

VERDE AGRITECH LIMITED

UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2024



VERDE AGRITECH LIMITED

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VERDE AGRITECH LIMITED

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE

FIRST QUARTER ENDED 31 MARCH 2024

The accompanying unaudited consolidated financial statements of Verde AgriTech Limited ("Verde", the "Company", or the "Group") for the first quarter ended 31 March 2024 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 2023. 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 PROFIT OR LOSS

For the quarter ended 31 March 2024

All amounts expressed in Canadian Dollars.

	Note	3 Months ended 31 Mar 2024 \$'000	3 Months ended 31 Mar 2023 \$'000
Revenue		5,068	11,125
Cost of sales		(2,528)	(3,574)
Gross Profit		2,540	7,551
Sales and distribution expenses		(1,918)	(5,074)
Administrative expenses		(3,988)	(1,447)
Operating (Loss) / Profit		(3,366)	1,030
Finance costs		(1,661)	(1,120)
Finance income		284	78
Loss before tax from continuing operations		(4,743)	(12)
Income tax expense		(9)	(96)
Loss for the quarter		(4,752)	(108)

Loss per share (\$)		3 Months ended 31 Mar 2024	3 Months ended 31 Mar 2023
Basic and dilutive loss per share	4	(0.090)	(0.002)

VERDE AGRITECH LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2024

All amounts expressed in Canadian Dollars.

	Note	3 Months ended 31 Mar 2024 \$'000	3 Months ended 31 Mar 2023 \$'000
Loss for the period from continuing operations		(4,752)	(108)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		27	1,824
Total comprehensive loss for the period attributable to equity holders of the parent		(4,725)	1,716

VERDE AGRITECH LIMITED

STATEMENT OF CASH FLOWS

For the Quarter Ended 31 March 2024

All amounts expressed in Canadian Dollars.

Cash flows from operating activities	3 months ended	3 months ended
	31 Mar 2024	31 Mar 2023
	\$'000	\$'000
Loss before tax	(4,743)	(12)
Depreciation	874	918
Amortisation of right of use asset	16	7
Depletion of mineral property	62	72
Foreign exchange differences	118	(511)
Share-based payments	1,777	28
Derivative financial instruments	(163)	-
Deferred taxes	16	-
Expected credit losses on trade receivable	145	-
Finance costs	1,583	1,136
Finance income	-	(78)
Operating cash flows before changes in working capital	(315)	1,560
Decrease / (Increase) in inventories	164	(184)
Increase in receivables	(571)	(1,463)
Decrease in payables	(1,122)	(821)
Cash utilised in operations	(1,529)	(2,468)
Interest paid	(1,000)	(1,136)
Taxation paid	(15)	(1,233)
Net cash utilised in operating activities	(2,859)	(3,277)
Cash flows from investing activities		
Interest received	-	78
Financial investments	(23)	-
Acquisition of mineral property assets	-	(1,494)
Acquisition of property, plant and equipment	(246)	(473)
Net cash utilised in investing activities	(269)	(1,889)
Cash flows from financing activities		
Bank loans received	1,844	8,163
Bank loans payments (principal)	(2,610)	-
Lease liabilities payments	(6)	-
Net cash (utilised in) / generated in financing activities	(772)	8,163
Net increase in cash and cash equivalents	(3,900)	2,997
Cash and cash equivalents at beginning of period	6,975	1,163
Effect of exchange rate fluctuations on cash held	125	129
Cash and cash equivalents at end of period	3,200	4,289

VERDE AGRITECH LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

All amounts expressed in Canadian Dollars.

Assets	Note	31 March 2024 (\$'000)	31 Dec 2023 (\$'000)
Property, plant and equipment	5	48,288	49,201
Right-of-use asset	6	51	52
Mineral properties	7	18,763	18,902
Other assets	8	2129	2,102
Deferred tax asset		2,811	2,827
Total non-current assets		72,042	73,084
Inventory		2,284	2,448
Trade and other receivables		14,078	13,657
Other financial assets	9	8	8
Cash and cash equivalents	14	3,200	6,975
Total current assets		19,570	23,088
Total assets		91,612	96,172
Equity attributable to the equity holders of the parent			
Issued capital	10	20,652	20,652
Capital contribution		49,862	49,862
Merger reserve		(4,557)	(4,557)
Translation reserve		(11,978)	(12,004)
Accumulated losses		(11,420)	(8,447)
Total equity		42,559	45,506
Liabilities			
Interest-bearing loans and borrowings	12	20,248	10,521
Lease liabilities	6	42	42
Provisions	13	134	147
Total non-current liabilities		20,424	10,710
Trade and other payables		2,995	4,005
Interest-bearing loans and borrowings	12	25,471	35,625
Lease liabilities	6	14	14
Other financial liabilities	9	149	312
Total current liabilities		28,629	39,956
Total liabilities		49,053	50,666
Total equity and liabilities		91,612	96,172

VERDE AGRITECH LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts expressed in Canadian Dollars.

	Share capital (\$'000)	Capital contribution (\$'000)	Merger reserve (\$'000)	Translation reserve (\$'000)	Accumulated losses (\$'000)	Total (\$'000)
Balance at 1 January 2023	20,611	49,862	(4,557)	(14,470)	(3,095)	48,351
Comprehensive profit						
Loss for the period	-	-	-	-	(108)	(108)
Foreign exchange translation differences	-	-	-	1,824	-	1,824
Total comprehensive profit for the period	-	-	-	1,824	(108)	1,716
Transactions with owners						
Issue of share capital	-	-	-	-	-	-
Share-based payments	-	-	-	-	28	28
Total transactions with owners	-	-	-	-	28	28
Balance at 31 March 2023	20,611	49,862	(4,557)	(12,646)	(3,175)	50,095
Comprehensive profit						
Loss for the period	-	-	-	-	(5,871)	(5,871)
Foreign exchange translation differences	-	-	-	642	-	642
Total comprehensive loss for the period	-	-	-	642	(5,871)	(5,227)
Transactions with owners						
Issue of share capital	41	-	-	-	-	-
Share-based payments	-	-	-	-	599	599
Total transactions with owners	-	-	-	-	599	599
Balance at 31 December 2023	20,652	49,862	(4,557)	(12,004)	(8,447)	45,506
Balance at 1 January 2024	20,652	49,862	(4,557)	(12,004)	(8,447)	45,506
Comprehensive profit						
Loss for the period	-	-	-	-	(4,752)	(4,752)
Foreign exchange translation differences	-	-	-	28	-	28
Total comprehensive loss for the period	-	-	-	28	(4,752)	(4,724)
Transactions with owners						
Issue of share capital	-	-	-	-	-	-
Share-based payments	-	-	-	-	1,777	1,777
Total transactions with owners	-	-	-	-	1,777	1,777
Balance at 31 March 2024	20,652	49,862	(4,557)	(11,976)	(11,422)	42,559

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements of Verde Agritech Limited and its subsidiaries (together referred to as the 'Group') for the quarter ended 31 March 2024 were authorised for issue on 14 May 2024, in accordance with a resolution of the directors. Verde Agritech Limited (the parent) is a limited company incorporated and domiciled in Singapore and whose shares are publicly traded on the Canadian Toronto Stock Exchange ("TSX") under the symbol "NPK", and on the OTC Markets ("OTCMKTS") under the symbol "VNPKE". The registered office is located 16 Collyer Quay # 17 – 00, Collyer Quay Centre, Singapore, 049318.

The principal activity of the Group is the production and sale of its products ("the Products"). Information on the Group's structure is provided in note 5. Information on other related party relationships of the Group is provided in note 26.

2. Material accounting policies

2.1 Basis of preparation

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 2023. 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 2023.

The statutory accounts for the year ended 31 December 2023 have been filed with SEDAR. The auditors' report on these accounts was unqualified.

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars ("CAD") rounded to the nearest thousand (\$'000), except when otherwise indicated.

Going concern basis of preparation

For the period ended 31 March 2024, the Group reported operating revenue of \$5,068, a net loss of \$4,752 and net cash flows from operating activities of \$2,859. Moreover, the Group presented a working capital deficit of \$9,059, mainly attributable to funds raised to finance working capital and Plant 2 construction.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

When assessing the going concern basis of preparation, the Directors have assessed the experience and saleability of the products, along with forward orders taken and expected cash generation and reserves.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

The Directors believes that the assumptions used to estimate the Group's results are reasonable, but any changes in the macroeconomic scenario may have adverse impacts on the Group's ability to continue as

a going concern. In the event that the Group's cash generation, together with its current cash reserves, is not sufficient to fulfil its cash obligations and requirements, the Directors will seek in advance other forms of capital inflow, which may include debt restructuring.

In conclusion, based on the Group's current cash balance, and Group's expectation regarding cash generation, working capital and current debt requirements, the Directors have a reasonable expectation that the Group will maintain the continuity of its activities for at least the next 12 months.

3. Operating segments

The Group's operations relate to the mining of mineral deposits and sale of multi-nutrient potassium specialty fertilizer marketed in Brazil with support provided from the Singapore and the UK and as such, the Group has only one operating segment.

4. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 March 2024 was based on the loss attributable to ordinary shareholders of \$4,752 (31 March 2023: \$108) and a weighted average number of Ordinary Shares outstanding during the period ended 31 March 2024 of 52,669,724 (31 March 2023: 52,597,951) calculated as follows:

Loss attributable to ordinary shareholders

	3 months ended 31 Mar 2024	3 months ended 31 Mar 2023
Loss for the period (\$'000)	(4,752)	(108)
Loss attributable to ordinary shareholders (\$'000)	(4,752)	(108)

Weighted average number of ordinary shares

	3 months ended 31 Mar 2024	3 months ended 31 Mar 2023
Weighted average number of ordinary shares outstanding – basic ('000)	52,670	52,598
Dilutive Stock options	-	1,318
Weighted average number of ordinary shares outstanding – dilutive ('000)	52,670	53,916
Basic (loss) / earnings per share	(\$0.090)	\$0.002
Diluted (loss) / earnings per share	(\$0.090)	\$0.002

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

4. Loss per share (continued)

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. For the period ended 31 March 2024, as result of the loss for the period the stock options are deemed anti-dilutive.

	3 months ended 31 Mar 2024	3 months ended 31 Mar 2023
Stock options	1,540	272

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	Other assets	Total
Cost						
Balance at 1 January 2023	26,694	19,771	771	371	-	47,607
Additions	757	2,236	59	4	190	3,246
Acquired assets through finance	-	213	-	-	-	213
Disposals	-	(158)	(27)	-	-	(185)
Effect of movements in foreign exchange	1,714	1,274	48	24	2	3,062
Balance at 31 December 2023	29,165	23,336	851	399	192	53,943
Balance at 1 January 2024	29,165	23,336	851	399	192	53,943
Additions	4	68	-	-	174	246
Effect of movements in foreign exchange	(171)	(136)	(6)	(2)	(2)	(317)
Balance at 31 March 2024	28,998	23,268	845	397	364	53,872

Depreciation and impairment losses						
Balance at 1 January 2023	-	967	172	116	-	1,255
Depreciation charge for the period	-	3,307	83	15	-	3,405
Acquired assets through finance	-	49	-	-	-	49
Depreciation on disposals	-	(43)	(27)	-	-	(70)
Effect of movements in foreign exchange	-	86	10	7	-	103
Balance at 31 December 2023	-	4,366	238	138	-	4,742
Balance at 1 January 2024	-	4,366	238	138	-	4,742
Depreciation charge for the period	-	849	22	3	-	874
Effect of movements in foreign exchange	-	(30)	(1)	(1)	-	(32)
Balance at 31 March 2024	-	5,185	259	140	-	5,584

Carrying amounts						
At 1 January 2023	26,694	18,804	599	255	-	46,352
At 31 December 2023	29,165	18,970	613	261	192	49,201
At 1 January 2024	29,165	18,970	613	261	192	49,201
At 31 March 2024	28,998	18,083	586	257	364	48,288

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Right-of-use assets

	Total (\$'000)
Cost	
Balance at 1 January 2023	12
Additions	67
Write-off of right-of-use assets	(213)
Effect of movements in foreign exchange	12
Balance at 31 December 2023	67
Balance at 1 January 2024	67
Additions	4
Effect of movements in foreign exchange	-
Balance at 31 March 2024	71
Amortisation	
Balance at 1 January 2023	27
Amortisation charge for the year	14
Write-off of right-of-use assets	(49)
Effect of movements in foreign exchange	23
Balance at 31 December 2023	15
Balance at 1 January 2024	15
Amortisation charge for the period	16
Effect of movements in foreign exchange	(11)
Balance at 31 March 2024	20
Carrying amounts	
At 1 January 2023	174
At 31 December 2023	52
At 1 January 2024	52
At 31 March 2024	51

Lease liabilities

The following table outlines the future lease payments:

	31 Mar 2024	31 Dec 2023
	\$'000	\$'000
Not later than one year	14	14
Later than one year but not later than five years	42	42
Total	56	56

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Mineral properties

Cost	Total (\$'000)
Balance at 1 January 2023	19,280
Additions	1
Mine closure provision	92
Write-off of mineral properties	(335)
Effect of movements in foreign exchange	866
Balance at 31 December 2023	19,904
Balance at 1 January 2024	19,904
Additions	-
Effect of movements in foreign exchange	(83)
Balance at 31 March 2024	19,821
Amortisation	
Balance at 1 January 2023	661
Amortisation charge for the year	297
Effect of movements in foreign exchange	44
Balance at 31 December 2023	1,002
Balance at 1 January 2024	1,002
Amortisation charge for the period	62
Effect of movements in foreign exchange	(6)
Balance at 31 March 2024	1,058
Carrying amounts	
At 1 January 2023	18,619
At 31 December 2023	18,902
At 1 January 2024	18,902
At 31 March 2024	18,763

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Other assets

(\$'000)	3 months ended 31 Mar 2024	31 Dec 2023
Receivables	395	391
Restricted cash	1,734	1,711
Total	2,129	2,102

Long-term receivables is mostly comprised of judicial deposits. Restricted cash represent to the balance of financial investments given as guarantee for a bank loan that are blocked and can only be redeemed after the contract has been amortized.

9. Other financial assets and liabilities

9.1 Financial assets

(\$'000)	3 months ended 31 Mar 2024	31 Dec 2023
Derivative - Swap contracts	8	8
Total	8	8

9.2 Financial liabilities

(\$'000)	3 months ended 31 Mar 2024	31 Dec 2023
Derivative - Swap contracts	149	312
Total	149	312

10. Share capital

Issued - Ordinary Shares	31 Mar 2024		31 Dec 2023	
	Number	\$'000	Number	\$'000
At 1 January	52,669,724	20,652	52,597,951	20,611
Issuance of ordinary shares	-	-	71,773	41
At end of period	52,669,724	20,652	52,669,724	20,652

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. 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:

	31 Mar 2024		31 Dec 2023	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	\$1.09	2,732,619	\$1.31	1,597,398
Granted during the period	\$1.20	2,245,000	\$2.33	1,304,393
Exercised during the period	-	-	\$0.58	(71,773)
Cancelled/Forfeited during the period	\$2.33	(102,342)	\$2.97	(97,399)
Outstanding at the end of the period	\$1.49	4,875,277	\$1.09	2,732,619
Exercisable at the end of the period	\$0.66	3,214,412	\$0.42	1,140,058

The options outstanding at 31 March 2024 have an exercise price in the range of \$0.40 to \$7.76 (2023: \$0.40 to \$7.76) and a weighted average remaining contractual life of 7.1 years (31 December 2023: 6.7 years). Two option awards were granted in 2024. The option awards vest in varying tranches:

Issue date	Vesting period
March 2024	10% on issue, followed by 10% years one to four and final 50% in year five
March 2024	Vested in full March 2024

At 31 March 2024, 3,214,412 of the options had vested (31 December 2023: 1,140,058).

Fair value of share options and assumptions (\$)	31 Mar 2024	31 Dec 2023
Weighted average fair value of options granted during the period	\$0.78	\$1.86
Weighted average share price	\$1.20	\$2.34
Weighted average exercise price	\$1.20	\$2.43
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	103%	118%
Option life	3	5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	3.41%	3.54%

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. Share-based payments (continued)

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)	31 Mar 2024	31 Mar 2023
Total expense recognised as employee costs	1,777	28

Details of share options outstanding at 31 March 2024 are as follows:

Outstanding at beginning of period	Number of options				Exercisable period			
	Granted	Forfeited	Exercised	Outstanding at end of period	Exercisable at end of period	Exercise price (\$)	Grant date	Expiry date
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
65,000	-	-	-	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
167,500	-	-	-	167,500	27,500	\$0.63	1 Mar 2019	1 Mar 2029
21,000	-	-	-	21,000	8,500	\$0.67	1 Sept 2019	1 Sept 2029
18,349	-	-	-	18,349	9,175	\$0.40	14 Feb 2020	14 Feb 2030
24,684	-	-	-	24,684	9,342	\$0.40	25 Mar 2020	25 Mar 2030
26,828	-	(694)	-	26,134	10,453	\$1.22	5 Mar 2021	5 Mar 2031
750,000	-	-	-	750,000	750,000	\$1.22	5 Mar 2021	5 Mar 2031
30,182	-	(5,751)	-	24,431	7,408	\$1.21	10 May 2021	10 May 2031
26,062	-	(5,900)	-	20,162	7,099	\$7.76	16 Mar 2022	16 Mar 2032
3,000	-	-	-	3,000	600	\$7.11	5 Nov 2022	5 Nov 2032
2,000	-	-	-	2,000	400	\$6.51	17 Feb 2023	17 Feb 2033
146,000	-	-	-	146,000	-	\$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 July 2023	15 July 2033
124,436	-	(39,997)	-	84,439	12,444	\$3.13	28 Aug 2023	28 Aug 2033
82,467	-	-	-	82,467	12,370	\$1.64	2 Oct 2023	2 Oct 2033
-	345,000	(50,000)	-	295,000	29,500	\$1.20	28 Mar 2024	28 Mar 2034
-	1,900,000	-	-	1,900,000	1,900,000	\$1.20	28 Mar 2024	28 Mar 2034
2,732,619	2,245,000	(102,342)	-	4,875,278	3,214,412			

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Interest-bearing loans and borrowings

(\$'000)	31 Mar 2024	31 Dec 2023
Non-current liabilities (\$'000)		
Bank loans	20,248	10,521
Current liabilities (\$'000)		
Bank loans	25,471	35,625
Total	45,719	46,146

The Group received three loans during the period from various banks totalling \$1,844 (BRL \$6,805).

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Interest-bearing loans and borrowings (Continued)

Summary of Interest-bearing loans and borrowings

Lender	Loan start date	Purpose	Grace period (months)	Term (months)	Loan value (R\$'000)	Balance at Mar 31, 2024 (C\$'000)	Repayable by	Total interest payable*
Voiter ^(e)	Mar,2024	Working capital	3	24	5,000	1,355	Mar, 2026	*CDI+6,40%
Brazil ^(f)	Mar,2024	Working capital	6	6	1,651	447	Sept, 2024	16,39%
Itaú ^(f)	Feb, 2024	Working capital	6	6	154	42	July, 2024	15.25%
Banco BCG ^(e)	Dec, 2023	Working capital	6	18	10,000	2,704	Jun, 2025	CDI ⁽¹⁾ +4.41%
Brazil ^{(a) (d)}	Nov, 2023	Working capital	12	36	8,000	2,264	Dec, 2026	CDI ⁽¹⁾ +4.00%
ABC Brazil ^{(a) (e)}	Oct, 2023	Working capital	6	18	15,000	4,161	May, 2025	CDI ⁽¹⁾ +3.46%
Bradesco ^(a)	Oct, 2023	Working capital	6	24	20,000	5,565	Oct, 2025	CDI ⁽¹⁾ +3.61%
Brazil ^{(c) (d)}	Aug, 2023	Working capital	12	36	40,000	11,810	Aug, 2026	CDI ⁽¹⁾ +3.60%
Votorantim ^(e)	Jul, 2023	Working capital	12	36	5,000	1,369	Mar, 2025	CDI ⁽¹⁾ +3.65%
Brazil ^(c)	Apr, 2023	Working capital	12	60	20,000	5,420	Apr, 2028	CDI ⁽¹⁾ +4.88%
Inter ^(e)	Jan,2023	Working capital	12	24	5,000	1293	Jan, 2026	CDI ⁽¹⁾ 5.51%
Brazil	Apr, 2023	Transaction costs	0	60	-1,368	-293	Apr, 2028	
Various	Prior to 2023				62,665	9582		
Total					191,102	45,719		

(1) - CDI, (from Portuguese “*Certificado de Depósito Interbancário*”) is the average of interbank overnight rates in Brazil. As at March 31, 2024, the 12 months cumulative rate was 10.50%.

(2) - Inc Variable interest (IPCA) - Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services. As at March 31, 2024 the 12 months cumulative rate was 4.66%.

(3) - TJLP (from Portuguese “*Taxa de Juros de Longo Prazo*”) is the long-term interest rate in Brazil. As of March 31, 2024, the 12 months cumulative rate was 6.67%.

Bank loans are secured as follows:

Indicator ^(a) – Loan value secured by trade receivables

Indicator ^(b) – Fixed charge over the equipment purchased

Indicator ^(c) – Future sales contracts

Indicator ^(d) – Plant / Factory

Indicator ^(e) – Financial investments

Indicator ^(f) – None

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Commitments

Commitments

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

	31 Mar 2024	31 Dec 2023
	\$'000	\$'000
Amount payable within one year	67	67
Amounts payable after more than one year and less than five years	69	69
After five years	305	311
Total	441	447

In addition, there is a commitment to rebuild houses and a commitment of \$5,335 (BRL \$15,000) per hectare for damage to land caused during mining which is expected to be up to 35 hectares. The Group has not mined in the specific area up to date and thus the past event requiring a provision have not occurred to date.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. 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.

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 revenues, costs and finance 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)	31 Mar 2024	31 Dec 2023
Canadian Dollars	30	180
Brazilian Reals	3,170	6,785
American Dollars	-	8
British Pounds	-	2
Singaporean Dollars	-	-
Total	3,200	6,975

The Brazilian Reals deposits are held as interbank deposit certificates, with no maturity date and track Brazil's short term interest rate (SELIC), which was 10.75% at March 31, 2024.

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 the reasonable possible exposure.

	Equity (\$'000)	
	31 Mar 2024	31 Dec 2023
10% weakening of Brazilian Real	(3,177)	(2,977)
10% strengthening of Brazilian Real	2,600	2,436

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. Financial instruments (continued)

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.

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.

The group's policy is to make conservative investments, typically linked to the interest rate set by the Brazilian government (SELIC). Variations in this government interest rate can affect financial expenses, as the group's loans are also tied to the same interest rate.

The Group's average current loan rate is 16.15% per annum. The Brazilian Government long term bond rate as at 31 March 2024 was 10.75%. Based on Brazilian Central Bank perspectives for long term bond rate the Directors does not understand that it is reasonably possible that a significant increase in interest rate is expected for the foreseeable future.

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.

In addition, the company has a credit risk relating to subsidiary investments. The Company expects loans to subsidiaries to be ultimately repaid from trading cash flows to be generated from its mining activities. Consideration is given at each reporting date as to whether the subsidiaries have sufficient liquid assets to repay the loans if demanded in order to determine the probability of default. The Company measures the lifetime expected credit loss by considering all the different recovery strategies and credit loss scenarios. The recovery strategy considered is a repay over time strategy as net trading cash flows are expected to repay the balances. Likely credit losses scenarios are dependent on the operating capability factors inherent in the successful operation of the mine which include the selling price of the products, future costs and availability of capital, operating costs and tax rates. Sensitivity analysis is performed on the various factors and expected credit losses recognised as appropriate.

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. The non-current loans and financing bear interest over floating interest rates.

VERDE AGRITECH LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. Financial instruments (continued)

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.

15. Subsequent event

In the second quarter of 2024, the Group initiated a Strategic Debt Restructuring Plan, which includes seeking specific Preliminary Judicial Relief to obtain temporary protection against actions and foreclosures by 7 banks. This request is aimed at ensuring stability while we renegotiate terms with our financial creditors. In compliance with legal requirements, all loan payment obligations have been suspended since April 2024. It is important to emphasize that this measure does not affect the Group's operations, nor does it compromise our contractual obligations to suppliers. Negotiations with the banks are progressing constructively, and the Group anticipates achieving a significant improvement in debt terms, including a substantial extension of the payment period, a grace period, and a reduction in interest rates. This strategy is aligned with Verde's long-term objectives and reaffirms the Group's commitment to financial and operational sustainability.