

VERDE AGRITECH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2019



VERDE AGRITECH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

The accompanying unaudited consolidated financial statements of Verde AgriTech Plc ("Verde", the "Company", or the "Group") for the first quarter ended 31 March 2019 have been prepared by and are the responsibility of the Company's management. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Auditing and Assurance Board ("IAASB") and as adopted by the European Union and do not include all of the information and disclosures that would be required by International Financial Reporting Standards for annual audited financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended 31 December 2018. The financial information has not been reviewed or audited by the Company's auditor.

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

VERDE AGRITECH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2019

(EXPRESSED IN CANADIAN DOLLARS)

	<i>Note</i>	3 months ended 31 Mar 2019 \$'000	3 months ended 31 Mar 2018 \$'000
Continuing operations			
Revenue		154	-
Production costs		(49)	-
Gross profit		105	-
Selling and distribution expenses		(22)	-
Administrative expenses		(935)	(349)
Operating loss		(852)	(349)
Finance income		-	4
Finance costs		(13)	-
Loss before tax		(865)	(345)
Income tax expense		(8)	-
Loss for the period attributable to equity holders of the parent		(873)	(345)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(404)	504
Other comprehensive income for the period (net of tax)		(404)	504
Total comprehensive income for the period attributable to equity holders of the parent		(1,277)	159
Loss per share			
Basic and diluted loss per share	4	(0.02)	(0.008)

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STATEMENT OF FINANCIAL POSITION

As at 31 March 2019
(EXPRESSED IN CANADIAN DOLLARS)

	Note	31 Mar 2019 \$'000	31 Dec 2018 \$'000
Assets			
Property, plant and equipment	5	1,080	992
Mineral properties	6	28,063	28,641
Intangible assets	7	-	-
Total non-current assets		29,143	29,633
Inventory		444	314
Trade and other receivables		846	827
Cash and cash equivalents	13	2,135	836
Total current assets		3,425	1,977
Total assets		32,568	31,610
Equity attributable to the equity holders of the parent			
Issued capital	8	18,718	17,417
Share premium		46,350	46,146
Warrant reserve	9	1,208	777
Merger reserve		(4,557)	(4,557)
Translation reserve		(10,497)	(10,093)
Accumulated losses		(26,354)	(25,865)
Total equity		24,868	23,825
Liabilities			
Interest-bearing loans and borrowings	11	320	280
Provisions	12	6,179	6,308
Total non-current liabilities		6,499	6,588
Interest-bearing loans and borrowings	11	103	85
Trade and other payables		1,098	1,112
Total current liabilities		1,201	1,197
Total liabilities		7,700	7,785
Total equity and liabilities		32,568	31,610

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STATEMENTS OF CASH FLOWS

For the Quarter Ended 31 March 2019
(EXPRESSED IN CANADIAN DOLLARS)

	3 months ended 31 Mar 2019 \$'000	3 months ended 31 Mar 2018 \$'000
Cash flows from operating activities		
Operating loss	(852)	(349)
Depreciation and depletion of mineral property	17	4
Foreign exchange differences	242	3
Share-based payments	384	22
Increase in inventories	(130)	-
Increase in receivables	(20)	(38)
Increase in payables	16	27
Cash utilised in operations	(343)	(331)
Interest paid	(13)	-
Net cash utilised in operating activities	(356)	(331)
Cash flows from investing activities		
Interest received	-	4
Redemption of short-term deposits	-	100
Acquisition of mineral property assets	(30)	-
Acquisition of evaluation and exploration assets	-	(53)
Acquisition of property, plant and equipment	(132)	(19)
Net cash utilised in investing activities	(162)	32
Cash flows from financing activities		
Proceeds from issue of shares	1,828	51
Net cash from financing activities	1,828	51
Net increase/(decrease) in cash and cash equivalents	1,310	(248)
Cash and cash equivalents at beginning of period	836	645
Effect of exchange rate fluctuations on cash held	(11)	(2)
Cash and cash equivalents at end of period	2,135	395

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period to 31 March 2018 (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 2018	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547
Comprehensive loss							
Loss for the period	-	-	-	-	-	(345)	(345)
Foreign exchange translation differences	-	-	-	-	505	-	505
Total comprehensive loss for the period	-	-	-	-	505	(345)	160
Transactions with owners							
Issue of share capital	49	2	-	-	-	-	51
Share-based payments	-	-	-	-	-	22	22
Transactions with owners	49	2	-	-	-	22	73
Balance at 31 March 2018	16,551	45,874	777	(4,557)	(8,244)	(24,621)	25,780
Period to 31 March 2019 (EXPRESSED IN CANADIAN DOLLARS)							
Balance at 1 January 2019	17,417	46,146	777	(4,557)	(10,093)	(25,865)	23,825
Comprehensive Income							
Loss for the period	-	-	-	-	-	(873)	(873)
Foreign exchange translation differences	-	-	-	-	(404)	-	(404)
Total other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(404)	(873)	(1,277)
Transactions with owners							
Issue of share capital	1,301	204	431	-	-	-	1,936
Share-based payments	-	-	-	-	-	384	384
Total transactions with owners	1,301	204	431	-	-	384	2,320
Balance at 31 March 2019	18,718	46,350	1,208	(4,557)	(10,497)	(26,354)	24,868

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 2020 which include the receipt of approximately \$1.7 million from the private placement in March 2019. At March 31, 2019, the Group had current assets of \$3,425,000 and current liabilities of \$1,201,000 providing a working capital surplus of \$2,224,000.

The cash forecast to May 2020 is based on the ramp up production to 200,000 tonnes and the company being able to achieve similar pricing for Super Greensand® as demonstrated in the second half of 2018. Based on the Company's experience in its first period of production and the saleability of the Company's products evidenced by the orders taken, the Directors consider that the mine will generate sufficient cash flows to continue its operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the annual financial statements.

2. Significant accounting policies

Verde Agritech Plc is a company domiciled in England and Wales. The interim statements of the Company for the first quarter ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the acquisition and development of mineral resource assets. The interim financial statements have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' issued by the IASB and as adopted by the European Union.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this interim report has not been reviewed or audited by the Company's auditor.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended 31 December 2018. The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union and with IFRSs and the interpretations issued by the IASB.

In the opinion of management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2018.

The statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

3. Operating segments

IFRS 8 Operating Segments 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, C Veloso, in order to allocate resources to the segments and to assess their performance.

The Group's operations relate to the exploration for, and development of mineral deposits with support provided from the UK and as such the Group has only one segment.

4. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 March 2019 was based on the loss attributable to ordinary shareholders of \$873,000 (31 March 2018: \$345,000) and a weighted average number of ordinary shares outstanding during the period ended 31 March 2019 of 43,402,692 (31 March 2018: 40,310,830) calculated as follows:

Loss attributable to ordinary shareholders

	3 months ended 31 Mar 2019 \$'000	3 months ended 31 Mar 2018 \$'000
Loss for the period	(873)	(345)
Loss attributable to ordinary shareholders	(873)	(345)

Weighted average number of ordinary shares

	Number '000	Number '000
Number of shares in issue at beginning of period	42,620	40,286
Effect of shares issued during period	783	25
Weighted average number of ordinary shares in issue for the period	43,403	40,311

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 options that could potentially dilute earnings per share in future periods are set out in note 10.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Property, plant and equipment

	\$'000
Cost	
Balance at 1 January 2018	450
Additions	845
Disposals	(6)
Effect of movements in foreign exchange	(32)
Balance at 31 December 2018	<u>1,257</u>
Balance at 1 January 2019	1,257
Additions	132
Effect of movements in foreign exchange	(31)
Balance at 31 March 2019	1,358
Depreciation and impairment losses	
Balance at 1 January 2018	237
Depreciation charge for the year	40
Disposals	(4)
Effect of movements in foreign exchange	(8)
Balance at 31 December 2018	<u>265</u>
Balance at 1 January 2019	265
Depreciation charge for the year	17
Effect of movements in foreign exchange	(4)
Balance at 31 March 2019	278
Carrying amounts	
At 1 January 2018	<u>213</u>
At 31 December 2018	<u>992</u>
At 1 January 2019	992
At 31 March 2019	1,080

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NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Mineral properties

	Total \$'000
Cost	
Balance at 1 January 2018	-
Transfer from exploration costs	22,416
Provision for mine closure costs	6,260
Balance at 31 December 2018	<u>28,676</u>
Balance at 1 January 2019	28,676
Additions	30
Effect of movements in foreign exchange	(607)
Balance at 31 March 2019	28,099
Amortisation	
Balance at 1 January 2018	-
Amortisation charge for the year	35
Balance at 31 December 2018	<u>35</u>
Balance at 1 January 2018	35
Amortisation charge for the year	2
Effect of movements in foreign exchange	(1)
Balance at 31 December 2018	36
Carrying amounts	
At 1 January 2018	-
At 31 December 2018	<u>28,641</u>
At 1 January 2019	28,641
At 31 March 2019	28,063

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NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Intangible assets

	Projects		Total exploration costs \$'000
	Cerrado Verde	Calcario	
	\$'000	\$'000	
Cost			
Balance at 1 January 2018	23,404	663	24,067
Additions	488	-	488
Pre-production revenue capitalised	(116)	-	(116)
Transfer to inventory on commercial production	(80)	-	(80)
Transfer to mineral property on commercial production	(22,416)	-	(22,416)
Effect of movements in foreign exchange	(1,280)	(47)	(1,327)
Balance at 31 December 2018	-	616	616
Balance at 1 January 2019	-	616	616
Effect of movements in foreign exchange	-	(15)	(15)
Balance at 31 March 2019	-	601	601
Provision for impairment			
Balance at 1 January 2018	-	663	663
Effect of movements in foreign exchange	-	(47)	(47)
Balance at 31 December 2018	-	616	616
Balance at 1 January 2019	-	616	616
Effect of movements in foreign exchange	-	(15)	(15)
Balance at 31 March 2019	-	601	601
Carrying amounts			
At 1 January 2018	23,405	-	23,405
At 31 December 2018	-	-	-
At 1 January 2019	-	-	-
At 31 March 2019	-	-	-

The Calcario project was necessary for the production of limestone which is necessary for the production of the TK47[®] product. Following the decision to produce Super Greensand[®] the Company will retain title to this project and is considering various options for its future. A provision of \$616,000 was made against the project in 2018. At current exchange rates this provision has been revalued as \$601,000.

On the announcement of commercial production on July 1, 2018, the Cerrado Verde exploration and evaluation project costs for the were transferred to mineral properties.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Share capital

	31 Mar 2019	31 Mar 2019	31 Dec 2018	31 Dec 2018
	Number	\$'000	Number	\$'000
Authorised - Ordinary shares of \$0.3918 each	500,000,000	195,900	500,000,000	195,900
Issued - Ordinary shares of \$0.3918 each				
At beginning and end of period	42,619,690	17,417	40,285,922	16,502
12 March 2018 for \$0.40 each	-	-	15,000	6
12 March 2018 for \$0.425 each	-	-	6,000	2
13 March 2018 for \$0.40 each	-	-	61,538	24
14 March 2018 for \$0.425 each	-	-	12,000	5
14 March 2018 for \$0.41 each	-	-	30,000	12
12 April 2018 for \$0.76 each	-	-	64,540	25
10 September 2018 for \$0.77 each	-	-	165,975	65
18 September 2018 for \$0.45 each	-	-	20,000	8
24 September 2018 for \$0.61 each	-	-	714,407	280
24 September 2018 for \$0.425 each	-	-	732,000	287
24 September 2018 for \$0.40 each	-	-	512,308	201
4 March 2019 for \$0.63 each	173,548	68	-	-
4 March 2019 for \$0.40 each	159,076	62	-	-
4 March 2019 for \$0.425 each	169,800	66	-	-
12 March 2019 for \$0.60 each	2,820,114	1,105	-	-
At end of period	45,942,228	18,718	42,619,690	17,417

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.

9. Share warrants

	31 Mar 2019	31 Mar 2019	31 Dec 2018	31 Dec 2018
	Number	\$'000	Number	\$'000
Balance at beginning of period	1,727,075	777	1,727,075	777
Fair value of warrants issued during the period	1,410,057	431	-	-
Balance at end of period	3,137,132	1,208	1,727,075	777

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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Share-based payments

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 31 Mar 2019	Number of options 31 Mar 2019	Weighted average exercise price 31 Dec 2018	Number of options 31 Dec 2018
Outstanding at the beginning of the period	\$0.61	3,634,460	\$0.58	3,566,998
Granted during the period	\$0.32	783,876	\$0.69	1,679,308
Exercised during the period	\$0.44	(328,876)	\$0.41	(1,388,846)
Forfeited during the period	\$0.77	(20,000)	\$0.65	(223,000)
Expired during the period	\$0.69	(165,000)	\$0.00	-
Outstanding at the end of the period	\$0.70	3,904,460	\$0.61	3,634,460
Exercisable at the end of the period	\$0.59	817,152	\$0.57	581,152

The options outstanding at 31 March 2019 have an exercise price in the range of \$0.40 to \$1.05 and a weighted average remaining contractual life of 8 years. Two options have been issued in 2019. The first issue in March 2019 vested immediately. The second also issue in March 2019 will vest in six tranches, 10% annually for the first 5 years and the remaining 50% in the final year. At 31 March 2019, 817,152 of the options had vested (31 December 2018: 581,152).

Details of share options outstanding at 31 March 2019 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
165,000	-	(165,000)	-	-	-	-	\$0.78	14 January 2014	14 January 2019
1,234,000	-	-	-	(169,800)	1,064,200	69,200	\$0.425	10 December 2014	10 December 2024
20,000	-	-	-	-	20,000	20,000	\$0.40	12 November 2015	12 November 2025
50,000	-	-	-	-	50,000	8,000	\$0.40	10 December 2015	10 December 2025
246,152	-	-	-	(123,076)	123,076	123,076	\$0.40	31 January 2017	31 January 2027
180,000	-	-	-	(36,000)	144,000	4,000	\$0.40	9 February 2017	9 February 2027
60,000	-	-	(10,000)	-	50,000	50,000	\$0.83	12 May 2017	12 May 2027
200,000	-	-	-	-	200,000	-	\$1.02	30 May 2018	30 May 2028
100,000	-	-	-	-	100,000	20,000	\$1.05	30 May 2018	30 June 2020
1,244,308	-	-	-	-	1,244,308	-	\$0.61	24 September 2018	24 September 2028
135,000	-	-	(10,000)	-	125,000	-	\$0.61	24 September 2018	24 September 2028
-	328,876	-	-	-	328,876	328,876	\$0.63	1 March 2019	1 March 2029
-	455,000	-	-	-	455,000	194,000	\$0.63	1 March 2019	1 March 2029
3,634,460	783,876	(165,000)	(20,000)	(328,876)	3,904,460	817,152			

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NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Share-based payments (continued)

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

Fair value of share options and assumptions

	31 Mar 2019 \$'000	31 Mar 2018 \$'000
Weighted average fair value of options granted during the period	0.38	-
Weighted average share price	0.62	-
Weighted average exercise price	0.63	-
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	102.07%	-
Option life	1 - 6	-
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	0.0183%	-

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.

	3 months to 31 Mar 2019 \$'000	3 months to 31 Mar 2018 \$'000
Total expense recognized as employee and consultants costs	384	22

11. Interest-bearing loans and borrowings

	31 Mar 2019 \$'000	31 Mar 2018 \$'000
Non-current liabilities		
Bank loan	320	-
Current liabilities		
Bank loan	103	-

The Group received a loan in 2018 from BNDES Santander of B\$1,040,000. The terms of the agreement are the loan is for sixty months with a twelve month grace period. The loan is repayable by May 2023 and interest charged at a variable IPCA rate with fixed elements of 7.05%. At the period end, the total rate payable was 12.21%.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Provisions

Mine closure provision

Opening balance
Unwinding of discount
Effect of movements in foreign exchange

31 Mar 2019	31 Mar 2018
\$'000	\$'000
6,308	-
23	-
(152)	-
6,179	-

The mine closure provision has been made in respect of costs of land restoration and rehabilitation expected to be incurred at the end of the mine's expected useful life of 36 years. The provision has been calculated based on the present value of the expected future cash flows associated with closure activities.

13. 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 no trade receivables and minimal other financial receivables and bank deposits are made with financial institutions considered to be safe by the Board of Directors. There were no derivative instruments outstanding at 31 March 2019.

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 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 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.

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

	31 Mar 2019	31 Dec 2018
	\$'000	\$'000
Canadian Dollars	1,589	406
Brazilian Reais	468	395
British Pounds	31	4
American Dollars	47	31
	2,135	836

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NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Financial Instruments (continued)

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

	Equity	
	31 Mar 2019	31 Dec 2018
	\$'000	\$'000
10% weakening of Brazilian Real	28	(1)
10% strengthening of Brazilian Real	(23)	1

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. In addition, the Group has long-term loans and trade and other payables with maturity of less 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 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 financial statements. All the Group's and Company's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

14. Subsequent events

On April 3, 2019 the group was pleased to appoint Daniel Sabbag as the Vice President for Sales. Mr. Sabbag is a sales professional with over 30 years of experience in agricultural sector.