



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

The following management's discussion and analysis ("MD&A") of the operating results and financial condition of Verde AgriTech Plc ("Verde", the "Group" or the "Company") and its subsidiaries covers the period ended September 30, 2018. The following discussion 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 unaudited consolidated financial statements for the period ended September 30, 2018. The unaudited 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 November 14, 2018.

Additional information relating to the Group is available under the Group's profile on SEDAR at www.sedar.com and the Group's website at www.verdeagritech.com.

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 labour costs; future prices of commodities; possible variations of mineral grade or recovery rates; accidents, labour 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 of innovative agri-tech products of high agronomic efficiency that foster sustainable, profitable and productive agriculture. The Group announced commercial production on July 1, 2018 and remains focused on the expansion of the Cerrado Verde Project.

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 innovative solutions for crop nutrition, crop protection, soil improvement and increased sustainability.

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".

HIGHLIGHTS OF THE THIRD QUARTER

In July 2018, the Group announced the start-up of the processing plant. The cost of the production facility was initially budgeted at US\$500 thousand. However, the total investment reached US\$600 thousand 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").

With the successful commencement of the production process the Group declared commercial production and recognised revenue of \$666,000 for 9,007 tonnes of Super Greensand[®] sales delivered during the quarter.

SUBSEQUENT EVENTS

In October 2018, the Group announced it had sold almost 40 thousand tonnes year to date of Super Greensand[®] which matched its production capacity for 2018. As planting season has stopped and raining season has started, the Group will switch selling to Alpha, a product applied once the crops have started growing. In 2019, the Group plans to continue using the existing plant to produce 200 thousand tonnes and in parallel, start construction of a new plant adding production of an additional 600 thousand tonne. Total 800 thousand tonne to be reached by early 2020. Financing for the expansion is budgeted to be a mix of accumulated cashflow and BNDES (Brazilian Development Bank) Santander bank financing.

In November 2018, the Group was pleased to announce its new business-to-business marketplace. Farmers will be able to offer, on a large scale, nutrient-rich and sustainably-produced food directly to interested corporate buyers who serve a growing portion of the population looking for these types of food. The platform is accessible to products grown and qualified under one or more of four credentials: Chloride Free (products free of chloride), BioNutrient (nutrient-rich produce), CO₂ Captured and Organic. Verde Marketplace will be open to certified producers irrespective of whether they use Verde's suite of plant nutrition products.

PROJECT OVERVIEW

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

Cerrado Verde

Summary of the Cerrado Verde Project

During 2008 the Group staked a large mineral occurrence of a potassium silicate rock, that 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 100 km. Potassium mineralization was found from 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% K₂O which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K₂O. Additionally, the Inferred Mineral Resource Estimate is 1.85 billion tonnes at a K₂O 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.

The Group produces 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. A 100% natural product, Super Greensand[®] is certified for use in organic agriculture.

The Group secured environmental licenses to mine 150,000 tonnes per annum and granted mining permits to 100,000 tonnes per annum.

In addition, The Group has been granted an environmental license to set up a mine with initial annual production capacity of 233,000 tonnes. The mining permit is pending. This pit hosts 51 Mt of reserves.

In total, the Group is currently fully permitted to produce 100 thousand tonnes per annum and has applications pending for an additional 383 thousand tonnes per annum.

Project Developments

In 2009, the Group focused its activities on the geological mapping of the area of the Cerrado Verde Project, bibliographic research, drilling, planning and development of new metallurgical processes for the economic exploitation of potassium silicate.

In October 2010, the Group staked exploration permits over an area of 7,505 hectares with geological potential for limestone deposits near the Group's Cerrado Verde Project. See "*Calcário Limestone Project*" below.

On February 7, 2011, the Group initiated a wide-spaced drilling program at Cerrado Verde aimed at producing an NI 43-101 compliant mineral resource estimate for the majority of the deposit, which has a strike length exceeding 100km. At the time, the Group had an Inferred Mineral Resource Estimate of 105.1 million tonnes grading 10.3% K₂O, using a cut-off of 7.5% K₂O. On the completion of some widely separated drill holes in May 2011, the Group reported on high grade potash drill intersections close to surface, including 10.3% K₂O at 62m, 10.4% K₂O at 46m and 11.0% K₂O at 36m depth. Drilling successfully extended the high-grade potassium mineralization in all new targets tested at Cerrado Verde and on August 3, 2011, the Group announced an updated mineral resource estimate for the Cerrado Verde Project for five out of thirteen targets (being Targets 4, 6, 7, 10 and 11). The estimate comprised an Indicated Mineral Resource of 74 million tonnes with an average grade of 9.22% K₂O and an Inferred Mineral Resource of 1.07 billion tonnes with an average grade of 9.37% K₂O (applying a 7.5% K₂O cut-off). Potassium mineralization was found from surface to a maximum depth of 80m, rendering the deposit amenable to open pit mining.

On February 28, 2012, the Group filed a technical report titled "*NI 43-101 Preliminary Economic Assessment, Cerrado Verde Potash Project, Minas Gerais, Brazil*" that released the details of an increased resource estimate for the Cerrado Verde Project composed of an Indicated Mineral Resource Estimate of 71 million tonnes with an average grade of 9.22% K₂O and an Inferred Mineral Resource Estimate of 2.76 billion tonnes with an average grade of 8.91% K₂O (applying a 7.5% K₂O cut-off). This resource estimate included Targets 1 to 7, 10 to 14, 16 and 17. The Funchal Norte Target became included with Target 7.

On August 28th, 2012, the Company submitted the Environmental Impact Assessment (“EIA”) report for 233 thousand tonnes per year to the state environmental agency (“SUPRAM”). According to the Minas Gerais State Environmental Law, the project is classified as Class III, which allows for an expedited licensing process as the LP (preliminary permit) and the LI (construction permit) are issued simultaneously. On April 28th 2016, a public audience was held in the city of São Gotardo, Minas Gerais, to discuss its application for an environmental license to the project. The environmental agency granted the LP+LI on August 18, 2018, valid for 4 years. The Company is actually working to install this project in accordance with the requirements of the license to obtain the Operation License (LO), which authorizes the commencement of the activities.

In October 2012, the Group completed its 2012 infill drilling campaign at the Cerrado Verde project site aimed at defining measured and indicated resources 15,080m in 252 reverse circulation (“RC”) holes and 785m in 12 diamond core (“DC”) holes were drilled at a spacing ranging from 200m by 200m to 100m by 100m. The objective of this program was to transform the inferred and indicated resources into indicated and measured categories.

Subsequently in March 2014, the Group announced the results and completion of additional drilling at the Cerrado Verde Project. Cerrado Verde now has an NI 43-101 Measured and Indicated Mineral Resource Estimate of 1.47 billion tonnes at a grade of 9.2% K₂O which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K₂O. In addition, the revised Inferred Mineral Resource Estimate is 1.85 billion tonnes at a K₂O grade of 8.6%. Over 1.4 billion tonnes of resource has been upgraded from the inferred to the measured and indicated categories.

The new mineral resource was estimated from data collected from a total of 41,021m of RC drilling from 710 drill holes with a collar spacing ranging from 100m x 100m (measured resource) to 400m x 400m (inferred resource) and an additional 1,717m of DC drilling from 25 drill holes. The final drilling program consisted of 15,080m of drilling from 252 RC drill holes and an additional 785m from 12 DC drill holes.

Lima & Zanette, a Brazilian engineering and consulting firm, completed the mine engineering work (mechanical, electrical and civil) in November 2014.

In January 2015, Verde obtained permission from The Institute of Historical and Artistic Heritage (IPHAN)¹, to commence an archaeological study to identify if the deposit and surrounding areas contain any archaeological material. The request was filed in September 2014 and approval was received in January 2015. As soon as Verde received approval, its team initiated work early February 2015 and the study was completed at the beginning of May 2015.

The hydrogeological study, initiated in August 2014 by MDGEO - Serviços de Hidrogeologia Ltda, a Brazilian consulting firm, was completed in February 2015. This study was required to identify and measure the mine's impact on groundwater during the dry and wet season. The Group initially expected completion of the study in Q4 of 2014 (as previously announced on August 13, 2014), however, due to Brazil's current water shortage crisis, the study could only be finalized in February 2015.

Engineering studies, developed by IC Ambiental delineated some improvements required on secondary roads accessing the mine site, for which an environmental impact study is required. The study was completed at the end of April 2015.

Verde signed a 30-year lease agreement with landowners for the area where the mine will be located. The Group now controls the land where the mine and its required infrastructure are to be constructed, as well as the area that hosts the mineral resource for its proposed greenfield plant.

In October 2015, the Group announced its evolution from a commodities company into an agri-tech company focused on continual innovation. Verde has been devoted to the development of its potassium silicate mineral asset through technology that converts it into solutions for sustainable and profitable agriculture. As a result, subsequently in June 2016,

the Group changed its name to Verde AgriTech to better reflect its progression and commitment to agricultural technology innovation.

In February 2016, the Group announced a new product development, Super Greensand[®], expected to be used both as a fertilizer and as a soil conditioner.

In April 2016, the Group announced a new product development for the crop protection market, Alpha. The Group has developed a proprietary technology to produce Alpha from its potassium silicate mineral deposit. Alpha is applied directly on crop leaves to provide plant available silicon, an element that has been proven to induce crops' resistance and increase its protection against pests and diseases. The product's development is a strategic addition to the Group's expanding portfolio of products and solutions that foster sustainable, more profitable and productive agriculture.

Also in April 2016, a public audience was held in the city of Sao Gotardo, Minas Gerais, to discuss the Group's application for an environmental license to mine Verde's potassium silicate rock. The public audience is an important step of the process to obtain an environmental license in Brazil and serves as an opportunity for the Group to present the project and its social and environmental impact to various stakeholders. Such stakeholders included the mayor of São Gotardo, city councillors, representatives from the Regional Superintendencies of Environmental Regulation ("SUPRAM"), members of civil associations, religious communities, social organizations, the business community, public servants, union representatives and residents of São Gotardo and neighbouring towns. The Group's Cerrado Verde Project received a high level of support. See the May 2, 2016 press release for more details on the public hearing.

The Group acquired two properties in Minas Gerais State. The first property, purchased for approximately \$153,000 (R\$345,000), hosts Verde's processing facility. The second property was purchased for approximately \$108,000 (R\$275,000). As part of environmental regulations, this second property was purchased for environmental compensation purposes and will be used for forest protection.

On August 17 and 19 2016, the Minas Gerais State Environmental Agency conducted a site visit of the Group's Cerrado Verde property as part of its review of the Group's environmental license application. The site visit was booked on the first day after the environmental agency's strike was over. A site visit is one of the agency's final steps in its review process. The environmental agency also conducted a site visit to the property Verde is proposing for environmental compensation.

On February 9, 2017 the Group obtained an Environmental Authorization for Operation ("Autorização Ambiental de Funcionamento" – AAF) from SUPRAM and an exceptional authorization to mining, through a document called Guia de Utilização from National Agency of Mining ("Agência Nacional de Mineração" – ANM). These documents allow the Group to mine 20,000 tonnes per year until February 9th, 2021. The application to increase the annual production to 50,000 tonnes per year was submitted to SUPRAM on May 5th, 2017 for analysis and to ANM on May 10th, 2017.

On May 16, 2017 the Group concluded its first export of Super Greensand[®] to the United States' cannabis and organic market.

On November 9, 2017 the Group obtained an environmental authorization ("Autorização Ambiental de Funcionamento" or AAF) to mine 49,800 t per year until November 9, 2021.

On November 27, 2017 the Group announced the conclusion of a Pre-Feasibility Study ("PFS") for the expansion of the current Super Greensand[®] production. 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.

Project Highlights:

- Proven and Probable Reserves of 777.28 Mt, grading 9.78% K₂O.
- 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[®] 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[®] pricing.

On February 15, 2018 the Group obtained an environmental authorization (“Autorização Ambiental de Funcionamento” – AAF) to increase the open pit annual production to 50,000 tonnes, valid until February 2022.

On February 23, 2018 the Group obtained a second environmental authorization (“Autorização Ambiental de Funcionamento” – AAF) for an additional annual production of 50,000 tonnes, valid until February 2022.

On April 6, 2018 the Group was awarded a mining permit for 50,000 tonnes per annum to startup its planned production.

On July 16, 2018, the Group was awarded a second mining permit for 50,000 tonnes per annum, granted a mining permit up to 100,000 tonnes.

On August 18, 2018, the preliminary and installation license (Licença Prévia and Licença de Instalação or LP+LI) were granted. This license establishes the environmental feasibility and viability of the projects and authorizes the implementation, subject to compliance with specified conditions. The Company is currently waiting for the Mining Permit for an annual production of 233,000 tonnes.

In September 12, 2018 VERDE entered into an agreement with Ysao Munemassa to buy all rights he had over the Project, in connection to discovery contract (Finder’s Fee) dated September 29, 2008, by issuing 165,975 shares in Verde Agritech PLC.

Calcario

Summary of the Calcario Limestone Project

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. The project was fully provided against on December 31, 2017.

SUMMARY OF EXPLORATION CLAIM AREAS

Verde holds mineral claim titles in two categories of the Brazilian land tenure process. *Requerimento de Pesquisa* applications for exploration licences and *Autorização de Pesquisa* for granted exploration licences. Applications filed with the ANM are normally granted the permit on a priority of application basis. Applications are sequentially numbered and dated upon filing with the ANM. An exploration permit from the ANM allows the holder to prospect a mineral property and is valid for one to three years; it can be renewed for a further period under special conditions and may be transferred. License areas are in hectares.

Project	State	Permit Applications	Granted Permits	Total
Cerrado Verde	Minas Gerais	4,350.86	52,273.94	56,624.80
Calcario	Minas Gerais	0	5,450.77	5,450.77

SUMMARY OF LICENSES AND PERMITS

The current status of Verde's 3 pit areas of exploration is described below:

	Mining Permits	Environmental Permits
Mine Pit 1	The application for a mining permit was filed on June 06, 2013 and the feasibility study for annual production of 233,000 tonnes was approved on August 31, 2015.	Verde obtained on August 18, 2018 an LP and LI that establishes the environmental feasibility of the project and authorizes construction
Mine Pit 2	Verde has been granted mining permits for 100,000 tonnes per annum production	Verde obtained two environmental permits to mine a total of 100,000 tonnes per annum until February 2022.
Mine Pit 3	On July 2018, Verde filed an application to produce 49,800 tonnes per year.	On November 9, 2017, the Group obtained an environmental authorization to mine 49,800 t per year until November 9, 2021.

SUMMARY OF DEFERRED EXPLORATION EXPENSES

Following the declaration of commercial production in July 2018 exploration project costs of \$20,984 were transferred to mineral properties.

Project

	To December 31, 2016 \$'000	12 months to December 31, 2017 \$'000	9 months to September 30, 2018 \$'000			Total \$'000
			Additions	Exchange difference	Impairment	
Cerrado Verde	24,219	23,405	260	(2,681)	-	20,984
Calcario	725	-	-	(99)	99	-
Total	24,944	23,405	260	(2,780)	99	20,984

OUTLOOK

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

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides information on selected operating results for the past eight fiscal quarters:

All amounts in \$'000	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Revenue	666	-	-	-
Administrative expenses	558	461	349	411
Impairment of intangible assets	-	-	-	663
Net loss	(308)	(457)	(345)	(1,074)
Loss per share (basic and diluted) (\$)	(0.007)	(0.011)	(0.008)	(0.029)
All amounts in \$'000	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Revenue	-	-	-	-
Administrative expenses	418	366	377	274
Impairment of intangible assets	-	-	-	-
Net loss	(414)	(363)	(353)	(264)
Loss per share (basic and diluted) (\$)	(0.012)	(0.010)	(0.009)	(0.007)

Expenses for 2018 are up mainly due to an increased advertising and promotional costs, in addition to the share based payments, following the vesting of shares in the period.

RESULTS OF OPERATIONS

Three and Nine months ended September 30, 2018 as compared to the three and nine months ended September 30, 2017.

All amounts in \$'000	3 months ended September 30, 2018	3 months ended September 30, 2017	9 months ended September 30, 2018	9 months ended September 30, 2017
Revenue	666	-	666	-
Production costs	(401)	-	(401)	-
Administrative salary and consultancy costs	257	141	541	453
Legal and professional	55	73	230	198
Travel and investor relations	89	86	265	110
General administrative expenses	88	57	196	137
Share based payments	69	61	133	263
Administrative expenses	(558)	(418)	(1,365)	(1,161)
Operating loss	(293)	(418)	(1,100)	(1,161)
Corporation tax	-	-	-	-
Interest income	2	4	7	31
Interest expense	(17)	-	(17)	-
Net loss	(308)	(414)	(1,110)	(1,130)

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Compared to the three months ended September 30, 2017, the net loss for the three months ended September 30, 2018 has decreased by \$61,000, a decrease of 5%. The loss per share

has decreased to \$0.007 from \$0.011. The reduction in losses is due to the contribution made from the sale of Super Greensand® recognised in the income statement following the declaration of commercial production during the quarter.

Administrative salary and consultancy costs

The administrative salary and consultancy costs include the remuneration of the directors and the administrative staff and consultants employed in Brazil. The CEO, CFO and the Board are not currently drawing their remuneration in cash. The increase during the quarter due to salary costs being expensed following the declaration of commercial production rather than capitalised as part of the exploration costs.

Legal and professional

Legal and professional fees include legal, accountancy, audit related and regulatory costs. These expenses decreased in the three months ended September 30, 2018 by \$18,000.

Travel and investor relations expenses

Travel and investor relations expenses include international flights, travel within Brazil, public relations and attendance at trade shows and promotional costs. Investor relation expenses increased by \$3,000 on the same period last year as the Group continues to promote the product.

General administrative expenses

These costs include general office expenses, rent and occupancy fees, insurance, foreign exchange variances, equipment depreciation and taxes. General administrative expenses increase by \$31,000 as a result of increased in general expenses in Brazil.

Share based payments

These costs represent the expense associated with stock options granted to employees, directors and consultants. Stock-based compensation expense recognized during the three months ended September 30, 2018 was \$69,000, an increase of \$8,000 on the same period last year.

LIQUIDITY AND CASH FLOWS

For additional detail see the consolidated statements of cash flows for the quarters ended September 30, 2018 and September 30, 2017 in the annual financial statements.

Cash received from/(used for): \$'000	3 months ended September 30, 2018	3 months ended September 30, 2017	9 months ended September 30, 2018	9 months ended September 30, 2017
Operating activities	(237)	(750)	(600)	(1,069)
Investing activities	(392)	(215)	(86)	(712)
Financing activities	344	1,813	395	1,813

On September 30, 2018, the Group held cash of \$299,000, a decrease of \$346,000 from the cash balance at December 31, 2017.

Operating activities

For the nine months ended September 30, 2018, net cash utilised from operating activities was \$600,000, compared to \$1,069,000 for the nine months ended September 30, 2017 reflecting changes in working capital.

Investing activities

For the nine months ended September 30, 2018, net cash generated from investing activities was \$86,000, a decrease of \$626,000 from the nine months ended September 30, 2017. This is as a result of redemption of \$900,000 short term deposits offset by investment in fixed assets.

Financing activities

For the nine months ended September 30, 2018, net cash generated from financing activities was \$395,000 following the exercise of share options and the bank loan from BNDES (Brazilian Development Bank) Santander for R\$1,040,000 (\$335,000).

Financial condition

On September 30, 2018 the Group had current assets of \$2,267,000 and current liabilities of \$864,000 providing a working capital surplus of \$1,403,000 which represents an increase of \$993,000 since June 30, 2018.

Financing of future expansion is budgeted to be a mix of accumulated cashflow and subsidized-debt from Brazil's development bank (BNDES).

COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 Sept 2018 \$'000	31 Dec 2017 \$'000
Amount payable within one year	40	47
Amounts payable after more than one year and less than five years	58	68
After five years	322	392
	420	507

In addition, there is a commitment to rebuild a small house and a commitment of approximately \$5,900 (R\$15,000) per hectare for any 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.

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.

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 is benefit 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 Company, 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, or adopted targets for the representation of women on the Board or in executive management. The Board is currently comprised of five men and no women, such that none of the Group's directors are women. The Group's executive team is currently comprised of three men and no women, such that none of the Group's executive officers are women. However, approximately 57% of the staff within various departments in the organization are women including the Corporate, 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 Company. 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.

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. There is no perceived credit risk as the Group has no trade receivables and minimal other receivables and bank deposits are made with financial institutions considered to be safe by the Board of Directors. There were no derivative instruments outstanding on September 30, 2018.

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

	30 Sept 2018	31 Dec 2017
	\$'000	\$'000
Canadian Dollars	177	1,122
Brazilian Reais	86	257
American Dollars	29	156
British Pounds	7	10
	299	1,545

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

	30 Sept 2018	31 Dec 2017
	\$'000	\$'000
10% weakening of Brazilian Real	(7)	(45)
10% strengthening of Brazilian Real	8	55

Liquidity risk

To date the Group has relied on shareholder funding to finance its operations. As the Group has finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditures and cash resources. In addition, the Group has long-term loans and trade and other payables with a maturity of less than one year.

Interest rate risk

The Group's policy is to retain its surplus funds in the most advantageous term of deposit available up to twelve month's maximum duration. 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 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 (See financial condition above)
- 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.

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.

During the quarter ended September 30, 2018 the Group declared commercial production and reclassified the Cerrado Verde project costs to mineral properties.

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.

- 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.

NI 52-109 COMPLIANCE

Disclosure Controls and Procedures (“DC&P”)

As at September 30, 2018, the CEO and the CFO evaluated the design and operation of the Company’s DC&P. Based on that evaluation, the CEO and CFO concluded that the Company’s DC&P was effective as at September 30, 2018.

Internal control over financial reporting (“ICFR”)

Based on the evaluation of the design and operating effectiveness of the company’s ICFR, the CEO and the CFO concluded that the company’s ICFR was effective as at September 30, 2018.

There have been no changes during the period ended September 30, 2018 that have a material effect on the disclosure controls and procedures or the internal controls over financial reporting.

FINANCIAL REPORTING STANDARDS

The Company has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2018. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Company.

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

International Financial Reporting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the reporting year ended December 31, 2017:

IFRS /Amendment	Title	Application date of standard	Application date for Group
IFRS 16	Leases	January 1, 2019	January 1, 2019

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 expect any significant changes to the accounting treatment of its existing lease arrangements and the Directors do not consider that the financial and operational impact of this standard, will have a material impact but are continuing to assess the impact of this new standard.

OUTSTANDING SHARE DATA

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

Warrants	1,727,075
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Stock options	3,634,460
Total	<u>47,981,225</u>

RISKS

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 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.

Early Stage Projects and Dependence on Mineral Exploration Projects

Each of the Group's projects is at the exploration/development stage. There is no certainty that the expenditures made by the Group towards the search and evaluation of mineral deposits on these or any other properties will result in discoveries of commercially exploitable reserves. Furthermore, unless the Group acquires additional properties or projects, any adverse developments affecting these projects or the Group's rights to develop mining concessions that are held on these properties, could materially adversely affect the Group's business, financial condition and results of operations.

Mineral Resources and Reserves

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 judgment 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. While the Group believes that the resource estimates included are well established, by their nature 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 Group has measured, indicated and inferred mineral resources on the Cerrado Verde Project. The Group does not have proven or probable mineral reserves on any of its properties. 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 Group is unable to upgrade the current estimated mineral resources on the Cerrado Verde Project to measured mineral resources or mineral reserves in sufficient economically feasible 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.

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.

Economic Extraction of Minerals from Identified Deposits May Not be Viable

The development of any of the Group's projects into commercially viable mines cannot be assured. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of a deposit, such as its size, grade and geological structure (including the fact that there can be no assurance that potassium silicate deposits will prove suitable for the commercial mining and production of potash); prevailing commodity prices, which are highly cyclical; costs and efficiency of recovery and production methods that can be employed; proximity to infrastructure; availability and costs of additional funding; and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of commodities and environmental protection. Estimates of mineral resources and mineral reserves are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and technical report studies. This information is used to calculate estimates of the capital cost and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the mineral resource, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that the actual capital cost, operating costs and economic returns of any proposed mine may differ from those estimated and such differences could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The effect of these factors cannot be accurately predicted but any combination of these factors may result in the Group not receiving an adequate return on its invested capital, if any, and/or may result in the Group being unable to develop a mineral deposit into an operating mine. There can be no assurance that the Group will be able to complete development of any development project at all or on time or on budget due to, amongst other things, and in addition to those factors described above, changes in the economics of the mining project, delays in receiving required consents, permits and licences (including mineral subsurface rights), the delivery and installation of plant and equipment and cost overruns, or that the Group's personnel, systems, procedures and controls will be adequate to support operations. Should any of these events occur, it would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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, if relevant, 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 sales of Super Greensand[®].

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.

Uninsurable Risks

The exploration, development and production of mineral properties involves numerous risks including unexpected or unusual geological operating conditions such as rock bursts, cave-ins, fires, flooding and earthquakes. Insurance may not be available to cover all of these risks, may only be available at economically unacceptable premiums or may be inadequate to cover any resulting liability. Any uninsured liabilities that arise would have a material adverse effect on the Group's business and results of operations.

Operations in Foreign Countries and Regulatory Requirements

The Group's principal properties are located in Brazil and mineral exploration and mining activities as well as project development may be affected in varying degrees by changes in political, social and financial stability, inflation and changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political, social or financial conditions are beyond the control of the Group and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Brazil's status as a developing country may make it more difficult for the Group to obtain any financing required for the exploration and development of its properties due to real or perceived increased investment risk. Currently there are no restrictions on the repatriation from Brazil on the earnings of foreign entities. Capital investments registered with the Central Bank in Brazil may similarly be repatriated. There can be no assurance that restrictions on repatriation of earnings and capital investments from Brazil will not be imposed in the future.

Competition

The Group competes with other mining companies as well as other companies producing agricultural products, many of which have greater financial and technical resources and experience, particularly with respect to the potash industry and the limited number of mineral opportunities available in South America. Competition in the mining industry is primarily for properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. In addition, many competitors not only explore for and mine potash, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Group being unable to acquire desired properties on terms acceptable to the Group, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Group's inability to compete with other mining companies for these resources would have a material adverse effect on the Group's business and results of operations. In the future, if the Cerrado Verde Project is brought into production, the Group may also compete with other potash mining and/or marketing companies, many of which have greater marketing, financial and technical resources and experience, in exporting and marketing its potash or potassium-based products. In addition, in such circumstances the Group will be vulnerable to increases in the supply of potash beyond market demand either from the opening of new potash mines or the expansion of existing potash mines by the Group's competitors, which could depress prices and have a material adverse effect on the Group's business, financial condition and results of operations.

Title Matters

While the Group has diligently investigated title to all mineral properties and to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be affected by undetected defects in title, such as the reduction in size of the mineral claims and other third party claims affecting the Group's priority rights, at the discretion of ANM. The Group's interests in mineral properties are comprised of exclusive rights under government licences and contracts to conduct operations in the nature of exploration and, in due course if warranted, development and mining, on the

licence areas. Maintenance of such rights is subject to on-going compliance with the terms of such licences and contracts.

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.

Government Royalties

The Federal Government of Brazil collects royalties on mineral production, with up to half of such royalties being paid to surface rights owners. The current Brazilian federal royalty applicable to potash rock is a 2% net smelter return ("NSR"). This level, and the level of any other royalties, payable to the Brazilian government in respect of the production of minerals, may be varied at any time as a result of changing legislation, which could materially adversely affect the Group's results.

Market Factors and Volatility of Commodity Prices

The Group's future profitability and long term viability will depend, in large part, on the global market price of minerals produced and their marketability. The marketability of mineralized material which may be acquired or discovered by the Group will be affected by numerous factors beyond the control of the Group. These factors include market fluctuations in the prices of minerals sought, which are highly volatile, inflation, consumption patterns, speculative activities, international political and economic trends, currency exchange fluctuations, interest rates, production costs and rates of production. The effect of these factors cannot be accurately predicted, but may result in the Group not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the control of the Group. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Group would have a material adverse effect on the Group, and could result in the suspension of mining operations by the Group.

Cyclical Industry

The market for potash tends to move in cycles. Periods of high demand, increasing profits and high capacity utilisation lead to new plant investment and increased production. This growth increases supply until the market is over-saturated, leading to declining prices and declining capacity utilisation until the cycle repeats. This cyclicity in prices can result in supply/demand imbalances and pressures on potash prices and profit margins which may impact the Group's financial results and common share prices. The potash industry is dependent on conditions in the economy generally and the agriculture sector. The agricultural sector can be affected by adverse weather conditions, cost of inputs, commodity prices, animal diseases, the availability of government support programs and other uncertainties that may affect sales of fertilizer products.

Exchange Rate Fluctuations

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 incurred primarily in Canadian Dollars, and Brazilian Reals. 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 does not currently have in place a policy for hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency.

Dependence on Key Executives and Technical Personnel

The Group is currently dependent on the services of a relatively small management team. Locating mineral deposits in Brazil depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Group, the loss of members of the management team or the Group's inability to attract and retain additional highly skilled employees may materially adversely affect its business and future operations. The Group does not currently carry any "key man" life insurance on any of its executives. The non-executive directors of the Group devote only part of their time to the affairs of the Group.

Lack of Hedging Policy

The Group does not have a resource hedging policy and has no present intention of establishing one. Accordingly, the Group has no protection from declines in mineral resource prices. The Group will keep under review the merits of hedging foreign currency reserves against foreign currency exchange rate fluctuations.

No History of Earnings

The Group has no history of earnings, and there is no assurance that any of the properties it now or may hereafter acquire or obtain an interest in will generate earnings, operate profitably, or provide a return on investment in the future. The Group has not generated operating revenue since incorporation. Management anticipates that the Group will experience net losses as a result of on-going exploration and general corporate and administrative costs and expenses until such time as revenue generating activity is commenced.

Dilution

The Group currently has 3,634,460 share options outstanding. To the extent the Group should, in future, issue any warrants, additional options, convertible securities or other similar rights, the holders of such securities will have the opportunity to profit from a rise in the market price of the Ordinary Shares with a resulting dilution in the equity interest of any persons who become holders of Ordinary Shares. The Group's ability to obtain additional financing during the period such rights are outstanding may be adversely affected and the existence of the rights may have an adverse effect on the price of the Ordinary Shares. The holders of warrants, options and other rights may exercise such securities at a time when the Group would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. In some circumstances, the increase in the number of Ordinary Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of the Ordinary Shares. In addition, as a result of such additional Ordinary Shares, the voting power of the Group's existing shareholders may be diluted.

Future Sales of Ordinary Shares by Existing Shareholders

Sales of a large number of Ordinary Shares in the public markets, or the potential for such sales, could decrease the trading price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of Ordinary Shares.

Conflicts of Interest

Directors of the Group are or may become directors of other reporting companies or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Group may participate, the directors of the Group may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Group and its directors attempt to minimise such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Group, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Group will establish a special committee of independent directors to review a matter in which several directors, or

management, may have a conflict. The directors of the Group are required to act honestly, in good faith and in the best interests of the Group. In determining whether or not the Group will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Group, the degree of risk to which the Group may be exposed and its financial position at that time.

Further information

Additional information relating to the Group can be found on SEDAR at www.sedar.com and on the Group's website at www.verdeagritech.com.