August 14, 2023

Verde achieves C$10.3 million revenue, 81% gross margin and C$2.1 million EBITDA in the second quarter of 2023

(All figures are in Canadian dollars, unless stated otherwise. Average exchange rate in Q2 2023: C$1.00 = R$3.76)

Singapore. Verde AgriTech Ltd (TSX: "NPK") ("**Verde**" or the "**Company**") is pleased to announce its financial results for the second quarter ended June 30, 2023 ("**Q2 2023**").

"We are reassured by Verde's renewed net profit despite the most challenging fertilizer market conditions in recent years. Brazilian farmers have grappled with the convergence of the highest interest rates since 2006 and their dependence on credit. This peaked in Q2 2023, period when farmers must acquire inputs for the upcoming planting season, a challenge compounded by the dip in agricultural commodity prices exactly when their crops should be marketed. In this extraordinary context, foreign fertilizer companies with lower capital cost can offer better terms to Brazilian farmers, who have a difficult choice between the products they want to buy and the ones they can afford to finance", commented Cristiano Veloso, Founder, President & CEO of Verde.

Q2 2023 Financials

- Sales of Verde's multinutrient potassium products, BAKS® and K Forte® sold internationally as Super Greensand® (the "**Product**") by volume in Q2 2023 were 107,000 tonnes, compared to 202,000 tonnes in Q2 2022.
- Revenue in Q2 2023 was $10.3 million, compared to $24.9 million in Q2 2022.
- Cash and trade receivables held by the Company in Q2 2023 were $23.8 million, compared to $22.1 million in Q2 2022
- EBITDA before non-cash events in Q2 2023 was $2.1 million, compared to $10.8 million in Q2 2022.
- Total non-current assets in Q2 2023 were $69.6 million, compared to $40.9 million in Q2 2022.
- Net profit in Q2 2023 was $0.2 million, compared to a $9.6 million profit in Q2 2022.
- In Q2 2023, 8,480 million tonnes of chloride have been prevented from being applied into soils by farmers who used the Product in lieu of potassium chloride ("KCl") fertilizers.[1] A total of 129,682

[1] Verde's Product is a salinity and chloride-free replacement for KCl fertilizers. Potassium chloride is composed of approximately 46% of chloride, which can have biocidal effects when excessively applied to soils. According to Heide

tonnes of chloride has been prevented from being applied into soils by Verde's customers since the Company started production.[2]

"Amidst this landscape of market downturns, we acknowledge the potential for even greater performance in this quarter had Verde been able to compete on level ground with companies boasting larger financial resources and consequentially better credit terms for farmers. Achieving a profitable quarter in the face of adversities underscores our Company's resilience and ability to navigate intricate markets, demonstrating our capacity to not only survive but also thrive under conditions where smaller players would often falter.", stated Mr. Veloso.

"Currently, the agricultural market is showing early signs of recovery. Agricultural commodity prices are no longer experiencing a rapid decline and interest rates in Brazil have started to decrease from their elevated levels. We anticipate that these shifts will soon mitigate the extraordinary distortions that temporarily favoured competitors with lower capital costs, thereby easing the challenges of this competitive market environment," concluded.

Subsequent Events

- In July 2023, the Company announced the carbon capture properties of its Products as detailed by an independent study conducted at Newcastle University under the leadership of Prof. David Manning, PhD, a renowned soil scientist. The carbon dioxide ("**CO_2**") capture is inherent to the Products and is estimated at 120kg per tonne. The CO_2 removal does not require any change to the Products' production and farmland application methods, nor does it change the nutritional benefits to plants. As a result, in the production scenario of 50Mtpy,[3] Verde would be one of the world's largest carbon capture projects with a total of 6 million tonnes of CO_2 permanently subtracted from the atmosphere every year.

Hermary (Effects of some synthetic fertilizers on the soil ecosystem, 2007), applying 1 pound of potassium chloride to the soil is equivalent to applying 1 gallon of Clorox bleach, with regard to killing soil microorganisms. Soil microorganisms play a crucial role in agriculture by capturing and storing carbon in the soil, making a significant contribution to the global fight against climate change.

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[2] 1 tonne of Product (10% K_2O) has 0.1 tonnes of K_2O, which is equivalent to 0.17 tonnes of potassium chloride (60% K_2O), containing 0.08 tonnes of chloride.

[3] For further information on Verde's NI 43-101 Pre-Feasibility Technical Report, see the press release at: https://investor.verde.ag/wp-content/uploads/2022/05/Verde-AgriTech-Press-Release-Pre-Feasibility-Results-May-16-2022.pdf

- In July 2023, Verde announced that it is in advanced negotiations to sell carbon credits to major international corporations that are established purchasers of permanent carbon offset. Currently, carbon credits for permanent carbon offset similar to Verde's are being sold at prices up to US$500 per tonne.[4]

Market Overview

Commodity Prices

The agricultural commodities market has been experiencing significant fluctuations on a downward trend for the last months, impacting the fertilizers' market worldwide. The table below shows the shifts in the price of some of the main commodities in Brazil:

2022-2023 variance in Brazilian commodities prices (% R$)[5]

Month	YoY ∆			
	Soybeans	Coffee	Corn	Cotton
January	-1%	-32%	-10%	-22%
February	-11%	-24%	-11%	-25%
March	-19%	-14%	-15%	-31%
April	-22%	-12%	-16%	-40%
May	-29%	-18%	-33%	-51%
June	-30%	-30%	-36%	-47%
July	-23%	-38%	-33%	-37%
H1 (Jan/Jun) ∆	-19%	-22%	-20%	-36%

Notably:

- **Soybean**: Average price experienced a 19% decline in H1 2023 compared to H1 2022, and a further decrease of 27% in Q2 2023 compared to Q2 2022.
- **Corn**: Average price experienced a 20% decline in H1 2023 compared to H1 2022, and a further decrease of 28% in Q2 2023 compared to Q2 2022.
- **Coffee**: Average price experienced a 22% decline in H1 2023 compared to H1 2022, and a decrease of 20% in Q2 2023 compared to Q2 2022.
- **Cotton**: Average price experienced a 36% decline in H1 2023 compared to H1 2022, and a further decrease of 46% in Q2 2023 compared to Q2 2022.

[4] Source: Quantum Commodity Inteligence. Enhanced rock weathering credits offered at up to $536/t. Available at: https://www.qcintel.com/carbon/article/enhanced-rock-weathering-credits-offered-at-up-to-536-t-14332.html

5 Source: Economic Research Center of the ESALQ/University of São Paulo. Available at: https://www.cepea.esalq.usp.br/br/indicador/soja.aspx

Brazilian Economy

On August 5, 2023, the Central Bank of Brazil (the "Bank") lowered its monetary policy interest rate ("SELIC") by 0.5%, from 13.75% to 13.25%.[6] On August 7, 2023, the Boletim Focus, a weekly report released by the Bank and representing the collective outlook of financial institutions regarding crucial economic indicators, projected that the SELIC rate will reach 11.75% per annum by the end of 2023.

The most recent instance of the Bank reducing the SELIC occurred in August 2020, when the rate decreased from 2.25% to 2% per annum as a response to the economic downturn induced by the COVID-19 pandemic. Following this, the Monetary Policy Committee ("Copom") of the Bank initiated a sequence of 12 consecutive rate hikes, commencing in March 2021. This series unfolded against the backdrop of escalating prices in essential commodities like food, energy, and fuel. Since August of the preceding year, the rate has remained fixed at 13.75% per annum for seven consecutive periods[7].

Looking ahead to the conclusion of 2024, the projection envisages a decline in the SELIC rate to 9% per annum. Both 2025 and 2026 are forecasted to witness a rate of 8.5% per annum.[8]

The latest economic activity indicators consistently align with a scenario of deceleration. Annual inflation has eased to 3.99% in the last 12 months.[9] The table below provides an overview of the SELIC rates spanning from 2018 to 2023, along with the projections for 2024, 2025 and 2026.

SELIC interest rates[10]

Year	Selic Rate at year end
2017	7.00%
2018	6.50%
2019	4.50%
2020	2.00%
2021	9.25%
2022	13.75%
Current rate	**13.25%**
2023 Forecast	11.75%
2024 Forecast	9.00%
2025 Forecast	8.50%

[6] Source: Brazilian Central Bank. Available at: https://www.bcb.gov.br/detalhenoticia/17942/nota

[7] Source: Brazilian Central Bank. Available at: https://www.bcb.gov.br/estatisticas/grafico/graficoestatistica/metaselic

[8] Source: Brazilian Central Bank. Available at: https://www.bcb.gov.br/publicacoes/focus/25112022

[9]Source: Brazilian Institute of Geography and Statistics (IBGE). Available at: https://www.ibge.gov.br/explica/inflacao.php

[10] Source: Brazilian Central Bank. Available at: https://www.bcb.gov.br/en

Agricultural Inputs Market and Credit Crunch

The current agricultural market landscape presents enormous challenges. We are observing exceptional and extreme circumstances characterized by a sharp depletion of farmers' working capital due to a significant plunge in agricultural commodity prices, occurring precisely when farmers are ready to bring their crops to market.

As the prices of commodities initiated their downward trajectory in 2023, many farmers chose to delay their crop sales, anticipating a market rebound that would fetch more favourable prices. Unfortunately, the market continued to witness a persistent decline in commodity prices.

This convergence aligns precisely with the timeframe when farmers need to buy essential agricultural inputs, including fertilizers, for the upcoming planting season. Consequently, farmers are grappling with challenges in financing their planting activities.

As a result, they opt to procure inputs from suppliers that provide extended payment terms, combined with the most competitive interest rates achievable. This strategy enables them to cover the expenses associated with these inputs after generating revenue from the imminent harvest, usually spanning a period of 9 to 12 months.

Global Market Competition and Financing

Amidst the most challenging conditions experienced by the fertilizer market in recent years, we are grappling with a convergence of two critical factors: the highest interest rates since 2006 and the pressing credit requirements of farmers. These farmers are facing the dilemma of diminished working capital just when they need to acquire inputs for the imminent planting season. This challenge stems from the notable decline in agricultural commodity prices, which coincides with the period when their crops are due to be marketed.

Verde's average cost of debt is 16.6%[11]. To incentivize sales, Verde offers its customers a credit line that charges a spread to its finance cost to comprise operational costs, provisions, and bad debt, leading to an average lending cost of 18.6% for credit-based purchases. The Company's ability to provide financing with longer tenors is considerably lower compared to international players[12], which translates into less competitive terms for its customers. Unlike its competitors, Verde does not have the option to incur most

[11] Considers average cost of debt related to working capital loans with maturity from September 2023 onwards as of Q2 2023.

[12] Verde has an average of 93 days of receivables, while competitors can provide 180-360 days to collect its payments.

of its cost of debt in US dollar-denominated liabilities. Overall, the Company is not able to provide financing for more than 20% of its revenue due to constraints related to lines of credit.

On the other hand, Verde's international competitors benefit from significantly lower financing costs within their respective countries, along with larger financial capacities. This enables them to provide more attractive interest rates and commercial conditions to farmers, effectively conferring them a competitive advantage, as depicted in the following table, which compares major NPK producers and trading companies' finance costs to Verde's:

Comparative Proxy of Finance Costs Between International Major Players and Verde[13],[14]

Company	Cost of Finance (% annual rate in local currency)
Cargill	5.0%
Nutrien	5.2%
Bunge	5.2%
Mosaic	5.7%
Yara	6.2%
Verde (Average cost of debt)	16.6%[15]

In this context, the competition within the agricultural inputs market grows more intense, and Verde's capacity to offer competitive credit terms faces constraints due to its higher cost of debt relative to its larger competitors.

<u>The convergence of all the aforementioned factors during a specific timeframe within crop cycles characterizes the current scenario as an atypical and extreme circumstance for Verde and for the agricultural sector in general.</u>

Average KCl Price

The price of potassium chloride (KCl) has exhibited a consistent downward trend since H2 2022. The Average KCl CFR declined by 67% in Q2 2023, compared to Q2 2022, with a sharp 40% decrease from January to July 2023.

The table below compares Brazil's monthly average KCl CFR prices from 2022 to 2023:

[13] Source: Bloomberg, as of July 24th, 2023.

[14] Considers each Company most traded bond, which differs considerably from Verde's tenors. This is likely to imply that large international players have an even lower cost of finance.

[15] Considers average cost of debt related to working capital loans with maturity from September 2023 onwards as of Q2 2023.

KCl Brazil CFR average spot price (US$)[16]

Month	2022	2023	YoY
January	772	510	**-34%**
February	781	498	**-36%**
March	1,018	463	**-54%**
April	1,183	415	**-65%**
May	1,113	366	**-67%**
June	1,030	333	**-68%**
July	943	328	**-65%**
August	883	-	**-**
September	711	-	-
October	624	-	**-**
November	571	-	-
December	513	-	**-**

Exchange Rate

The fluctuation in the exchange rate between the US dollar and the Brazilian Real during the quarter also influences the Company's results. As the US dollar weakened by 10% against the Brazilian Real during the year, Verde's sales revenue, priced based on potassium chloride, suffered a decline when converted to Brazilian Real.

Canadian dollar devaluated by 6% versus Brazilian Real in Q2 2023, with and average exchange rate of R$3.76 in the quarter, compared to R$3.99 in Q2 2022.

Mr. Veloso commented: "The confluence of these numerous factors gives rise to an exceptional scenario, not only for Verde but also for the broader agricultural sector. It is crucial to highlight though that these market conditions would not present the same level of challenge to us if it were not for the constraints on farmers' working capital".

16 Acerto Limited Report.

Selected Annual Financial Information

The table below summarizes Q2 2023 financial results compared to Q2 2022:

All amounts in CAD $'000	3 months ended Jun 30, 2023	3 months ended Jun 30, 2022	6 months ended Jun 30, 2023	6 months ended Jun 30, 2022
Tonnes sold '000	107	202	215	314
Average Revenue per tonne sold $	96	123	99	115
Average Production cost per tonne sold $	(18)	(26)	(26)	(25)
Average Gross Profit per tonne sold $	79	97	74	90
Gross Margin	81%	79%	74%	78%
Revenue	10,305	24,861	21,430	36,165
Production costs [1]	(1,914)	(5,332)	(4,623)	(7,987)
Gross Profit	**8,391**	**19,529**	**16,807**	**28,178**
Gross Margin	**81%**	**79%**	**78%**	**78%**
Sales and marketing expenses	(1,124)	(1,070)	(2,331)	(2,028)
Product delivery freight expenses	(3,723)	(7,040)	(7,590)	(10,013)
General and administrative expenses	(1,442)	(655)	(2,814)	(1,696)
EBITDA [2]	**2,102**	**10,764**	**4,072**	**14,441**
Share Based and Bonus Payments (Non-Cash Event)[3]	144	(40)	116	(104)
Depreciation, Amortisation and P/L on disposal of plant and equipment [3]	(968)	(38)	(1,880)	(64)
Operating Profit after non-cash events	**1,278**	**10,686**	**2,308**	**14,273**
Interest Income/Expense [4]	(951)	(245)	(1,993)	(430)
Net Profit before tax	**327**	**10,441**	**315**	**13,843**
Income tax [5]	(86)	(816)	(182)	(1,186)
Net Profit	**241**	**9,625**	**133**	**12,657**

[1] – C$1,770,000 of depreciation in 2023 related to the investments made in Plant 1, Plant 2 and access routes improvement in the last 12 months that are included in production costs in the financial statements have been reclassified to a non-cash event in the MD&A.

[2] – Non GAAP measure.

[3] – Included in General and Administrative expenses in financial statements.

[4] – Please see Summary of Interest-Bearing Loans and Borrowings notes.

[5] – Please see Income Tax notes.

External Factors

Revenue and costs are affected by external factors including changes in the exchange rates between the US$, C$ and R$ along with fluctuations in potassium chloride spot CFR Brazil, agricultural commodities prices, interest rates, among other factors.

For further details, please refer to the Market Overview section (page 03):

Q2 2023 compared with Q2 2022

EBITDA and EPS

The Company had an EBITDA of $2,102,000 in Q2 2023, compared to $10,764,000 in Q2 2022. This decrease can be mainly attributed to the factors below, outlined in greater detail within the Market Overview section (please refer to page 03):

- **Extreme market conditions and working capital crunch:** The current agricultural market scenario is characterized by extreme challenges, including a working capital crunch for farmers due to low agricultural commodity prices and financial market instability. Farmers are encountering difficulties in financing planting activities and are opting for extended payment terms with competitive interest rates from suppliers.
- **Intensified competition and credit constraints:** Larger international competitors benefit from lower financing costs within their countries and possess larger balance sheets. These advantages enable them to extend more appealing interest rates and favourable commercial terms to farmers when supplying products, giving them a distinctive competitive edge.
  Verde's capacity to offer competitive credit terms to farmers encounters limitations due to the Company's higher cost of debt compared to these well-established competitors. This financial discrepancy impairs Verde's ability to match the financing terms offered by its competitors, impacting its appeal to farmers seeking more favourable credit options. The convergence of these factors magnifies the challenge posed by the extreme agricultural market conditions outlined earlier.
- **Potassium chloride price decline:** The average price of KCl CFR Brazil experienced a substantial 67% decrease in the quarter, with a sharp 40% decrease from January to July 2023.
- **Exchange rate fluctuations:** The fluctuation in the US dollar to Brazilian Real exchange rate during the quarter also impacted the Company’s results. As the US dollar depreciated by 10% against the Brazilian Real during the year, the value of sales in Brazilian Real prices decreased.
- **Shift in product mix due to constrained working capital:** With many farmers facing restricted cash flows, there has been a noticeable shift towards opting for lower-value-added products. Consequently, the utilization of micronutrients, which do not fall within the essential NPK

elements for plants, has witnessed a reduction. This shift has culminated in a decrease in the sales proportion of BAKS, Verde's higher-margin product, from 15% to 8% in the second quarter of 2023.

Basic earnings per share was $0.005 for Q2 2023, compared to earnings of $0.189 for Q2 2022.

Product Sales

Sales by volume decreased by 47% in Q2 2023, to 107,000 tonnes sold, compared to 202,000 tonnes sold in Q2 2022, due to the circumstances summarized below. This decrease can be mainly attributed to the factors below, outlined in greater detail within the Market Overview section (please refer to page 03):

- **Extreme market conditions and working capital crunch:** The agricultural market faces unprecedented challenges, driven by low commodity prices and financial instability. Farmers struggle to secure financing for planting activities, leading them to opt for extended payment terms from suppliers, combined with the most competitive interest rates achievable.
- **Intensified competition and credit constraints:** Verde’s international competitors benefit from lower financing costs and larger balance sheets, allowing them to offer better credit terms to farmers. Verde's higher cost of debt limits its ability to match these offers, accentuating the challenge posed by extreme market conditions.
- **Potassium chloride price decline**: The average price of Potassium Chloride (KCl) CFR Brazil saw a significant 67% decline in the quarter, with a sharp 40% drop from January to July 2023.
- **Exchange rate fluctuations:** Shifting exchange rates, with the US dollar depreciating by 10% against the Brazilian Real, impacted Verde's sales value in Brazilian Real prices.

The conjunction of these factors brought specific challenges for Verde and impacted its Product sale during the quarter.

Revenue

Revenue from sales decreased by 59% in Q2 2023, to $10,305,000 from the sale of 107,000 tonnes of Product, at average $96 per tonne sold; compared to $24,861,000 in Q2 2022 from the sale of 202,000 tonnes of Product, at average $123 per tonne sold.

Average revenue per tonne excluding freight expenses (FOB price) decreased by 31% in Q2 2023, to $61 compared to $88 in Q2 2022 mainly due to the decrease in Potassium Chloride CFR Brazil, from US$1040-US$1270 per tonne in Q2 2022 to US$315-US$430 per tonne in Q2 2023.[17] This reduction was

[17] Source: Acerto Limited Report.

partially offset by the 6% appreciation of the Brazilian Real against the Canadian Dollar.

Production costs

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

Verde's production costs and sales price are based on the following assumptions:

1. Micronutrients added to BAKS® increase its production cost, rendering K Forte® less expensive to produce.
2. Production costs vary based on packaging type, with bulk packaging being less expensive than Big Bags.
3. Plant 1 produces K Forte® Bulk, K Forte® Jumbo Bag (sold in 1-tonne bags), BAKS® Bulk, and BAKS® Jumbo Bag, while Plant 2 exclusively produces K Forte® Bulk. Therefore, Plant 2's production costs are lower than Plant 1's costs, which produces two types of Products and offers two types of packaging options each.

The table below shows a breakdown of full year 2023 Verde's production costs projection for BAKS® and K Forte®, and what percentage of those costs is not controllable by management:

	(+)	(+)	(=)	
Cost per tonne of product projected for 2023[18] (C$)	**Cash cost**	**Assets depreciation**	**Total cost expected for 2023[19]**	**Non-controllable costs (% of total costs)**
K Forte® Bulk (Plant 1)	20.2	3.8	24.0	61%
K Forte® Bulk (Plant 2)	10.2	2.8	13.0	58%
K Forte® Jumbo Bag (Plant 1)	30.4	2.8	33.2	71%
BAKS® (2%S 0.2%B)[20] Bulk (Plant 1)	42.1	3.8	45.9	81%
BAKS® (2%S 0.2%B) Jumbo Bag (Plant 1)	51.3	3.8	55.0	85%

[18] The costs were estimated based on the following assumptions: Costs in line with Verde's 2023 budget. Sales volume of 1.0Mt per year. Crude Oil WTI (NYM U$/bbl) = US$80.00. Diesel price = U$$1.26. Currency exchange rate: US$1.00 = R$5.25; C$1.00 = R$4.20. Total cost per tonne includes all costs directly related to production and feedstock extraction in addition to assets depreciation.

[19] Total cost per tonne includes labor mining, mining, crushing, processing, maintenance of support facilities, product transportation from mine pits to production plants, laboratory expenses, G&A, and environmental compensation expenses.

[20] BAKS® can be customized according to the crop's needs, so it can have several compositions. The 2%S 0.2%B composition is responsible for most of Verde's sales.

Verde calculates its total production costs as a weighted average of the production costs for BAKS® and K Forte®, taking into account the production site and packaging type for each product. Therefore, comparing the Company's production costs on a quarter-over-quarter basis may not be meaningful due to the varying proportions of the cost factors that impact each quarter.

Production costs decreased by 64% in Q2 2023, to $1,914,000 compared to $5,332,000 in Q2 2022. Average cost per tonne decreased by 32% in Q2 2023, to $18 compared to $26 in Q2 2022.

Despite a 47% decrease in sales volume, to 107,000 tonnes in Q2 2023 compared to 202,000 tonnes in Q2 2022, the average production cost in Brazilian Reais decreased to R$66.73 in Q2 2023, compared to R$105.18 in Q2 2022, excluding cost depreciation.

This cost reduction can be mainly attributed to changes in the sales mix of packaging type, with a decrease in the percentage of Products sold in Jumbo Bags to 21% in Q2 2023, compared to 39% in Q2 2022.

Similarly, the sales mix between BAKS® and K Forte® also underwent a shift, with the percentage of BAKS® sales decreasing to 8% in Q2 2023, compared to 15% in Q2 2022, as many farmers are opting for lower-value-added products, due to restricted cash flows. Consequently, the utilization of micronutrients, which do not fall within the essential NPK elements for plants, has witnessed a reduction.

Sales Expenses

CAD $'000	3 months ended Jun 30, 2023	3 months ended Jun 30, 2022	6 months ended Jun 30, 2023	6 months ended Jun 30, 2022
Sales and marketing expenses	(1,030)	(711)	(2,100)	(1,533)
Fees paid to independent sales agents	(94)	(359)	(231)	(495)
Total	**(1,124)**	**(1,070)**	**(2,331)**	**(2,028)**

Sales and marketing expenses

Sales and marketing expenses include employees' salaries, car rentals, travel within Brazil, hotel expenses, and the promotion of the Product in marketing events.

Sales and marketing expenses increased by 45% in Q2 2023 to $1,030,000 compared to $711,000 in Q2 2022.

This increase can be primarily attributed to the implementation of a field sales team, which resulted in expenses related to salaries car rentals and travel. Additionally, the Company made additional investments in events and media, as part of its sales strategy.

Fees paid to independent sales agents

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

Fees paid to independent sales agents decreased by 74% in Q2 2023, to $94,000 compared to $359,000 in Q2 2023, in accordance with the decrease in revenue for the quarter.

Product delivery freight expenses

Product delivery freight expenses decreased by 47% in Q2 2023, to $3,723,000 compared to $7,040,000 in Q2 2022. This reduction can be attributed to the lower sales volume on a Cost Insurance and Freight (CIF) basis, which decreased to 73,000 tonnes in Q2 2023, down from 138,000 tonnes in Q2 2022. Notably, the volume sold as CIF as a percentage of the total sales in the quarter remained stable at 68% during this period.

In Q2 2023, the average freight cost per tonne of the product sold on a CIF basis was $34.53, slightly lower compared to $34.81 in the previous year.

General and Administrative Expenses

CAD $'000	3 months ended Jun 30, 2023	3 months ended Jun 30, 2022	6 months ended Jun 30, 2023	6 months ended Jun 30, 2022
General administrative expenses	(888)	(389)	(1,809)	(799)
Legal, professional, consultancy and audit costs	(290)	(77)	(607)	(488)
IT/Software expenses	(231)	(185)	(343)	(390)
Taxes and licenses fees	(33)	(4)	(56)	(19)
Total	**(1,442)**	**(655)**	**(2,814)**	**(1,696)**

General administrative expenses

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

General administrative expenses increased by 128% in Q2 2023, to $888,000 compared to $389,000 in Q2 2022. This increase can primarily be attributed to severance costs, with an expected cumulative annual cost reduction of $588,000.

Furthermore, in Q2 2023, the Company set aside a bad debt provision of $25,000, within the total revenue of $75,000,000 generated over the preceding 12 months. As outlined in Verde's sales policy, any outstanding customer payments overdue for more than 12 months are required to be provisioned.

Legal, professional, consultancy and audit costs

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

Expenses increased by 278% in Q2 2023, to $290,000 compared to $77,000 in Q2 2022. The primary reason for this increase can be attributed to higher expenditures linked to the Company's re-domiciliation to Singapore. This transition encompassed the engagement of Singaporean accounting, auditing, legal, and corporate secretariat service firms as third-party corporate support providers after July 2022.

IT/Software expenses

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

Expenses increased by 25% in Q2 2023, to $231,000 compared to $185,000 in Q2 2022, primarily due to higher license expenses related to the Company's new ERP system, SAP Business One, which was implemented in H2 2022.

Taxes and licences

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

Expenses increased in Q2 2023, to $33,000 compared to $4,000 in Q2 2022 and increase of $29,000. This increase was mainly driven by the application of federal taxes on the Company's financial revenues. Additionally, in Q2 2023, there were reclassifications of tax expenses that had been inaccurately categorized as costs to General and Administrative expenses, aiming to align with proper accounting standards.

Share Based, Equity and Bonus Payments (Non-Cash Events)

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

Share Based, equity and bonus payments costs in Q2 2023 decreased by $184,000 with a credit balance of $144,000 compared to $40,000 expense in Q2 2022. The decrease is a result of the reversal of the Q4 2022 equity compensation of $178,000 which has subsequently been settled with stock options issued to directors rather than share issues.

Liquidity and Cash Flows

For additional details see the consolidated statements of cash flows for the quarters ended June 30, 2023 and June 30, 2022 in the quarterly financial statements.

Cash received from / (used for): CAD $'000	3 months ended Jun 30, 2023	3 months ended Jun 30, 2022	6 months ended Jun 30, 2023	6 months ended Jun 30, 2022
Operating activities	(3,597)	8,189	(6,874)	11,473
Investing activities	(329)	(12,480)	(2,218)	(15,862)
Financing activities	5,777	1,507	13,940	4,312

On June 30, 2023, the Company held cash of $6,227,000, an increase of $4,633,000 on the same period in 2022.

Trade and other receivables increased by 35% in Q2 2023, to $27,749,000 compared to $20,528,000 in Q2 2022. Trade and other payables decreased by 42% in Q2 2023 to $6,912,000 compared to $11,839,000 in Q2 2022.

Q2 2023 Results Conference Call

The Company will host a conference call on Tuesday, August 15, 2023, at 08:00 am Eastern Time, to discuss Q2 2023 results and provide an update. Subscribe using the link below and receive the conference details by email.

Date:	Tuesday, August 15, 2023
Time:	08:00 am Eastern Time
Subscription link:	https://bit.ly/Q2_2023_ResultsPresentation

The questions can be submitted in advance through the following link: https://bit.ly/Q2_2023_Results-Presentation.

The Company's first quarter financial statements and related notes for the period ended March 31, 2023 are available to the public on SEDAR at www.sedar.com and the Company's website at www.investor.verde.ag/.

About Verde AgriTech

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

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

Verde's focus on research and development has resulted in one patent and eight patents pending. Among its proprietary technologies are Cambridge Tech, 3D Alliance, MicroS Technology, N Keeper, and Bio Revolution.[21] Currently, the Company is fully licensed to produce up to 2.8 million tonnes per year of its multinutrient potassium fertilizers K Forte® and BAKS®, sold internationally as Super Greensand®. In 2022, it became Brazil's largest potash producer by capacity.[22] Verde has a combined measured and indicated mineral resource of 1.47 billion tonnes at 9.28% K_2O and an inferred mineral resource of 1.85 billion tonnes at 8.60% K_2O (using a 7.5% K_2O cut-off grade).[23] This amounts to 295.70 million tonnes of potash in K_2O. For context, in 2021 Brazil's total consumption of potash in K_2O was 6.57 million[24].

Brazil ranks second in global potash demand and is its single largest importer, currently depending on external sources for over 97% of its potash needs. In 2022, potash accounted for approximately 3% of all Brazilian imports by dollar value.[25]

[21] Learn more about our technologies: https://verde.docsend.com/view/yvthnpuv8jx6g4r9

[22] See the release at: https://investor.verde.ag/verde-starts-ramp-up-of-plant-2s-second-stage-to-reach-production-of-2-4mtpy/

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

[24] Source: Brazilian Fertilizer Mixers Association (from "*Associação Misturadores de Adubo do Brasil*", in Portuguese).

[25] Source: Brazilian Comex Stat, available at: http://comexstat.mdic.gov.br/en/geral

Corporate Presentation

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

https://verde.docsend.com/view/hdn7hqh4kc7hdnps

Investors Newsletter

Subscribe to receive the Company's updates at:

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

The last edition of the newsletter can be accessed at: https://bit.ly/InvestorsNL-April2023

Cautionary Language and Forward-Looking Statements

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

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

(i) the estimated amount and grade of Mineral Resources and Mineral Reserves;

(ii) the PFS representing a viable development option for the Project;

(iii) estimates of the capital costs of constructing mine facilities and bringing a mine into production, of sustaining capital and the duration of financing payback periods;

(iv) the estimated amount of future production, both produced and sold;

(v) timing of disclosure for the PFS and recommendations from the Special Committee;

(vi) the Company's competitive position in Brazil and demand for potash; and,

(vii) estimates of operating costs and total costs, net cash flow, net present value and economic returns from an operating mine.

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

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

(i) the presence of and continuity of resources and reserves at the Project at estimated grades;

(ii) the geotechnical and metallurgical characteristics of rock conforming to sampled results; including the quantities of water and the quality of the water that must be diverted or treated during mining operations;

(iii) the capacities and durability of various machinery and equipment;

(iv) the availability of personnel, machinery and equipment at estimated prices and within the estimated delivery times;

(v) currency exchange rates;

(vi) Super Greensand® and K Forte® sales prices, market size and exchange rate assumed;

(vii) appropriate discount rates applied to the cash flows in the economic analysis;

(viii) tax rates and royalty rates applicable to the proposed mining operation;

(ix) the availability of acceptable financing under assumed structure and costs;

(x) anticipated mining losses and dilution;

(xi) reasonable contingency requirements;

(xii) success in realizing proposed operations;

(xiii) receipt of permits and other regulatory approvals on acceptable terms; and

(xiv) the fulfilment of environmental assessment commitments and arrangements with local communities.

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

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

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

For additional information please contact:

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www.investor.verde.ag | www.supergreensand.com | www.verde.ag