

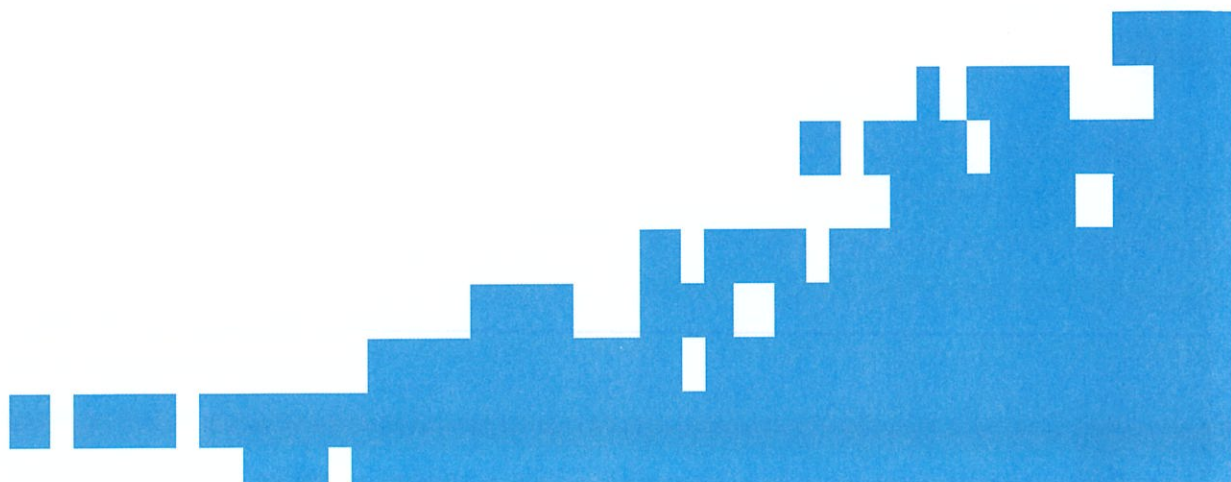


VERDE AGRITECH LTD.

(Registration No: 202222202R)

Statement by Directors and Financial Statements

Year Ended 31 December 2024



Statement by Directors and Financial Statements

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VERDE AGRITECH LTD.

Statement by Directors

The Directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2024.

1. Opinion of the Directors

In the opinion of the Directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors approved and authorised these financial statements for issue.

2. Directors

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

Cristiano Veloso
Renato Gomes
Fernando Prezotto
Hannah Oh (appointed on 27 June 2024)

3. Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the reporting year had no interests in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' interests in shares in or debentures kept by the Company under section 164 of the Companies Act 1967 (the "Act") except as follows.

| Name of directors and companies in which interests are held | At beginning of the reporting year or date of appointment (if later) | At end of the reporting year |
|--|--|---------------------------------|
| | <u>Number of shares of no par value</u> | |
| Cristiano Veloso | 9,601,259 | 4,779,830 |
| Renato Couto Gomes | 256,716 | 196,716 |
| <u>Options</u> | | |
| Cristiano Veloso | 1,442,511 | 3,342,511 |
| Renato Gomes | 54,950 | 100,000 |
| Luciana Coelho (resigned in June 2024) | 43,502 | - |
| Fernando Prezotto | 43,502 | 100,000 |
| Madeliene Lee (resigned in June 2024) | 42,357 | - |
| Hannah Oh (appointed in June 2024) | - | 100,000 |

Statement by Directors

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Options issued to the directors are described above. Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the options rights and other rights mentioned below.

5. Options

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

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

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

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

The number of unissued shares under option at the end of the reporting year are disclosed in Note 24.

VERDE AGRITECH LTD.

Statement by Directors

6. Independent auditor

RSM SG Assurance LLP has expressed willingness to accept re-appointment.

On behalf of the directors

Cristiano

.....
Cristiano Botelho Veloso
Director

Renato Gomes

.....
Renato Couto Gomes
Director

Singapore
March 21, 2025



**Independent Auditor's Report to the Members of
VERDE AGRITECH LTD.**

RSM SG Assurance LLP

8 Wilkie Road, #03-08, Wilkie Edge
Singapore 228095

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Report on the audit of the financial statements

Assurance@RSMSingapore.sg
www.RSMSingapore.sg

Opinion

We have audited the accompanying financial statements of Verde Agritech Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards International ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern assessment

For the year ended 31 December 2024, the Group reported a loss of \$12,558,000. As at 31 December 2024, the Group is in a net current asset position of \$9,990,000 and the Company's current liabilities exceeded its current assets by \$322,000. As disclosed in Note 1 of the financial statements, the financial statements have been prepared on a going concern basis as the Directors believe that the Group and Company will maintain the continuity of its activities for at least the next 12 months.

**Independent Auditor's Report to the Members of
VERDE AGRITECH LTD.**

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Report on the audit of the financial statements

Key audit matters (continued)

We identified this as a key audit matter because the going concern assessment, including the preparation of cash flow forecast for the next 12 months from the end of the year involve significant management judgement and estimation.

The Directors used critical judgements in developing the future cash flow estimates underlying their business plans. Assumptions used in the future cash flow estimates included discount rate, life of mine, production volume, revenue growth, and the Group's and the Company's ability to maintain the current and necessary level of financing.

How our audit addressed this matter

Our audit procedures included:

- Comparing the cash flow projections for the next 12 months from the end of the reporting year obtained from management to those approved by the Directors;
- Testing the accuracy and completeness of the cash flow projections used in the going concern assessment;
- Obtaining agricultural related reports which support the reasonability of management's projections for both volume and pricing perspectives;
- Comparing the results of the historical numbers to assess management's ability to project sales and the basis of the key assumptions used in forming the cash flow projections;
- Inspecting the extrajudicial recovery plan approved by the Brazilian court dated 8 November 2024 as per applicable Brazilian legislation, covering the renegotiated terms with respect to principal payments, interest charges and covenants and ensure that the loans are being classified accordingly based on the renegotiated terms;
- Analysing the Group's financing facilities based on the renegotiated terms included in the extrajudicial recovery plan covering principal payments, interest charges and loan covenants to ensure no non-compliance with the terms are noted; and
- We assessed the adequacy of the disclosure in the financial statements.

Other matters

The financial statements of the reporting entity for the reporting year ended 31 December 2023 were audited by another independent auditor who expressed an unqualified opinion on those financial statements on 13 May 2024.

The Group has also issued separate audited financial statements dated 20 March 2025 that are submitted to foreign stock exchanges, namely, the Canadian Toronto Stock Exchange ("TSX") under the symbol "NPK", and the OTC Markets ("OTCMKTS") under the symbol "VNPKF".

**Independent Auditor's Report to the Members of
VERDE AGRITECH LTD.**

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Other matters (continued)

There are no material differences were noted between the financial statements and the audited financial statements submitted to TSX and OTCMKTS.

Other information

Management is responsible for the other information. The other information comprises the statement by directors but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent Auditor's Report to the Members of
VERDE AGRITECH LTD.**

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Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent Auditor's Report to the Members of
VERDE AGRITECH LTD.**

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Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Poh Chin Beng.

A handwritten signature in black ink, appearing to read "RSM SG Assurance LLP", is written over the printed name of the firm.

RSM SG Assurance LLP
Public Accountants and
Chartered Accountants
Singapore

21 March 2025

VERDE AGRITECH LTD.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year Ended 31 December 2024**

| | <u>Notes</u> | <u>Group</u> <u>2024</u> \$'000 | <u>2023</u> \$'000 |
|---|--------------|---------------------------------------|-----------------------|
| Revenue | 6 | 21,597 | 37,863 |
| Cost of sales | 8 | (9,350) | (13,166) |
| Gross profit | | 12,247 | 24,697 |
| Other income and gains | 7 | 473 | 674 |
| Distribution costs | 8 | (11,391) | (18,532) |
| Administrative expenses | 8 | (8,748) | (8,354) |
| Finance costs | 9 | (5,108) | (7,055) |
| Loss before tax | | (12,527) | (8,570) |
| Income tax (expense) / income | 11 | (31) | 2,591 |
| Loss for the year | | (12,558) | (5,979) |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax | | (4,746) | 2,466 |
| Other comprehensive (loss) / income for the year, net of tax | | (4,746) | 2,466 |
| Total comprehensive loss for the year | | (17,304) | (3,513) |
| Loss attributable to the owners of the parent, net of tax | | (12,558) | (5,979) |
| Total loss | | (12,558) | (5,979) |
| Total comprehensive loss attributable to owners of the parent | | (17,304) | (3,513) |
| Total comprehensive loss | | (17,304) | (3,513) |
| Earnings per share (loss) | | | |
| Loss per share | | | |
| Basic | 12 | (0.238) | (0.114) |
| Diluted | 12 | (0.238) | (0.114) |

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

VERDE AGRITECH LTD.

**Statements of Financial Position
As at 31 December 2024**

| | | <u>Group</u> | | <u>Company</u> | |
|---|--------------|---------------|---------------|----------------|---------------|
| | <u>Notes</u> | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| ASSETS | | | | | |
| <u>Non-current assets</u> | | | | | |
| Property, plant and equipment | 13 | 39,864 | 49,201 | - | - |
| Right-of-use assets | 14 | 34 | 52 | - | - |
| Mineral properties | 15 | 17,290 | 18,902 | - | - |
| Deferred tax assets | 11 | 2,413 | 2,827 | - | - |
| Other assets | 16 | 367 | 2,102 | - | - |
| Investments in subsidiaries | 17 | - | - | 47,676 | 47,240 |
| Total non-current assets | | 59,968 | 73,084 | 47,676 | 47,240 |
| <u>Current assets</u> | | | | | |
| Financial assets – derivatives and at FVTPL, current | 18 | - | 8 | - | - |
| Inventories | 19 | 1,709 | 2,448 | - | - |
| Trade and other receivables | 20 | 6,864 | 13,657 | 157 | 51 |
| Cash and cash equivalents | 21 | 3,476 | 6,975 | 242 | 189 |
| Total current assets | | 12,049 | 23,088 | 399 | 240 |
| Total assets | | 72,017 | 96,172 | 48,075 | 47,480 |
| EQUITY AND LIABILITIES | | | | | |
| <u>Equity</u> | | | | | |
| Share capital | 22 | 20,652 | 20,652 | 20,652 | 20,652 |
| Accumulated losses | | (18,872) | (8,447) | (3,810) | (4,102) |
| Capital contribution | 23 | 49,862 | 49,862 | 30,512 | 30,512 |
| Merger reserve | 23 | (4,557) | (4,557) | - | - |
| Translation reserve | 23 | (16,750) | (12,004) | - | - |
| Total equity | | 30,335 | 45,506 | 47,354 | 47,062 |
| <u>Non-current liabilities</u> | | | | | |
| Provisions | 25 | 155 | 147 | - | - |
| Loans and borrowings | 26 | 39,444 | 10,521 | - | - |
| Lease liabilities | 27 | 24 | 42 | - | - |
| Total non-current liabilities | | 39,623 | 10,710 | - | - |
| <u>Current liabilities</u> | | | | | |
| Trade and other payables | 28 | 1,740 | 4,005 | 721 | 418 |
| Loans and borrowings | 26 | 265 | 35,625 | - | - |
| Financial liabilities – derivatives and at FVTPL, current | 18 | 37 | 312 | - | - |
| Lease liabilities, current | 27 | 17 | 14 | - | - |
| Total current liabilities | | 2,059 | 39,956 | 721 | 418 |
| Total liabilities | | 41,682 | 50,666 | 721 | 418 |
| Total equity and liabilities | | 72,017 | 96,172 | 48,075 | 47,480 |

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

VERDE AGRITECH LTD.

**Statements of Changes in Equity
Year Ended 31 December 2024**

| Group | Total equity | Capital contribution | Share capital | Merger reserve | Translation reserve | Accumulated losses |
|--|---------------------|-----------------------------|----------------------|-----------------------|----------------------------|---------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current year: | | | | | | |
| Opening balance at 1 January 2024 | 45,506 | 49,862 | 20,652 | (4,557) | (12,004) | (8,447) |
| Changes in equity: | | | | | | |
| Total comprehensive loss for the year | (17,304) | - | - | - | (4,746) | (12,558) |
| Share-based payments (Note 24) | 2,133 | - | - | - | - | 2,133 |
| Closing balance at 31 December 2024 | 30,335 | 49,862 | 20,652 | (4,557) | (16,750) | (18,872) |

Previous year:

Opening balance at 1 January 2023

Changes in equity:

Total comprehensive income for the year
Share-based payments (Note 24)
Issue of share capital
Foreign exchange translation differences
Closing balance at 31 December 2023

| | | | | | |
|---------------|---------------|---------------|----------------|-----------------|----------------|
| 48,351 | 49,862 | 20,611 | (4,557) | (14,470) | (3,095) |
| (5,979) | - | - | - | - | (5,979) |
| 627 | - | - | - | - | 627 |
| 41 | - | 41 | - | - | - |
| 2,466 | - | - | - | 2,466 | - |
| 45,506 | 49,862 | 20,652 | (4,557) | (12,004) | (8,447) |

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

VERDE AGRITECH LTD.

**Statements of Changes in Equity
Year Ended 31 December 2024**

| | <u>Total equity</u> \$'000 | <u>Capital contribution</u> \$'000 | <u>Share capital</u> \$'000 | <u>Accumulated losses</u> \$'000 |
|--|-----------------------------------|---|------------------------------------|---|
| <u>Company</u> | | | | |
| Current year: | | | | |
| Opening balance at 1 January 2024 | 47,062 | 30,512 | 20,652 | (4,102) |
| Changes in equity: | | | | |
| Share based payments (Note 24) | 2,133 | - | - | 2,133 |
| Total comprehensive loss for the year | (1,841) | - | - | (1,841) |
| Closing balance at 31 December 2024 | 47,354 | 30,512 | 20,652 | (3,810) |
| Previous year: | | | | |
| Opening balance at 1 January 2023 | 51,089 | 30,512 | 20,611 | (34) |
| Changes in equity: | | | | |
| Issuance of ordinary shares | 41 | - | 41 | - |
| Share based payments (Note 24) | 627 | - | - | 627 |
| Total comprehensive loss for the year | (4,695) | - | - | (4,695) |
| Closing balance at 31 December 2023 | 47,062 | 30,512 | 20,652 | (4,102) |

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

VERDE AGRITECH LTD.

Consolidated Statement of Cash Flows
Year Ended 31 December 2024

| | Group | |
|--|----------------|----------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Cash flows (used in) / from operating activities | | |
| Loss profit before tax | (12,527) | (8,570) |
| Adjustment for: | | |
| Finance costs | 4,282 | 7,055 |
| Interest income | (473) | (674) |
| Depreciation of property, plant and equipment | 2,989 | 3,405 |
| Amortisation of right-of-use asset | 14 | 14 |
| Amortisation reversal – estimate change | (329) | - |
| Loss on disposal of property, plant, and equipment | 15 | 115 |
| Expected credit losses on trade receivables | 2,120 | 1,754 |
| Amortisation of mineral property | 70 | 297 |
| Foreign exchange loss, net | (2,650) | 705 |
| Fair value loss on financial assets and liabilities – derivatives and at FVTPL, unrealised | (267) | 304 |
| Share-based payment expense | 2,133 | 627 |
| Operating cash flows before changes in working capital | (4,151) | 5,032 |
| Decrease in inventories | 739 | 21 |
| Decrease in trade and other receivables | 4,699 | 12,731 |
| Decrease in trade and other payables | (2,057) | (5,543) |
| Net cash flows (used in) / from operations | (770) | 12,241 |
| Interest paid (Note 21a) | (1,078) | (6,142) |
| Income tax paid | (37) | (1,480) |
| Net cash flows (used in) / from operating activities | (1,885) | 4,619 |
| Cash flows from / (used in) investing activities | | |
| Acquisition of property, plant and equipment | (869) | (2,984) |
| Acquisition of mineral property assets | (89) | (1) |
| Interest received | - | 674 |
| Financial investments | 1,711 | (1,711) |
| Net cash flows from / (used in) investing activities | 753 | (4,022) |
| Cash flows (used in) / from financing activities | | |
| Bank loans received (Note 21a) | 2,361 | 40,437 |
| Bank loans repayments (Note 21a) | (5,462) | (35,441) |
| Lease liabilities payments (Note 21a) | (19) | (20) |
| Proceeds from issue of shares | - | 41 |
| Net cash flows (used in) / from financing activities | (3,120) | 5,017 |
| Net (decrease) / increase in cash and cash equivalents | (4,252) | 5,614 |
| Cash and cash equivalents at beginning of the year | 6,975 | 1,163 |
| Effect of exchange rate fluctuations on cash held | 753 | 198 |
| Cash and cash equivalents at end of the year (Note 21) | 3,476 | 6,975 |

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

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

1. General information

Verde Agritech Limited (the "Company") was incorporated on 27 June 2022 and domiciled in Singapore. The Company's 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 address of its registered office is 16 Collyer Quay, #17-00 Collyer Quay Centre, Singapore 049318.

The Board of Directors approved and authorise these financial statements for issue on the date of the statement by Directors. The directors have the power to amend and reissue the financial statements.

The principal activities of the Company are that of a holding company.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS (I)s") and the related Interpretations to SFRS (I) ("SFRS (I) INT") as issued by the Accounting Standards Committee under ACRA ("ASC"). They comply with the provisions of the Companies Act 1967 and with the IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

The financial statements are presented in Canadian Dollars ("CAD" or "\$") and in thousands ("CAD'000" or "\$'000").

Going concern basis of preparation

For the year ended 31 December 2024, the Group reported a net loss of \$12,558,000 (2023: \$5,979,000) and net cash flows used in operating activities of \$1,885,000 (2023: net cash flows from operating activities of \$4,619,000). In addition, the Group presented a working capital surplus of \$9,990,000 (2023: working capital deficit of \$16,868,000) as at 31 December 2024, mainly attributable to funds raised to finance working capital and the construction of Production Plant 2.

Notes to the Financial Statements
31 December 2024

1. General information (continued)

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.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- The Group's ability to maintain cash surplus based on the 16-month cash flow projection from the end of the reporting year;
- The Group's ability to be able to defer its loan balance payables through renegotiation on the repayment terms with its debtors by way the extrajudicial recovery plan as approved by the Brazilian court on 8 November 2024 which allow 18 months of grace period (Note 26) from the approval date; and
- The Group's ability to be able to secure sales contracts to cover the projected sales volume and support the projected sales.

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.

Basis of presentation and principles of consolidation

The consolidated financial statements of the Group include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries, presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee. They are de-consolidated from the date that control ceases.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act 1967, the Company's separate statement of profit or loss and other comprehensive income is not presented.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information

2.1 Foreign currency transactions

The Group's presentation currency is Canadian Dollars ("CAD" or "\$"). The Directors considers this to be most appropriate for a company that is listed on the Toronto Stock Exchange, raises funding and remunerates the board of directors in Canadian Dollars. The functional currency of the Company is also considered to be Canadian Dollars.

Transactions in currencies other than the functional currency of the Company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At the end of the reporting year, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the reporting year end and any gains or losses arising are recognised in profit or loss.

The results and financial position of the Group's overseas operations in Brazil from the functional currency ("R\$") are translated into the presentation currency as follows: the assets and liabilities are translated into CAD at foreign exchange rates ruling at the end of the reporting year; and the income and expenses at average exchange rates during the quarters unless these do not approximate the foreign exchange rates ruling at the dates of the transactions, in which case, income and expenses are translated at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. At 31 December 2024 the closing rate of exchange of Canadian Dollars to one Brazilian Reais was 4.30 (2023: 3.69) and the average rate of exchange of Canadian Dollars to one Brazilian Reais for the year was 3.93 (2023: 3.70).

2.2 Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.2 Fair value measurement (continued)

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting year during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are material differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements. The recurring measurements are made at each reporting year end date.

2.3 Mineral property

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Costs of mineral properties include purchase price of the mineral properties, rehabilitation obligation associated with the mine activity and accumulated costs transferred from exploration and evaluation expenditure to mineral property, which includes costs incurred include appropriate technical exploration and evaluation expenditure and directly attributable overheads. Such costs are transferred when the technical and commercial feasibility of an area of interest has been demonstrated, financing has been secured and the appropriate permits have been issued, the area of interest enters its development phase.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. At the point of transfer from exploration and evaluation asset, an impairment test is required. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (i.e. stripping asset accounted for under mineral property). During the reporting year, no stripping asset was recognised due to stripping activity consistent with mine plan.

A mineral property is amortised on a unit of production method expected to amortise the cost including future forecast capital expenditure over the expected life of the mine based on the tons of ore expected to be extracted. Any changes to these estimates may result in an increase in the amortisation charge with a corresponding reduction in the carrying value of the mineral property. This percentage is reviewed annually.

Notes to the Financial Statement
31 December 2024

2. Material accounting policy information (continued)

2.4 Income tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current income tax is the expected tax payable on the taxable income for the reporting year; calculated using rates enacted or substantively enacted at the statements of financial position date; and inclusive of any adjustment to income tax payable or recoverable in respect of previous reporting years. Deferred tax is recognised using the liability method; based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective income tax bases; and determined using tax rates that have been enacted or substantively enacted by the reporting year end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

2.5 Financial instruments – initial recognition and measurement

A financial asset or a financial liability is recognised when, and only when, the entity becomes party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, are measured at the transaction price determined under revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("FVTOCI"), it needs to give rise to cash flows that are "solely payments of principal and interest ("SPPI")" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.5 Financial instruments – initial recognition and measurement (continued)

(i) Financial assets (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as: financial assets at amortised cost or financial assets at fair value through profit or loss. There are no financial assets designated as FVTOCI.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met: i) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.5 Financial instruments – initial recognition and measurement (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statements of financial position) when: i) the rights to receive cash flows from the asset have expired; or ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and financing, lease liabilities and advances from customers.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.5 Financial instruments – initial recognition and measurement (continued)

(ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

This category also includes, when applicable, derivative financial instruments entered into by the Group that are not designated as hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand and short-term highly liquid investments with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, but exclude any restricted cash. Cash equivalents are short-term (three months or less), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are reported using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, and items of income or expense associated with investing or financing cash flows.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.7 Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The cost comprises of purchase price or construction cost and any costs directly attributable to bringing the asset into operation and, for qualifying assets (where relevant), borrowing costs.

Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets (or, for certain leased assets, the shorter lease term). An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle.

2.8 Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity. The investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

2.9 Inventory

Finished goods and stockpile ore are recorded at the lower of production cost and net realisable value. Net realisable value is the estimated future sales price of the product the Group expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

Packaging and other inventories are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.10 Impairment of non-current assets

The amounts of the non-current non-financial assets are reviewed at each reporting year to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

2.11 Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the date of the grant and expensed - with a corresponding increase in equity (accumulated losses) - on a straight-line basis over the vesting period, based on an estimate of shares that will eventually vest. Fair values are determined through use of a Black-Scholes based model.

The expense is recognised over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Upon exercise of the share-based payments the Group will either: i) issue new shares based on the exercised options at prevailing exercise price of the corresponding agreement; or ii) transfer of treasury shares to the extent available.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.12 Provisions

The Group records the present value of estimated costs of legal and constructive obligations as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The Group assesses its provisions at each reporting date.

Mine closure provision

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of the Group's facilities and mine properties. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

Notes to the Financial Statements
31 December 2024

2. Material accounting policy information (continued)

2.12 Provisions (continued)

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets (i.e. mineral properties) to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss and other comprehensive income as part of finance costs.

2.13 Revenue

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, and modifications), net of any related taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

2.14 Other specific material accounting policy information and other explanatory information

These are included in the relevant Notes to the financial statements.

Notes to the Financial Statements
31 December 2024

3. Judgements and sources of estimation uncertainty

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

3.1 Judgements made in applying accounting policies

(i) Impairment of non-current assets

The Directors have assessed whether there are any indicators of impairment in respect of mineral property costs and property, plant and equipment. In making this assessment they have considered the Group's business plan which includes resource estimates, future processing capacity, future exchange rates, the forward market and longer-term price outlook and assumptions regarding weighted average cost of capital. Resource estimates have been based on the most recently filed pre-feasibility study NI 43-101 report and its opportunities economic model which includes resource estimates without conversion of its inferred resources. The Directors' estimates of these factors are subject to risk and uncertainties, including but not limited to the all the risks and uncertainty listed in this document, affecting the recoverability of the Group's mineral property costs. Moreover, the Directors also considered external sources of information, including analysis of the Company's market value, when assessing for impairment indicators. See Note 15.

3.2 Key sources of estimation uncertainty

(i) Ore reserve and mineral resource estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Group's reported financial position and results, in the following way:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in the consolidated statement of profit or loss and other comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change.

Notes to the Financial Statements
31 December 2024

3. Judgements and sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty (continued)

(i) Ore reserve and mineral resource estimates (continued)

- Capitalised stripping costs recognised in the statements of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios.
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.

The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group estimates and reports ore reserves and mineral resources in line with the principles contained in the pre-feasibility study NI 43-101 report.

(ii) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year but may impact profit or loss and equity. See Note 24.

(iii) Mine closure provision

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates based on the inflation index in Brazil, and changes in discount rates based on risk free rates which are the Brazil Government bond rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation.

Notes to the Financial Statements
31 December 2024

3. Judgements and sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty (continued)

(iii) Mine closure provision (continued)

As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at the end of the reporting date represents the best estimate of the present value of the future rehabilitation costs required. See Note 25.

(iv) Deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Assumptions about the generation of future taxable are based on forecast cash flows from operations (which are impacted by production and sales volumes, selling prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods. See Note 11.

Notes to the Financial Statements
31 December 2024

4. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) related party relationships, transactions and outstanding balances, including commitments, including (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other parties.

4.1 Related party transactions and balances

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

4.2 Key management compensation

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Directors' fees | 56 | 106 |
| Directors' salaries | 692 | 633 |
| Other key management personnel' salaries | 499 | 315 |
| Share-based payments (Directors) | 2,107 | 388 |
| Share-based payments (Other key management personnel) | 265 | 157 |
| Total | <u>3,619</u> | <u>1,599</u> |

Share-based payment charges relates to options granted as described in Note 24.

Share options granted to/(cancelled or forfeited by) directors and key management are as follows:

| | <u>Outstanding at beginning of the year</u> | <u>Granted</u> | <u>Cancelled/ Forfeited</u> | <u>Outstanding at end of the year</u> |
|----------------------|---|-------------------------|---------------------------------|---|
| 2024 | | | | |
| Directors | 1,626,822 | 2,101,548 | (85,859) | 3,642,511 |
| Other key management | 457,725 | 395,000 | (44,441) | 808,284 |
| Total | <u>2,084,547</u> | <u>2,496,548</u> | <u>(130,300)</u> | <u>4,450,795</u> |
| 2023 | | | | |
| Directors | 874,621 | 752,201 | - | 1,626,822 |
| Other key management | 165,000 | 292,725 | - | 457,725 |
| Total | <u>1,039,621</u> | <u>1,044,926</u> | <u>-</u> | <u>2,084,547</u> |

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

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

6. Revenue

Revenue from contracts with customers

Revenue classified by type of good or service

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|--------------------|-----------------------|---------------------------------------|
| Sale of fertilizer | <u>21,597</u> | <u>37,863</u> |

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

| | <u>2024</u> % | <u>Group</u> <u>2023</u> % |
|-------------------|-------------------|----------------------------------|
| Brazil | 99 | 99 |
| Rest of the world | <u>1</u> | <u>1</u> |
| Total | <u>100</u> | <u>100</u> |

The revenue from sale of goods is recognised based on point in time. The customers are retailers and wholesalers. A small portion of the goods is exported. The Group is exposed to commodity price risk.

7. Other income and gains

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|-----------------|-----------------------|---------------------------------------|
| Interest income | <u>473</u> | <u>674</u> |

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

8. Items in profit and loss

Cost of sales includes the following:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Raw materials and packaging | 1,480 | 2,150 |
| Salaries and wages | 1,740 | 1,557 |
| Mining services | 625 | 1,647 |
| Maintenance | 677 | 1,147 |
| Depreciation of property, plant and equipment | 2,838 | 3,180 |
| Other | 1,990 | 3,485 |
| Total | 9,350 | 13,166 |

Distribution costs include the following:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|--------------------------|-----------------------|---------------------------------------|
| Product delivery freight | 7,704 | 14,510 |
| Salaries and wages | 2,285 | 2,682 |
| Other | 1,402 | 1,340 |
| Total | 11,391 | 18,532 |

Administrative expenses include the following:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|------------------------|-----------------------|---------------------------------------|
| Salaries and wages | 2,382 | 2,862 |
| Expected credit losses | 2,120 | 1,754 |
| Share-based payments | 2,133 | 627 |
| Other | 2,113 | 3,111 |
| Total | 8,748 | 8,354 |

9. Finance cost

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|------------------------|-----------------------|---------------------------------------|
| Interest on bank loans | 4,274 | 5,995 |
| Other interest | 638 | 841 |
| Other finance costs | 196 | 219 |
| Total | 5,108 | 7,055 |

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

10. Employee benefits expense

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|--|-----------------------|---------------------------------------|
| Short-term employee benefits expense | 5,147 | 5,533 |
| Contributions to defined contribution plan | 865 | 1,135 |
| Termination benefits | 327 | 417 |
| Other benefits | 68 | 16 |
| Total | 6,407 | 7,101 |

11. Income tax expense / (income)

(a) Components of tax expense / (income) recognised in profit or loss include

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|--|-----------------------|---------------------------------------|
| <u>Current tax expense:</u> | | |
| Current tax expense | 31 | 214 |
| <u>Deferred tax expense (income):</u> | | |
| Deferred tax expense (income) | - | (2,805) |
| Total income tax expense / (income) | 31 | (2,591) |

The corporate income tax rate applicable to the Singapore entity is 17% (2023: 17%). In respect to the Group's subsidiaries in Brazil, the applicable income tax rate is 34% (2023: 34%).

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2023: 17.0%) to profit or loss before income tax as a result of the following differences:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Loss before tax | (12,527) | (8,570) |
| Income tax income at 17% | (2,130) | (1,457) |
| Effects of different tax rates of subsidiaries operating in other jurisdiction | 1,996 | (1,296) |
| Not deductible items | 24 | 152 |
| Origination of temporary differences on which no deferred tax has been recognised | 141 | 10 |
| Total income tax expense / (income) | 31 | (2,591) |

There are no income tax consequences of dividends to owners of the Company.

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

11. Income tax expense / (income) (continued)

(b) Deferred tax balance in the statement of financial position

| | Group | |
|---|---------------------|---------------------|
| | 2024 \$'000 | 2023 \$'000 |
| Deferred tax liabilities | | |
| Temporary differences from depreciation | (129) | (150) |
| | <u>(129)</u> | <u>(150)</u> |
| Deferred tax assets | | |
| Tax loss carryforwards | 2,542 | 2,227 |
| Provisions | - | 750 |
| | <u>2,542</u> | <u>2,977</u> |
| Total deferred tax assets | <u>2,413</u> | <u>2,827</u> |

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the tax losses incurred in the following countries:

| | Group | |
|--------------|---------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 |
| Singapore | 311 | 197 |
| Brazil | 4,024 | 204 |
| Total | <u>4,335</u> | <u>401</u> |

The Group has Brazil tax losses of approximately \$20,712,000 (2023: \$8,217,000) where deferred tax assets recognised with respect to those tax losses is \$2,542,000 (2023: \$2,227,000). As a result, the unrecognised deferred tax assets on the Brazil tax losses is \$4,024,000 (2023: \$204,000) by the end of the reporting year. These losses are available to be carried forward and set off against future profits.

In Brazil, the subsidiary Verde Fertilizantes Ltda. subject to corporate income tax ("IRPJ") at a fixed rate of 15% and social contribution ("CSLL") at a rate of 9% using an 'Actual Profits' method (i.e. "APM" - "Lucro Real", in Portuguese), which is based on taxable income (the tax in this method is approximately 34% of the profit before tax), adjusted by certain additions and exclusions as determined by the legislation.

Notes to the Financial Statements
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11. Income tax expense / (income) (continued)

In 2024, in accordance the applicable tax regulation, the Brazilian subsidiary FVS Mineração Ltda. have elected to follow the 'Assumed Profits' method, of which the income is calculated on a quarterly basis on an amount equal to different percentages of gross revenue (the tax in this method is approximately 3% of the net revenue) and adjusted as determined by the prevailing legislation. Such tax regime does not allow the utilisation of prior period losses to reduce income tax. Nonetheless, tax losses carried forward from periods before the election to calculate the income tax based on the 'presumed profits' method ("PPM") can be carried forward for future periods and offset against taxable profit, should the entity move to the Lucro Real basis.

12. Earnings per share (loss)

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|--|-----------------------|---------------------------------------|
| (Loss) attributable to owners of the parent | <u>(12,558)</u> | <u>(5,979)</u> |
| Weighted average number of ordinary shares | | |
| | <u>2024</u> '000 | <u>2023</u> '000 |
| Weighted average number of ordinary shares - basic | 52,670 | 52,641 |
| Dilutive stock options | - | - |
| Weighted average number of ordinary shares - diluted | <u>52,670</u> | <u>52,641</u> |
| Basic earnings per share (loss) | (\$0.238) | (\$0.114) |
| Diluted earnings per share (loss) | <u>(\$0.238)</u> | <u>(\$0.114)</u> |

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 reporting year ended 31 December 2024, as result of the loss for the year the stock options are deemed anti-dilutive.

| | <u>2024</u> '000 | <u>Group</u> <u>2023</u> '000 |
|---------------|---------------------|-------------------------------------|
| Stock options | <u>4,924</u> | <u>1,474</u> |

Details of share options that could potentially dilute earnings per share in future periods are set out in Note 24 to the financial statements.

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**Notes to the Financial Statements
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13. Property, plant and equipment

| <u>Group</u> | <u>Land and buildings</u> | <u>Plant and equipment</u> | <u>Computer equipment</u> | <u>Furniture and fixtures</u> | <u>Other assets</u> | <u>Total</u> |
|---|---------------------------|----------------------------|---------------------------|-------------------------------|---------------------|---------------|
| <u>Cost</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| 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 | - | 1,274 | 48 | 24 | 2 | 3,062 |
| Balance at 31 December 2023 | 29,165 | 23,336 | 851 | 399 | 192 | 53,943 |
| Additions | 201 | 3 | 1 | - | 664 | 869 |
| Disposals | (11) | - | (18) | - | - | (29) |
| Transfers | (8,452) | 8,661 | 13 | (248) | 26 | - |
| Effect of movements in foreign exchange | (3,114) | (4,601) | (126) | (22) | (32) | (7,895) |
| Balance at 31 December 2024 | 17,789 | 27,399 | 721 | 129 | 850 | 46,888 |
| Accumulated depreciation: | | | | | | |
| Balance at 1 January 2023 | - | 967 | 172 | 116 | - | 1,255 |
| Depreciation for the year | - | 3,307 | 83 | 15 | - | 3,405 |
| Acquired assets through finance | - | 49 | - | - | - | 49 |
| 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 |
| Depreciation for the year | 507 | 2,331 | 141 | 10 | - | 2,989 |
| Transfers | 937 | (966) | 107 | (78) | - | - |
| Disposals | - | - | (14) | - | - | (14) |
| Effect of movements in foreign exchange | (136) | (498) | (51) | (8) | - | (693) |
| Balance at 31 December 2024 | 1,308 | 5,233 | 421 | 62 | - | 7,024 |
| Carrying value: | | | | | | |
| 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 31 December 2024 | 16,481 | 22,166 | 300 | 67 | 850 | 39,864 |

Notes to the Financial Statements
31 December 2024

13. Property, plant and equipment (continued)

The annual rates of depreciation are as follows:

| | | |
|------------------------|---|-----------|
| Land and building | – | 0 to 10% |
| Plant and equipment | – | 4% to 10% |
| Computer equipment | – | 20% |
| Furniture and fixtures | – | 10% |

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

14. Right-of-use assets

| | <u>Group</u> \$'000 |
|---|------------------------|
| <u>Cost:</u> | |
| Balance at 1 January 2023 | 201 |
| Additions | 67 |
| Write-off of right-of-use assets | (213) |
| Effect of movements in foreign exchange | 12 |
| Balance at 31 December 2023 | 67 |
| Additions | 4 |
| Effect of movements in foreign exchange | (10) |
| Balance at 31 December 2024 | 61 |
| <u>Accumulated amortisation:</u> | |
| 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 |
| Amortisation charge for the year | 14 |
| Effect of movements in foreign exchange | (2) |
| Balance at 31 December 2024 | 27 |
| <u>Carrying value:</u> | |
| At 1 January 2023 | 174 |
| At 31 December 2023 | 52 |
| At 31 December 2024 | 34 |

The Group has entered into a lease for carpark space rental, with a remaining lease term of 2-3 years (2023: 3-4 years). The lease does not have an extension option, purchase option or escalation clause. The Group also has certain leases of low value or with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for the leases.

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Notes to the Financial Statements 31 December 2024

15. Mineral properties

| | <u>Group</u> \$'000 |
|---|------------------------|
| <u>Cost:</u> | |
| Balance at 1 January 2023 | 19,280 |
| Additions | 1 |
| Mine closure provision (Note 25) | 92 |
| Write-off of mineral properties | (335) |
| Effect of movements in foreign exchange | 866 |
| Balance at 31 December 2023 | 19,904 |
| Additions | 89 |
| Mine closure provision (Note 25) | 32 |
| Write-off of mineral properties | (21) |
| Effect of movements in foreign exchange | (2,076) |
| Balance at 31 December 2024 | 17,928 |
| <u>Accumulated amortisation:</u> | |
| 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 |
| Amortisation charge for the year | 70 |
| Amortisation reversal – estimate change | (329) |
| Effect of movements in foreign exchange | (105) |
| Balance at 31 December 2024 | 638 |
| <u>Carrying value:</u> | |
| At 1 January 2023 | 18,619 |
| At 31 December 2023 | 18,902 |
| At 31 December 2024 | 17,290 |

Consideration of impairment for the mineral property costs

The Directors have assessed whether there are any indicators of impairment in respect of mineral property cost, property plant and equipment and right-of-use assets. See Note 3.1. After consideration of those factors the Directors concluded that no impairment triggers had been noted that would require a formal impairment test and no impairment charge against in-production mining assets has been recorded. In order to conclude this, the Directors have considered internal and external sources of information, including the market capitalisation of the Company when compared to its net assets.

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

16. Other assets

| | <u>Group</u> | |
|-----------------------|--------------|--------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| Long-term receivables | 367 | 391 |
| Restricted cash | - | 1,711 |
| Total | 367 | 2,102 |

Long-term receivables comprise judicial deposits. Restricted cash represented the balance of financial investments given as guarantee for a bank loan that were blocked and can only be redeemed after the contract had been amortised.

17. Investments in subsidiaries

| | <u>Company</u> | |
|-------------------------------|----------------|---------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| Unquoted shares, at cost | 4,910 | 4,910 |
| Amounts due from subsidiaries | 42,766 | 42,330 |
| Total | 47,676 | 47,240 |

| | <u>Company</u> | |
|--|----------------|---------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| <i>Movements during the year:</i> | | |
| Balance at beginning of the year | 47,240 | 51,304 |
| Amounts due from subsidiaries | 436 | 1,349 |
| Cost of investment in subsidiary written off | - | (5,413) |
| Balance at end of the year | 47,676 | 47,240 |

Amounts due from subsidiaries are determined to be non-interest bearing, unsecured and have no repayment terms. The amounts due from subsidiaries are treated as capital contribution and are classified as investment in subsidiaries.

During the current reporting year, a subsidiary, Verde Agritech Plc, was dissolved on 1 November 2024. In the previous reporting year, management wrote down the cost of investment in the subsidiary of \$5,413,000 based on the recoverable amount of the subsidiary.

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

17. Investments in subsidiaries (continued)

The listing of and information on the subsidiaries is given below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities and independent auditor | Costs in books of company | | Effective percentage of equity held by company | |
|--|---------------------------|-----------------------|--|------------------|
| | <u>2024</u> \$'000 | <u>2023</u> \$'000 | <u>2024</u> % | <u>2023</u> % |
| Verde Fertilizantes Ltda ^(a) Production and sale of fertilizer (Brazil) | 42,221 | 41,785 | 100 | 100 |
| FVS Mineração Ltda ^(a) Mineral extraction (Brazil) | 5,455 | 5,455 | 100 | 100 |
| Oby Rare Earths Pty Ltd ^{(a), (b)} Mineral extraction (Australia) | -(d) | - | 100 | - |
| Verde Agritech Plc ^(c) Investment holding (England) | - | - | - | 100 |
| | <u>47,676</u> | <u>47,240</u> | | |

(a) Audited by RSM International network firms of which RSM SG Assurance LLP in Singapore is a member.

(b) Incorporated on 31 October 2024.

(c) The entity was dissolved on 1 November 2024 with cost of investment written down in previous reporting year.

(d) Paid up share capital is less than \$1,000.

18. Derivatives financial instruments

Presented in the statements of financial position as follows:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Financial assets – derivatives, current (Note 18a) | - | 8 |
| Financial liabilities – derivatives, current (Note 18b) | <u>(37)</u> | <u>(312)</u> |

(a) Financial assets – derivatives

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|------------------------------|-----------------------|---------------------------------------|
| Derivatives – swap contracts | - | 8 |
| Total | <u>-</u> | <u>8</u> |

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18. Derivative financial instruments (continued)

(b) Financial liabilities – derivatives and at FVTPL

| | <u>Group</u> | |
|------------------------------|--------------|-------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| Derivatives – swap contracts | 37 | 312 |
| Total | 37 | 312 |

19. Inventories

| | <u>Group</u> | |
|--|--------------|--------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| Finished goods and goods for resale | 481 | 1,018 |
| Packaging | 223 | 1,218 |
| Stockpile ore | 116 | 195 |
| Other | 889 | 17 |
| Total | 1,709 | 2,448 |
| Inventories recognised as an expense in cost of sales (Note 8) | 9,350 | 13,166 |

There are no inventories pledged as securities for liabilities.

20. Trade and other receivables

| | <u>Group</u> | | <u>Company</u> | |
|------------------------|--------------|---------------|----------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables | 9,749 | 14,696 | 37 | 4 |
| Expected credit losses | (3,617) | (1,754) | - | - |
| Other receivables | 732 | 715 | 120 | 47 |
| Total | 6,864 | 13,657 | 157 | 51 |

Movement in expected credit losses is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|--------------|----------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| At the beginning of the year | 1,754 | - | - | - |
| Charge for the year | 2,120 | 1,754 | - | - |
| Effect of movements in foreign exchange | (257) | - | - | - |
| At the end of the year | 3,617 | 1,754 | - | - |

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

20. Trade and other receivables (continued)

The expected credit losses are calculated based on the analysis of the aging list, provisioning long-standing items, but also considering assessed probable losses, the amount of which is deemed sufficient by the Directors to cover potential losses in the realisation of accounts receivable, based on loss history. The receivables from customers are composed as follows by maturity:

| | <u>Gross amount</u> | | <u>Loss allowance</u> | |
|---------------------------------|---------------------|---------------|-----------------------|--------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Credit risk graded individually | 3,617 | 1,754 | 3,617 | 1,754 |
| Within due date | 4,770 | 10,560 | - | - |
| 1 to 30 days past due | 7 | 540 | - | - |
| 31 to 60 days past due | 15 | 237 | - | - |
| 61 to 90 days past due | 25 | 338 | - | - |
| 91 to 120 days past due | 5 | 265 | - | - |
| Over 120 days past due | 1,310 | 1,002 | - | - |
| Total | 9,749 | 14,696 | 3,617 | 1,754 |

21. Cash and cash equivalents

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------|--------------|--------------|----------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash at bank and in hand | 3,476 | 6,975 | 242 | 189 |
| Total | 3,476 | 6,975 | 242 | 189 |

Cash and cash equivalents by currency is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------|--------------|--------------|----------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Canadian Dollars ("CAD") | 222 | 179 | 222 | 179 |
| Brazilian Reals ("BRL") | 3,234 | 6,786 | - | - |
| American Dollars ("USD") | 7 | 8 | 7 | 8 |
| British Pounds ("GBP") | - | 2 | - | 2 |
| Singapore Dollars ("SGD") | 13 | - | 13 | - |
| Total | 3,476 | 6,975 | 242 | 189 |

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Notes to the Financial Statements 31 December 2024

21. Cash and cash equivalents (continued)

(a) Reconciliation of liabilities arising from financing activities

Loans and borrowings

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Balance at the beginning of the year | 46,146 | 38,108 |
| Additions | 2,361 | 40,437 |
| Payments of principal | (5,462) | (35,441) |
| Payments of interest | (1,078) | (5,091) |
| Accrued interest | 4,274 | 5,995 |
| Effect of movements in foreign exchange | (6,754) | 2,138 |
| Other | 222 | - |
| Balance at the end of the year (Note 26) | 39,709 | 46,146 |

Lease liabilities

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Balance at the beginning of the year | 56 | 265 |
| Additions | 4 | 67 |
| Payments | (19) | (21) |
| Accrued interest | 8 | 10 |
| Other | (8) | (265) |
| Balance at the end of the year (Note 27) | 41 | 56 |

22. Share capital

| | <u>Number of shares issued</u> | <u>Share capital</u> \$'000 |
|--|--|------------------------------------|
| <u>Group and Company</u> | | |
| Ordinary shares of no par value: | | |
| At beginning of the year 1 January 2023 | 52,597,951 | 20,611 |
| Issuance of ordinary shares | 71,773 | 41 |
| At the end of the year 31 December 2023 | 52,669,724 | 20,652 |
| At the end of the year 31 December 2024 | 52,669,724 | 20,652 |

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of shareholders. Given the nature of the Group's current activities the entity will remain dependent on equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of mineral resources.

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Notes to the Financial Statements 31 December 2024

22. Share capital (continued)

The management monitors the capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt / capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|--|------------------------|---------------------------------------|
| Net debt: | | |
| All current and non-current borrowings (Note 26) | 39,709 | 46,146 |
| All current and non-current leases (Note 27) | 41 | 56 |
| Less: cash and cash equivalents (Note 21) | <u>(3,476)</u> | <u>(6,975)</u> |
| Net debt | <u>36,274</u> | <u>39,227</u> |
| Total equity | <u>30,335</u> | <u>45,506</u> |
| Debt-to-equity ratio | <u>120%</u> | <u>86%</u> |

The unfavourable change in gearing as shown by the increase in the debt-to-capital ratio for the reporting year resulted primarily from increase in accumulated losses for the reporting year.

23. Reserves

(a) Capital contribution

Capital contribution pertains to the share premium which the shareholders of the Company previously paid when acquiring the shares of Verde Agritech Limited (registered in England and Wales), representing the aggregate amount of the premium over and above the par value of the shares of CAD\$0.3918 per share previously recognised.

(b) Merger reserve

The merger reserve arose from the acquisition of GB01N Limited by Verde Agritech Plc in a prior period. As Verde Agritech Plc was a newly incorporated entity which acquired a group by way of issue of shares to the existing shareholders of GB01N Limited, the transaction was not a business combination within the meaning of SFRS(I). The transaction was effectively treated as a group reorganisation and the consolidated financial statements are presented in a way that reflects the continuation of the GB01N Limited resulting in the creation of a merger reserve.

(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities which have a different functional currency from the presentation currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period of disposal of the operation.

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24. Share-based payments

During the reporting year, the Group granted share options to key personnel to purchase shares in the entity. The number and weighted average exercise prices of share options are as follows:

| | <u>2024</u> | | <u>2023</u> | |
|---|---------------------------------------|----------------------|---------------------------------------|----------------------|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Outstanding at the beginning of the year | \$1.09 | 2,732,619 | \$1.31 | 1,597,398 |
| Granted during the year | \$1.10 | 3,010,548 | \$2.33 | 1,304,393 |
| Exercised during the year | - | - | \$0.58 | (71,773) |
| Cancelled/Forfeited during the year | \$1.52 | (819,182) | \$2.97 | (97,399) |
| Outstanding at the end of the year | \$1.42 | 4,923,985 | \$1.09 | 2,732,619 |
| Exercisable at the end of the year | \$0.71 | 3,479,184 | \$0.42 | 1,140,058 |

The options outstanding at 31 December 2024 have an exercise price in the range of \$0.40 to \$7.76 (2023: of \$0.40 to \$7.76) and a weighted average remaining contractual life of 7.3 years (2023: 6.7 years). Seven option awards were granted in 2024. The option awards vest in varying tranches:

| <u>Issue date</u> | <u>Vesting period</u> |
|-------------------|--|
| March 2024 | 10% on issue, followed by 10% years one to four and final 50% in year five |
| March 2024 | Vested in full by June 2024 |
| May 2024 | 11% on issue, followed by 11% every four months and final 12% in 32 months |
| June 2024 | 10% on issue, followed by 10% years one to four and final 50% in year five |
| June 2024 | 11% on issue, followed by 11% every four months and final 12% in 32 months |
| August 2024 | 10% on issue, followed by 10% years one to four and final 50% in year five |
| December 2024 | 10% on issue, followed by 10% years one to four and final 50% in year five |

At 31 December 2024, 3,479,184 of the options had vested (2023: 1,140,058).

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Fair value of share options and assumptions | | |
| Weighted average fair value of options granted during the year | \$0.70 | \$1.86 |
| Weighted average share price | \$1.10 | \$2.34 |
| Weighted average exercise price | \$1.10 | \$2.43 |
| Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model) | 100% | 118% |
| Option life | 3 | 5 |
| Risk-free interest rate (based on national government bonds) | 3.38% | 3.54% |

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31 December 2024

24. 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 is no market conditions associated with the share option grants.

During the reporting year, total expense recognised as employee costs amounted to \$2,133,000 (2023: \$627,000).

VERDE AGRITECH LTD.

Notes to the Financial Statements
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24. Share-based payments (continued)

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

| Outstanding at beginning of period | Granted | Forfeited | Exercise | Outstanding at end of period | Exercisable at end of period | Exercise price (\$) | Grant date | Expiry date |
|---------------------------------------|-----------|-----------|----------|------------------------------------|------------------------------------|------------------------|--------------|--------------|
| 200,000 | - | (200,000) | - | - | - | \$1.02 | 30 May 2018 | 30 May 2028 |
| 131 | - | - | - | 131 | 131 | \$0.61 | 24 Sep 2018 | 24 Sep 2028 |
| 65,000 | - | - | - | 65,000 | 65,000 | \$0.61 | 24 Sep 2018 | 24 Sep 2028 |
| 124,490 | - | - | - | 124,490 | 124,490 | \$0.63 | 01 Mar 2019 | 01 Mar 2029 |
| 167,500 | - | - | - | 167,500 | 167,500 | \$0.63 | 01 Mar 2019 | 01 Mar 2029 |
| 21,000 | - | - | - | 21,000 | 21,000 | \$0.67 | 1 Sept 2019 | 1 Sept 2029 |
| 18,349 | - | (18,349) | - | - | - | \$0.40 | 14 Feb 2020 | 14 Feb 2030 |
| 24,684 | - | - | - | 24,684 | 9,342 | \$0.40 | 25 Mar 2020 | 25 Mar 2030 |
| 26,828 | - | (5,145) | - | 21,683 | 8,673 | \$1.22 | 5 Mar 2021 | 5 Mar 2031 |
| 750,000 | - | - | - | 750,000 | 750,000 | \$1.22 | 5 Mar 2021 | 5 Mar 2031 |
| 30,182 | - | (15,121) | - | 15,061 | 6,934 | \$1.21 | 10 May 2021 | 10 May 2031 |
| 26,062 | - | (12,400) | - | 13,662 | 4,099 | \$7.76 | 16 Mar 2022 | 16 Mar 2032 |
| 3,000 | - | - | - | 3,000 | 900 | \$7.11 | 5 Nov 2022 | 5 Nov 2032 |
| 2,000 | - | (1,600) | - | 400 | 400 | \$6.51 | 17 Feb 2023 | 17 Feb 2033 |
| 146,000 | - | (35,500) | - | 110,500 | 12,400 | \$2.23 | 19 May 2023 | 19 May 2033 |
| 184,311 | - | (85,859) | - | 98,452 | 33,474 | \$2.23 | 19 May 2023 | 19 May 2033 |
| 736,179 | - | - | - | 736,179 | 250,301 | \$2.32 | 15 July 2023 | 15 July 2033 |
| 124,436 | - | (44,441) | - | 79,995 | 15,999 | \$3.13 | 28 Aug 2023 | 28 Aug 2033 |
| 82,467 | - | (82,467) | - | - | - | \$1.64 | 2 Oct 2023 | 2 Oct 2033 |
| - | 345,000 | (264,000) | - | 81,000 | 9,000 | \$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 |
| - | 101,548 | - | - | 101,548 | 22,341 | \$0.74 | 17 May 2024 | 17 May 2034 |
| - | 529,000 | (54,300) | - | 474,700 | 51,700 | \$0.80 | 19 June 2024 | 19 June 2034 |
| - | 100,000 | - | - | 100,000 | 22,000 | \$0.83 | 27 June 2024 | 27 June 2034 |
| - | 15,000 | - | - | 15,000 | 1,500 | \$0.71 | 12 Aug 2024 | 12 Aug 2034 |
| - | 20,000 | - | - | 20,000 | 2,000 | \$0.63 | 12 Dec 2024 | 12 Dec 2034 |
| 2,732,619 | 3,010,548 | (819,182) | - | 4,923,985 | 3,479,184 | | | |

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Notes to the Financial Statements
31 December 2024

24. Share-based payments (continued)

Details of share options outstanding at 31 December 2023 were as follows:

| Outstanding at beginning of period | Granted | Forfeited | Exercise | Outstanding at end of period | Exercisable at end of period | Exercise price (\$) | Grant date | Expiry date |
|---------------------------------------|-----------|-----------|----------|------------------------------------|------------------------------------|------------------------|-------------|-------------|
| 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 Sep 2028 |
| 110,000 | - | (10,000) | (35,000) | 65,000 | 65,000 | \$0.61 | 24 Sep 2018 | 24 Sep 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 | 8,500 | \$0.67 | 1 Sep 2019 | 1 Sep 2029 |
| 22,936 | - | (4,587) | - | 18,349 | 7,340 | \$0.40 | 14 Feb 2020 | 14 Feb 2030 |
| 24,684 | - | - | - | 24,684 | 6 | \$0.40 | 25 Mar 2020 | 25 Mar 2030 |
| 32,120 | - | (5,292) | - | 26,828 | 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 | - | (15,920) | (2,273) | 30,182 | 9,543 | \$1.21 | 10 May 2021 | 10 May 2031 |
| 10,000 | - | (8,000) | (2,000) | - | - | \$1.48 | 9 Nov 2021 | 9 Nov 2031 |
| 50,662 | - | (24,600) | - | 26,062 | 7,132 | \$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 | 200 | \$6.51 | 17 Feb 2023 | 17 Feb 2033 |
| - | 175,000 | (29,000) | - | 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 Jul 2023 | 15 Jul 2033 |
| - | 124,436 | - | - | 124,436 | 12,444 | \$3.13 | 28 Aug 2023 | 28 Aug 2033 |
| - | 82,467 | - | - | 82,467 | 12,370 | \$1.64 | 2 Oct 2023 | 2 Oct 2033 |
| 1,597,398 | 1,304,393 | (97,399) | (71,773) | 2,732,619 | 1,133,790 | | | |

Notes to the Financial Statements
31 December 2024

25. Provisions

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Provisions, non-current | | |
| Mine closure provision (Note 25a) | 112 | 92 |
| Labour contingencies provision (Note 25b) | 43 | 55 |
| Total | 155 | 147 |

(a) Mine closure provision

The movement for mine closure provision is as follows:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Balance at the beginning of the year | 92 | - |
| Additions (Note 15) | 32 | 92 |
| Effect of movements in foreign exchange | (12) | - |
| Balance at the end of the year | 112 | 92 |

The provision represents the present value of costs relating to current damaged area of the mine, which are expected to be incurred up to 2055, which is the following year after the producing of the current open pit mine are is expected to cease operations.

The provision has been based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which the Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future prices, which are inherently uncertain.

(b) Labour contingencies provision

The movements for labour contingencies provision are as follows:

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|---|-----------------------|---------------------------------------|
| Balance at the beginning of the year | 55 | - |
| Additions | 27 | 55 |
| Disposals | (30) | - |
| Effect of movements in foreign exchange | (9) | - |
| Balance at the end of the year | 43 | 55 |

Notes to the Financial Statements
31 December 2024

26. Interest-bearing loans and borrowings

| | <u>2024</u> \$'000 | <u>Group</u> <u>2023</u> \$'000 |
|------------------------|-----------------------|---------------------------------------|
| Current bank loans | 265 | 35,625 |
| Non-current bank loans | 39,444 | 10,521 |
| Total | <u>39,709</u> | <u>46,146</u> |

Interest-bearing loans and borrowings are denominated in BRL.

Maturity profile of the bank loans are as follows:

| | <u>2024</u> | | | <u>2023</u> | | |
|------------|--|--------------------------------------|-----------------------------------|--|--------------------------------------|-----------------------------------|
| | Less than one year <u>2024</u> \$'000 | 2 – 4 years <u>2024</u> \$'000 | Greater than 4 years \$'000 | Less than one year <u>2023</u> \$'000 | 2 – 4 years <u>2023</u> \$'000 | Greater than 4 years \$'000 |
| Bank loans | <u>265</u> | <u>14,125</u> | <u>25,319</u> | <u>35,625</u> | <u>10,246</u> | <u>275</u> |

In the previous reporting year, the loans were classified as current because the bank could call back the loan as there was a default on the compliance of the covenants of the loan agreement. However, at the end reporting year, the Group has the right to roll over the obligation for at least 12 months under the renegotiated loan agreement, it classifies the obligations as non-current.

In October 2024, the Company renegotiated its bank debts as part of an out-of-court recovery plan. The agreement includes an 18-month grace period for principal payments and a 6-month grace period for interest payments, effective from the official start date of the agreement. Debt repayments are structured over a 108-month term, commencing after the grace period.

The repayment schedule establishes that the Company will repay 10% of the debt during the first three years following the grace period, 30% between the fourth and sixth years, and the remaining 60% over the final three years. For interest payments, the Company will make fixed monthly payments of R\$100,000 between the sixth and eighteenth months from the start date. After this period, interest rates will be adjusted to CDI + 1.25% for the first three years, increasing to CDI + 2.5% thereafter.

This renegotiation has resulted in a substantial reduction of short-term debt obligations, as reflected in the updated maturity profile. The plan aims to strengthen the Company's cash flow and ensure better financial management throughout the judicial recovery process.

Notes to the Financial Statements
31 December 2024

26. Interest-bearing loans and borrowings (continued)

Interest-bearing loans and borrowings – Summary of Interest-bearing loans and borrowings

| <u>Lender</u> | <u>Loan start date</u> | <u>Purpose</u> | <u>Grace period (months)</u> | <u>Term (months)</u> | <u>Loan value R\$'000</u> | <u>Balance at 31 December 2024 C\$'000</u> | <u>Balance at 31 December 2023 C\$'000</u> | <u>Repayable by</u> | <u>Total interest payable*</u> |
|-------------------------------|------------------------|-----------------|------------------------------|----------------------|---------------------------|--|--|---------------------|--------------------------------|
| Brazil ^(e) | Apr, 2024 | Working capital | 18 | 108 | 3,341 | 777 | - | September 2034 | CDI ⁽¹⁾ +2.0% |
| Voiter ^(d) | Mar, 2024 | Working capital | 18 | 108 | 5,000 | 1,056 | - | September 2034 | CDI ⁽¹⁾ +2.0% |
| Brazil ^(e) | Mar, 2024 | Working capital | 18 | 108 | 1,651 | 384 | - | September 2034 | CDI ⁽¹⁾ +2.0% |
| Banco BCG ^(d) | Dec, 2023 | Working capital | 18 | 108 | 10,000 | 2,059 | 2,756 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Brazil ^(e) (e) | Nov, 2023 | Working capital | 18 | 108 | 8,000 | 2,173 | 2,207 | September 2034 | CDI ⁽¹⁾ +2.0% |
| ABC Brazil ^(a) (d) | Oct, 2023 | Working capital | 18 | 108 | 15,000 | 3,386 | 3,975 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Bradesco ^(a) | Oct, 2023 | Working capital | 18 | 108 | 20,000 | 4,082 | 5,598 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Brazil ^(b) (e) | Aug, 2023 | Working capital | 18 | 108 | 40,000 | 11,322 | 11,539 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Votorantim ^(d) | Jul, 2023 | Working capital | 18 | 108 | 5,000 | 1,024 | 1,378 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Brazil ^(b) | Apr, 2023 | Working capital | 18 | 108 | 20,000 | 5,179 | 5,452 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Inter ^(d) | Jan, 2023 | Working capital | 18 | 108 | 5,000 | 299 | 1,388 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Various | Prior to 2023 | | | | 61,297 | 7,968 | 11,853 | September 2034 | CDI ⁽¹⁾ +2.0% |
| Total | | | | | 194,289 | 39,709 | 46,146 | | |

⁽¹⁾ -CDI, (from Portuguese "Certificado de Depósito Interbancário") is the average of interbank overnight rates in Brazil. As at 31 December 2024, the 12 months cumulative rate was 10.83%.

Bank loans are secured as follows:

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

Indicator ^(b) – Future sales contracts

Indicator ^(c) – Plant / Factory

Indicator ^(d) – Financial investments

Indicator ^(e) – None

VERDE AGRITECH LTD.

Notes to the Financial Statements 31 December 2024

27. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

| | <u>Group</u> | |
|--------------------------------|--------------|-------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| Lease liabilities, current | 17 | 14 |
| Lease liabilities, non-current | 24 | 42 |
| Total | 41 | 56 |

Total cash outflows from leases are shown in the consolidated statement of cash flows. The right-of-use assets are disclosed in Note 14.

28. Trade and other payables

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------------------|--------------|--------------|----------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <u>Trade payables:</u> | | | | |
| Trade payables | 464 | 1,228 | - | - |
| Customer advances | 150 | 1,126 | - | - |
| Loan payable to a subsidiary | - | - | 444 | 55 |
| Trade payables – subtotal | 614 | 2,354 | 444 | 55 |
| <u>Other payables:</u> | | | | |
| Income tax payables | 4 | 15 | - | - |
| Other payables | 695 | 1,094 | 255 | 291 |
| Accruals | 427 | 542 | 22 | 72 |
| Other payables – subtotal | 1,126 | 1,651 | 277 | 363 |
| Total trade and other payables | 1,740 | 4,005 | 721 | 418 |

The customer advances are expected to be recognised as revenue within a year.

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Notes to the Financial Statements 31 December 2024

29. Capital commitments

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

| | <u>2024</u> | <u>Group</u> | <u>2023</u> |
|---|-------------|--------------|-------------|
| | \$'000 | | \$'000 |
| Amount payable within one year | 66 | | 67 |
| Amounts payable after more than one year and less than five years | 63 | | 69 |
| After five years | 276 | | 311 |
| Total | 405 | | 447 |

30. Financial instruments

The Directors determine, 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.

(a) 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. Refer to Note 21.

Notes to the Financial Statements
31 December 2024

30. Financial instruments (continued)

(a) Foreign currency risk (continued)

The Brazilian Real deposits are held as interbank deposit certificates, with no maturity date and track Brazil's short-term interest rate ("SELIC"), which was 12.25% (2023: 11.75%) at 31 December 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 | |
|-------------------------------------|--------------|--------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| 10% weakening of Brazilian Real | (3,244) | (2,977) |
| 10% strengthening of Brazilian Real | <u>2,654</u> | <u>2,436</u> |

In 2024, the Group entered into cross-currency interest rate swaps in order to mitigate the foreign exchange exposure related to a loan denominated in US Dollar, entered into during the reporting year. The swap agreements are comprised of derivative assets to swap the foreign exchange exposure (US Dollar to Brazilian real) and derivative liabilities for the interest rate swap (16.15% p.y. to 4.85% + CDI 13.25% p.y. to 3.65% + CDI, 11.10% p.y. to 3.46% + CDI and U\$ 5.05, 4.85% + CDI p.y. to 7.89% + CDI and U\$ 5.12). The last swap agreements have maturities on July 2026. The table below summarises the notional and fair value amounts of the swap agreements.

| | Group | |
|---|-------------|--------------|
| | <u>2024</u> | <u>2023</u> |
| | \$'000 | \$'000 |
| Asset position: CDI + 4.85% p.y. | - | 8 |
| Liability position ABC: U\$ 5.05 and CDI + 3.46% p.y. | - | (234) |
| Liability position Santander: U\$ 5.12 and CDI + 3.46% p.y. | - | (70) |
| Liability position Votorantim: CDI + 7.89% p.y. | (37) | (8) |
| Net position - liabilities | <u>(37)</u> | <u>(304)</u> |

Notes to the Financial Statements
31 December 2024

30. Financial instruments (continued)

(b) 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.

(c) 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 16.20% per annum (2023: 15.99%). The Brazilian Government long term bond rate as at 31 December 2024 was 12.25% (2023: 11.75%). Based on Brazilian Central Bank perspectives for long term bond rate, the Directors does not expect that it is reasonably possible that a significant increase in interest rate is expected for the foreseeable future.

(d) 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.

The Group's cash is held in major Canadian and Brazilian banks, and as such the Group is exposed to the risks of those financial institutions. Under Standard & Poor's short term credit ratings, the Group's cash balance is held in institutions with the following ratings:

| | <u>2024</u> | <u>2023</u> |
|--------------|---------------------|---------------------|
| | \$'000 | \$'000 |
| AAA | 2,901 | - |
| A-1 + | 242 | 196 |
| B | 213 | 5,709 |
| BB- | - | 1,016 |
| Not rated | 120 | 54 |
| Total | <u>3,476</u> | <u>6,975</u> |

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30. Financial instruments (continued)

(d) Foreign currency risk (continued)

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.

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 at amortised costs and all financial liabilities are measured at amortised cost.

31. Events after the end of the reporting year

The Company established the Record Date for the distribution of interests in Oby for 27 January 2025, in compliance with regulatory requirements, ensuring the minimum notice period of five trading days prior to the earliest possible completion date of the share capital reduction process.

The distribution will transition the Man of War project to an independent entity, Oby, enabling greater focus and autonomy for its development. This step allows Verde to focus exclusively on its core fertiliser operations while enabling Oby to focus on rare earth elements and correlated mineralisation in the Man of War project. As part of this process, the Company is conducting a share capital reduction, reducing the issued and paid-up share capital of the Company by \$350,000, taking into account the net book value of the Oby Shares.

32. Changes and adoption of financial reporting standards

For the current reporting year, the ASC issued certain new or revised financial reporting standards. None had material impact on the reporting entity.

Notes to the Financial Statements
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33. New or amended standards in issue but not yet effective

The ASC issued certain new or revised financial reporting standards for the future reporting years. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material modification of the measurement methods or the presentation in the financial statements for the following reporting year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application. Those applicable to the reporting entity for future reporting years are listed below.

| <u>SFRS(I) No.</u> | <u>Title</u> | Effective date for periods beginning <u>on or after</u> |
|--------------------|--|---|
| SFRS(I) 18 | Presentation and disclosures in financial statements | 1 January 2027 |

34. Comparative figures

The financial statements for the reporting year ended 31 December 2023 were audited by other independent auditor (other than RSM SG Assurance LLP) whose report dated 13 May 2024 expressed an unqualified opinion on those financial statements.