

VERDE AGRITECH LIMITED

UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

THIRD QUARTER ENDED 30 SEPTEMBER 2023



VERDE AGRITECH LIMITED

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VERDE AGRITECH LIMITED

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEP 2023

The accompanying unaudited consolidated financial statements of Verde AgriTech Limited (“Verde”, the “Company”, or the “Group”) for the third quarter ended 30 September 2023 have been prepared by and are the responsibility of the Company's management. They have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ issued by the International Auditing and Assurance Board (“IAASB”) and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Group’s audited financial statements including the notes thereto for the year ended 31 December 2022. The financial information has not been reviewed or audited by the Group’s auditor.

These financial statements have been approved by the Audit Committee and the Board of Directors of the Group.

VERDE AGRITECH LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 September 2023

All amounts expressed in Canadian Dollars.

	Note	3 Months ended 30 Sep 2023 \$'000	3 Months ended 30 Sep 2022 \$'000	9 months ended 30 Sep 2023 \$'000	9 months ended 30 Sep 2022 \$'000
Revenue		9,375	27,269	30,805	63,434
Production costs		(3,056)	(6,069)	(7,680)	(14,055)
Gross Profit		6,319	21,200	23,125	49,379
Sales and distribution expenses		(4,614)	(11,053)	(14,535)	(23,095)
General and administrative expenses		(3,562)	(2,074)	(8,139)	(3,938)
Operating Profit		(1,857)	8,073	451	22,346
Finance income		196	74	480	186
Finance costs		(1,789)	(796)	(4,066)	(1,338)
Net Profit before tax		(3,450)	7,351	(3,135)	21,194
Income tax		(14)	(893)	(196)	(2,079)
Net Profit		(3,464)	6,458	(3,331)	19,115

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translating foreign operations	(667)	1,173	2,600	2,717
Total comprehensive profit for the period attributable to equity holders of the parent	(4,131)	7,631	(731)	21,832

Earnings per share (\$)					
Basic earnings per share	4	(0.066)	0.123	(0.063)	0.372
Diluted earnings per share	4	(0.063)	0.121	(0.061)	0.363

VERDE AGRITECH LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

All amounts expressed in Canadian Dollars.

Assets	Note	30 Sep 2023	31 Dec 2022
		(\$'000)	(\$'000)
Property, plant and equipment	5	48,009	46,352
Right-of-use asset	6	217	174
Mineral properties	7	19,113	18,619
Total non-current assets		67,339	65,145
Inventory		2,768	2,469
Trade and other receivables		16,119	28,533
Cash and cash equivalents	11	9,275	1,163
Total current assets		28,162	32,165
Total assets		95,501	97,31
Equity attributable to the equity holders of the parent			
Issued capital	9	20,652	20,611
Share premium / capital contribution		49,862	49,862
Merger reserve		-4,557	-4,557
Translation reserve		-11,872	-14,47
Accumulated losses		-6,102	-3,095
Total equity		47,983	48,351
Liabilities			
Interest-bearing loans and borrowings	10	36,362	19,977
Lease liabilities	6	182	178
Total non-current liabilities		36,544	20,155
Trade and other payables		5,743	10,586
Interest-bearing loans and borrowings	10	5,202	18,131
Lease liabilities	6	29	87
Total current liabilities		10,974	28,804
Total liabilities		47,518	48,959
Total equity and liabilities		95,501	97,31

VERDE AGRITECH LIMITED

STATEMENT OF CASH FLOWS

For the Quarter Ended 30 September 2023

All amounts expressed in Canadian Dollars.

Cash flows from operating activities	3 months ended 30 Sep 2023 \$'000	3 months ended 30 Sep 2022 \$'000	9 months ended 30 Sep 2023 \$'000	9 months ended 30 Sep 2022 \$'000
Operating profit	(1,857)	8,073	451	22,346
Depreciation	987	121	2,946	321
Amortisation of mineral property	59	46	225	122
Foreign exchange differences	404	(70)	(663)	292
Share-based payments and non-cash bonuses	261	20	323	124
Decrease/(Increase) in inventories	1,057	551	(299)	(868)
Decrease / (Increase) in receivables	1,445	(8,500)	12,414	(13,973)
(Decrease) / Increase in payables	(9,815)	6,504	(26,093)	10,979
Cash generated/(utilised) in operations	(7,459)	6,745	(10,696)	19,343
Interest paid	(1,743)	(746)	(4,121)	(1,244)
Taxation paid	(14)	(601)	(1,273)	(1,227)
Net cash (utilised) / generated in operating activities	(9,216)	5,398	(16,090)	16,872
Cash flows from investing activities				
Interest received	196	75	480	186
Acquisition of mineral property assets	539	(70)	(39)	(556)
Acquisition of property, plant and equipment	(231)	(13,802)	(2,155)	(29,289)
Net cash utilised in investing activities	504	(13,797)	(1,714)	(29,659)
Cash flows from financing activities				
Bank loan received	11,858	11,548	25,782	14,889
Proceeds from issue of shares	25	219	41	1,190
Net cash generated from financing activities	11,883	11,767	25,823	16,079
Net increase/(decrease) in cash and cash equivalents	3,171	3,368	8,019	3,292
Cash and cash equivalents at beginning of period	6,227	1,595	1,163	1,534
Effect of exchange rate fluctuations on cash held	(123)	91	93	228
Cash and cash equivalents at end of period	9,275	5,054	9,275	5,054

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

	Share capital (\$'000)	Share premium / Capital contribution (\$'000)	Merger reserve (\$'000)	Translation reserve (\$'000)	Accumulated losses (\$'000)	Total (\$'000)
Balance at 1 January 2022	20,464	48,933	(4,557)	(17,417)	(21,065)	26,358
Comprehensive profit						
Profit for the period	-	-	-	-	19,115	19,115
Foreign exchange translation differences	-	-	-	2,717	-	2,717
Total comprehensive profit for the period	-	-	-	2,717	19,115	21,832
Transactions with owners						
Issue of share capital	861	398	-	-	-	1,259
Restructure of group **	(718)	718	-	-	-	-
Share-based payments	-	-	-	-	124	124
Total transactions with owners	143	1,116	-	-	124	1,383
Balance at 30 September 2022	20,607	50,049	-	(4,557)	(14,700)	(1,826)
Comprehensive profit						
Profit for the period	-	-	-	-	5,147	5,147
Foreign exchange translation differences	-	-	-	1,403	-	1,403
Total comprehensive profit for the period	-	-	-	1,403	5,147	6,550
Transactions with owners						
Issue of share capital	145	78	-	-	-	223
Transfer between share capital and capital contribution	(718)	718	-	-	-	-
Relocation expenses relating to capital restructure	-	(187)	-	-	-	(187)
Share-based payments	-	-	-	-	62	62
Total transactions with owners	(573)	609	-	-	62	98
Balance at 31 December 2022	20,611	49,862	(4,557)	(14,470)	(3,095)	48,351
Balance at 1 January 2023	20,611	49,862	(4,557)	(14,470)	(3,095)	48,351
Comprehensive profit						
Profit/(loss) for the period	-	-	-	-	(3,331)	(3,331)
Foreign exchange translation differences	-	-	-	2,600	-	2,600
Total comprehensive profit for the period	-	-	-	2,600	(3,331)	(731)
Transactions with owners						
Issue of share capital	41	-	-	-	-	41
Share-based payments	-	-	-	-	322	322
Total transactions with owners	41	-	-	-	322	363
Balance at 30 September 2023	20,652	49,862	(4,557)	(11,870)	(6,104)	47,983

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 September 30, 2023, the Group had current assets of \$28,162,000 and current liabilities of \$10,974,000 providing a working capital surplus of \$17,188,000. 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.

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 period ended 30 September 2023 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 Group is primarily involved in the acquisition and development of mineral resource assets. The interim financial statements have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' issued by the IASB.

The financial information contained in this interim report does not constitute statutory accounts. The financial information contained in this interim report has not been reviewed or audited by the Group's auditor.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Group's audited consolidated financial statements and notes thereto for the year ended 31 December 2022. The annual financial statements are 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.

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Group's audited financial statements and notes for the year ended 31 December 2022.

The statutory accounts for the year ended 31 December 2022 have been filed with SEDAR. The auditors' report on these accounts was unqualified

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. Earnings per share

Basic (loss) / earnings per share

The calculation of basic earnings per share at 30 September 2023 was based on the loss attributable to ordinary shareholders of \$3,331,000 (30 September 2022: \$19,115,000) and a weighted average number of Ordinary Shares outstanding during the period ended 30 September 2023 of 52,643,426 (30 September 2022: 51,424,719) calculated as follows:

(Loss) / Profit attributable to ordinary shareholders

	9 months ended 30 Sep 2023	9 months ended 30 Sep 2022
(Loss) / Profit for the period (\$'000)	(3,331)	19,115
(Loss) / Profit attributable to ordinary shareholders (\$'000)	(3,331)	19,115

Weighted average number of ordinary shares

	Number 30 Sep 2023	Number 30 Sep 2022
Weighted average number of ordinary shares outstanding – basic ('000)	52,643	51,425
Dilutive Stock options	1,621	1,290
Weighted average number of ordinary shares outstanding – dilutive ('000)	54,264	52,715
Basic earnings per share	(\$0.063)	\$0.372
Diluted earnings per share	(\$0.061)	\$0.363

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:

	9 months ended 30 Sep 2023	9 months ended 30 Sep 2022
Anti-dilutive Stock options	1,072	311

Details of share options that could potentially dilute earnings per share in future periods are set out in note 9.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Property, plant and equipment

(\$'000)	Land and buildings	Plant and equipment	Computer equipment	Furniture and fixtures	Total
Cost					
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
Balance at 1 January 2023	26,694	19,771	771	371	47,607
Additions	80	1,999	74	1	2,504
Disposals	-	(107)	-	-	(107)
Effect of movements in foreign exchange	1,407	1,039	39	20	2,505
Balance at 30 September 2023	28,181	22,702	884	392	52,159

Depreciation and impairment losses					
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
Balance at 1 January 2023	-	967	172	116	1,255
Depreciation charge for the period	-	2,781	62	12	2,855
Depreciation on disposals	-	(31)	-	-	(31)
Effect of movements in foreign exchange	-	56	7	8	71
Balance at 30 September 2023	-	3,773	241	136	4,150

Carrying amounts					
At 1 January 2022	1,996	1,657	264	190	4,107
At 31 December 2022	26,694	18,804	599	255	46,352
At 1 January 2023	26,694	18,804	599	255	46,352
At 30 September 2023	28,181	18,929	643	256	48,009

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Right-of-use assets

Cost	Total (\$'000)
Balance 1 January 2022	-
Additions	198
Effect of movements in foreign exchange	3
Balance at 31 December 2022	201
Balance 1 January 2023	201
Effect of movements in foreign exchange	78
Balance at 30 Sep 2023	279
Amortisation	
Balance 1 January 2022	-
Amortisation charge for the year	26
Effect of movements in foreign exchange	1
Balance at 31 December 2022	27
Balance 1 January 2023	27
Amortisation charge for the period	14
Effect of movements in foreign exchange	21
Balance at 30 Sep 2023	62
Carrying amounts	
At 1 January 2022	-
At 31 December 2022	174
At 1 January 2023	174
At 30 Sep 2023	217

Lease liabilities

The following table outlines the future lease payments:

	30 Sep 2023 \$'000	31 Dec 2022 \$'000
Not later than one year	29	87
Later than one year but not later than five years	182	178
Total	211	265

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Mineral properties

Cost	Total (\$'000)
Balance at 1 January 2022	19,807
Additions	677
Mine closure provision written back	(2,944)
Effect of movements in foreign exchange	1,740
Balance at 31 December 2022	19,280
Balance at 1 January 2023	19,280
Additions	39
Effect of movements in foreign exchange	714
Balance at 30 September 2023	20,033
Amortisation	
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
Balance at 1 January 2023	661
Amortisation charge for the period	225
Effect of movements in foreign exchange	34
Balance at 30 September 2023	920
Carrying amounts	
At 1 January 2022	19,608
At 31 December 2022	18,619
At 1 January 2023	18,619
At 30 September 2023	19,113

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Share capital

Issued - Ordinary Shares	30 Sep 2023		31 Dec 2022	
	Number	\$'000	Number	\$'000
At 1 January	52,597,951	20,611	50,398,619	20,464
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
17 April 2023 for \$0.425 each	30,000	13	-	-
17 April 2023 for \$1.21 each	2,273	3	-	-
14 July 2023 for \$0.63 each	2,500	1	-	-
17 August 2023 for \$1.48 each	2,000	3	-	-
25 September 2023 for \$0.61 each	35,000	21	-	-
At end of period	52,669,724	20,652	52,597,951	20,611

*** 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.

9. Share-based payments

During the period 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:

	30 Sep 2023		31 Dec 2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	\$1.31	1,597,398	\$0.58	3,825,227
Granted during the period	\$2.38	1,221,926	\$7.83	56,662
Exercised during the period	\$0.54	(71,773)	\$0.57	(2,199,332)
Cancelled/Forfeited during the period	\$2.22	(54,866)	\$1.18	(85,159)
Outstanding at the end of the period	\$1.80	2,692,685	\$1.31	1,597,398
Exercisable at the end of the period	\$1.14	1,071,864	\$0.64	1,025,979

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NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Share-based payments (continued)

The options outstanding at 30 September 2023 have an exercise price in the range of \$0.40 to \$7.76 (2022: \$0.40 to \$7.76) and a weighted average remaining contractual life of 6.8 years (2022: 6.7 years). Five option awards were granted in 2023. Two 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. Two option awards will vest in three tranches. 34% on the first anniversary of the option and an additional 33% in years two and three. One option award will vest in five tranches. 10% on the first anniversary of the option and an additional 10% vesting in years two to four. At the fifth year from grant, the remaining 60% of the options vest. At 30 September 2023, 1,128,932 of the options had vested (31 December 2022: 1,025,979).

Fair value of share options and assumptions (\$)	30 Sep 2023	31 Dec 2022
Weighted average fair value of options granted during the period	1.91	6.00
Weighted average share price	2.38	7.67
Weighted average exercise price	2.38	7.73
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	117%	114%
Option life	5	5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	3.50%	1.94%

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)	30 Sep 2023	30 Sep 2022
Total expense recognised as employee costs	322	104

Details of share options outstanding at 30 Sep 2023 are as follows:

Outstanding at beginning of period	Number of options				Exercisable period		Option price (\$)	Grant date	Expiry date
	Granted	Forfeited	Exercised	Outstanding at end of period	Exercisable at end of period				
30,000	-	-	(30,000)	-	-	\$0.425	10 Dec 2014	10 Dec 2024	
200,000	-	-	-	200,000	100,000	\$1.02	30 May 2018	30 May 2028	
131	-	-	-	131	131	\$0.61	24 Sep 2018	24 Sept 2028	
110,000	-	(10,000)	(35,000)	65,000	65,000	\$0.61	24 Sep 2018	24 Sept 2028	
124,490	-	-	-	124,490	124,490	\$0.63	1 Mar 2019	1 Mar 2029	
170,000	-	-	(2,500)	167,500	27,500	\$0.63	1 Mar 2019	1 Mar 2029	
21,000	-	-	-	21,000	6,000	\$0.67	1 Sept 2019	1 Sept 2029	
22,936	-	(4,587)	-	18,349	7,340	\$0.40	14 Feb 2020	14 Feb 2030	
24,684	-	-	-	24,684	6,274	\$0.40	25 Mar 2020	25 Mar 2030	
32,120	-	(3,672)	-	28,448	8,534	\$1.22	5 Mar 2021	5 Mar 2031	
750,000	-	-	-	750,000	750,000	\$1.22	5 Mar 2021	5 Mar 2031	
48,375	-	(13,407)	(2,273)	32,695	9,887	\$1.21	10 May 2021	10 May 2031	
10,000	-	(8,000)	(2,000)	-	-	\$1.48	9 Nov 2021	9 Nov 2031	
50,662	-	(10,200)	-	40,462	8,332	\$7.76	16 Mar 2022	16 Mar 2032	
3,000	-	-	-	3,000	300	\$7.11	5 Nov 2022	5 Nov 2032	
-	2,000	-	-	2,000	200	\$6.51	17 Feb 2023	17 Feb 2033	
-	175,000	(5,000)	-	170,000	-	\$2.23	19 May 2023	19 May 2033	
-	184,311	-	-	184,311	-	\$2.23	19 May 2023	19 May 2033	
-	736,179	-	-	736,179	-	\$2.32	15 Jul 2023	15 Jul 2033	
-	124,436	-	-	124,436	12,444	\$3.13	28 Aug 2023	28 Aug 2033	
1,597,398	1,221,926	(54,866)	(71,773)	2,692,685	1,128,932				

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NOTES TO THE GROUP FINANCIAL STATEMENTS

9. Share-based payments (continued)

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.

10. Interest-bearing loans and borrowings

(\$'000)	30 Sep 2023	31 Dec 2022
Non-current liabilities (\$'000)		
Bank loans	36,362	19,977
Current liabilities (\$'000)		
Bank loans	5,202	18,131
Total	41,564	38,108

The Group received eight loans during the period from various banks totalling \$25,782,000 (BRL \$95,596,330).

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

Summary of Interest-bearing loans and borrowings

Lender	Loan start date	Purpose	Grace period (months)	Term (months)	Loan value (R\$'000)	Balance at Sep 30, 2023 (C\$'000)	Repayable by	Total interest payable*
Brazil	Aug, 2023	Working capital	12	36	40,000	10,917	Aug, 2026	CDI ⁽¹⁾ +3.60%
Votorantim	Jul, 2023	Working capital	12	36	5,000	1,468	Jul, 2026	CDI ⁽¹⁾ +3.65%
Brazil	Apr, 2023	Working capital	12	48	20,000	5,394	Apr, 2028	CDI ⁽¹⁾ +4.88%
Bradesco	Mar, 2023	Capex	6	18	4,729	1,276	Mar, 2025	CDI ⁽¹⁾ +4.18%
Bradesco	Jan, 2023	Capex	6	18	10,000	2,394	Jan, 2025	CDI ⁽¹⁾ +4.21%
Bradesco	Jan, 2023	Capex	6	18	5,000	1,197	Jan, 2025	CDI ⁽¹⁾ +4.57%
Inter	Jan, 2023	Working capital	12	24	5,000	1,349	Jan, 2026	CDI ⁽¹⁾ +5.51%
Brazil ⁽⁴⁾	Dec, 2022	Working capital	12	12	4,891	1,319	Dec, 2023	14.88%
Brazil	Oct, 2022	Working capital	12	48	20,000	5,580	Oct, 2027	CDI ⁽¹⁾ +3.70%
Votorantim	Sep, 2022	Working capital	12	30	10,000	2,706	Mar, 2025	CDI ⁽¹⁾ +5.10%
Brazil	Sep, 2022	Working capital	6	24	5,000	899	Sep, 2024	CDI ⁽¹⁾ +3.00%
Bradesco	Aug, 2022	Equipment	6	24	5,597	1,249	Oct, 2024	IPCA ⁽²⁾ +5.19%
ABC Brazil	Aug, 2022	Working capital	5	24	3,500	623	Sep, 2024	CDI ⁽¹⁾ +7.44%
ABC Brazil	Aug, 2022	Working capital	6	24	1,500	281	Sep, 2024	CDI ⁽¹⁾ +7.44%
Santander	Aug, 2022	Working capital	3	24	12,000	1,884	Aug, 2024	CDI ⁽¹⁾ +4.85%
ABC Brazil	Aug, 2022	Working capital	6	30	2,500	515	Mar, 2025	CDI ⁽¹⁾ +7.44%
BDMG	Apr, 2022	Working capital	24	72	3,000	832	Mar, 2030	TJLP ⁽³⁾ +5.00%
Santander	Feb, 2022	Equipment	03	36	260	33	Feb, 2025	CDI ⁽¹⁾ + 4,60%
Santander	Feb, 2022	Equipment	03	36	888	135	Feb, 2025	CDI ⁽¹⁾ + 4,60%
Santander	Feb, 2022	Equipment	03	36	1,340	201	Feb, 2025	CDI ⁽¹⁾ + 4,60%
Santander	Feb, 2022	Equipment	03	36	2,169	324	Jan, 2025	CDI ⁽¹⁾ + 4,60%
Santander	Feb, 2022	Equipment	03	36	888	133	Jan, 2025	CDI ⁽¹⁾ + 4,60%
Various loans	pre 2022				9,737	855		
Total					233,697	41,564		

* - CDi, (Certificado de Depósito Interbancário) is the average of interbank overnight rates in Brazil. As at September 30, 2023, the 12 months cumulative rate was 13.50%.

** - Inc Variable interest (IPCA) - Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services. As at September 30, 2023 the 12 months cumulative rate was 4.61%.

*** - TJLP (Taxa de Juros de Longo Prazo) is the long term interest rate in Brazil. As at September 30, 2023, the 12 months cumulative rate was 6.55%.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. 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 30 September 2023.

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.

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)	30 Sep 2023	31 Dec 2022
Canadian Dollars	277	252
Brazilian Reais	8,923	848
American Dollars	13	16
British Pounds	62	47
Total	9,275	1,163

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 12.25%.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. Financial instruments (continued)

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

	30 Sep 2023	31 Dec 2022
10% weakening of Brazilian Real	(2,344)	(1,978)
10% strengthening of Brazilian Real	1,918	1,618

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 16.72% per annum. The Brazilian Government long term bond rate is currently 12.75% per annum. The Group's last loan rates are an average 4.86% 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.

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.

12. Subsequent events

- In October 2023, the Group appointed Lucas Brown as its new Vice President of Corporate Development. Mr Brown is leading Verde's expansion into the carbon market, in addition to overseeing the Group's institutional and investor relations. He has dedicated a decade working in Brazil, in the last four years serving as the British Consul to Minas Gerais state.
- In October 2023, the Group announced that it has secured C\$16.2 million in debt financing facility from Banco do Brasil S.A. and Banco Bradesco S.A., the two largest Brazilian banks. The funds raised will be used to replace existing debts that were at higher interest rates and provide the Group with more favorable terms, including 6 months of grace period for Bradesco's loan and 12 months for Banco do Brasil's loan. This will enable Verde to offer financing solutions to potential customers, whilst fostering growth and financial stability. The Financing consists of C\$10.8 million in debt from Banco do Brasil, Brazil's largest bank, and C\$5.4 million from Bradesco, the second largest financial Group in Brazil. Additionally, Verde currently has C\$20 million pre-approved credit with banks in Brazil.
- In October 2023, Verde announced the results of its first Life Cycle Analysis, completed by LCA Design Corporation, a leading Canadian consultancy firm. The LCA determines the climate impacts associated with the production of Verde's potassium fertilizer K Forte® from cradle-to-grave. The LCA was conducted according to ISO 14040/44:2006 Standard and Puro Earth Enhanced Rock Weathering Methodology.