Management's Discussion and Analysis
for the Year Ended December 31, 2019

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To our shareholders

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Verde Agritech Plc and its subsidiaries ("Verde" or the "Group") covers the year ended December 31, 2019. It provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union and with IFRS and their interpretations issued by the IASB. All amounts herein are expressed in Canadian Dollars unless otherwise stated, and the information is current to March 30, 2020.

Additional information relating to Verde is available under the Group's profile on SEDAR at www.sedar.com and the Group's website at https://investor.verde.ag/.

Forward Looking Statements

This MD&A contains forward-looking statements. Although the Group believes that its expectations, reflected in forward-looking information, to be reasonable, such information involves known or unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group or the Group's projects in Brazil to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the actual results from current development activities; conclusions of economic evaluations; unexpected increases in capital or operating costs; changes in equity markets, inflation and changes in foreign currency exchange rates; changes in project parameters as plans continue to be refined; changes in labor costs; future prices of commodities; possible variations of mineral grade or recovery rates; accidents, labor disputes and other risks of the mineral exploration industry; political risks arising from operating in Brazil; delays in obtaining governmental consents, permits, licenses and registrations; approvals or financing; as well as those factors discussed in the section entitled "Risks" in this MD&A.

Although the Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained herein, unless stated otherwise, is made at the date of this MD&A and the Group takes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

Group Overview

The principal activity of the Group is the production and sale of a multinutrient potassium fertilizer marketed in Brazil under the brand K Forte® and internationally as Super Greensand® ("the Product")

Cerrado Verde Project, located in the heart of Brazil's largest agricultural market, is the source of a naturally occurring potassium silicate rock from which the Group produces its products. The Group remains focused on the expansion of the Cerrado Verde Project.

The Group's ordinary shares trade on the Canadian Toronto Stock Exchange ("TSX") under the symbol "NPK" and the New York Open Transparent Connected Venture Market ("OTCQB") under the symbol "AMHPF".

Q4 2019 Financial Highlights

- Revenue increased 115% with a total of $1,491,000, compared to $692,000 in Q4 2018.
- Gross profit was $531,000 and the gross margin was 36%, compared to $26,000 gross profit and 36% gross margin in Q4 2018.
- Production increased 65% at 33,811 tonnes, compared to 20,549 tonnes in Q4 2018.
- The Group sold 32,221 tonnes of Product, compared to 20,641 in 2018.
- Revenue per tonne was $47 and production costs were $30, compared to revenue per tonne of $33 and production costs of $32 in Q4 2018.
- The Group recorded an operating profit before share-based payments, depreciation and amortisation of $38,000 and net profit of $79,000 after taxes.

Full Year 2019 Financial Highlights

- Revenue increased 344% with a total of $6,029,000, compared to $1,358,000 in 2018.
- Gross profit was $2,864,000 and the gross margin was 48%, compared to $291,000 gross profit and 21% gross margin in 2018.
- Production increased 310% at 122,035 tonnes, compared to 29,764 tonnes in 2018.
- The Group sold 119,809 tonnes of Product, compared to 29,648 in 2018.
- Revenue per tonne was $50 and production costs were $26, compared to revenue per tonne of $47 and production costs of $36 in 2018.
- The Group recorded an operating profit before share-based payments, depreciation and amortisation of $25,000 and net loss of $1,107,000 after taxes.

In total, the Group is currently fully permitted to produce 199,800 tonnes per annum and has applications pending for an additional 283,000 tonnes per annum.

Project Overview

A summary of the Group's current projects are as follows:

Project Cerrado Verde

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

Between 2009-2014, the Group advanced and completed a large drilling program at Cerrado Verde, which has a strike length exceeding 100 km. Potassium mineralization was found from the surface to a maximum depth of 80 m, 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_2O which includes a Measured

Mineral Resource of 83 million tonnes with an average grade of 10.1% K_2O. Additionally, the Inferred Mineral Resource Estimate is 1.85 billion tonnes at a K_2O grade of 8.6%. The mineral resource was estimated from data collected 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.

PROJECT OVERVIEW (CONTINUED)

In 2017, the Group announced the conclusion of a Pre-Feasibility Study ("PFS") for the expansion of the current production. The PFS evaluated the technical and financial aspects of producing 25 Million tonnes per year ("Mtpy") of the Product 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.

Project Highlights:

- Proven and Probable Reserves of 777.28 Mt, grading 9.78% K_2O.
- 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 the product 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 the product pricing.

In July 2018, Verde announced the start-up of the processing plant. The cost of the production facility was initially budgeted at US$500,000. However, the total investment reached US$600,000 because the Group advanced part of the ground work necessary for an expansion to reach the 600 thousand tonnes per annum capacity projected for Phase 1 in the pre-feasibility study ("PFS").

In March, 2019 the Group closed a non-brokered private placement raising C$1.692,068 (the "Placement") through the issuance of 2,820,114 units of securities ("Units") at a price of $0.60 per Unit. Each Unit comprised one ordinary share of the Group (an "Ordinary Share") and one-half of one Ordinary Share purchase warrant (a "Warrant"). Each whole Warrant is exercisable to purchase an Ordinary Share at an exercise price of C$1.00 until the second anniversary of the closing of the Placement.

In March, 2019 the Group appointed Felipe Buscacio Paolucci as the Chief Financial Officer ("CFO"). Mr. Paolucci is an executive with over 15 years of experience in finance in multinational companies and over 9 years of experience in the agricultural business. Mr. Paolucci is based in Belo Horizonte, Brazil, and replaced Mr. Tim Slater, who has acted as the Group's interim CFO for the past few years, based out of London, UK.

In July 2019, mining permits were granted for annual production of 233,000 tonnes per year (Mine Pit 1) and 49,800 tonnes per year (Mine Pit 3).

PROJECT OVERVIEW (CONTINUED)

In August 2019, the Group was granted an environmental license for a new Plant to be built in a site adjacent to Mine Pit 2 with annual production of 890,000 tonnes per annum of product.

In September 2019, the Group applied for an operational license "Licença de Operação" ("LO") that will authorize the start of operation in Mine Pit 1.

In September 2019, the Group was awarded the "Good Environmental Practices Award", promoted by the State System of Environment and Water Resources (SISEMA, in Portuguese) in the category "Best Practice of Mineral Solid Waste Management". The Group presented its sustainable mining project which is intended to improve the health of people and of the planet.

In October 2019, the Plant 1 expansion was concluded, increasing production capacity to 500,000 tonnes per year.

Mining Permits

In total, the Group is fully permitted (mining permit and environmental license) to mine 199,800 tonnes per annum. The Company has 3 different mine pits, each at different permitting stages and targeting different volumes, as explained below and summarized in the subsequent table.

For Mine Pit 1, the Group holds has a mining permit for 233,000 tonnes per annum. The environmental licenses are, however, only partially approved: the Installation License (*Licença de Instalação* – LI), which authorises the construction of a mine, has been granted; but the Operational Environmental License (*Licença de Operação* – LO), which authorises the start of the mine itself, is still pending.

For Mine Pit 2, the Group is fully permitted to extract 150,000 tonnes per annum. The environmental licenses have been granted for a total of 200,000 tonnes per annum. Accordingly, the Company has applied for a further mining permit of 50,000 tonnes, which is currently under analysis by the National Agency of Mining (ANM)

For Mine Pit 3, the Group has been granted both the mining permit and environmental licenses for 49,800 tonnes per annum.

Mine	Fully Permitted to Produce (t/year)	Mining Permits		Environmental Licenses	
		Granted (t/year)	Pending Applications (t/year)	Granted (t/year)	Pending Applications (t/year)
1	**0**	233,000	0	0	233,000
2	**150,000**	150,000	50,000	200,000	0
3	**49,800**	49,800	0	49,800	0
Total	**199,800**	**432,800**	**50,000**	**249,800**	**233,000**

Summary of Mineral Rights and Mining Permits

The Group holds mineral rights at different stages in the process towards a mining permit. The different stages are explained below and a summary of the stages of the Company's mineral assets, as of December 31, 2019, are summarized in the subsequent table.

The Application for Exploration Permit is the first step of the process, when a claim for the geological exploration of an area is made to the ANM.

An Exploration Permit gives its holder exclusive rights to pursue a geological exploration of the area. It is granted after the ANM reviews and approves the Application, and its decision is published in the Brazilian Federal Gazette. Geological studies can be conducted during the validity of the Exploration Permit – lasting for three years renewable for a period of up to three more years. The Group currently has no Exploration Permits or ongoing exploration work.

If the geological exploration yields positive results, its holder can file a Positive Exploration Report containing quantitative geological and technological study of the mineral deposit and demonstrate the technical-economic feasibility of a mine. The ANM analyzes this report both technically and through a site visit.

If the ANM approves the report based on the potential merits of a future a mining operation, the titleholder has a one year period during which to prepare and file the Application for Mining Permit with the Federal Minister of Mines and Energy. The application is composed of several documents, including the economic development plan of the mineral deposit, with a detailed description of the mining operations, as well as a proof of availability of funds or the financial commitments necessary for the execution of the operations.

After a detailed and objective analysis, a Mining Permit might be issued by the Minister of Mines and Energy. The Mining Permit grants the titleholder the right to develop a mine and start its extractive operations.

The following table represents the summary of the Group's mineral titles as of December 31, 2019. The area covered in each phase is expressed in hectares and the number of mining rights in total for each phase status is expressed in units.

Phase Status	Cerrado Verde	
	Area (ha)	Total Areas
Application sent for Exploration Permit	2,802	2
Exploration Permit	0	0
Positive Exploration Report Under ANM Analysis	26,391	14
Application for Mining Permit	922	1
Application for Mining Permit Under Analysis	21,515	14
Mining Permit is Granted	1,929	1
Total	**53,558**	**32**

Outlook

The Group continues to develop its Cerrado Verde Project and will carry on with the market development, engineering studies, construction, finance and environmental licensing efforts to advance the project.

Selected Annual Financial Information

All values are expressed in Canadian Dollars ($'000).

$,000Category	Year to Dec 31, 2019	Year to Dec 31, 2018	Year to Dec 31, 2017
Product sales (tonnes '000)	**120**	29	-
Revenue	**6,029**	1,358	-
Production costs	**3,166**	1,067	-
Distribution expenses	**371**	59	-
Sales and marketing expenses	**539**	346	-
Administrative expenses	**1,928**	1,330	1,237
Share based payments *	**787**	181	321
Depreciation and amortisation	**22**	14	18
Impairment of intangible asset	**-**	-	663
Net loss	**(1,107)**	(1,748)	(2,204)
Cash Flow utilised in operating activities	**(719)**	(502)	(1,119)
Cash Flow utilised in investing activities	**(1,478)**	(187)	(1,791)
Cash Flow from financing activities	**2,080**	933	1,809
Net (decrease) increase in cash	**(117)**	244	(1,101)
Cash and cash equivalents at end of period	**666**	836	645
Total Assets	**31,602**	31,610	26,012
Total Liabilities	**7,690**	7,785	465
Working Capital	**1,080**	780	1,930
Weighted average number of shares outstanding ('000)	**45,345**	41,020	38,523
Loss per share (basic and diluted) ($)	**(0.024)**	(0.041)	(0.057)

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* - Included in administrative expenses in Financial statements

VERDE AGRITECH

Selected Quarterly Financial Information

The following table provides information on selected operating results for the past eight fiscal quarters. All values are expressed in Canadian Dollars ($'000).

All amounts in CAD $'000	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019
Revenue	**1,491**	3,055	1,329	154
Net Income/(loss) after tax	**(12)**	1	(223)	(873)
Basic and diluted earnings/(loss) per share	**(0.001)**	0.000	(0.004)	(0.014)
Total Assets	**31,664**	31,720	32,531	32,568
Current Liabilities	**1,517**	1,877	1,431	1,201
Non-current Liabilities	**6,173**	6,078	6,466	6,499
All amounts in CAD $'000	**Dec 31, 2018**	**Sep 30, 2018**	**Jun 30, 2018**	**Mar 31, 2018**
Revenue	692	666	-	-
Net Income/(loss) after tax	(638)	(308)	(457)	(345)
Basic and diluted loss per share	(0.014)	(0.007)	(0.011)	(0.008)
Total Assets	31,610	24,108	24,060	26,271
Current Liabilities	1,197	1,171	1,011	491
Non-current Liabilities	6,588	307	-	-

Results of Operations

The following table provides information about three and twelve months ended December 31, 2019 as compared to the three and twelve months ended December 31, 2018. All amounts in CAD $'000.

All amounts in CAD $'000	3 months ended December 31, 2019	3 months ended December 30, 2018	12 months ended December 31, 2019	12 months ended December 31, 2018
Tonnes sold '000	**32**	20	**120**	29
Revenue per tonne sold $	**47**	33	**50**	45
Production cost per tonne sold $	**(30)**	(32)	**(26)**	(36)
Gross Profit per tonne sold $	**17**	1	**24**	10
Gross Margin	**36%**	4%	**48%**	21%
Revenue	**1,491**	692	**6,029**	1,358
Production costs	**(960)**	(666)	**(3,165)**	(1,067)
Gross Profit	**531**	**26**	**2,864**	**291**
Gross Margin	**36%**	**4%**	**48%**	**21%**
Distribution expenses	**(146)**	(59)	**(371)**	(59)
Sales and marketing expenses	**(133)**	(89)	**(539)**	(346)
Administrative expenses	**(214)**	(364)	**(1,928)**	(1,330)
Operating Profit/(Loss) before non-cash events	**38**	**(486)**	**25**	**(1,444)**
Share Based (Credit) Payments (Non-Cash Event) *	**113**	(48)	**(787)**	(181)
Depreciation and Amortisation non-cash	**(2)**	(2)	**(22)**	(14)
Operating Profit/(Loss) after non-cash events	**149**	**(536)**	**(784)**	**(1,639)**
Corporation tax	**(41)**	(45)	**(186)**	(45)
Interest Income/Expense	**(29)**	(55)	**(137)**	(64)
Net Profit / (Loss)	**79**	**(636)**	**(1,107)**	**(1,748)**

* - Included in administrative expenses in Financial statements

RESULTS OF OPERATION (CONTINUED)

Three months ended December 31, 2019 compared with three months ended December 31, 2018
Compared to the three months ended December 31, 2018, the net loss for the three months ended December 31, 2019 has decreased by $712,000. The loss per share has decreased to $0.00 from $0.01. The reduction in losses is due to the whole year of contributions made from the sale of product recognised in the income statement.

Product Sales
The tonnes sold for the three months ended December 31, 2019 was 31,014 tonnes, an increase of 11,580 tonnes in the same period in 2018. Review of the same quarter year on year shows sales have continued to grow and at the year end, the plant held 4,320 tonnes of stock of finished product and 11,717 tonnes of raw material.

Revenue
Revenue from sales for the quarter were $1,491,000 for 32,221 tonnes sold. This equates to $47 of revenue per tonne sold. The revenue per tonne in 2019 is higher than the three months ended December 31, 2018 along with the twelve month period as the Group establishes a place in the market. Review of revenue for the eight quarters to December 31, 2019 shows the steady increase during Q3, the Group's busiest season.

Production costs
Production costs include all direct costs required in mining, processing, transportation from the mine to the factory and supply chain salaries. Costs per tonne in 2019 were $26 compared to $36 for the year 2018.

Distribution expenses
Distribution expenses include costs associated with the delivery of the Product to customers. In 2019, the Group had costs to deliver the Product in some specific sales made.

Sales and marketing expenses
Sales and marketing expenses include costs associated with the promotion of the Product such as fees paid sales agents, marketing events, car rental, travel within Brazil and hotel expenses.

Administrative Expenses

Administrative expenses **All amounts in CAD $,000**	**3 months ended December 31, 2019**	3 months ended December 30, 2018	**12 months ended December 31, 2019**	12 months ended December 31, 2018
Personnel	**(258)**	(169)	**(1,055)**	(660)
Legal, professional, consultancy and audit costs	**138**	(119)	**(506)**	(399)
IT/Software expenses	**(35)**	(13)	**(78)**	(34)
General administrative expenses	**(31)**	(48)	**(230)**	(174)
Taxes and licenses fees	**(28)**	(15)	**(59)**	(63)
	(214)	(364)	**(1,928)**	(1,330)

Personnel costs

Personnel costs include the remuneration of the directors and the administrative staff in Brazil. The CEO and the Board are not currently drawing their remuneration in cash. They agreed to receive equity shares in lieu of remuneration. Prior to commercial production on 1 July 2018, a proportion of salary costs were capitalised as part of the exploration project. These are now all being expensed. The quarter ended December 31, 2019 included a provision of $107,000 for labour claims.

Legal, professional, consultancy and audit costs

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

For the year ended December 31, 2019 the costs were $506,000, an increase of $107,000 in 2018. This was expected as regulatory costs increase as the Group continues to grow.

IT/Software expenses

Expenses for software licenses such Sales Force, Microsoft Office and Delphi ERP.

General administrative expenses

These costs include general office expenses, rent and occupancy fees, banks fees, insurance, foreign exchange variances.

Share based payments

These costs represent the expense associated with stock options granted to employees, directors and consultants.

Share-based compensation expense recognized during the three months ended December 31, 2019 was $113,000 credit, a decrease of $161,000 on the same period last year and an increase of $606,000 for the twelve months on the same period last year. This is a result of a large number of vesting options in the period.

LIQUIDITY AND CASH FLOWS

For additional detail see the consolidated statements of cash flows for the quarters ended December 31, 2019 and December 31, 2018 in the annual financial statements.

Cash received from/(used for): CAD $'000	**3 months ended December 31, 2019**	3 months ended December 31, 2018	**12 months ended December 31, 2019**	12 months ended December 31, 2018
Operating activities	**161**	98	**(719)**	(502)
Investing activities	**(387)**	(101)	**(1,478)**	(187)
Financing activities	**146**	538	**2,080**	933

On December 31, 2019, the Group held the amount of $666,000 cash, a decrease of $170,000 from the cash balance on December 31, 2018.

The Group has credit line from a local bank of $450,000 already pre-approved for working capital, which can be accessed if needed.

Operating activities

For the twelve months ended December 31, 2019, net cash used from operating activities was $719,000, compared to $502,000 for the twelve months ended December 31, 2018 reflecting changes in working capital.

Investing activities

For the twelve months ended December 31, 2019, cash outflows from investing activities was $1,478,000, an increase of $1,291,000 from the twelve months ended December 31, 2018. This is due to investment in mineral property, plant and equipment.

Financing activities

For the twelve months ended December 31, 2019, net cash generated from financing activities was $2,080,000 following the issuance of a non-brokered private placement in March 2019.

Financial condition

On December 31, 2019, the Group had current assets of $2,659,000 and current liabilities of $1,517,000 providing a working capital surplus of $1,142,000 which represents a decrease of $477,000 since September 30, 2019.

Financing of future expansion is budgeted to be predominantly through accumulated cash flow.

Commitments and Contingent Liabilities

The Group has the following capital expenditure commitments in its projects:

Amounts payable ($'000)	31 Dec 2019	31 Dec 2018
Amount payable within one year	**65**	44
Amounts payable after more than one year and less than five years	**62**	65
After five years	**341**	370
Total	**468**	479

Brazilian labor law entitles a former employee to lodge, within two years of leaving the Group, claims for alleged unpaid remuneration and compensation in the event of dismissal. The Group, whilst contesting each claim notes that, should a claim be successful, future liability may arise. At the year end, a provision of $107,000 for labour claims is included in the financial statements.

Off-Balance Sheet Financing

The Group has not entered into any off-balance sheet financing arrangements.

Corporate Governance

Director Term Limits and Representation of Women on the Board and in Executive Positions

The Group does not have term limits for its directors. While there are benefits to adding new perspectives to the Board from time to time, there are also benefits to be achieved through continuity and directors having in-depth knowledge of each facet of the Group's business, which necessarily takes time to develop. Also, setting director term limits forces valuable, experienced and knowledgeable directors to leave.

Board renewal is one of many factors taken into consideration as part of the Board's annual assessment. Pursuant to requirements for issuers listed on the TSX, directors of the Group are to be elected (including the re-election of incumbent directors) at each annual meeting of the Group, and in all cases, the term of any director will expire at the close of the next annual meeting of shareholders following such director's appointment.

The Group does not have a formal policy with respect to the identification and nomination of women directors or executive management, nor has it adopted targets for the representation of women on the Board or in executive management.

The Board is currently comprised of six men. None of the Group's directors or executive officers are women. However, approximately 21% of the staff within various departments in the organization are women including Corporate, Plant, Marketing, Finance and Human Resources Departments.

While diversity is one issue of importance, the Board believes that the key to effective leadership is to choose directors that, having regard to a wide array of factors, possess the range of necessary independence, skills, experience, commitment and qualifications that are best suited to fostering effective leadership and decision making at the Group. The Board reviews its size and composition from time to time to determine the impact the directors have on its effectiveness, and the Board and the Group's management use a rigorous identification and selection process for new directors, having regard to a variety of factors, and through these processes the Board believes that it is well-positioned to address any problems or deficiencies that may arise.

Corporate Governance (Continued)

Furthermore, according to the Charter of the Corporate Governance Committee, when identifying new candidates, the Committee takes into consideration the criteria approved by the Board and such other factors, as it deems appropriate. These factors include judgement, skill, integrity, independence, diversity, experience with business and organisations of comparable size, the interplay of a candidate's experience with the experience of other Board members, willingness to commit the necessary time and energy to serve as a director, and a genuine interest in the Group's business. The Group believes the aforementioned factors are all encompassing and although gender is not specifically listed as one of the factors, gender is taken into account when considering diversity in director nominations.

Although the Group and the Board do not believe that quotas or strict policies necessarily result in the identification or selection of the best candidates, the Board is mindful of the benefits of gender diversity on the Board and in executive positions and the need to maximize effectiveness of the Board and management team's decision making abilities.

Accordingly, although the Board believes that the current directors comprise an appropriate mix of individuals with accounting, financial, legal, specific industry and general business experience that is appropriate for the Group's current size, as the Group's business grows, it plans to expand the size of its Board and, in conducting searches for new directors, the Board intends to focus on increasing the level of female representation but does not have a representation target at this time.

Similarly, although there is no current intention to make changes or additions to the Group's executive team, the Board will be mindful of the benefit of gender diversity in any appointment of new executive officers. The Board believes that the current executive management team comprises an appropriate number and mix of individuals with considerable experience in the agriculture resource industry that is appropriate for the Group's current size.

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. Late receivables are below 0.1% of the total sold as of December 31, 2019 and bank deposits have been made with financial institutions which are considered to be safe by the Board of Directors. There were no derivative instruments outstanding on December 31, 2019.

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 Real. 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.

Currency exchange fluctuations may also materially adversely affect the Group's future cash flow from operations, its results from 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.

The Group had the following cash and cash equivalents in currencies other than its presentational currency. The amounts are stated in Canadian Dollar equivalents.

Currency ($'000)	31 Dec 2019	31 Dec 2018
Canadian Dollars	329	406
Brazilian Reais	184	395
American Dollars	93	4
British Pounds	60	31
Total	**666**	**836**

The results of a foreign currency risk sensitivity analysis showing a 10% weakening/strengthening of the Brazilian Real against Canadian Dollars, with all other variables held constant, are as follows:

Equity ($'000)	31 Dec 2019	31 Dec 2018
10% weakening of Brazilian Real	(99)	(1)
10% strengthening of Brazilian Real	121	1

Liquidity risk

The Group has relied on revenue generated from the sale of Product, along with shareholder funding and long-term loans to finance its operations. The liquidity risk is significant and is managed by controls over expenditure and cash resources.

FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

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 financial instruments.

Classes of financial instruments

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

CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

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 ongoing 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 or uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgements

- **Impairment of Intangible assets:**

  The directors have assessed whether there are any indicators of impairment in respect of the mineral properties totaling $27,000,000. In making this assessment they have considered the Group's business plan which includes resource estimates, future processing capacity, future exchange rates, the forward market and the longer term price outlook and assumptions regarding weighted average cost of capital. Resource estimates have been based on the most recently filed pre-feasibility study 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 mineral property costs.

Critical Judgements and Accounting Estimates (Continued)

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.

- **Closure costs:**

  The Group has an obligation to reclaim its properties after the minerals have been mined from the site and has estimated the costs necessary to comply with existing reclamation standards. These estimates are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Group could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Group's earnings and net assets.

NI 52-109 Compliance

Disclosure Controls and Procedures ("DC&P")
As at December 31, 2019, the CEO and the CFO evaluated the design and operation of the Group's DC&P. Based on that evaluation, the CEO and CFO concluded that the Group's DC&P was effective as at December 31, 2019.

Internal control over financial reporting ("ICFR")

Based on the evaluation of the design and operating effectiveness of the Group's ICFR, the CEO and the CFO concluded that the Group's ICFR was effective as at December 31, 2019.

There have been no changes during the period ended December 31, 2019 that have a material effect on the disclosure controls and procedures or the internal controls over financial reporting.

Financial Reporting Standards

The Group has adopted all the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2019. 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.

No standards issued but not yet effective have been adopted early.

Financial Reporting Standards (continued)

The Group adopted IFRS 16 'Leases' from 1 January 2019 using the modified retrospective approach. For more details, please refer to note 2.1 of the audited financial statements.

Outstanding Share Data

As at the date of this MD&A the following securities are outstanding:

Type	Amount
Ordinary shares	46,028,766
Warrants	1,410,057
Stock options	4,072,784
Total	**51,511,606**

Risks

The 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 materially 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 unlikely to 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.

Mining risks

Mining operations are inherently risky. These operations are subject to all hazards and risks encountered in the exploration, development and production. These include but are not limited to formation pressures, seismic activity, rock bursts, fires, power outages, cave-ins, flooding, explosions and other conditions involved in the drilling and removal of material. Any of these events could result in serious damage to the mine and other infrastructure, damage to life or property, environmental damage and possible legal liability.

The Group has all necessary permits in place to continue with the current operation. As expansion plans progress, the Group will be required to submit revised plans for approval. There can be no guarantee that these revised plans will be agreed to or approved in a timely manner.

The Group's profitability will depend, in part, on the economic returns and actual costs of developing its mining projects, which may differ from the estimates made by the Group.

Uncertainty in the estimation of mineral resources and mineral reserves

The estimation of mineral reserves, mineral resources and related grades has a degree of uncertainty. Until such a time as the mineral reserves and mineral resources are actually mined and processed, the quantity of grades must be considered as estimates only. The mineral reserve estimates of the Group have been determined or reviewed by an independent consultant and is based on assumed cut-off grades and costs that may prove to be inaccurate. Any material change in these variables may affect the economic outcome of current and future projects.

RISKS (CONTINUED)

Expected Market Potential of the Product

The Product is a new product without an established market. Substantial investment will 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 the product. The Group continued to make sales during 2018 and 2019 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.

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, labor 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 in a timely basis.

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 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.

FURTHER INFORMATION

Additional information relating to the Group can be found on SEDAR at www.sedar.com and on the Group's website at https://investor.verde.ag/.