

VERDE AGRITECH PLC
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2018



VERDE AGRITECH PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

The accompanying unaudited consolidated financial statements of Verde AgriTech Plc ("Verde", the "Company", or the "Group") for the first quarter ended 31 March 2018 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 2017. 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 2018
(EXPRESSED IN CANADIAN DOLLARS)

	3 months ended 31 Mar 2018 \$'000	3 months ended 31 Mar 2017 \$'000
Continuing operations		
Administrative expenses	(349)	(377)
Operating loss	(349)	(377)
Finance income	4	24
Loss before tax	(345)	(353)
Income tax expense	-	-
Loss for the year attributable to equity holders of the parent	(345)	(353)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	504	538
Other comprehensive profit/(loss) for the year (net of tax)	504	538
Total comprehensive profit/(loss) for the year attributable to equity holders of the parent	159	185
Loss per share		
Basic and diluted loss per share	4 \$ (0.008)	\$ (0.009)

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STATEMENTS OF FINANCIAL POSITION

As at 31 March 2018
(EXPRESSED IN CANADIAN DOLLARS)

	Note	31 Mar 2018 \$'000	31 Dec 2017 \$'000
Assets			
Property, plant and equipment	5	233	213
Intangible assets	6	23,978	23,404
Total non-current assets		24,211	23,617
Trade and other receivables		862	850
Short-term deposits	10	800	900
Cash and cash equivalents	11	398	645
Total current assets		2,060	2,395
Total assets		26,271	26,012
Equity attributable to the equity holders of the parent			
Issued capital	7	16,551	16,502
Share premium		45,874	45,872
Warrant reserve	8	777	777
Merger reserve		(4,557)	(4,557)
Translation reserve		(8,244)	(8,749)
Accumulated losses		(24,621)	(24,298)
Total equity		25,780	25,547
Liabilities			
Trade and other payables		491	465
Total current liabilities		491	465
Total liabilities		491	465
Total equity and liabilities		26,271	26,012

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STATEMENTS OF CASH FLOWS

**For the Year Ended 31 March 2018
(EXPRESSED IN CANADIAN DOLLARS)**

	3 months ended 31 Mar 2018 \$'000	3 months ended 31 Mar 2017 \$'000
Cash flows from operating activities		
Operating loss	(349)	(377)
Depreciation	4	5
Loss on disposal of property, plant and equipment	-	-
Foreign exchange differences	3	7
Share-based payments	22	103
Decrease/(increase) in receivables	(38)	1
Increase in payables	27	43
Net cash utilised in operating activities	(331)	(218)
Cash flows from investing activities		
Interest received	4	24
Redemption of short-term deposits	100	
Acquisition of evaluation and exploration assets	(53)	(191)
Acquisition of property, plant and equipment	(19)	-
Net cash utilised in investing activities	32	(167)
Cash flows from financing activities		
Proceeds from issue of shares	51	-
Net cash from financing activities	51	-
Net decrease in cash and cash equivalents	(248)	(385)
Cash and cash equivalents at beginning of period	645	1,763
Effect of exchange rate fluctuations on cash held	(2)	(3)
Cash and cash equivalents at end of period	395	1,381

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group
(EXPRESSED IN CANADIAN DOLLARS)

	Share capital \$'000	Share premium \$'000	Share warrant reserve \$'000	Merger reserve \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2017	15,457	45,475	-	(4,557)	(6,979)	(22,415)	26,981
Comprehensive loss							
Loss for the year	-	-	-	-	-	(353)	(353)
Foreign exchange translation differences	-	-	-	-	538	-	538
Total other comprehensive income	-	-	-	-	538	(353)	185
Total comprehensive income for the period	-	-	-	-	163	(330)	(167)
Transactions with owners							
Share-based payments	-	-	-	-	-	103	103
Total transactions with owners	-	-	-	-	-	103	103
Balance at 31 March 2017	15,457	45,475	-	(4,557)	(6,441)	(22,665)	27,269
Balance at 1 January 2018	16,502	45,872	777	(4,557)	(8,749)	(24,298)	25,547
Comprehensive loss							
Loss for the year	-	-	-	-	-	(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
Total transactions with owners	-	-	-	-	-	22	22
Balance at 31 March 2018	16,551	45,874	777	(4,557)	(8,244)	(24,621)	25,780

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NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Nature of operation and going concern

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

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

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

2. Significant accounting policies

Verde Agritech Plc (the "Company") is a company registered in England and Wales. The interim statements of the Company for the first quarter ended 31 March 2018 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 financial statements as defined in section 435 of the Companies Act 2006. No statutory financial statements 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 2017. 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 2017.

The statutory financial statements for the year ended 31 December 2017 have been filed with the Registrar of Companies. The auditors' report on these financial statements was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

4. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 March 2018 was based on the loss attributable to ordinary shareholders of \$345,000 (31 March 2017: \$353,000) and a weighted average number of Ordinary Shares outstanding during the period ended 31 March 2018 of 40,310,830 (31 March 2017: 37,617,430) calculated as follows:

Loss attributable to ordinary shareholders

	3 months ended 31 Mar 2018	3 months ended 31 Mar 2017
	\$'000	\$'000
Loss for the period	(345)	(353)
Loss attributable to ordinary shareholders	(345)	(353)

Weighted average number of ordinary shares

	Number '000	Number '000
Number of shares in issue at beginning of period	40,286	37,617
Effect of shares issued during period	25	-
Weighted average number of ordinary shares in issue for the period	40,311	37,617

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

Details of share options that could potentially dilute earnings per share in future periods are set out in note 8.

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NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Property, plant and equipment

	Total \$'000
Cost	
Balance at 1 January 2017	478
Additions	31
Disposals	(28)
Effect of movements in foreign exchange	(31)
Balance at 31 December 2017	<u>450</u>
Balance at 1 January 2018	450
Additions	18
Disposals	-
Effect of movements in foreign exchange	10
Balance at 31 March 2018	478
Depreciation and impairment losses	
Balance at 1 January 2017	243
Depreciation charge for the period	18
On disposals	(12)
Effect of movements in foreign exchange	(12)
Balance at 31 December 2017	<u>237</u>
Balance at 1 January 2018	237
Depreciation charge for the period	4
Effect of movements in foreign exchange	4
Balance at 31 March 2018	245
Carrying amounts	
At 1 January 2017	<u>235</u>
At 31 December 2017	<u>213</u>
At 1 January 2018	213
At 31 March 2018	233

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NOTES TO THE GROUP FINANCIAL STATEMENTS

6. Intangible assets

	Projects		Total exploration costs \$'000
	Cerrado Verde \$'000	Calcario \$'000	
Cost			
Balance at 1 January 2017	24,219	725	24,944
Additions	831	-	831
Effect of movements in foreign exchange	(1,645)	(62)	(1,707)
Balance at 31 December 2017	<u>23,405</u>	<u>663</u>	<u>24,068</u>
Balance at 1 January 2018	23,405	663	24,068
Additions	80	-	80
Effect of movements in foreign exchange	493	18	511
Balance at 31 March 2018	<u>23,978</u>	<u>681</u>	<u>24,659</u>
Provision for impairment			
Balance at 1 January 2017	-	-	-
Impairment charge for the year	-	663	663
Balance at 31 December 2017	<u>-</u>	<u>663</u>	<u>663</u>
Provision for impairment			
Balance at 1 January 2018	-	663	663
Effect of movements in foreign exchange	-	18	18
Balance at 31 March 2018	<u>-</u>	<u>681</u>	<u>681</u>
Carrying amounts			
At 1 January 2017	24,219	725	24,944
At 31 December 2017	<u>23,405</u>	<u>-</u>	<u>23,405</u>
At 1 January 2018	23,405	-	23,405
At 31 March 2018	<u>23,978</u>	<u>-</u>	<u>23,978</u>

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NOTES TO THE GROUP FINANCIAL STATEMENTS

7. Share capital

	31 Mar 2018 Number	31 Mar 2018 \$'000	31 Dec 2017 Number	31 Dec 2017 \$'000
Authorised - Ordinary Shares of \$0.3918 each	500,000,000	195,900,000	500,000,000	195,900,000
Issued - Ordinary Shares of \$0.3918 each				
At beginning of period	40,285,922	16,502	37,617,430	15,457
25 July 2017 for \$1.05 each	-	-	1,727,075	677
26 September 2017 for \$0.56 each	-	-	250,000	98
10 November 2017 for \$0.42 each	-	-	500,000	196
27 November 2017 for \$0.62 each	-	-	98,417	38
5 December 2017 for \$0.425 each on exercise of options	-	-	18,000	7
5 December 2017 for \$0.40 each on exercise of options	-	-	15,000	6
6 December 2017 for \$0.41 each on exercise of options	-	-	60,000	23
12 March 2018 for \$0.40 each on exercise of options	15,000	6	-	-
12 March 2018 for \$0.425 each on exercise of options	6,000	2	-	-
13 March 2018 for \$0.40 each on exercise of options	61,538	24	-	-
14 March 2018 for \$0.425 each on exercise of options	12,000	5	-	-
14 March 2018 for \$0.41 each on exercise of options	30,000	12	-	-
At end of period	40,410,460	16,551	40,285,922	16,502

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.

8. Share warrants

	31 Mar 2018 Number	31 Mar 2018 \$'000	31 Dec 2017 Number	31 Dec 2017 \$'000
Balance at beginning of period	1,727,075	777	-	-
Fair value of warrants issued during the period	-	-	1,727,075	777
Balance at end of period	1,727,075	777	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

9. Share-based payments

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

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	31 Mar 2018	31 Mar 2018	31 Dec 2017	31 Dec 2017
Outstanding at the beginning of the period	\$0.45	3,566,998	\$0.58	2,609,000
Granted during the period	-	-	\$0.45	1,089,998
Exercised during the period	\$0.23	(124,538)	\$0.34	(93,000)
Forfeited during the period	\$0.65	(223,000)	\$0.14	(4,000)
Expired during the period	-	-	\$2.63	(35,000)
Outstanding at the end of the period	\$0.49	3,219,460	\$0.44	3,566,998
Exercisable at the end of the period	\$0.45	1,717,660	\$0.49	1,568,299

The options outstanding at 31 March 2018 have an exercise price in the range of \$0.40 to \$0.83 and a weighted average remaining contractual life of 3.1 years. Options issued prior to December 2014 vest in three annual tranches commencing on the date of grant subject to the grantee's continued service. Options issued in and after December 2014 vest in six annual tranches. Commencing on the date of grant, subject to the grantee's continued service, 10% of the options vest and an additional 10% vest each subsequent year. At the sixth year from the date of grant, the remaining 50% of the options vest. Options issued in January 2017 vest in 2 annual tranches, 50% on the commencing date of the grant and a further 50% a year after, subject to the grantee's continued service. At 31 March 2018, 1,717,660 of the options had vested (31 December 2017: 1,568,299).

Details of share options outstanding at 31 March 2018 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)	-	-	-	\$0.74	15 July 2013	15 July 2018
20,000	-	-	-	-	20,000	20,000	\$0.45	19 September 2013	19 September 2018
30,000	-	-	-	(30,000)	-	-	\$0.41	8 October 2013	8 October 2018
165,000	-	-	-	-	165,000	165,000	\$0.78	14 January 2014	14 January 2019
2,002,000	-	-	(18,000)	(18,000)	1,966,000	727,200	\$0.425	10 December 2014	10 December 2024
20,000	-	-	-	-	20,000	6,000	\$0.40	12 November 2015	12 November 2025
90,000	-	-	(40,000)	-	50,000	15,000	\$0.40	10 December 2015	10 December 2025
814,998	-	-	-	(76,538)	738,460	738,460	\$0.40	31 January 2017	31 January 2027
200,000	-	-	-	-	200,000	40,000	\$0.40	9 February 2017	9 February 2027
60,000	-	-	-	-	60,000	6,000	\$0.83	12 May 2017	12 May 2027
3,566,998	-	-	(223,000)	(124,538)	3,219,460	1,717,660			

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NOTES TO THE GROUP FINANCIAL STATEMENTS

9. 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 2018 \$'000	31 Mar 2017 \$'000
Weighted average fair value of options granted during the period	-	0.21
Weighted average share price	-	0.40
Weighted average exercise price	-	0.40
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	-	145.35%
Option life	-	1 - 5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	-	1.9%

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 2018 \$'000	3 months to 31 Mar 2017 \$'000
Total expense recognized as employee and consultants costs	22	103

10. Short-term deposits

The Group has \$800,000 in short-term deposits held with HSBC Canada with varying maturity dates of periods between six months and one year. They have been excluded from cash and cash equivalents for the purposes of the statement of cashflow and are disclosed as current assets. Term and interest rates are as follows:

Short-term deposits:	Principal		Fixed Interest rate (per annum)
	2017 \$'000	Maturity date	
270 days	100	23/4/2018	1.44%
12 months	700	27/7/2018	1.51%
	800		

11. 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

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NOTES TO THE GROUP FINANCIAL STATEMENTS

11 Financial instruments (continued)

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

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

	31 Mar 2018 \$'000	31 Dec 2017 \$'000
Canadian Dollars	921	1,122
Brazilian Reais	256	257
American Dollars	17	156
British Pounds	4	10
	1,198	1,545

At 31 March 2018 the the Group held Canadian Dollar deposit accounts and fixed term deposits with varying interest rates between 1.37% and 1.51%.

The Brazilian Reais deposits are held as interbank deposit certificates, with no maturity date, at a current interest rate of 6.50%.

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

	Equity	
	31 Mar 2018 \$'000	31 Dec 2017 \$'000
10% weakening of Brazilian Real	(56)	(45)
10% strengthening of Brazilian Real	68	55

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NOTES TO THE GROUP FINANCIAL STATEMENTS

11 Financial instruments (continued)

Liquidity risk

To date the Group and Company have relied on shareholder funding to finance its operations. As the Group and Company have finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure and cash resources. In addition, the Group and Company do not have any borrowings and only have trade and other payables with a 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 and as the Group does not currently have any debt, no sensitivity analysis has been provided in respect of any potential fluctuations in interest rates.

Financial assets

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

Fair values

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

Classes of financial instruments

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