



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) |
|---|-----------------------------|

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

Cristiano Botelho Veloso
Director

Singapore

8 June 2023

Madeleine Lee

Madeliene Lee Suh Shin
Director

**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

| | | 27.06.2022 to 31.12.2022 CAD\$ |
|--|-------------|---|
| | Note | |
| 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 CAD\$ |
|---|-------------|---|
| | Note | |
| <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.

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 | 52,597,951 | 20,611,070 |

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.

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> |

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 | <u>15,000</u> |
| <u>Financial liabilities</u> | |
| <u>At amortised cost</u> | |
| Other payables | <u>236,390</u> |

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.