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REGISTERED NUMBER: 05904885 (ENGLAND AND WALES)

REPORT OF THE DIRECTORS AND  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017 FOR  
VERDE AGRITECH PLC



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# VERDE AGRITECH PLC

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# VERDE AGRITECH PLC

## COMPANY INFORMATION

### FOR THE YEAR ENDED 31 DECEMBER 2017

Directors: Cristiano Veloso  
Alysson Paulinelli  
Getulio Fonseca  
Renato Gomes  
Antonio Schettino (resigned 9 February 2017)  
Paulo Machado Ribeiro (appointed 9 February 2017)

Secretary: Timothy Slater (appointed 12 May 2017)

Registered office: Salatin House  
19 Cedar Road  
Sutton  
Surrey  
SM2 5DA

Registered number: 5904885 (England and Wales)

Auditor: BDO LLP  
55 Baker Street  
London  
W1U 7EU

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# VERDE AGRITECH PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

### PRINCIPAL ACTIVITIES

The principal activity of the Group is the development of innovative agri-tech products of high agronomic efficiency that foster sustainable, profitable and productive agriculture. The principal activity of the Company is that of a holding company.

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Group continued its exploration and development activities on the Cerrado Verde Project (“Cerrado Verde”) located in the state of Minas Gerais in Brazil. The development plan is comprised of two phases in order to reduce risk, reduce upfront capital expenditure, accelerate production and expedite cash flow from its large potassium silicate resource. In Phase 1, the Group expects to initiate production by subcontracting most required industrial steps to existing local companies. In Phase 2, the Group expects to build its proprietary greenfield plant.

Given the stage of the Group’s operations the Board regards the progress towards obtaining the necessary licences and permits to bring Cerrado Verde into production to be the Key Performance Indicator in measuring the Group’s progress and future success. The Group achieved a significant milestone during the year producing and selling Super Greensand® and publishing a pre-feasibility study (“PFS”) for the expansion of Super Greensand® production. Details of the PFS are included in the 2017 project developments below.

The Group’s financial Key Performance Indicator is cost control and costs are controlled by preparing monthly management financial accounts and conducting monthly reviews. Administrative costs during the year increased by approximately \$51,000 excluding share based payments. These costs were in line with budget and include additional marketing costs following a private placement of \$1.8 million during the year and the impairment provision against the Calcario project. The Group also implemented an enterprise resource planning (“ERP”) system to monitor costs more effectively as the Group gears up production.

The Group incurred C\$830,000 (2016: C\$884,000) of deferred exploration costs, net of C\$321,000 revenue, on maintaining the existing permits, work to obtain the environmental and mining licences and development of products during the year and made an operating loss of C\$2,239,000 (\$1,576,000 before impairment) (2016: C\$1,204,000) and a net loss of C\$2,204,000 (2016: C\$1,172,000) for the year. The loss for the year increased as the Group increased its marketing activity following its private placement financing, increased share based payment expense following the grant of options during the year, impairment provision against the Calcario project and implementation of ERP software. Revenue has been credited against the project until commercial production is reached.

### **Cerrado Verde**

#### *Summary of the Cerrado Verde Project*

During 2008 the Group staked a large mineral occurrence of a potassium silicate rock, which is believed to be uniquely suited to Brazil’s domestic fertilizer needs.

Throughout 2009-2014, the Group advanced and completed a large drilling program at Cerrado Verde, which has a strike length exceeding 100km. Potassium mineralization was found from surface to a maximum depth of 80m, rendering the deposit amenable to open pit mining. Cerrado Verde has an NI 43-101 Measured and Indicated Mineral Resource Estimate of 1.47 billion tonnes at a grade of 9.2% K<sub>2</sub>O which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K<sub>2</sub>O. Additionally, the Inferred Mineral Resource Estimate is 1.85 billion tonnes at a K<sub>2</sub>O grade of 8.6%. The mineral resource was estimated from data collected

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# VERDE AGRITECH PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

from a total of 41,021m of reverse circulation drilling from 710 drill holes with a collar spacing ranging from 100m x 100m (measured resource) to 400m x 400m (inferred resource) and 1,717m of DC drilling from 25 drill holes.

The Group plans to produce Super Greensand®.

Super Greensand® is both a fertilizer and a soil conditioner. As a fertilizer it provides potassium, magnesium, silicon, iron and manganese. As a soil conditioner it increases the soil's capacity to retain water and nutrients.

The Group secured an environmental license for up to 150,000 tonnes per year of run of mine until February 2022. To such end, the Group has completed all necessary studies required from different federal, state and local governmental authorities, filed an updated environmental impact assessment.

#### *2017 Project Developments*

In the first quarter, Super Greensand® was approved for use in organic agriculture in the United States by the Organic Materials Review Institute, the official certifier of organic products in the US.

In February, the Group announced it was granted an environmental license. The group's targeted production for the first half of 2017 was 19,500 tonnes of Super Greensand® and 500 tonnes of Alpha

In April 2017, the Group was awarded a mining permit for 20,000 tonnes per annum to start up its planned production.

In May 2017, the Group concluded its first export of Super Greensand® to the United States' cannabis and organic markets.

Also in May 2017, the Group announced commencement of a Pre-Feasibility Study ("PFS") for the expansion of Super Greensand® production.

In June 2017, the Group appointed a USA distributor with exclusive distribution rights over the Pacific Northwest region and non-exclusive distribution rights for the rest of the country agreeing to minimum volumes over the next 4 years.

At the year end, Super Greensand® was registered in the United States as a fertilizer in the following states: Arizona, Colorado, Delaware, Florida, Idaho, Iowa, Kansas, Maine, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Vermont, Washington and Wisconsin. The Group continues the registration process in the remaining states.

At the year end, the Group had sold \$321,000 of Super Greensand®. This revenue was credited net of production costs against the Cerrado Verde project until commercial production is reached.

The product is currently available in several shops including on line via the website [www.supergreensand.com](http://www.supergreensand.com) and <https://www.planetnatural.com/product/greensand-50-lb/>

In November 2017, the Group announced the completion of its PFS. The PFS evaluated the technical and financial aspects of producing 25 Million tonnes per year ("Mtpy") of Super Greensand® divided in three phases: Phase 1 (0.6Mtpy); Phase 2 (5Mtpy) and Phase 3 (25Mtpy). The proposed scalable development is predicated on production growth being financed largely from expected internal cash flow.

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# VERDE AGRITECH PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

#### Project Highlights:

- Proven and Probable Reserves of 777.28 Mt, grading 9.78% K<sub>2</sub>O.
- Capex for Phase 1 is estimated at US\$3.05 million.
- Capex for all phases is estimated at US\$369.53 million.
- Sustaining capital for the Project is estimated at US\$222.26 million.
- Estimated after-tax Net Present Value ("NPV") for the Project, using an 8% discount rate, of US\$1,987.97 million.
- Estimated after-tax Internal Rate of Return ("IRR") of 290%.
- Payback of 0.5 years for Phase 1, 0.2 years for Phase 2 and 1.2 years for Phase 3, from the start of production in each phase (years 1, 3 and 6, respectively).
- Adopted Potassium Chloride ("KCl") long term price of US\$250 CFR Brazil as reference for Super Greensand<sup>®</sup> pricing.
- Estimated Operating Cost of US\$14.53, US\$6.77, US\$7.92 per product tonne for Phases 1, 2 and 3 respectively.

#### The PFS is based on the following assumptions:

- 100% equity.
- Phase 1 production of 0.6 Mtpy; Phase 2 production of 5 Mtpy; Phase 3 production of 25 Mtpy.
- A projected mine life of 36 years.
- Contract Mining.
- A 15% contingency applied to Capex.
- US Dollar-Brazilian Real exchange rate of US\$1 = R\$3.28.
- Potassium Chloride ("KCl") long term price of US\$250 CFR Brazil as reference for Super Greensand<sup>®</sup> pricing.

On December 22, 2017, the Group received the results of the new NI43-101 compliant technical report of its Pre-Feasibility studies. The results of the study indicate that Super Greensand<sup>®</sup> can be produced in the desired purity and that there is demand in the market in its use as a fertilizer.

#### Calcario Project

The Calcario project was necessary for the production of limestone which is necessary for the production of the TK47<sup>®</sup> product. Following the decision to produce Super Greensand<sup>®</sup> the Company will retain title to this project and is considering various options for its future. A provision of \$663,000 has been made against the project.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly reviews the risks to which the Group is exposed and ensures through Board Committees and regular reporting that these risks are minimised to the extent possible. The Audit Committee is responsible for the implementation and review of the Group's internal financial controls and risk management systems.

The exploration for and exploitation of natural resources are speculative activities that involve a high degree of risk. The following risk factors should be considered in assessing the Group's activities. Should any one or more of these risks occur, it could have a material adverse effect on the business, prospects, assets, financial position or operating results of the Group. The risks noted below do not necessarily comprise all those faced by the Group. Additional risks not currently known to the Group or that the Group currently deems would not likely influence an investor's decision to purchase securities of the Group may also impact the Group's business, prospects, assets, financial position or operating results.

#### **Mineral Resources**

The resource estimates for the Cerrado Verde project are estimates only and no assurances can be given that the estimated levels of potash will actually be produced. Such estimates are expressions of judgement based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. Resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery.

The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. Currently, the Company has Measured, Indicated and Inferred Mineral Resources, and Proven and Probable Mineral Reserves on the Cerrado Verde Project. No assurance can be given that mineralization will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade, geological formation and proximity to infrastructure; commodity prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. If the Company is unable to upgrade the current estimated mineral resources on the Cerrado Verde Project to measured mineral resources or mineral reserves in sufficient quantities to justify commercial operations, it would be unable to develop a mine on the Cerrado Verde Project and its business, financial condition and results of operations could be adversely affected. Risk is mitigated through established third party experts in the industry validating the estimates.

#### **Expected Market Potential of Super Greensand®**

Super Greensand® is a new product without an established market. Substantial investment may be required to develop the market in Brazil and internationally. Although an established market for potassium-based fertilizers already exists, there is no assurance that the Group's market development efforts will result in the significant sales of Super Greensand®. The Group made sales of Super Greensand® during 2017 and has been successful in obtaining registration as a fertilizer product in over 30 US states and is confident that further sales will be achieved at competitive, financially viable prices.

#### **Exploration and Operating Risks**

The exploration for mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. Unusual or unexpected rock formations, unanticipated changes in metallurgical characteristics and mineral recovery, environmental hazards, fires, power outages, labour disruptions, flooding, cave-ins, landslides, unfavourable operating conditions and the inability of the Group to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Should any of these risks and hazards adversely affect the Group's mining operations or activities, it may cause an increase in the cost of operations to the point where it is no longer economically feasible to continue such operations or activities. It may also require the Group to write down the carrying value of one or more mines or a property, cause delays or a stoppage in mineral exploration, development or production, result in damage to or destruction of mineral properties or processing facilities, and may result in personal injury or death or legal liability, all of which may have a material adverse effect on the Group's financial condition, results of operations, and future cash flows. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing would be required. There is no assurance that commercial quantities of potash or other commercially desirable minerals will be discovered on the Group's current properties or other future properties, nor is there any assurance that the Group's exploration program on such properties will yield positive results. The Group has recently published a Pre-Feasibility Study to develop its Super Greensand® fertilizer product which demonstrates how these risks are mitigated.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

**Uncertainty of Acquiring Necessary Permits**

The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all required permits on reasonable terms or on a timely basis. The Group has been successful in obtaining environmental and mining licences for small scale production and continues to apply for the appropriate licences to meet future production in line with its expansion plans.

**Uncertainty of Additional Capital**

In the past, the Group has relied on sales of equity securities to meet its capital requirements. The development of the Group's properties depends upon the Group's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Group will be successful in obtaining the required financing. The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Group. Development of the Group's projects will require substantial additional financing. Failure to obtain such financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the Group's projects or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Group. If additional financing is raised by the Group through the issuance of securities from treasury, control of the Group may change and security holders may suffer additional dilution. The Group regularly reviews its capital requirements by monitoring cash flow and has recently released a Pre-Feasibility Study with phased levels of production to control capital expenditure requirements.

ON BEHALF OF THE BOARD:

C Veloso, Director  
29 March.2018



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# VERDE AGRITECH PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report with the audited financial statements of Verde Agritech Plc and its subsidiaries ("the Group" or "Verde") for the year ended 31 December 2017. The financial statements are presented in Canadian Dollars.

### DIRECTORS

The directors during the period under review were:

Cristiano Veloso  
Alysson Paulinelli  
Getulio Fonseca  
Renato Gomes  
Antonio Schettino (resigned 9 February 2017)  
Paulo Machado Ribeiro (appointed 9 February 2017)

### DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016: \$nil).

### SUBSTANTIAL SHARE INTERESTS

At 29 March 2018 Verde Agritech Plc was aware of the following substantial share interests:

	Number of Ordinary Shares	% of Share Capital
Cristiano Veloso	3,526,369	8.8%

### FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash, liquid resources and items such as short-term debtors and creditors that arise from its operations. These financial instruments are the sole source of finance for the Group's operations. The principal risks relate to currency exposure and liquidity. (see note 18 to the consolidated financial statements).

The majority of the Group's cash resources are held in Canadian Dollars. Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are primarily incurred in Canadian Dollars and Brazilian Reais. The appreciation of the Brazilian Real against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements.

The policy in relation to the translation of foreign currency assets and liabilities is set out in note 2.3 'Significant Accounting policies; Foreign currency transactions' to the consolidated financial statements.

Cash balances in Brazilian Reais are kept under constant review.

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## VERDE AGRITECH PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the likely future developments in the business of the Company which would otherwise be required to be contained in the report of the director within the Strategic report on pages 2 to 6.

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, liquidity risk, credit risk and interest rate risk, each of which is discussed in note 18 to the financial statements.

#### SUBSEQUENT EVENTS

In March 2018, the Group signed a turnkey agreement for the construction of a processing plant in the municipality of São Gotardo, in the state of Minas Gerais. The expected production is 45 tons per hour. The total cost of the production facility is expected to be US\$ 500,000.

In addition, it received environmental licenses for mining up to 150 thousand tons of Super Greensand® per annum.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

#### AUDITOR

A resolution to appoint BDO LLP will be put forward at the Annual General Meeting.

ON BEHALF OF THE BOARD:

C Veloso  
Director

29 March 2018

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## VERDE AGRITECH PLC

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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## VERDE AGRITECH PLC

### CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

In formulating the Group's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in The UK Corporate Governance Code issued by the Financial Reporting Council and the size and development of the Group. The Group also has regard to but does not comply with the Quoted Companies Alliance Guidelines on Corporate Governance for Smaller Companies.

The Board of Verde Agritech Plc is made up of one executive director and four non-executive directors. C Veloso is the Group's Chief Executive Officer. It is the Board's policy to maintain independence by having at least half of the Board comprising non-executive directors. The structure of the Board ensures that no one individual or group dominates the decision-making process.

The Board corresponds regularly via email and telephone and meets via teleconference at least quarterly, thus providing effective leadership and overall control of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings. The Board delegates certain of its responsibilities to Board committees, which have clearly defined terms of reference. Between Board meetings, the executive director, non-executive directors and key operations personnel meet on a regular basis to review and discuss progress.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Group's expense in the furtherance of his duties.

The Audit Committee, which meets no less than quarterly and considers the Group's financial reporting (including accounting policies) and internal financial controls, is chaired by R Gomes, the other members being A Paulinelli and G Fonseca. The Audit committee receives reports from management and from the Group's auditor. The Group has in place a series of procedures and controls designed to identify and prevent the risk of loss. These procedures are formally documented and are reported on regularly. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

The Compensation Committee, which meets at least once a year and is responsible for making decisions on directors' remuneration packages, is chaired by R Gomes with G Fonseca being the other committee member.

Remuneration of executive directors is established by the Compensation Committee with reference to the remuneration of executives of equivalent status both in terms of time commitment, level of responsibility of the position and by reference to their job qualifications and skills. The Compensation Committee will also have regard to the terms which may be required to attract an executive of equivalent experience to join the Board from another company. Such packages include performance related bonuses and the discretionary grant of share options.

The Corporate Governance and Nominating Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes. This committee is chaired by R Gomes with A Paulinelli being the other committee member.

The Group's principal communication with its shareholders is through the Annual General Meeting and through the annual report and accounts, news releases and interim statements.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC

### Opinion

We have audited the financial statements of Verde Agritech Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and the parent company's statements of cash flows, the consolidated and the parent company's statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2.1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC (CONTINUED)

### **Material uncertainty relating to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern.

There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. Additionally, given the early stage of the Group's development there is little historic sales activity and should a lack of suitable buyers be found, or there are delays in generating revenue additional working capital may be required.

These conditions along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

We have identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included the following:

- evaluating Management's assessment that going concern is an appropriate basis of preparation;
- analysing the latest cash flow forecasts for the Group which include the twelve months from the date of approval of these financial statements;
- challenging and corroborating Management's assumptions included in the cash flow forecasts particularly:
  - Sensitising the information available to changes in the main assumptions by increasing OPEX, delaying occurrence of sales and decreasing the level of the projected sales;
  - Agreeing the inputs included in the model to supporting documentation, including but not limited to turnkey contract, service contracts, previous history of sales and prices of products sold, existent contractual commitments and recurring expenditure; and
- evaluating the adequacy of disclosures made in the financial statements in respect of going concern.

### **Key audit matters**

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

#### ***Matter***

#### ***Carrying Value of Deferred Exploration Assets***

The Group's intangible exploration and evaluation assets ('E&E assets') represent the most significant asset on its statement of financial position totalling C\$24.6m as at 31 December 2017 (Note 8).

Management and the Board are required to assess whether there is any indication whether there are any indicators of impairment of the E&E assets.

Given the significance of the E&E assets on the Group's statement of financial position and

the significant management judgement involved in the assessment of the carrying values of the E&E asset there is an increased risk of material misstatement.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC (CONTINUED)

### Our Response

We evaluated Management's and the Board's assessment of whether there were any facts or circumstances that would suggest that the assets would not be recoverable. We critically challenged the considerations made of whether or not there were any indicators of impairment identified. Our specific audit testing in this regard included:

- we reviewed correspondence with government for confirmation of licences being in good standing;
- we performed a search on Departamento Nacional de Produção Mineral ("DNPM") website to agree ownership and expiry of licences held by the Group;
- we obtained a copy of the latest Pre-Feasibility Study ("PFS") and considered whether the project economics support the carrying value of the assets;
- we assessed the expertise and independence of the third parties involved in the preparation of the PFS; and
- we evaluated approved budget forecasts and minutes of Management and Board meetings to confirm the Group's intention to continue to explore the licence areas.
- we confirmed that there is no intention to progress the Calcario project and an appropriate provision has been made.

### Our application of materiality

<b>Group Materiality FY2017</b>	<b>Group Materiality FY2016</b>	<b>Basis for Materiality</b>
C\$420k	C\$440k	1.5% of total assets
<b>Company Materiality FY2017</b>	<b>Company Materiality FY2016</b>	<b>Basis for Materiality</b>
C\$378k	C\$400k	90% of Group materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our determination of materiality has remained unchanged with no significant movement in the total assets in the year impacting materiality. We consider total assets to be the most significant determinant of the Group's financial performance used by shareholders as the Group continues to bring its mining assets through to production.

Whilst materiality for the financial statements as a whole was C\$420k, each significant component of the Group was audited to a lower level of materiality ranging from C\$210k to \$378k.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2016: 75%) of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of C\$20k (2016: C\$20k). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC (CONTINUED)

### **An overview of the scope of our audit**

Our Group audit scope focused on the Group's principal operating entities, Verde Agritech Plc and Verde Fertilizantes Ltda. We have identified both entities as significant components for the purposes of our financial statement audit, based on their relative share of total assets. We have performed a full scope audit for these components, having performed substantive procedures over 97% of total assets.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

All audit work (full scope audit or review work) was conducted by BDO LLP

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERDE AGRITECH PLC (CONTINUED)

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Colin Turnbull (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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## INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES

### **Opinion**

We have audited the financial statements of Verde Agritech plc (the 'parent company') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the IAASB. Our opinion does not cover the parent company financial statements.

In our opinion:

- The financial statements present fairly, in all material aspects, the financial position of Verde Agritech Plc as at 31 December 2017 and 31 December 2016 and its financial performance and its cash flows for the years then ended; and
- the financial statements have been properly prepared in accordance with IFRSs.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by IAASB and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty relating to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern.

There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. Additionally, given the early stage of the Group's development there is little historic sales activity and should a lack of suitable buyers be found, or there are delays in generating revenue additional working capital may be required.

These conditions along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

We have identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included the following:

- evaluating Management's assessment that going concern is an appropriate basis of preparation;
- analysing the latest cash flow forecasts for the Group which include the twelve months from the date of approval of these financial statements;
- challenging and corroborating Management's assumptions included in the cash flow forecasts particularly:
  - Sensitising the information available to changes in the main assumptions by increasing OPEX, delaying occurrence of sales and decreasing the level of the projected sales;
  - Agreeing the inputs included in the model to supporting documentation, including but not limited to turnkey contract, service contracts, previous history of sales and prices of products sold, existent contractual commitments and recurring expenditure; and
- evaluating the adequacy of disclosures made in the financial statements in respect of going concern.

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## INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES (CONTINUED)

### **Key audit matters**

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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.

<b><i>Carrying Value of Deferred Exploration Assets</i></b>
<p>The Group's intangible exploration and evaluation assets ('E&amp;E assets') represent the most significant asset on its statement of financial position totalling C\$24.6m as at 31 December 2017 (Note 8).</p> <p>Management and the Board are required to assess whether there is any indication whether there are any indicators of impairment of the E&amp;E assets.</p> <p>Given the significance of the E&amp;E assets on the Group's statement of financial position and the significant management judgement involved in the assessment of the carrying values of the E&amp;E asset there is an increased risk of material misstatement.</p>
<b><i>Our Response</i></b>
<p>We evaluated Management's and the Board's assessment of whether there were any facts or circumstances that would suggest that the assets would not be recoverable. We critically challenged the considerations made of whether or not there were any indicators of impairment identified. Our specific audit testing in this regard included:</p> <ul style="list-style-type: none"><li>• we reviewed correspondence with government for confirmation of licences being in good standing;</li><li>• we performed a search on Departamento Nacional de Produção Mineral ("DNPM") website to agree ownership and expiry of licences held by the Group;</li><li>• we obtained a copy of the latest Pre-Feasibility Study ("PFS") and considered whether the project economics support the carrying value of the assets;</li><li>• we assessed the expertise and independence of the third parties involved in the preparation of the PFS; and</li><li>• we evaluated approved budget forecasts and minutes of Management and Board meetings to confirm the Group's intention to continue to explore the licence areas.</li><li>• we confirmed that there is no intention to progress the Calcario project and an appropriate provision has been made.</li></ul>



### **Other information**

The other information comprises the information included in the annual report and the management discussion and analysis, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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## INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES (CONTINUED)

### **Responsibilities of management**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the Group's and the parent company's 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.
- 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 and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the 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 the auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).
- Are required to report on consolidated financial statements, 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 the audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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## INDEPENDENT AUDITOR'S REPORT FOR CANADIAN FILING PURPOSES (CONTINUED)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The director in charge of the audit resulting in this independent auditors' report is Colin Turnbull.

BDO LLP,  
London, UK

## VERDE AGRITECH PLC

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017  
(EXPRESSED IN CANADIAN DOLLARS)

	Note	2017 \$'000	2016 \$'000
<b>Continuing operations</b>			
Administrative expenses		(1,576)	(1,204)
Operating loss before impairment	3	(1,576)	(1,204)
Provision for impairment	8	(663)	-
Operating loss after impairment		(2,239)	(1,204)
Finance income		35	32
Loss before tax		(2,204)	(1,172)
Income tax expense	5	-	-
<b>Loss for the year attributable to equity holders of the parent</b>		<b>(2,204)</b>	<b>(1,172)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(1,770)	2,696
Other comprehensive (loss)/profit for the year (net of tax)		(1,770)	2,696
<b>Total comprehensive (loss)/profit for the year attributable to equity holders of the parent</b>		<b>(3,974)</b>	<b>1,524</b>
<b>Loss per share</b>			
Basic and diluted loss per share	6	(0.057)	(0.031)

## VERDE AGRITECH PLC

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017  
(EXPRESSED IN CANADIAN DOLLARS)

	Note	Group 2017 \$'000	Company 2017 \$'000	Group 2016 \$'000	Company 2016 \$'000
<b>Assets</b>					
Property, plant and equipment	7	213	-	235	-
Intangible assets	8	23,404	5,611	24,944	5,648
Investments	9	-	43,242	-	41,747
Total non-current assets		23,617	48,853	25,179	47,395
Trade and other receivables	10	850	508	227	31
Short-term deposits	11	900	900	-	-
Cash and cash equivalents	12	645	388	1,763	1,735
Total current assets		2,395	1,796	1,990	1,766
Total assets		26,012	50,649	27,169	49,161
<b>Equity attributable to the equity holders of the parent</b>					
Issued capital	13	16,502	16,502	15,457	15,457
Share premium		45,872	45,872	45,475	45,475
Warrant reserve	14	777	777	-	-
Merger reserve		(4,557)	-	(4,557)	-
Translation reserve		(8,749)	-	(6,979)	-
Accumulated losses		(24,298)	(12,760)	(22,415)	(11,903)
Total equity		25,547	50,391	26,981	49,029
Trade and other payables	16	465	258	188	132
Total current liabilities		465	258	188	132
Total liabilities		465	258	188	132
Total equity and liabilities		26,012	50,649	27,169	49,161

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was \$1,178,000 (2016: \$955,000).

ON BEHALF OF THE BOARD:

**R Gomes**  
Director

**C Veloso**  
Director

Approved and authorised for issue by the Board on 29 March 2018

# VERDE AGRITECH PLC

## STATEMENTS OF CASH FLOWS

**For the Year Ended 31 December 2017  
(EXPRESSED IN CANADIAN DOLLARS)**

	<b>Group 2017 \$'000</b>	<b>Company 2017 \$'000</b>	<b>Group 2016 \$'000</b>	<b>Company 2016 \$'000</b>
<b>Cash flows from operating activities</b>				
Operating loss	(2,239)	(1,185)	(1,204)	(972)
Depreciation	19	-	20	-
Loss on disposal of property, plant and equipment	2	-	-	-
Impairment of intangible assets	663	-	-	-
Foreign exchange differences	(26)	-	(27)	-
Share-based payments	321	321	167	167
(Increase)/decrease in receivables	(548)	(477)	(4)	5
Increase/(decrease) in payables	689	538	41	(5)
<b>Net cash utilised in operating activities</b>	<b>(1,119)</b>	<b>(803)</b>	<b>(1,007)</b>	<b>(805)</b>
<b>Cash flows from investing activities</b>				
Interest received	35	5	32	17
Investment in short-term deposits	(900)	(900)	-	-
Acquisition of evaluation and exploration assets	(1,152)	(122)	(884)	(178)
Revenue receipts capitalised	245	159	-	-
Acquisition of property, plant and equipment	(31)	-	(137)	-
Proceeds on disposal of plant and equipment	12	-	-	-
Investment in subsidiary	-	(1,495)	-	(630)
<b>Net cash utilised in investing activities</b>	<b>(1,791)</b>	<b>(2,353)</b>	<b>(989)</b>	<b>(791)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	1,852	1,852	-	-
Share issue expenses	(43)	(43)	-	-
<b>Net cash from financing activities</b>	<b>1,809</b>	<b>1,809</b>	<b>-</b>	<b>-</b>
Net decrease in cash and cash equivalents	(1,101)	(1,347)	(1,996)	(1,596)
Cash and cash equivalents at beginning of period	1,763	1,735	3,735	3,331
Effect of exchange rate fluctuations on cash held	(17)	-	24	-
<b>Cash and cash equivalents at end of period</b>	<b>645</b>	<b>388</b>	<b>1,763</b>	<b>1,735</b>



## VERDE AGRITECH PLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group (EXPRESSED IN CANADIAN DOLLARS)	Share capital \$'000	Share premium \$'000	Share warrant reserve \$'000	Merger reserve \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2016	15,457	45,475	-	(4,557)	(9,675)	(21,410)	25,290
<b>Comprehensive loss</b>							
Loss for the year	-	-	-	-	-	(1,172)	(1,172)
Foreign exchange translation differences	-	-	-	-	2,696	-	2,696
Total comprehensive loss for the year	-	-	-	-	2,696	(1,172)	1,524
<b>Transactions with owners</b>							
Share-based payments	-	-	-	-	-	167	167
Total transactions with owners	-	-	-	-	-	167	167
Balance at 31 December 2016	15,457	45,475	-	(4,557)	(6,979)	(22,415)	26,981
Balance at 1 January 2017	15,457	45,475	-	(4,557)	(6,979)	(22,415)	26,981
<b>Comprehensive loss</b>							
Loss for the year	-	-	-	-	-	(2,204)	(2,204)
Foreign exchange translation differences	-	-	-	-	(1,770)	-	(1,770)
Total comprehensive loss for the year	-	-	-	-	(1,770)	(2,204)	(3,974)
<b>Transactions with owners</b>							
Issue of share capital	1,045	397	777	-	-	-	2,219
Share-based payments	-	-	-	-	-	321	321
Total transactions with owners	1,045	397	777	-	-	321	2,540
Balance at 31 December 2017	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547

## VERDE AGRITECH PLC

### COMPANY STATEMENT OF CHANGES IN EQUITY

<b>Company</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Share warrant reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total \$'000</b>
<b>(EXPRESSED IN CANADIAN DOLLARS)</b>					
Balance at 1 January 2016	15,457	45,475	-	(11,115)	49,817
<b>Comprehensive loss</b>					
Loss for the year	-	-	-	(955)	(955)
Total comprehensive loss for the year	-	-	-	(955)	(955)
<b>Transactions with owners</b>					
Share-based payments	-	-	-	167	167
Total transactions with owners	-	-	-	167	167
Balance at 31 December 2016	15,457	45,475	-	(11,903)	49,029
Balance at 1 January 2017	15,457	45,475	-	(11,903)	49,029
<b>Comprehensive loss</b>					
Loss for the year	-	-	-	(1,178)	(1,178)
Total comprehensive loss for the year	-	-	-	(1,178)	(1,178)
<b>Transactions with owners</b>					
Issue of share capital	1,045	397	777	-	2,219
Share-based payments	-	-	-	321	321
Total transactions with owners	1,045	397	777	321	2,540
Balance at 31 December 2017	16,502	45,872	777	(12,760)	50,391

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 1. Nature of operation and going concern

The Directors have prepared cash flow forecasts for the Group covering a period through to the end of May 2019, which show that the Group has at least 15 months working capital remaining. The Group commenced small-scale mining operations with Super Greensand® in the year and plans to increase this activity in the 2018.

There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. Additionally, given the early stage of the Group's development there is little historic sales activity and should a lack of suitable buyers be found, or there are delays in generating revenue additional working capital may be required.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

#### 2. Significant accounting policies

Verde Agritech Plc (the "Company") is a company registered in England and Wales. The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

##### 2.1 Statement of compliance

The consolidated financial statements and company financial statements of Verde Agritech Plc have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and with IFRSs as promulgated by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRIC. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The Group has adopted all of the new and revised Standards and Interpretations issued by the IASB that are relevant to its operations and effective for accounting periods beginning 1 January 2017. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group.

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 2. Significant accounting policies (continued)

##### 2.1 Statement of compliance (continued)

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. It is effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the Company expects to be entitled to receive. The standard also updates revenue disclosure requirements. The directors have carefully considered the potential effects in the context of the Group's revenues and have concluded that on adoption there will be no significant changes to the way in which the Group's performance obligations to customers are identified or deemed to be satisfied and, therefore, no material impact on the revenues recognised in the financial statements.

IFRS 9 was published in July 2014 and will be effective from 1 January 2018. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. The directors have carefully considered the potential effect of the implementation of IFRS9 and the current expectation is that it is unlikely to have a material impact on the classification, measurement, impairment and de-recognition of the Group's financial assets and liabilities.

IFRS 16 'Leases' – IFRS 16 'Leases' was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The Standard provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Group does not currently have any significant lease arrangements and the Directors do not consider that the financial and operational impact of this standard, will have a material impact.

The financial statements have been prepared on the historical cost basis except for share based payments and share warrants that have been measured at fair value and are presented in Canadian Dollars. Foreign operations are included in accordance with the policies set out in Note 2.3.

##### 2.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of Verde Agritech Plc ("Verde") and its subsidiaries (the "Group") for the year ended 31 December 2017.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 2. Significant accounting policies (continued)

##### 2.2 Basis of consolidation (continued)

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

##### 2.3 Foreign currency

The Group's presentation currency is Canadian Dollars. Management considers this to be most appropriate for a company listed on the Toronto Stock Exchange, raises funding and remunerates the board of directors in Canadian Dollars. The functional currency of the parent 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 each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations in Brazil that do not have a Canadian Dollar functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate during the quarter when the transaction occurs. Exchange differences arising on the net investment in subsidiaries are recognized in other comprehensive income. At 31 December 2017 the closing rate of exchange of Canadian Dollars to one Brazilian Reais was 2.64 - (2016: 2.42) and the average rate of exchange of Canadian Dollars to one Brazilian Reais for the year was 2.46 - (2016: 2.63).

##### 2.4 Intangible assets – deferred exploration and evaluation expenditure

All costs incurred prior to the application for the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Exploration and evaluation costs arising following the application for the legal right are capitalized on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads.

Exploration and evaluation activity includes:

- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are expensed as incurred. Revenue earned prior to the commencement of commercial production is credited against exploration and evaluation net of production costs. Exploration and evaluation costs are tested for impairments and reclassified to mineral properties at the point that the project is successfully permitted, commercial viability ascertained and the necessary funds are available.

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. The

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 2. Significant accounting policies (continued)

##### 2.4 Intangible assets – deferred exploration and evaluation expenditure (continued)

accumulated costs are transferred from exploration and evaluation expenditure and reclassified as development expenditure.

Once mining commences the asset is amortised on a unit of production basis over the expected life of the mine. Provisions are made for impairments to the extent that the asset's carrying value exceeds its net recoverable amount.

##### 2.5 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Any remaining deferred tax asset is recognized only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilized.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realized or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax is recognized in the statement of comprehensive income, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognized directly in equity.

##### 2.6 Cash and cash equivalents

Cash and cash equivalents includes cash at bank, cash in hand and short-term highly liquid investments with an original maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 2. Significant accounting policies (continued)

##### 2.7 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the item, as follows:

	%	Method
Computer equipment	20	Straight line
Furniture and fixtures	10	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

##### 2.8 Trade and other receivables

Trade and other receivables are recorded at their nominal amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Bad debts are written off when identified.

##### 2.9 Investments in subsidiaries (Company only)

Investments are stated at their cost less any provision for impairment (see accounting policy 2.10).

##### 2.10 Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount. Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise such as:-

- (i) unexpected geological occurrences that render the resource uneconomic;
- (ii) title to the asset is compromised;
- (iii) variations in mineral prices that render the project uneconomic;
- (iv) substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and
- (v) the period for which the Group has the right to explore has expired and is not expected to be renewed.

##### 2.11 Trade and other payables

Trade and other payables are stated at their amortised cost.

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 2. Significant accounting policies (continued)

##### 2.12 Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value at the date of the grant and expensed 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.

##### 2.13 Share warrants

Share warrants are measured at fair value at the date of the grant. No further adjustments to their valuation are made. Fair values are determined through use of a Black-Scholes based model.

##### 2.14 Operating segments

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief operating decision maker to allocate resources to the segments and to assess their performance. The Group's chief operating decision maker is considered by Management to be the Board of Directors.

During the year, the Group operated in one sector, mineral exploration and evaluation and in a single geographical area – Brazil. The financial position and performance of the operating segment are therefore the same as that of the Group

##### 2.15 Critical judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management 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 recognized 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 recognized in the consolidated financial statements are as follows:

##### Judgements

- Nature of operation and going concern

The Directors have prepared cash flow forecasts for the Group covering a period through to the end of May 2019, which show that the Group has at least 15 months working capital remaining. The Group commenced small-scale mining operations with Super Greensand® in the year and plans to increase this activity in the 2018.

There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. Additionally, given the early stage of the Group's development there is little historic sales activity and should a lack of suitable buyers be found, or there are delays in generating revenue additional working capital may be required.



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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 2. Significant accounting policies (continued)

##### 2.15 Critical judgements and sources of estimation uncertainty (continued)

###### Judgements (continued)

These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

- Deferred exploration and evaluation expenditure

The directors have assessed whether there are any indicators of impairment in respect of exploration and evaluation expenditure. In making this assessment they have considered the Group's business plan which includes resource estimates, future processing capacity, the forward market and longer term price outlook for potash. Resource estimates have been based on the most recently filed NI43-101 report and its opportunities economic model which includes resource estimates without conversion of its inferred resources. Management's estimates of these factors are subject to risk and uncertainties affecting the recoverability of the Group's exploration and evaluation costs. No indicators of impairment were apparent with the exception of the impairment of the Calcario Project discussed in note 8.

The Group may periodically revise its evaluation based on additional exploration results and determine that the carrying value of the exploration and evaluation assets on the balance sheet is impaired. When such a change in estimate is made, there may be a consequent material effect on the balance sheet and income statement. See note 8 for the carrying values of the intangible assets.

The Group has credited pre-production revenue to the exploration and evaluation intangible asset as these are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended.

###### Estimates

- Share-based payments

The Group charges the consolidated statement of comprehensive income with the fair value of share options issued. This charge is not based on historical cost, but is derived based on assumptions input into an option pricing model. The model requires management to make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Group's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given there is no market for the options and they are not transferable. The value derived from the option-pricing model is highly subjective and dependent entirely upon the input assumptions made. See note 15.

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.15 Critical judgements and sources of estimation uncertainty (continued)

##### Estimates (continued)

- Share warrants

Share warrants are measured at fair value at the date of the grant. No further adjustments to their valuation are made. Fair values are determined through use of a Black-Scholes based model. The value derived from the pricing model is highly subjective and dependent entirely upon the input assumptions made. See note 14.

### 3. Operating loss

The operating loss is stated after charging:

	2017 \$'000	2016 \$'000
Depreciation – owned assets	19	20
Impairment of intangible asset (see Note 8)	663	-
Loss on sale of property, plant and equipment	2	-
Directors' emoluments (see Note 19)	465	529
Share-based payments (see Note 15)	321	167
<b>Auditor remuneration:</b>		
Audit of the Group and Company financial statements	50	55

### 4. Personnel expenses

#### Employee costs

	Group 2017 \$'000	Company 2017 \$'000	Group 2016 \$'000	Company 2016 \$'000
Directors' emoluments (See Note 19)	465	432	529	529
Salaries	178	-	153	-
Compulsory social security contributions	9	-	8	-
	<b>652</b>	<b>432</b>	<b>690</b>	<b>529</b>

Of the above employee salaries and compulsory social security contributions costs, \$140,000 has been capitalised to the exploration and evaluation intangible asset as these are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended.

The average number of employees and directors of the Group and Company were as follows:

	Group 2017 No.	Company 2017 No.	Group 2016 No.	Company 2016 No.
Executive directors	1	1	1	1
Non-executive directors	4	4	4	4
Administration	6	-	8	-
	<b>11</b>	<b>5</b>	<b>13</b>	<b>5</b>

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 5. Income tax

##### Recognized in the income statement

##### Current tax

Income tax charge

2017	2016
\$'000	\$'000
-	-
-	-

##### Reconciliation of effective tax rate

Loss before tax

Tax using the domestic Group tax rate of 19.25% (2016: 20%)

Effect of overseas tax rates

Non-deductible expenses

Origination of temporary differences on which no deferred tax has been recognized

Effect of tax losses not recognized

2017	2016
\$'000	\$'000
(2,253)	(1,172)
(433)	(234)
(158)	(30)
68	40
(295)	(241)
818	465
-	-

##### Factors that may affect future tax charges

The Group has UK tax losses of approximately \$13,276,000 (2016: \$10,120,000) and overseas tax losses of approximately \$7,084,000 (2016: \$7,936,000) available to be carried forward and set off against future profits. No deferred tax asset has been recognized in the financial statements as the directors are not sufficiently certain that there will be future taxable profit to utilize these tax losses.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Balance 2017 \$'000	Balance 2016 \$'000	Balance 2017 \$'000	Balance 2016 \$'000	Balance 2017 \$'000	Balance 2016 \$'000
Property, plant and equipment	-	-	(72)	(80)	(72)	(80)
Intangible assets	-	-	(7,957)	(8,481)	(7,957)	(8,481)
Tax value of loss carry-forwards recognized	8,029	8,561	-	-	8,029	8,561
Net tax assets/(liabilities)	8,029	8,561	(8,029)	(8,561)	-	-

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 5. Income tax (continued)

##### Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2017 \$'000	2016 \$'000
UK tax losses	2,098	2,024
Brazilian tax losses	226	368
	2,324	2,392

##### Movement in deferred tax assets and liabilities

	Balance 1 Jan 2016 \$'000	Recognized in income \$'000	Balance 31 Dec 2016 \$'000
Property, plant and equipment	32	48	80
Intangible assets	7,271	1,210	8,481
Tax value of loss carry-forwards	(7,303)	(1,258)	(8,561)
	-	-	-

	Balance 1 Jan 2017 \$'000	Recognized in income \$'000	Balance 31 Dec 2017 \$'000
Property, plant and equipment	80	(8)	72
Intangible assets	8,481	(524)	7,957
Tax value of loss carry-forwards	(8,561)	532	(8,029)
	-	-	-

#### 6. Loss per share

##### Basic loss per share

The calculation of basic loss per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of \$2,204,000 (2016: \$1,172,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 December 2017 of 38,523,670 (2016: 37,617,430) calculated as follows:

##### Loss attributable to ordinary shareholders

	2017 \$'000	2016 \$'000
Loss for the period	2,204	1,172
Loss attributable to ordinary shareholders	2,204	1,172

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 6. Loss per share (continued)

##### Weighted average number of ordinary shares

	Number '000	Number '000
Number of shares in issue at beginning of year	37,617	37,617
Effect of shares issued during period	907	-
Weighted average number of ordinary shares in issue for the year	38,524	37,617

There is no difference between the basic and diluted loss per share because the Group's loss means that any potential dilutive shares are antidilutive.

Details of share warrants and share options that could potentially dilute earnings per share in future periods are set out in notes 14 and 15 respectively.

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 7. Property, plant and equipment - group

	Land and buildings \$'000	Computer equipment \$'000	Furniture and fixtures \$'000	Total \$'000
<b>Cost</b>				
Balance at 1 January 2016	-	149	150	299
Additions	137	-	-	137
Disposals	-	(1)	-	(1)
Effect of movements in foreign exchange	-	7	36	43
Balance at 31 December 2016	137	155	186	478
Balance at 1 January 2017	137	155	186	478
Additions	-	9	22	31
Disposals	-	-	(28)	(28)
Effect of movements in foreign exchange	-	(4)	(27)	(31)
Balance at 31 December 2017	137	160	153	450
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2016	-	140	66	206
Depreciation charge for the period	-	5	15	20
On disposals	-	(1)	-	(1)
Effect of movements in foreign exchange	-	6	12	18
Balance at 31 December 2016	-	150	93	243
Balance at 1 January 2017	-	150	93	243
Depreciation charge for the year	-	10	8	18
On disposals	-	-	(12)	(12)
Effect of movements in foreign exchange	-	(4)	(8)	(12)
Balance at 31 December 2017	-	156	81	237
<b>Carrying amounts</b>				
At 1 January 2016	-	9	84	93
At 31 December 2016	137	5	93	235
At 1 January 2017	137	5	93	235
At 31 December 2017	137	4	72	213

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 7. Property, plant and equipment - Company

	<b>Computer Equipment \$'000</b>
<b>Cost</b>	
Balance at 1 January 2016 and 31 December 2016	<u>105</u>
Balance at 1 January 2017 and 31 December 2017	<u>105</u>
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2016 and 31 December 2016	<u>105</u>
Balance at 1 January 2017 and 31 December 2017	<u>105</u>
<b>Carrying amounts</b>	
At 1 January 2016	<u>-</u>
At 31 December 2016	<u>-</u>
At 1 January 2017	<u>-</u>
At 31 December 2017	<u>-</u>

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 8. Intangible assets - group

	Projects		Total exploration costs
	Cerrado Verde	Calcario	
	\$'000	\$'000	\$'000
<b>Carrying value</b>			
Balance at 1 January 2016	20,763	623	21,386
Additions	884	-	884
Effect of movements in foreign exchange	2,572	102	2,674
Balance at 31 December 2016	24,219	725	24,944
Balance at 1 January 2017	24,219	725	24,944
Additions	831	-	831
Effect of movements in foreign exchange	(1,645)	(62)	(1,707)
Balance at 31 December 2017	23,405	663	24,068
<b>Provision for impairment</b>			
Balance at 1 January 2017	-	-	-
Impairment charge for the year	-	663	663
Balance at 31 December 2017	-	663	663
<b>Carrying amounts</b>			
At 1 January 2016	20,763	623	21,386
At 31 December 2016	24,219	725	24,944
At 1 January 2017	24,219	725	24,944
At 31 December 2017	23,405	-	23,405

Pre-production revenue and costs have been included in the intangible asset additions as these are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended.

The Calcario project was necessary for the production of limestone which is necessary for the production of the TK47<sup>®</sup> product. Following the decision to produce Super Greensand<sup>®</sup> the Company will retain title to this project and is considering various options for its future. A provision of \$663,000 has been made against the project.



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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 8. Intangible assets - Company

	Cerrado Verde \$'000	Total exploration costs \$'000
<b>Carrying value</b>		
Balance at 1 January 2016	5,470	5,470
Additions	178	178
Balance at 31 December 2016	<u>5,648</u>	<u>5,648</u>
Balance at 1 January 2017	5,648	5,648
Additions	(37)	(37)
Balance at 31 December 2017	<u>5,611</u>	<u>5,611</u>
<b>Carrying amounts</b>		
At 1 January 2016	<u>5,470</u>	<u>5,470</u>
At 31 December 2016	<u>5,648</u>	<u>5,648</u>
At 1 January 2017	5,648	5,648
At 31 December 2017	<u>5,611</u>	<u>5,611</u>

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 9. Investments - Company

	Investment in subsidiaries \$'000	Loans \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 January 2016	36,960	4,157	41,117
Additions	630	-	630
Balance at 31 December 2016	37,590	4,157	41,747
Balance at 1 January 2017	37,590	4,157	41,747
Additions	1,495	-	1,495
Balance at 31 December 2017	39,085	4,157	43,242

The loans balance represents an amount of \$4,157,000 due from GB10N Limited. Although the loan is technically repayable on demand, it is considered by the directors to be for the long-term use of the subsidiary and, as there is no intention to demand repayment for the foreseeable future, the loan has been classified as an investment. The loan is interest free.

Verde Agritech Plc had the following wholly owned subsidiaries at 31 December 2017:

- GB10N Limited (registered in England and Wales at Salatin House, 19 Cedar Road, Sutton, Surrey SM2 5DA);
- Verde Fertilizantes Ltda (registered in Brazil); and
- FVS Mineracao Ltda (registered in Brazil).

Verde Fertilizantes Ltda and FVS Mineracao Ltda are indirectly owned and all the Brazilian subsidiaries are engaged in mining exploration and development. The registered office is at Avenida do Contorno, 6594, 7º andar – Lourdes, Belo Horizonte – MG, Brazil . 30.110-044.

GB10N Limited is an intermediate holding company.

#### 10. Trade and other receivables

	Group 2017 \$'000	Company 2017 \$'000	Group 2016 \$'000	Company 2016 \$'000
Trade receivables	76	-	-	-
Other receivables	774	508	227	31
	850	508	227	31

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 11. Short-term deposits

The Groups short term deposits are held with HSBC Canada which has an “A-1+” short term and “AA-“ long term credit rating with a stable outlook with S&P global as at November 2017.

The Group has \$900,000 in short-term deposits held with HSBC Canada with varying maturity dates of periods between six months and one year. They have been excluded from cash and cash equivalents for the purposes of the statement of cashflow and are disclosed as current assets. Term and interest rates are as follows:

Short-term deposits:	Principal	Maturity date	Fixed Interest
	2017 \$'000		rate (per annum)
180 days	100	23/1/2018	1.37%
270 days	100	23/4/2018	1.44%
12 months	700	27/7/2018	1.51%
	<u>900</u>		

#### 12. Cash and cash equivalents

	Group	Company	Group	Company
	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Cash at bank and in hand	645	388	1,763	1,735
	<u>645</u>	<u>388</u>	<u>1,763</u>	<u>1,735</u>

#### 13. Share capital

	2017	2017	2016	2016
	Number	\$'000	Number	\$'000
Authorised - Ordinary Shares of \$0.3918 each	500,000,000	195,900,000	500,000,000	195,900,000
Issued - Ordinary Shares of \$0.3918 each				
At 1 January	37,617,430	15,457	37,617,430	15,457
25 July 2017 for \$1.05 each	1,727,075	677	-	-
26 September 2017 for \$0.56 each	250,000	98	-	-
10 November 2017 for \$0.42 each	500,000	196	-	-
27 November 2017 for \$0.62 each	98,417	38	-	-
5 December 2017 for \$0.425 each on exercise of options	18,000	7	-	-
5 December 2017 for \$0.40 each on exercise of options	15,000	6	-	-
6 December 2017 for \$0.41 each on exercise of options	60,000	23	-	-
At 31 December	<u>40,285,922</u>	<u>16,502</u>	<u>37,617,430</u>	<u>15,457</u>

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 13. Share capital (continued)

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.

#### Merger reserve

The merger reserve arose from the acquisition of GB10N Limited by Verde Agritech PLC in a prior period. As Verde was a newly incorporated entity which acquired a group by way of issue of shares to the existing shareholders of GB10N Limited the transaction was not a business combination within the meaning of IFRSs. The transaction was effectively treated as a group reorganization and the consolidated financial statements are presented in a way that reflects the continuation of the GB10N Limited Group resulting in the creation of a merger reserve.

#### 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.

#### 14. Share warrant reserve

	2017 Number	2017 \$'000	2016 Number	2016 \$'000
Balance at beginning of year	-	-	-	-
Fair value of warrants issued during year	1,727,075	777	-	-
Balance at end of year	1,727,075	777	-	-

1,727,075 Ordinary Share purchase warrants were issued on 25 July 2017, at a fair value of \$0.45 each. The warrants are exercisable to purchase one Ordinary Share at an exercise price of \$2.00 for a period of two years subject to an acceleration provision under which if the 20-day volume weighted average trading price of the Ordinary Shares on the Toronto Stock Exchange (the "TSX") exceeds C\$2.20, the Company can accelerate the expiry date of the Warrants by giving notice that the expiry date of the Warrants has been accelerated to 30 days after the notice. The fair value of the share purchase warrants is measured using the Black-Scholes model assuming an expected volatility of 122%, a risk-free interest rate of 3.2% and a contractual life of the warrant of 3 years. The fair value of services received in return for the warrants issued is measured by reference to the fair value of the warrants issued in the absence of information on the fair value of the services provided.

The share warrant reserve reflected the value of outstanding share warrants based on the fair value of the share warrants at the time of issue.

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 15. Share-based payments

During the year the Company 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:

	Weighted average exercise price 2017	Number of options 2017	Weighted average exercise price 2016	Number of options 2016
Outstanding at the beginning of the period	\$0.58	2,609,000	\$0.65	2,667,000
Granted during the period	\$0.45	1,089,998	-	-
Exercised during the period	\$0.34	(93,000)	-	-
Forfeited during the period	\$0.14	(4,000)	\$2.79	(48,000)
Expired during the period	\$2.63	(35,000)	\$1.23	(10,000)
Outstanding at the end of the period	\$0.44	3,566,998	\$0.58	2,609,000
Exercisable at the end of the period	\$0.49	1,568,299	\$0.78	1,103,000

The options outstanding at 31 December 2017 have an exercise price in the range of \$0.40 to \$0.83 (2016: \$0.40 to \$2.79) and a weighted average remaining contractual life of 3.7 years (2016: 8.0 years). Options issued prior to December 2014 vest in three annual tranches commencing on the date of grant subject to the grantee's continued service. Options issued in and after December 2014 vest in six annual tranches. Commencing on the date of grant, subject to the grantee's continued service, 10% of the options vest and an additional 10% vest each subsequent year. At the sixth year from the date of grant, the remaining 50% of the options vest. At 31 December 2017, 1,568,299 of the options had vested (2016: 1,103,000).

#### Fair value of share options and assumptions

	2017	2016
	\$'000	\$'000
Weighted average fair value of options granted during the year	0.30	-
Weighted average share price	0.47	-
Weighted average exercise price	0.47	-
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	146%	-
Option life	1 – 5	-
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	0.2%	-

The expected volatility is based on the historic volatility of the share price (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. There are no market conditions associated with the share option grants.

	2017	2016
	\$'000	\$'000
Total expense recognized as employee and consultants costs	321	167

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 15. Share-based payments (continued)

Details of share options outstanding at 31 December 2017 are as follows:

Outstanding at beginning of period	Number of options				Outstanding at end of period	Exercisable at end of period	Option price \$	Exercisable period	
	Granted	Expired	Forfeited	Exercised				Grant date	Expiry date
35,000	-	(35,000)	-	-	-	-	\$8.56	31 January 2012	31 January 2017
165,000	-	-	-	-	165,000	165,000	\$0.74	15 July 2013	15 July 2018
20,000	-	-	-	-	20,000	20,000	\$0.45	19 September 2013	19 September 2018
60,000	-	-	-	(60,000)	-	-	\$0.41	30 September 2013	30 September 2018
30,000	-	-	-	-	30,000	30,000	\$0.41	8 October 2013	8 October 2018
165,000	-	-	-	-	165,000	165,000	\$0.78	14 January 2014	14 January 2019
2,020,000	-	-	-	(18,000)	2,002,000	736,800	\$0.425	10 December 2014	10 December 2024
20,000	-	-	-	-	20,000	6,000	\$0.40	12 November 2015	12 November 2025
94,000	-	-	(4,000)	-	90,000	27,000	\$0.40	10 December 2015	10 December 2025
-	829,998	-	-	(15,000)	814,998	392,499	\$0.40	31 January 2017	31 January 2027
-	200,000	-	-	-	200,000	20,000	\$0.40	9 February 2017	9 February 2027
-	60,000	-	-	-	60,000	6,000	\$0.83	12 May 2017	12 May 2027
<b>2,609,000</b>	<b>1,089,998</b>	<b>(35,000)</b>	<b>(4,000)</b>	<b>(93,000)</b>	<b>3,566,998</b>	<b>1,568,299</b>			

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

### 16. Trade and other payables

	Group	Company	Group	Company
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
Trade payables	75	49	31	31
Other payables	235	45	69	-
Amounts owed to Group undertakings	-	20	-	20
Accruals	155	144	88	81
	<b>465</b>	<b>258</b>	<b>188</b>	<b>132</b>

### 17. Commitments and contingent liabilities

#### Commitments

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

	2017	2016
	\$'000	\$'000
Amount payable within one year	47	184
Amounts payable after more than one year and less than five years	68	70
After five years	392	420
	<b>507</b>	<b>674</b>

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### 17. Commitments and contingent liabilities (continued)

##### Commitments (continued)

In addition there is a commitment to rebuild a small house and a commitment of \$5,335 (R\$15,000) per hectare for damage to land caused during mining which is expected to be up to 35 hectares. The Group only makes payments on a per hectare basis at the time of impact.

The total commitments under non-cancellable operating leases in respect of land and buildings were as follows:

	2017	2016
	\$'000	\$'000
Amount payable within one year	-	3
	-	3

##### Contingent liabilities

During the third quarter of the year the Company received an unfavourable arbitration decision in favour of a private Brazilian consultancy company that undertook environmental studies between 2010 and 2013 claiming an amount of approximately \$488,000. Provision was made in the quarterly financial statements on the basis that it was probable that payment would need to be made. However, the Company successfully appealed the arbitration decision in January 2018 and the appeal was upheld. In addition the Company had a second appeal affirmed to suspend the enforcement of the arbitration award against them. The claimant subsequently filed an appeal which was dismissed. The Company and the claimant are able to appeal the previous decisions and, until the courts issue a final decision which overturns the initial arbitration award, the Company would not need to make payment. The final decision would be expected to be made with 1.5 to 6 years. The Company considers that the likelihood of making any payment is possible and as such the provision made in the quarterly financial statements has been derecognised.

Brazilian labour law entitles a former employee to lodge within two years of leaving the company claims for alleged unpaid remuneration and compensation in the event of dismissal. The Company, whilst contesting each claim notes that should a claim be successful future liability may arise.

#### 18. Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk each of which is discussed below. There is no perceived credit risk as the Group and Company have minimal other financial receivables and bank deposits are made with financial institutions considered to have strong credit ratings. There were no derivative instruments outstanding at 31 December 2017.

# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 18. Financial instruments (continued)

#### Foreign currency risk

The Group's cash resources are mainly held in Canadian Dollars and Brazilian Reais. Exchange rate fluctuations may adversely affect the Group's financial position and results. The Group's financial results are reported in Canadian Dollars and its costs are primarily incurred in Canadian Dollars and Brazilian Reais.

The appreciation of Brazilian Reais against the Canadian Dollar could increase the actual capital and operating costs of the Group's mineral exploration projects and materially adversely affect the results presented in the Group's financial statements. Currency exchange fluctuations may also materially adversely affect the Group's future cash flows from operations, its results of operations, financial condition and prospects. The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency to match expected expenditure in foreign currency.

The Group and Company had the following short term deposits and cash and cash equivalents in various currencies including its presentational currency. The amounts are stated in Canadian Dollar equivalents:

	<b>Group 2017 \$'000</b>	<b>Company 2017 \$'000</b>	<b>Group 2016 \$'000</b>	<b>Company 2016 \$'000</b>
Canadian Dollars	1,122	1,122	1,705	1,705
Brazilian Reais	257	-	28	-
American Dollars	156	156		
British Pounds	10	10	30	30
	<b>1,545</b>	<b>1,288</b>	<b>1,763</b>	<b>1,735</b>

At 31 December 2017 the Group held Canadian Dollar deposit accounts and fixed term deposits with varying interest rates between 1.37% and 1.51%.

The Brazilian Reais deposits are held as interbank deposit certificates, with no maturity date and track Brazil's short term interest rate which is currently 7%.

The policy in relation to the translation of foreign currency monetary assets and liabilities is set out in note 2.3, 'Accounting policies, foreign currency' to the consolidated financial statements.

Foreign currency risk sensitivity analysis showing a 10% weakening/strengthening of the Brazilian Real against the Canadian Dollar with all other variables held constant is set out below. 10% represents managements' assessment of the reasonable possible exposure:

	Equity	
	2017 \$'000	2016 \$'000
10% weakening of Brazilian Real	(45)	(13)
10% strengthening of Brazilian Real	55	16



# VERDE AGRITECH PLC

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 18. Financial instruments (continued)

#### Liquidity risk

To date the Group and Company have relied on shareholder funding to finance its operations. As the Group and Company have finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources. The Group and Company do not have any borrowings and have trade and other payables with a maturity of less than one year and a provision greater than one year. Further details of the liquidity position are explained in note 1 regarding going concern.

#### Interest rate risk

The Group's and Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. Given that the directors do not consider that interest income is significant in respect of the Group's and Company's operations and as the Group does not currently have any debt, no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

#### Financial assets

The floating rate financial assets comprise interest earning bank deposits at rates set by reference to the prevailing LIBOR or equivalent to the relevant country.

#### Fair values

In the directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments.

#### Classes of financial instruments

The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in the notes to the accounts. All of the Group's and Company's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

### 19. Related party transactions

Key management compensation was as follows:

Year ended 31 December 2017	Fees \$'000	Short term employment benefits \$'000	Share-based payments \$'000	2017 Total \$'000
C Veloso	-	420	184	604
R Gomes	12	-	22	34
G Fonseca	11	-	22	33
A Paulinelli	11	-	12	23
P M Ribeiro	11	-	20	31
Directors' total	45	420	260	725
Other key management	-	127	26	153
Total	45	547	286	878

C Veloso's compensation to 31 October 2017 and all other board of directors compensation to 30 September 2017 was settled by issue of shares in the Company.

At 31 December 2017, key management personnel were owed \$84,000 (2016: \$ nil).

## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

Year ended 31 December 2016	Fees	Short term employment benefits	Share-based payments	2016 Total
	\$'000	\$'000	\$'000	\$'000
C Veloso	-	420	122	542
R Gomes	48	-	13	61
G Fonseca	19	-	13	32
A Paulinelli	36	-	1	37
A Schettino	-	6	-	6
Directors' total	103	426	149	678
Other key management	-	323	11	334
Total	103	749	160	1,012

Share-based payment charge relates to options granted in 2012, 2013 and 2014 based on valuations made under the Black Scholes method as described in note 15 above and relate to options exercisable at prices significantly in excess of the current share price.

Share options granted to directors and key management were as follows:

For the year ended 31 December 2017

	Outstanding at beginning of period	Granted	Reclassified	Exercised	Outstanding at end of period
C Veloso	1,500,000	492,308			1,992,308
R Gomes	165,000	61,538			226,538
G Fonseca	165,000	61,538			226,538
A Paulinelli	165,000	61,538			226,538
A Schettino	165,000	61,538	(226,538)		-
P Machado Ribeiro	-	200,000			200,000
Directors total	2,160,000	938,460	(226,538)		2,871,922
Other key management	190,000	91,538	226,538	(33,000)	475,076
Total	2,350,000	1,029,998	-	(33,000)	3,346,998

For the year ended 31 December 2016

	Outstanding at beginning of period	Reclassified	Outstanding at end of period
C Veloso	1,500,000	-	1,500,000
R Gomes	165,000	-	165,000
G Fonseca	165,000	-	165,000
A Paulinelli	165,000	-	165,000
A Schettino	165,000	-	165,000
Directors total	2,160,000	-	2,160,000
Other key management	190,000	-	190,000
Total	2,350,000	-	2,350,000

The transactions between the parent company and its subsidiary GB10N Limited are disclosed in note 9.

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## VERDE AGRITECH PLC

### NOTES TO THE GROUP FINANCIAL STATEMENTS

#### **20. Subsequent events**

In March 2018, the Group signed a turnkey agreement for the construction of a processing plant in the municipality of São Gotardo, in the state of Minas Gerais. The expected production is 45 tons per hour. The total cost of the production facility is expected to be US\$ 500,000.

In addition, it received environmental licenses for mining up to 150 thousand tons of Super Greensand® per annum.