Executive directors	1	1
Non-executive directors	5	5
Administrative*	73	31
Environmental	4	2
IT	6	5
Project Engineering	5	1
R&D	8	4
Sales and Marketing	65	46
Production	181	80
Total	348	175

* In April 2022, 33 employees were reclassified from Production to Administrative for better accounting purposes.

7. Finance Income

(\$'000)	2022	2021
Interest received	270	44
Foreign exchange gain	8	11
Total	278	55

8. Finance costs

(\$'000)	2022	2021
Interest on bank overdrafts and loans	3,176	378
Unwinding of discount on mine closure provision	66	79
Total	3,242	457

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Income tax

Recognised in the income statement

Current tax	2022	2021
	(\$'000)	(\$'000)
Income tax charge	2,619	931
Reconciliation of effective tax rate		
Profit before tax	20,423	4,453
Tax using the domestic Group tax rate of 17% (2021: 19%)	3,472	874
Effect of overseas tax rates	5,229	638
Non-deductible expenses	356	336
Origination of temporary differences on which no deferred tax has been recognized	(6,438)	(917)
Income tax charge for the year	2,619	931

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Income tax (continued)

Factors that may affect future tax charges

The Group has Singaporean tax losses of approximately \$34,000 (2021: \$Nil), UK tax losses of approximately \$20,959,000 (2021: \$22,722,000) and Brazilian tax losses of approximately \$4,350,000 (BRL16,980,000) (2021: \$3,863,000 (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.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Balance 2022 (\$'000)	Balance 2021 (\$'000)	Balance 2022 (\$'000)	Balance 2021 (\$'000)	Balance 2022 (\$'000)	Balance 2021 (\$'000)
Property, plant and equipment	-	-	(15,760)	(1,396)	(15,760)	(1,396)
Intangible assets	-	-	(6,555)	(6,734)	(6,555)	(6,734)
Tax value of loss carry-forwards recognized	22,315	8,130	-	-	22,315	8,130
Net tax assets/(liabilities)	22,315	8,130	(22,315)	(8,130)	-	-

Unrecognised deferred tax assets

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

(\$'000)	2022	2021
UK tax losses	3,982	3,583
Brazilian tax losses	1,479	1,313
Total	5,461	4,896

Movement in deferred tax assets and liabilities

	Balance on 1 Jan 2021 (\$'000)	Recognised in income (\$'000)	Balance on 31 Dec 2021 (\$'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)

	Balance on 1 Jan 2022 (\$'000)	Recognised in income (\$'000)	Balance on 31 Dec 2022 (\$'000)
Property, plant and equipment	1,396	14,364	15,760
Intangible assets	6,734	(179)	6,555
Tax value of loss carry-forwards	(8,130)	(14,185)	(22,315)

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on the profit attributable to ordinary shareholders of \$17,804,000 (2021: \$3,522,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2022 of 52,597,951 (2021: 50,321,384) calculated as follows:

Profit attributable to ordinary shareholders

	2022	2021
Profit for the period (\$'000)	17,804	3,522
Profit attributable to ordinary shareholders (\$'000)	17,804	3,522

Weighted average number of ordinary shares

	2022	2021
Weighted average number of ordinary shares outstanding – basic ('000)	51,720	50,321
Dilutive Stock options	1,322	1,695
Weighted average number of ordinary shares outstanding – dilutive ('000)	53,042	52,016
Basic earnings per share	\$0.344	\$0.070
Diluted earnings per share	\$0.366	\$0.068

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:

	2022	2021
Anti-dilutive Stock options	276	2,130

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 LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. 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	24,045	17,167	365	46	41,623
Disposals	-	(78)	-	-	(78)
Effect of movements in foreign exchange	653	533	48	37	1,271
Balance at 31 December 2022	26,694	19,771	771	371	47,607
Depreciation and impairment losses					
Balance at 1 January 2021	-	251	71	100	422
Depreciation charge for the period	-	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 year	-	494	68	6	568
Depreciation on disposals	-	(78)	-	-	(78)
Effect of movements in foreign exchange	-	59	10	12	81
Balance at 31 December 2022	-	967	172	116	1,255
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 December 2022	26,694	18,804	599	255	46,352

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Right-of-use assets

Cost		Total (\$'000)
Additions		198
Effect of movements in foreign exchange		3
Balance at 31 December 2022		201
Amortisation		
Amortisation charge for the year		26
Effect of movements in foreign exchange		1
Balance at 31 December 2022		27
Carrying amounts		
At 31 December 2022		174

Lease liabilities

The following table outlines the future lease payments:

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Not later than one year	87	-
Later than one year but not later than five years	178	-
Total	265	-

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

13. 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	677
Mine closure provision written back (note. 23)	(2,944)
Effect of movements in foreign exchange	1,740
Balance at 31 December 2022	19,280
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 year	429
Effect of movements in foreign exchange	33
Balance at 31 December 2022	661
Carrying amounts	
At 1 January 2021	20,329
At 31 December 2021	19,608
At 1 January 2022	19,608
At 31 December 2022	18,619

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 2.18. After consideration of those factors management concluded that no impairment triggers had been noted that would require a formal impairment test and no impairment charge against in-production mining assets has been recorded.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. 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
Disposal	(449)
Effect of movements in foreign exchange	51
Balance at 31 December 2022	-
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
Disposal	(449)
Effect of movements in foreign exchange	51
Balance at 31 December 2022	-
Carrying amounts	
At 1 January 2021	-
At 31 December 2021	-
At 1 January 2022	-
At 31 December 2022	-

The Calcário project was necessary for mining limestone which is necessary for the production of TK47®. The project was fully provided for in 2017. At the year end, it was decided by the Group not to pursue the Calcario Project. At the date of disposal, at current exchange rates, this disposal was valued at \$449,000.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

15. Inventory

(\$'000)	2022	2021
Finished goods	626	234
Packaging	1,547	542
Stockpile ore	281	320
Other	15	-
Total	2,469	1,096

The cost of inventories recognised as an expense and included in production costs for the year amounted to \$17,602,000 (2021: \$7,060,000).

16. Trade and other receivables

(\$'000)	2022	2021
Trade receivables	20,634	13,245
Other receivables	6,845	1,057
Prepayments	1,054	753
Total	28,533	15,055

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

17. Cash and cash equivalents

(\$'000)	2022	2021
Cash at bank and in hand	1,163	1,534
Total	1,163	1,534

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

18. Share capital

Issued - Ordinary Shares of \$0.3918 each	2022		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
23 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	-	-
19 May 2022 for \$0.40 each	150,000	59	-	-
19 May 2022 for \$0.425 each	178,200	70	-	-
19 May 2022 for \$0.61 each	152,000	59	-	-
19 May 2022 for \$0.63 each	178,875	70	-	-
25 May 2022 for \$0.40 each	61,538	24	-	-
25 May 2022 for \$0.63 each	165,000	65	-	-
30 May 2022 for \$0.61 each	693,087	272	-	-
6 June 2022 for \$0.61 each	70,000	27	-	-
10 June 2022 for \$1.21 each	2,525	1	-	-
10 June 2022 for \$1.22 each	2,000	1	-	-
1 July 2022 for \$0.61 each	329,090	129	-	-
1 July 2022 for \$0.63 each	25,510	10	-	-
29 July 2022 – Group restructure (Scheme of arrangement)				
29 July 2022 Adjustment***	-	(718)	-	-
1 August 2022 for \$0.3918 each	1	-	-	-
18 August 2022 for \$0.67 each	1,000	1	-	-
18 August 2022 for \$1.21 each	229	-	-	-
26 September 2022 for \$0.67 each	2,000	1	-	-
3 November 2022 for \$0.67 each	4,000	3	-	-
3 November 2022 for \$1.22 each	1,277	1	-	-
At 31 December	52,597,951	20,611	50,398,619	20,464

*** Following the restructure of the Group on 29 July 2022 by way of a scheme of arrangement, \$718,000 of share capital has been reclassified to capital contribution as it related to the retranslation of share capital prior to redenomination from GBP in 2011.

During the year share capital increased by \$147,000 and share premium increased by \$929,000, totalling \$1,076,000 as shown in the statement of changes in equity.

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 LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

18. Share capital (continued)

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.

Merger reserve

The merger reserve arose from the acquisition of GB10N Limited by Verde Agritech Plc in a prior period. As Verde Agritech Plc 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.

19. Share warrant reserve

	2022		2021	
	Number	\$'000	Number	\$'000
Balance at beginning of year	-	-	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 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.

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:

	2022		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	\$7.83	56,662	\$1.23	941,221
Exercised during the period	\$0.57	(2,199,332)	\$0.42	(69,761)
Cancelled/Forfeited during the period	\$1.18	(85,159)	\$0.64	(245,948)
Outstanding at the end of the period	\$1.31	1,597,398	\$0.58	3,825,227
Exercisable at the end of the period	\$0.64	1,025,979	\$0.80	3,078,801

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

20. Share-based payments (continued)

The options outstanding at 31 December 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 6.4 years (2021: 7.7 years). Two option awards were granted in 2022. The option awards will vest in six tranches, 10% immediately with an additional 10% vesting in years two to five. At the sixth year from grant, the remaining 50% of the options vest. At 31 December 2022, 1,025,979 of the options had vested (31 December 2021: 3,078,801).

Fair value of share options and assumptions (\$)	2022	2021
Weighted average fair value of options granted during the year	6.00	1.10
Weighted average share price	7.67	1.42
Weighted average exercise price	7.73	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)	1.94%	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)	2022	2021
Total expense recognised as employee costs	166	942

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

20. Share-based payments (continued)

Details of share options outstanding at 31 December 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	Exercised				Grant date	Expiry date
233,200	-	-	(25,000)	(178,200)	30,000	30,000	\$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)	-	-	\$0.40	31 Jan 2017	31 Jan 2027
144,000	-	-	-	(144,000)	-	-	\$0.40	9 Feb 2017	9 Feb 2027
200,000	-	-	-	-	200,000	80,000	\$1.02	30 May 2018	30 May 2028
1,244,308	-	-	-	(1,244,177)	131	131	\$0.61	24 Sep 2018	24 Sept 2028
115,000	-	-	(5,000)	-	110,000	-	\$0.61	24 Sep 2018	24 Sept 2028
328,876	-	-	-	(204,386)	124,490	124,490	\$0.63	1 Mar 2019	1 Mar 2029
445,000	-	-	-	(275,000)	170,000	2,000	\$0.63	1 Mar 2019	1 Mar 2029
40,000	-	-	(9,000)	(10,000)	21,000	6,000	\$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	-	-	-	(6,000)	24,684	3,205	\$0.40	25 Mar 2020	25 Mar 2030
55,427	-	-	(20,030)	(3,277)	32,120	6,420	\$1.22	5 Mar 2021	5 Mar 2031
750,000	-	-	-	-	750,000	750,000	\$1.22	5 Mar 2021	5 Mar 2031
73,341	-	-	(22,212)	(2,754)	48,375	9,492	\$1.21	10 May 2021	10 May 2031
10,000	-	-	-	-	10,000	2,000	\$1.48	9 Nov 2021	9 Nov 2031
-	53,662	-	(3,000)	-	50,662	5,066	\$7.76	16 Mar 2022	16 Mar 2032
-	3,000	-	-	-	3,000	300	\$7.11	5 Nov 2022	5 Nov 2032
3,825,227	56,662	-	(85,159)	(2,199,332)	1,597,398	1,025,979			

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.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

21. Trade and other payables

(\$'000)	2022	2021
Trade payables	3,084	2,558
Income tax	1,215	576
Other payables	2,860	1,278
Accruals and deferred income	3,427	2,446
Total	10,586	6,858

22. Interest-bearing loans and borrowings

(\$'000)	2022	2021
Non-current liabilities (\$'000)		
Bank loans	19,977	3,079
Current liabilities (\$'000)		
Bank loans	18,131	2,506
Total	38,108	5,585

The Group received twenty loans during the year from various banks totalling \$29,023,000 (BRL \$113,282,000).

Summary of Interest-bearing loans and borrowings

Lender	Loan start date	Purpose	Grace period (months)	Term (months)	Loan value (R\$'000)	Balance at Dec 31, 2022 (C\$'000)	Repayable by	Total interest payable*
Brazil ⁽²⁾	Dec, 2022	Working capital	6	18	10,000	3,421	Dec, 2024	*CDI+4.10%
Brazil ⁽⁴⁾	Dec, 2022	Working capital	12	12	4,891	1,253	Dec, 2023	14.88%
Itau ⁽⁴⁾	Dec,2022	Working capital	6	6	7,800	1,983	May, 2023	15.96%
Itau ⁽⁴⁾	Dec,2022	Working capital	6	6	12,105	3,077	May, 2023	16.08%
Brazil ⁽²⁾	Oct, 2022	Working capital	12	48	20,000	7,988	Oct, 2027	*CDI+3.70%
Votorantim ⁽¹⁾	Sep, 2022	Working capital	12	30	10,000	3,175	Mar, 2025	*CDI+5.10%
Brazil ⁽³⁾	Sep, 2022	Working capital	6	24	5,000	1,482	Sep, 2024	*CDI+3.00%
Bradesco ⁽²⁾	Aug, 2022	Equipment	6	24	5,597	1,665	Oct, 2024	**IPCA+5.19%
ABC Brazil ⁽¹⁾	Aug, 2022	Working capital	5	24	3,500	1,081	Sep, 2024	*CDI+7.44%
ABC Brazil ⁽¹⁾	Aug, 2022	Working capital	6	24	1,500	462	Sep, 2024	*CDI+7.44%
Santander ⁽¹⁾	Aug, 2022	Working capital	3	24	12,000	3,149	Aug, 2024	*CDI+4.85%
ABC Brazil ⁽¹⁾	Aug, 2022	Working capital	6	30	2,500	785	Mar, 2025	*CDI+7.44%
Brazil ⁽³⁾	Aug, 2022	Working capital	6	18	5,000	1,369	Aug, 2023	*CDI+3.00%
BDMG ⁽¹⁾	Apr, 2022	Working capital	24	72	3,000	1,209	Mar, 2030	***TJLP+5.00%
Santander ⁽²⁾	Feb, 2022	Equipment	03	36	260	54	Feb, 2025	* CDI + 4,60%
Santander ⁽²⁾	Feb, 2022	Equipment	03	36	888	225	Feb, 2025	* CDI + 4,60%
Santander ⁽²⁾	Feb, 2022	Equipment	03	36	1,340	312	Feb, 2025	* CDI + 4,60%
Santander ⁽²⁾	Feb, 2022	Equipment	03	36	2,169	504	Jan, 2025	* CDI + 4,60%
Santander ⁽²⁾	Feb, 2022	Equipment	03	36	888	208	Jan, 2025	* CDI + 4,60%
Brazil ⁽³⁾	Jan, 2022	Working capital	06	36	5,000	1,188	Dec, 2024	* CDI+2,92%
Various loans	pre 2022				23,723	3,518		
Total					137,161	38,108		

VERDE AGRITECH LIMITED

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, 2022, the 12 months cumulative rate was 12.43%.

** - 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, 2022 the 12 months cumulative rate was 5.90%.

*** - TJLP (Taxa de Juros de Longo Prazo) is the long term interest rate in Brazil. As at December 31, 2022, the 12 months cumulative rate was 7.37%.

Bank loans are secured as follows;

Indicator ¹ – Loan value secured by trade receivables
 Indicator ² – Fixed charge over the equipment purchased
 Indicator ³ – Future sales contracts
 Indicator ⁴ - None

Repayment analysis of the bank loan is as follows:

	2022			2021		
	Less than one year (\$'000)	2 – 4 years (\$'000)	Greater than 4 years (\$'000)	Less than one year (\$'000)	2 – 4 years (\$'000)	Greater than 4 years (\$'000)
Bank loans	18,131	19,944	33	2,506	2,873	206

23. Provisions

	2022 \$'000	2021 \$'000
Mine closure provision		
Opening balance	2,599	2,716
Unwinding of discount	68	79
Mine closure provision written back	(2,944)	-
Effect of movements in foreign exchange	277	(196)
Total	-	2,599

The mine closure provision was made in 2018 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. Following the issue of a new pre-feasibility study in May 2022. Significant assumptions changed which results in waste rock being used to close each pit. This results in the mine closure costs being captured as operating expenses as the project develops. As such, the provision has been fully written back in the year.

24. Commitments and contingent liabilities

Commitments

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

	2022 \$'000	2021 \$'000
Amount payable within one year	65	62
Amounts payable after more than one year and less than five years	59	48
After five years	283	240
Total	407	350

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

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:

	2022	2021
	\$'000	\$'000
Amount payable within one year	9	11
Amounts payable after more than one year and less than five years	-	8
Total	9	19

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 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.

VERDE AGRITECH LIMITED

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)	2022	2021
Canadian Dollars	252	110
Brazilian Reais	848	1,414
American Dollars	16	4
British Pounds	47	6
Total	1,163	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 13.75%.

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)	
	2022	2021
10% weakening of Brazilian Real	(1,978)	(406)
10% strengthening of Brazilian Real	1,618	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 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 average current loan rate is 15,36% per annum. The Brazilian Government long term bond rate is currently 13.75% per annum. The Group's last loan rates are an average 2% 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.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

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:

	2022 \$'000	2021 \$'000
A-1	316	120
B	793	1,125
BB-	7	280
BBB-	46	-
Not rated	1	9
Total	1,163	1,534

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.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

26. Related party transactions

Key management compensation was as follows:

Year ended 31 December 2022

	Fees	Salary	Short term employment benefits	Bonuses	Equity compensation (non-cash)	2022 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
C Veloso	-	507	-	890	-	1,397
R Gomes	43	-	-	-	48	91
G Fonseca	17	-	-	-	-	17
A Paolinelli	24	-	-	-	48	72
P M Ribeiro	17	-	1	-	-	18
M St Aldwyn	17	-	18	-	-	35
L de Oliveira Cezar Coelho	7	-	-	-	28	35
F Prezzotto	7	-	-	-	28	35
M Lee	7	-	-	-	26	33
Directors' total	139	507	19	890	178	1,733
Other key management	-	158	16	298	-	472
Total	139	665	35	1,188	178	2,205

On 31 December 2022, C Veloso and all other board of directors were owed \$65,000 (2021: \$42,000). Bonuses to directors and other key management personnel of \$1,188,000 (2021: \$278,385) were accrued and unpaid at the year end.

Year ended 31 December 2021

	Fees	Salary	Short term employment benefits	Bonuses	Bonuses (non-cash)	2021 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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

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.

VERDE AGRITECH LIMITED

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 2022

	Outstanding at beginning of period	Granted	Exercised	Outstanding at end of period
C Veloso	1,992,308	-	(1,117,687)	874,621
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	-	(1,997,301)	1,074,621
Other key management	275,000	-	(110,000)	165,000
Total	3,346,922	-	(2,107,301)	1,239,621

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



VERDE AGRITECH LTD.

(Registration Number: 202222202R)
(Incorporated in the Republic of Singapore)

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
FOR THE FINANCIAL PERIOD FROM
27 JUNE 2022 (DATE OF INCORPORATION) TO 31 DECEMBER 2022**

VERDE AGRITECH LTD.

CORPORATE INFORMATION

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

DIRECTORS

Renato Couto Gomes	(Appointed on 27 June 2022)
Alysson Paolinelli	(Appointed on 27 June 2022)
Cristiano Botelho Veloso	(Appointed on 25 July 2022)
Fernando Joao Prezzotto	(Appointed on 13 September 2022)
Luciana De Oliveira Cezar Coelho	(Appointed on 13 September 2022)
Madeliene Lee Suh Shin	(Appointed on 20 September 2022)
Michael Henry Hicks Beach Earl St Aldwyn	(Resigned on 14 September 2022)
Getulio Lamartine De Paula Fonseca	(Resigned on 14 September 2022)
Paulo Sergio Machado Ribeiro	(Resigned on 14 September 2022)
Eric Loh Kah Leong	(Resigned on 30 September 2022)

SECRETARY

Noraini Binte Noor Mohamed Abdul Latiff	(Appointed on 29 July 2022)
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REGISTERED OFFICE

16 Collyer Quay
#17-00 Collyer Quay Centre
Singapore 049318

AUDITOR

PKF-CAP LLP

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VERDE AGRITECH LTD.

DIRECTORS' STATEMENT

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

The directors present their statement to the members together with the audited financial statements of Verde Agritech Ltd. (the "Company") for the financial period from 27 June 2022 (date of incorporation) to 31 December 2022.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the period then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Renato Couto Gomes	(Appointed on 27 June 2022)
Alysson Paolinelli	(Appointed on 27 June 2022)
Cristiano Botelho Veloso	(Appointed on 25 July 2022)
Fernando Joao Prezzotto	(Appointed on 13 September 2022)
Luciana De Oliveira Cezar Coelho	(Appointed on 13 September 2022)
Madeliene Lee Suh Shin	(Appointed on 20 September 2022)

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Other than as disclosed under "Share options" in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year and the interest in the share capital, debentures, warrants and share options of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act 1967 were as follows:

Name of director and company in which interests are held	Holdings registered in name of director		
	At 27.06.2022 (date of incorporation)	Acquired/ (Disposed)	At 31.12.2022
Verde Agritech Ltd.			
<u>No. of ordinary shares</u>			
Alysson Paolinelli	-	281,603	281,603
Renato Gomes	-	436,616	436,616
Cristiano Veloso	-	9,889,134	9,889,134

VERDE AGRITECH LTD.

DIRECTORS' STATEMENT

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

Except as disclosed in this statement, no director who held office at the end of the financial period had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial period.

SHARE OPTIONS

Verde Agritech Ltd. Share Option Plan 2022 ("Share Option Plan")

Pursuant to the directors' resolution dated 1 August 2022, it was resolved that following the completion of the review and approval of the Share Option Plan by the Board of Directors of the Company, the Share Option Plan be released for approval by way of a sole shareholder's resolution pursuant to Section 184G of the Companies Act 1967 and Regulation 53 of the Constitution of the Company. The Share Option Plan was approved by way of a sole shareholder's resolution on 1 August 2022.

The Share Option Plan is administered by the Board of Directors of the Company with the assistance of the Compensation Committee and the Chief Executive Officer of the Company. The Compensation Committee shall periodically make recommendations to the Board of Directors of the Company as to the grant of options under the Share Option Plan.

In addition to the powers granted to the Board of Directors of the Company under the Share Option Plan and subject to the terms of the Plan, the Board of Directors of the Company shall have full and complete authority to grant options, interpret the terms and conditions of the Share Option Plan, to prescribe such rules and regulations as it deems necessary for the proper administration of the Share Option Plan and to make such determinations and to take such actions in connection therewith as it deems necessary or advisable. Any such interpretation, rule, determination or other act of the Board of Directors of the Company shall be conclusively binding upon all persons.

No share options under the Share Option Plan have been granted during and as at the financial period ended 31 December 2022.

AUDITOR

The auditor, PKF-CAP LLP will not seek for re-appointment and will retire at the forthcoming Annual General Meeting.

On behalf of the Board of Directors,

Cristiano Veloso

Madeleine Lee

Cristiano Botelho Veloso
Director

Madeliene Lee Suh Shin
Director

Singapore

8 June 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VERDE AGRITECH LTD.**

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of Verde Agritech Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from 27 June 2022 (date of incorporation) to 31 December 2022 ("reporting period"), and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 23.

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion* section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company and its subsidiaries for the reporting period ended on that date in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs").

Basis for Adverse Opinion

As disclosed in Note 2.1, the accompanying financial statements is the separate financial statements of the Company which is not in compliance with the requirements of Section 201(5)(a) of the Act and FRS 110 *Consolidated Financial Statements*. Management is of the view that there is no additional value and economic benefit to the shareholders of the Company to incur additional time and costs to re-audit the consolidated financial statements of the Group for Singapore statutory filing purposes as audited consolidated financial statements of the Company and its subsidiaries are prepared and presented in accordance with the requirements of International Financial Reporting Standards ("IFRS") for the purpose of stock exchange regulatory filing with the Toronto Stock Exchange. Had the subsidiaries as disclosed in Note 6 to the financial statements been consolidated, many elements in the accompanying financial statements would have been materially affected. It is not possible to quantify the effect of the consolidation in the absence of further information.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). 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 ACRA Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VERDE AGRITECH LTD. (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Other Information (Continued)

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, 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. Except for the matter described in the *Basis for Adverse Opinion* section of our report, we have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

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 SSAs 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 SSAs, we exercise professional judgement 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VERDE AGRITECH LTD. (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company'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 Company 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.

We communicate with the directors 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.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis for Adverse Opinion* section, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore

8 June 2023

VERDE AGRITECH LTD.

STATEMENT OF COMPREHENSIVE INCOME

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

	Note	27.06.2022 to 31.12.2022 CAD\$
Administrative expenses, representing loss before tax	4	(34,134)
Income tax expense	5	<u>-</u>
Loss for the period, representing total comprehensive loss for the period		<u><u>(34,134)</u></u>

The accompanying notes form an integral part of these financial statements.

VERDE AGRITECH LTD.**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Note	2022 CAD\$
Assets		
Non-current asset		
Investment in subsidiary	6	<u>51,304,083</u>
Current assets		
Cash and cash equivalents	7	15,000
Prepayment		<u>6,639</u>
		<u>21,639</u>
Total assets		<u><u>51,325,722</u></u>
Equity and liabilities		
Equity		
Share capital	8	20,611,070
Capital contribution	9	30,512,396
Accumulated loss		<u>(34,134)</u>
Total equity		<u>51,089,332</u>
Current liabilities		
Other payables	10	<u>236,390</u>
Total equity and liabilities		<u><u>51,325,722</u></u>

The accompanying notes form an integral part of these financial statements.

VERDE AGRITECH LTD.**STATEMENT OF CHANGES IN EQUITY**

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

	Share capital CAD\$	Capital contribution CAD\$	Accumulated loss CAD\$	Total CAD\$
At 27 June 2022 (date of incorporation)	1	-	-	1
Issuance of ordinary shares (Note 8)	20,611,069	-	-	20,611,069
Capital contribution by shareholders (Note 9)	-	30,512,396	-	30,512,396
Total comprehensive loss for the period	-	-	(34,134)	(34,134)
At 31 December 2022	<u>20,611,070</u>	<u>30,512,396</u>	<u>(34,134)</u>	<u>51,089,332</u>

The accompanying notes form an integral part of these financial statements.

VERDE AGRITECH LTD.**STATEMENT OF CASH FLOWS**

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

		27.06.2022
		to
		31.12.2022
	Note	CAD\$
<u>Cash flows from operating activities</u>		
Loss before tax		(34,134)
Changes in working capital:		
Prepayment		(6,639)
Other payables		33,951
Net cash used in operating activities		<u>(6,822)</u>
<u>Cash flows from financing activities</u>		
Amount due to subsidiary		15,927
Proceeds from issuance of shares	8	6,525
Net cash generated from financing activities		<u>21,822</u>
Net increase in cash and cash equivalents		15,000
Cash and cash equivalents at date of incorporation		-
Cash and cash equivalents at end of the financial period	7	<u>15,000</u>

The accompanying notes form an integral part of these financial statements.

VERDE AGRITECH LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated and domiciled in Singapore as a public company limited by shares and listed on the Toronto Stock Exchange ("TSX").

The registered office of the Company is located at 16 Collyer Quay, #17-00, Collyer Quay Centre, Singapore 049318.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements are separate financial statements of the Company. The Company has not prepared and presented consolidated financial statements as required under FRS 110 *Consolidated Financial Statements* and it is not exempted from the requirement to prepare consolidated financial statements under FRS 110. Therefore, the Company is not in compliance with Section 201(5)(a) of the Act as it has not obtained an exemption pursuant to Section 201(12) of the Act.

For the purpose of stock exchange regulatory filing with the TSX, consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") are prepared and presented in accordance with the requirements of International Financial Reporting Standards ("IFRS"). This set of consolidated financial statements of the Group are audited by another independent auditor who expressed an unmodified audit opinion on the consolidated financial statements on 30 March 2023. The registered office where those consolidated financial statements can be obtained is 16 Collyer Quay, #17-00, Collyer Quay Centre, Singapore 049318.

Notwithstanding that the Company has prepared and presented audited consolidated financial statements of the Group that are available for public use as set out above, the consolidated financial statements thereof do not meet the requirements to be laid before the Company's Annual General Meeting ("AGM") for the purpose of Section 201(5)(a) of the Act as the independent auditor who expressed the unmodified audit opinion thereof is not a Singapore Public Accountant registered with the Accounting and Corporate Regulatory Authority ("ACRA"). Additionally, the abovementioned consolidated financial statements of the Group have not been re-audited for local statutory filing purpose in Singapore as management is of the view that there is no additional value and economic benefit to the shareholders of the Company to incur additional time and costs to re-audit the consolidated financial statements of the Group for this purpose.

Except as described above, the financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRSs") and Companies Act 1967. The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in Canadian Dollar (“CAD\$”), which is the Company’s functional currency.

(i) Adoption of new and amended FRS and interpretations

The Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on 27 June 2022. The adoption of these standards did not have any material effect on the Company’s financial statements.

(ii) Standards issued but not yet effective

The Company has not applied the following FRS and Amendments to FRS that are relevant to the Company that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
• Amendments to FRS 1 and FRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
• Amendments to FRS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
• Amendments to FRS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
• Amendments to FRS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
• Amendments to FRS 116 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
• Amendments to FRS 1 <i>Non-current Liabilities with Covenants</i>	1 January 2024

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.2 Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

2. Summary of significant accounting policies (Continued)

2.2 Foreign currency transactions and balances (Continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.3 Taxes

a) Current income tax

Current income tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

2. Summary of significant accounting policies (Continued)

2.4 Subsidiary

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses. On disposal of investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.5 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes a party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

All the financial assets of the Company are measured at amortised cost during the reporting period and as at reporting date.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

2.6 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

2. Summary of significant accounting policies (Continued)

2.6 Impairment of financial assets (Continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

2.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or, where applicable, when an annual impairment testing for an asset is required), the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.8 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortization process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

2. Summary of significant accounting policies (Continued)

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank that is readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

2.10 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.11 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person has control, joint control or significant influence over the Company or is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

3. Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. Loss before tax

27.06.2022
to
31.12.2022
CAD\$

Loss before tax has been arrived at after charging:
Audit, professional and legal fees

33,891

5. Income tax expense

The income tax expense on the result of the financial period varies from the amount of income tax determined by applying the Singapore statutory rate of income tax to loss before tax due to the following factors:

27.06.2022
to
31.12.2022
CAD\$

Loss before tax

(34,134)

Tax calculated at statutory tax rate of 17%
Non-deductible expenses

(5,803)
5,803

-

VERDE AGRITECH LTD.**NOTES TO THE FINANCIAL STATEMENTS**

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

6. Investment in subsidiary

	2022 CAD\$
<u>Unquoted equity shares, at cost</u>	
At date of incorporation	-
Additions	51,304,083
At 31 December	<u>51,304,083</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Proportion of ownership 2022 %</u>	<u>Proportion of voting power held 2022 %</u>
<u>Held by the Company:</u>				
Verde Agritech (UK) Limited*	Investment holding	United Kingdom	100%	100%
<u>Held via Verde Agritech (UK) Limited:</u>				
Verde Fertilizantes Ltda.**	Mineral extraction and sale of K Forte to the Brazilian market	Brazil	100%	100%
FVS Mineração Ltda**	Mineral extraction and sale of K Forte to the Brazilian market	Brazil	99.5%	99.5%

* Audited by PKF Littlejohn LLP

** Audited by PKF Brazil.

7. Cash and cash equivalents

	2022 CAD\$
Cash at bank	<u>15,000</u>

VERDE AGRITECH LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

8. Share capital

	2022	
	Number of ordinary shares	CAD\$
<i>Ordinary shares issued and fully paid:</i>		
At date of incorporation	1	1
Issuance of ordinary shares	52,597,950	20,611,069
At end of the period	<u>52,597,951</u>	<u>20,611,070</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par values.

On 28 July 2022, the Company entered into a Scheme of Arrangement ("SOA") pursuant to Part 26 of the UK Companies Act 2006 to acquire 52,589,444 (100%) of the ordinary shares of Verde Agritech PLC ("Verde Agritech UK") (a company registered in England and Wales) at CAD\$0.3918 each for a total consideration of CAD\$20,604,544.

The SOA is undertaken via a one-for-one exchange of each share of the Company for each share of Verde Agritech UK. As such, pursuant to the terms of the SOA, the Company issued 52,589,444 of its ordinary shares at CAD\$0.3918 each to the shareholders of Verde Agritech UK to acquire all of the 52,589,444 ordinary shares of Verde Agritech UK previously held by the shareholders of Verde Agritech UK.

The SOA is undertaken as part of management's effort to change the previous corporate structure of Verde Agritech UK and its subsidiaries by redomiciling to Singapore via the incorporation of the Company and establishing the Company as the new ultimate parent company of the Group and assuming the listing status on TSX from Verde Agritech UK.

Following from the SOA, all the previous shareholders of Verde Agritech UK became shareholders of the Company and the Company in turn owns 100% of the share capital of Verde Agritech UK which became a wholly-owned subsidiary of the Company.

Additionally, during the financial period ended 31 December 2022, the Company issued 8,506 of its ordinary shares for a total cash consideration of CAD\$6,525 as settlement on behalf of Verde Agritech UK for the share options exercised by the holders of the options. These options were previously issued to the holders under the Verde Agritech UK Share Option Scheme.

VERDE AGRITECH LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

9. Capital contribution

Capital contribution pertains to the share premium which the shareholders of the Company previously paid when acquiring the shares of Verde Agritech UK, representing the aggregate amount of the premium over and above the par value of the shares of Verde Agritech UK of CAD\$0.3918 per share previously recognised pursuant to Part 610 of the UK Companies Act by Verde Agritech UK less the accumulated losses of Verde Agritech UK as at the effective date of the SOA amounting to CAD\$19,349,779.

As disclosed in Note 8 to the financial statements, the ordinary shares of the Company issued under the SOA in exchange for the shares of Verdi Agritech UK have no par value. Therefore, any excess of the ordinary share issue price of the Company of CAD\$0.3918 per share which is based on the original par value of the Verde Agritech UK shares under the SOA is recognised as capital contribution, representing the waiver of the premium previously paid by the shareholders of the Company while acquiring the shares of Verde Agritech UK that has not been compensated for via the issuance of the Company's shares at CAD\$0.3918 per share under the SOA which only covers for the previous par value of the shares of Verde Agritech UK less the accumulated losses of Verde Agritech UK as at the effective date of the SOA amounting to CAD\$19,349,779.

10. Other payables

	2022
	CAD\$
Amount due to:	
- Related party	202,439
- Third parties	5,151
Accrued expenses	28,800
	<u>236,390</u>

The amount due to related party is non-trade in nature, non-interest bearing, unsecured and repayable on demand.

Other payables that are not denominated in the functional currency of the Company are as follows:

	2022
	CAD\$
Singapore Dollar	4,415
United State Dollar	<u>304</u>

VERDE AGRITECH LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

11. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant transactions between the Company and its related parties which took place during the financial period on terms agreed between the parties concerned:

	27.06.2022 to 31.12.2022 CAD\$
<i>Subsidiary</i>	
Advance from	202,142
Pay on behalf	<u>6,822</u>

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors are considered as key management personnel of the Company.

The key management personnel of the Company are also the key management personnel of the Company's subsidiary, Verde Agritech (UK) Limited. The compensation and remuneration of the key management personnel in their capacities as key management personnel of both the Company and the subsidiary amounting to approximately CAD\$2.3 million are paid by the subsidiary.

Key management personnel compensation attributable to the Company which is not recharged by the abovementioned subsidiary is as follows:

	27.06.2022 to 31.12.2022 CAD\$
Wages and salaries	367,226
Share option expense	<u>178,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

12. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks from its operations. The key financial risks include liquidity risk, credit risk and foreign currency risk.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

12.1 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company monitors and maintains a level of cash and cash equivalents deemed adequate to finance its operations.

Financial liability of the Company comprises other payables that have no contractual maturities but are typically settled within one year.

12.2 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Cash and cash equivalents are placed with financial institutions which are regulated and reputable.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supporting forward-looking information.

The Company determined that its financial assets are credit-impaired when:

- there is significant difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the customers will enter bankruptcy or other financial reorganisation; or
- there is a disappearance of an active market for that financial asset because of financial difficulty.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

12. Financial risk management objectives and policies (Continued)

12.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has transactional currency exposures denominated in a currency other than the functional currency of the Company. The foreign currencies of these transactions are mainly denominated in SGD and USD. The Company does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency risk should the need arise.

The Company does not have significant exposure to foreign exchange risks for the financial period ended 31 December 2022.

13. Fair value of financial instruments

a) Financial instruments whose carrying amount approximates fair value

The carrying amounts of financial assets and liabilities with a maturity of less than one year approximate their fair values due to the relatively short-term maturity of these financial assets and liabilities.

b) Fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2022, the Company had no financial instruments measured at fair value using valuation techniques.

14. Categories of financial asset and liabilities

The categories of financial instruments as at reporting date are as follows:

	2022 CAD\$
<u>Financial asset</u>	
<u>At amortised cost</u>	
Cash and cash equivalents	15,000
 <u>Financial liabilities</u>	
<u>At amortised cost</u>	
Other payables	236,390

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 June 2022 (date of incorporation) to 31 December 2022

15. Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's capital consists of share capital and capital contribution. The Company is not subject to any externally imposed capital requirements.

16. Authorisation of financial statements

The Company's financial statements were authorised by the Board of Directors on 8 June 2023.