



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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## GLOSSARY

**3D Alliance®:** Technology developed to transform the three-dimensional structure of the raw materials added to the fertilizer. The materials are subjected to a mechanical process, increasing their specific surfaces and forming microparticles that release nutrients progressively. The fertilizers resulting from the mixture are homogeneous and can be evenly distributed in the soil. The 3D Alliance® technology is used in the BAKS® production process.

**ANM:** See “National Mining Agency”.

**BAKS®:** The Group’s newest product, which is a combination of K Forte® (source of potassium, silicon and magnesium) plus three other nutrients that can be chosen by customers according to their crops’ needs. BAKS® was launched by the Group on December 15, 2020.

**Cerrado Verde Project (“the Project”):** Located in Minas Gerais state, Brazil. Potassium-rich deposit owned by Verde, from which the Group is producing solutions for crop nutrition, crop protection, soil improvement, and increased sustainability. The Project has an NI 43-101 Measured and Indicated Mineral Resource Estimate of 1.47 billion tonnes at a grade of 9.2% K<sub>2</sub>O, which includes a Measured Mineral Resource of 83 million tonnes with an average grade of 10.1% K<sub>2</sub>O. The Pre-Feasibility Study of the Project evaluated the technical and financial aspects of producing 25 Mtpy of the Product divided in three phases: Phase 1 (0.6 Mtpy); Phase 2 (5 Mtpy) and Phase 3 (25 Mtpy). The Cerrado Verde Project has been in production since 2017.

**CIF (“Cost Insurance and Freight”):** Shipment term used to indicate that the seller is responsible for the goods and costs of insurance and freight from the factory to the buyer’s destination.

**Exploration Authorisation Application (“Requerimento de Pesquisa”):** Claim for the geological exploration of an area. Interested parties must file an application for exploration authorisation with the ANM and state a case for conducting mineral exploration activities. The Exploration Authorisation Applications are analysed in order of filing date. If the party requesting an exploration authorisation meets the necessary legal requirements and an exploration authorisation has not been previously issued for any part of the area in question, then the ANM will grant the exploration authorisation.

**Exploration Authorisation (“Alvará de Pesquisa”):** Once mineral exploration is completed, a final exploration report must be submitted for ANM’s review and approval. If approved, the next step is to file, within one year, all applications for a mining concession with the Ministry of Mines and Energy (MME). The Exploration Authorisation guarantees to the owner, be it an individual or a legal entity, the power and duty to carry out mineral research work in the entitled area. It grants the rights to conduct exploration activities for a period from two to four years, which may be renewed for an additional period (and potentially additional renewals on a case-by-case basis). An exploration authorisation does not entitle the holder the right to extract mineral substances. During the research work, extraction will only be allowed in exceptional circumstances, with a specific title issued by the ANM (Mining Permit – “Guia de Utilização”). At the end of the research stage, the holder of the mining right must present a Final Exploration Report with the results obtained from the work.

**Environmental License (“Licença Ambiental”):** The environmental licensing process consists of a three-step system, each step is a separate license contingent upon the prior step. In the state of Minas Gerais there is the possibility of licensing phases simultaneously, depending on the size of the project, according to the Normative Resolution 217/2017. The three phases are, as follows:

- **Preliminary License (“Licença Prévia – LP”):** Granted at the planning stage of the project, this license signals the approval of its location, concept and environmental feasibility. It establishes the

basic requirements to be met during the subsequent implementation phases. The maximum term for LPs is five years.

- **Installation License (“Licença de Instalação – LI”)**: This license authorises the setup of the works and commencement of construction based on the specifications set forth in the previous license and the approved plans, programs and project designs, including environmental control measures. The maximum term for LIs is six years.
- **Operating License (“Licença de Operação – LO”)**: This license authorises the operation contingent upon compliance with the terms of the LO and the LI, including any environmental control measures and operating conditions. The maximum term for LOs is 10 years.

At the federal level, the environmental licenses are regulated by the Brazilian National Council for the Environment (“Conselho Nacional do Meio Ambiente - CONAMA”) Resolution No. 237/1997 and by Complementary Law No. 140/2011; at the state level, the environmental license are regulated by the State Environmental Policy Council (“Conselho Estadual de Política Ambiental – COPAM”).

**Feasibility Study (“Plano de Aproveitamento Econômico – PAE”)**: report filed as part of the Mining Concession Application. It demonstrates quantitative geological and technological study of the mineral deposit and as well as demonstrating the technical-economic feasibility of a mine.

**Final Exploration Report (“Relatório Final de Pesquisa”)**: At the end of the exploration stage, the holder of the mining right must present a Final Exploration Report with the results obtained from the work, containing a quantitative geological and technological study of the mineral deposit and demonstrate the technical-economic feasibility of a mine. The ANM analyses this report technically through a site visit. If the ANM approves the report based on the potential merits of a future mining operation, the titleholder has a one-year period to prepare and file the Mining Concession Application with the Federal Minister of Mines and Energy.

**FOB (“Free on Board”)**: Shipment term used to indicate that the buyer is responsible for the goods and costs of insurance and freight from the seller’s product factory.

**Group**: Verde AgriTech Plc and its subsidiaries.

**Hectare**: Metric unit of square measure, equal to 10,000 square meters.

**K Forte® (“the Product”)**: Multinutrient potassium fertilizer brand marketed in Brazil by the Group.

**K<sub>2</sub>O**: Chemical term used in the analysis and marketing of fertilizers that contain different potassium compounds, as a comparison of their relative potassium content when compared to equivalent potassium oxide (K<sub>2</sub>O).

**Kilometer**: Metric unit of measurement approximately equal to 0.62 miles.

**MME**: See “Ministry of Mines and Energy”.

**Micro S Technology®**: The Group’s exclusive elemental sulfur micronization technology, that allows for a larger contact surface. This facilitates the work of microorganisms and oxidation rate increases and so nutrients become available to plants more efficiently. This increases the absorption of sulfur and, consequently, the development of the plant. Micro S Technology® allows micronized sulfur, one of the additional nutrients most required by farmers, to be added to BAKS®.

**Mine Site**: An economic unit comprised of an underground and/or open pit mine, a treatment plant and equipment and other facilities necessary to produce metals concentrates, in existence at a certain location.

**Mineral Reserve:** A mineral reserve is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which mineral reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a mineral reserve must be demonstrated by a pre-feasibility study or feasibility study.

- **Probable Mineral Reserve:** The economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applied to a probable mineral reserve is lower than that applied to a proven mineral reserve.
- **Proven Mineral Reserve:** The economically minable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors.

**Mineral Resource** A mineral resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

- **Indicated Mineral Resource:** That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. An indicated mineral resource has a lower level of confidence than that applied to a measured mineral resource and may only be converted to a probable mineral reserve.
- **Inferred Mineral Resource:** That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.
- **Measured Mineral Resource:** That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve.

**Mineral Right (“Direito Minerário”):** Authorisation to research and/or prospect a tenement. It is granted by the federal government through the ANM or the MME, depending on their respective competencies.

**Mineralization:** The concentration of minerals within a body of rock.

**Mining Concession Application (“Requerimento de Lavra”):** This application must satisfy certain requirements, including the presentation of the mining Group’s Feasibility Study (“Plano de Aproveitamento Econômico – PAE”). While the ANM reviews the application for a mining concession, the applicant retains the exclusive rights to this area. Mine construction and development activity can only begin after the publication of a mining concession issued by the MME and provided that the respective license is also granted pursuant to applicable Brazilian environmental laws.

**Mining Concession (“Portaria de Concessão de Lavra”):** guarantees to the owner the power and duty to explore the mineral deposit until it is exhausted, without a definite term. The title can only be obtained by mining companies and only after undertaking the authorised exploration through an exploration authorisation and subsequent approval of the Final Exploration Report. One of the essential documents for requesting a mining concession is the Feasibility Study, which must demonstrate the technical and economic viability of the project and indicate, among other information, the mining method, the planned scale of production and the mine closure plan.

**Mining Permit (“Guia de Utilização”):** exceptional mining permit with predetermined expiration date. It is granted by the ANM and allows the mineral extraction in the area before the grant of a Mining Concession, according to the environmental legislation.

**Ministry of Mines and Energy (“Ministério de Minas e Energia – MME”):** federal government’s branch responsible for making public policy that covers the geological, mineral and energy resources, hydroelectric, mining, and metallurgic energy sectors.

**Mtpy:** Million tonnes per year.

**National Mining Agency (“Agência Nacional de Mineração – ANM”):** federal agency subordinated to the Ministry of Mines and Energy. It is responsible for the management of mining activities and Brazilian mineral resources. Former National Department of Mineral Production (“Departamento Nacional de Produção Mineral - DNPM”).

**NI 43-101:** National Instrument 43-101 - Standards of Disclosure for Mineral Projects within Canada.

**Open Pit:** Surface mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the ore body.

**Ore:** A mineral or aggregate of minerals from which metal can be economically mined or extracted.

**Ore Grade:** The average amount of K<sub>2</sub>O expressed as a percentage.

**PFS:** See “Pre-Feasibility Study”.

**Pre-Feasibility Study (“PFS”):** A pre-feasibility study is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the mineral resource may be converted to a mineral reserve at the time of reporting. A pre-feasibility study is at a lower confidence level than a feasibility study.

**Product:** Multinutrient potassium fertilizer marketed in Brazil under the brand K Forte® and internationally as Super Greensand®, whose production and sale is the principal activity of the Group.

**Tonne:** A unit of weight. One metric tonne equals 2,204.6 pounds or 1,000 kilograms.

**tpy:** Tonnes per year.

**Qualified Person:** As defined in NI 43-101, an individual who: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member or licensee in good standing of a professional association.

**Super Greensand® (“the Product”):** Multinutrient potassium fertilizer brand marketed internationally by the Group.

## TO OUR SHAREHOLDERS

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Verde AgriTech Plc and its subsidiaries ("Verde" or the "Group") covers the year ended December 31, 2020. It provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 ("FY 2020"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union and with IFRS and their interpretations issued by the IASB. All amounts herein are expressed in Canadian Dollars unless otherwise stated, and the information is current to March 30, 2021.

At December 31, 2020, the average rate of exchange was 3.84 and the closing rate was 4.08 Brazilian Real ("R\$") to the Canadian Dollar. These rates were used to prepare these financial results.

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

## FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Although the Group believes that its expectations, reflected in forward-looking information, to be reasonable, such information involves known or unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group or the Group's projects in Brazil to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the actual results from current development activities; conclusions of economic evaluations; unexpected increases in capital or operating costs; changes in equity markets, inflation and changes in foreign currency exchange rates; changes in project parameters as plans continue to be refined; changes in 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 and sale of a multinutrient potassium fertilizer marketed in Brazil under the brand K Forte® and internationally as Super Greensand®.



## GROUP OVERVIEW (CONTINUED)

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

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

## Q4 2020 FINANCIAL HIGHLIGHTS

- Sales increased by 76% with 56,585 tonnes sold, compared to 32,221 tonnes in the fourth quarter of 2019 ("**Q4 2019**").
- Gross margin increased to 59% in Q4 2020, compared to 36% in Q4 2019.
- The Group recognised revenue of \$2,209,000, an increase of 48% compared to \$1,491,000 in Q4 2019 despite a 14% decline in the price of potash delivered to Brazil.
- In Brazilian Real ("**R\$**"), revenue increased by 92%, to R\$8,489,000 compared to R\$4,429,000 in Q4 2019.
- The Group recorded a net loss of \$192,000, compared to a net loss of \$11,000 in Q4 2019.
- Cash held by the Group increased by 236%, to a total of \$2,237,000, compared to \$666,000 in Q4 2019.

## FY 2020 FINANCIAL HIGHLIGHTS

- Sales increased by 103% with 243,707 tonnes sold, compared to 119,809 tonnes in the year ended December 31, 2019 ("**FY 2019**").
- Gross margin increased to 62%, compared to 48% in FY 2019.
- The Group recorded a gross profit of \$5,652,000, compared to a \$2,863,000 gross profit in FY 2019, an increase of 97%.
- Revenue increased by 52%, with a total of \$9,167,000, compared to \$6,029,000 in 2019, despite a 27% decline in the price of potash delivered to Brazil.
- In R\$, revenue increased by 97%, to R\$35,232,000, compared to R\$17,913,000 in FY 2019.
- Revenue per tonne was \$38, compared to \$50 in FY 2019. The Product price is based on the current US Dollar ("**US\$**") Potassium Chloride price. Therefore, the reduction of the average revenue per tonne was mainly due to the decline of the Potassium Chloride CFR (Brazil) price.
- Production costs were \$14, compared to \$26 in FY 2019. The production cost reduction of 45% was due to enhanced production efficiency and the devaluation of the Brazilian Real by 29% against the Canadian Dollar.
- The Group recorded an operating profit of \$1,126,000 and net profit of \$550,000 after taxes, compared to an operating loss of \$784,000 and net loss of \$1,107,000 after taxes in FY 2019. 2020 was therefore the first year that the Group recorded a net profit.

## SUBSEQUENT EVENTS

- In February 2021, the Group has been certified as a Great Place to Work® ("GPTW"). The GPTW acknowledgment is an annual certification granted to companies that have most of its employees with a positive perception of its work environment.
- In March 2021, 1,385,057 warrants issued pursuant to the March 2019 private placement were exercised generating \$1,385,057 proceeds for the Group.

## PROJECT OVERVIEW

A summary of the Group's current project is as follows:

### Cerrado Verde Project

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

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

The mineral resource was estimated from data collected 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.

In 2017, the Group announced the conclusion of a Pre-Feasibility Study for the expansion of the current production. The PFS evaluated the technical and financial aspects of producing 25 Mtpy of the Product divided in three phases: Phase 1 (0.6Mtpy); Phase 2 (5Mtpy) and Phase 3 (25Mtpy). The proposed scalable development is predicated on production growth being financed largely from expected internal cash flow.

### Project Highlights:

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

## PROJECT OVERVIEW (CONTINUED)

### 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 CIF Brazil as reference for the product pricing.

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

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

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

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

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

In October 2020, the Group concluded a new expansion project to Plant 1, which enables the combination of two additional nutrients to the Product according to the specific needs of each customer's crop, enhancing its effectiveness.

In December 2020, the Group introduced a new product to the market, named BAKS®, which is a combination of K Forte® plus three other nutrients that can be chosen by customers according to their crops' needs. Along with the new product, Verde also introduced two new technologies: 3D Alliance®, which was developed to transform the three-dimensional structure of the raw materials added to the fertilizer, and Micro S Technology®, an exclusive elemental sulfur ("S") micronization technology.

## PERMITS STATUS - LAST 12 MONTHS

Mine Pit	Date	Category	Status	Event
2	December 23, 2020	Environment	Granted	2,500,000 tpy Preliminary, Installation and Operation License
2	November 03, 2020	Mining	Granted	50,000 tpy Mining Permit
3	August 24, 2020	Environment	Applied	2,500,000 tpy Preliminary, Installation and Operation License
1	August 19, 2020	Environment	Granted	233,000 tpy Operating License
2	March 30, 2020	Environment	Applied	2,500,000 tpy Preliminary and Installation License
2	March 26, 2020	Mining	Approved	25,000,000 tpy Feasibility Study
3	March 25, 2020	Mining	Applied	2,500,000 tpy Mining Concession Application

## SUMMARY OF LICENSES AND PERMITS

The Group currently has full rights to mine 482,800 tpy (since it holds mining Concessions/Permits and Environmental Licenses) and has submitted joint mining and environmental applications for an additional 2,500,000 tpy.

The Group has 3 different mine pits, each at different permitting stages and targeting different volumes, as explained below and summarized in the subsequent table.

### Mine Pit 1

For Mine Pit 1, the Group is fully permitted to extract 233,000 tpy.

### Mining Permit (“Guia de Utilização”) Expansion for Mine Pit 2

On March 11, 2019, the Group applied for the expansion of a Mining Permit in Mine Pit 2. This Mining Permit is an exceptional permit with predetermined expiration date. It is granted by the ANM and allows the mineral extraction in the area according to the environmental legislation, before the grant of a Mining Concession (“Portaria de Concessão de Lavra”), that guarantees to the owner the power and duty to explore the mineral deposit until it is exhausted, without a definite term.

The Group was already permitted to mine 50,000 tpy in Mine Pit 2 and applied for a 100,000 tpy Mining Permit, adding 50,000 tpy to the existing Permit. On November 03, 2020 the 50,000 tpy Mining Permit for Mine Pit 2 was granted by the ANM, However, the Agency incorrectly published the Mining Permit certificate on March 11, 2020 as a Mining Concession certificate. On December 21, 2020, the ANM published an amendment document, informing that the amended certificate will be issued for the granted expansion of the Mining Permit (“Guia de Utilização”), totalling 200,000 tpy fully permitted to be extracted in Mine Pit 2.

### Mining Concession Application (“Requerimento de Lavra”) for Mine Pit 2

On March 26, 2020, the ANM approved the Feasibility Study (“Plano de Aproveitamento Econômico - PAE”) for the extraction of 25,000,000 tonnes per year (“tpy”) for Mine Pit 2, as part of the Mining Concession Application process. On March 30, 2020, the Group applied for a 2,500,000 tpy Environmental License for Mine Pit 2. The 2,500,000 tpy Environmental License was approved on December 23, 2020.

## SUMMARY OF LICENSES AND PERMITS (CONTINUED)

The next and final stage of the Mining Concession Application is to present the approved Environmental License Certificate to the ANM as the Group had already fulfilled all other requirements in the process.

### Mine Pit 3

For Mine Pit 3, the Group is fully permitted to extract 49,800 tpy. The Group has applied for a further Mining Concession of 2,500,000 tpy and a further 2,500,000 tpy Preliminary, Installation and Operation Environmental License.

## SUMMARY OF MINERAL RIGHTS AND MINING PERMITS

Mine Pit	Fully Permitted to Produce (tpy)	Mining (tpy)		Environmental (tpy)	
		Granted	Pending	Granted	Pending
1	233,000	233,000	0	233,000	0
2	200,000	200,000	25,000,000	2,600,000	0
3	49,800	49,800	2,500,000	49,800	2,500,000
<b>Total</b>	<b>482,800</b>	<b>482,800</b>	<b>27,500,000</b>	<b>2,882,800</b>	<b>2,500,000</b>

The Group holds mineral rights at different stages in the process towards a Mining Concession or a Mining Permit. The different stages are explained in the Glossary on page 03. The chronological order of the steps is as follows:

- Exploration Authorisation Application.
- Final Exploration Report Submission.
- Mining Concession Application.
- Mining Concession Grant.

Under exceptional circumstances, such as when the commercialisation of mineral substances creates the need to supply the market, a Mining Permit can be issued. It is granted by the ANM and allows the mineral extraction in the area before the grant of a Mining Concession, according to the environmental legislation.

The following table represents the summary of the Group's mineral titles as of December 31, 2020. The area covered in each phase is expressed in hectares and the number of mining rights in total for each phase status is expressed in units.

## SUMMARY OF MINERAL RIGHTS AND MINING PERMITS (CONTINUED)

Phase Status	Cerrado Verde	
	Area (ha)	Number of Tenements
Exploration Authorisation Application	2,802	2
Exploration Authorisation to be Filed	0	0
Final Exploration Report Under ANM Analysis	16,475	9
Mining Concession Mining Permit Applications to be Filed	6949	5
Mining Concession and Mining Permit Applications Under Analysis	22,437	15
Mining Concession or Mining Permit is Granted	1,929	1
<b>Total</b>	<b>50,591</b>	<b>32</b>

## OUTLOOK

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

## SELECTED ANNUAL FINANCIAL INFORMATION

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

Category	Year to Dec 31, 2020	Year to Dec 31, 2019	Year to Dec 31, 2018
Product sales (tonnes '000)	244	120	29
Revenue	9,167	6,029	1,358
Production costs	3,515	3,166	1,067
Sales and general administrative expenses	4,061	2,839	1,735
Share based and non cash bonus payments *	425	787	181
Depreciation and amortization *	23	22	14
Net profit / (loss)	550	(1,107)	(1,748)
Cash Flow generated from/(utilized) in operating activities	1,062	(719)	(502)
Cash Flow utilized in investing activities	(1,467)	(1,478)	(187)
Cash Flow generated from financing activities	2,081	2,080	933
Net increase / (decrease) increase in cash	1,676	(170)	244
Cash and cash equivalents at end of year	2,237	666	836
Total Assets **	28,732	29,165	31,610
Total Liabilities **	7,592	5,253	7,785
Working Capital	3,627	1,080	780
Weighted average number of shares outstanding ('000)	47,583	45,345	41,020
Earnings / (Loss) per share (basic and diluted) (\$)	0.012	(0.024)	(0.041)

\* - Included in administrative expenses in Financial statements

\*\* - Year to December 31, 2019 restated following the prior year adjustment. Refer to Financial statements for full details

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

All amounts in CAD \$'000	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Revenue	2,209	3,956	2,492	510
Net Income / (loss) after tax	(192)	1,090	444	(792)
Basic and diluted earnings/(loss) per share	(0.003)	0.023	0.009	(0.017)
Total Assets	28,732	28,101	24,952	25,966
Current Liabilities	2,347	2,812	2,057	1,924
Non-current Liabilities	5,245	4,535	3,035	3,250
All amounts in CAD \$'000	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Revenue	1,491	3,055	1,329	154
Net Income/(loss) after tax	(12)	1	(223)	(873)
Basic and diluted earnings/(loss) per share	0,000	0,000	(0,004)	(0,020)
Total Assets	29,165	29,283	30,094	30,131
Current Liabilities	1,517	1,877	1,431	1,201
Non-current Liabilities	3,736	3,641	4,029	4,062

## RESULTS OF OPERATIONS

The following table provides information about three and twelve months ended December 31, 2020 as compared to the three and twelve months ended December 31, 2019. All amounts in CAD \$'000.

All amounts in CAD \$'000	3 months ended Dec 31, 2020	3 months ended Dec 31, 2019	12 months ended Dec 31, 2020	12 months ended Dec 31, 2019
<b>Tonnes sold '000</b>	<b>57</b>	<b>32</b>	<b>244</b>	<b>120</b>
Revenue per tonne sold \$	39	47	38	50
Production cost per tonne sold \$	(16)	(30)	(14)	(26)
Gross Profit per tonne sold \$	23	17	23	24
Gross Margin	59%	36%	62%	48%

Revenue	2,209	1,491	9,167	6,029
Production costs	(912)	(960)	(3,515)	(3,166)
<b>Gross Profit</b>	<b>1,297</b>	<b>531</b>	<b>5,652</b>	<b>2,863</b>
<b>Gross Margin</b>	<b>59%</b>	<b>36%</b>	<b>62%</b>	<b>48%</b>
Sales and product delivery freight expenses	(673)	(202)	(2,270)	(1,303)
General and administrative expenses	(588)	(381)	(1,791)	(1,535)
<b>Operating Profit/(Loss) before non-cash events</b>	<b>36</b>	<b>(52)</b>	<b>1,591</b>	<b>25</b>
Share Based and Bonus Payments / (Non-Cash Event) *	(18)	113	(425)	(787)
Depreciation and Amortisation *	(4)	(2)	(23)	(22)
Loss on disposal of plant and equipment *	-	-	(17)	-
<b>Operating Profit/(Loss) after non-cash events</b>	<b>14</b>	<b>59</b>	<b>1,126</b>	<b>(784)</b>
Corporation tax**	(79)	(41)	(330)	(186)
Interest Income/Expense	(127)	(29)	(246)	(137)
<b>Net Profit / (Loss)</b>	<b>(192)</b>	<b>(11)</b>	<b>550</b>	<b>(1,107)</b>

\* - Included in General and Administrative expenses in financial statements

## RESULTS OF OPERATIONS (CONTINUED)

\*\* - The Group companies in Brazil are currently under “presumed profit” taxation method, which is the most efficient method at this time. Under “presumed profit” method, it is not possible to utilise prior period losses to reduce corporation tax. When the Group switches to “real profit” method, these losses can be utilised.

### Q4 and FY 2020 compared with Q4 and FY 2019

The group generated a net loss for Q4 2020 of \$192,000, an increase of \$181,000 compared to Q4 2019. The loss per share was \$0.003, compared to zero for Q4 2019.

For FY 2020, the Group reported a net profit of \$550,000 compared to a net loss of \$1,107,000, an increase of \$1,657,000 for the year. The increase was due to the continued growth of the Group. 2020 was the first year that the Group recorded a net profit.

### Product Sales

In Q4 2020, the Group sold 56,585 tonnes, an increase of 76% in comparison to Q4 2019.

For FY 2020, the Group sold 243,707 an increase of 103% in comparison to FY 2019 as the Group’s product continues to grow in the market.

### Revenue

Revenue from sales for Q4 2020 was \$2,209,000 from the sale of 56,585 tonnes of the Product, at \$39 per tonne sold. Average revenue per tonne was lower than Q4 2019 (\$46 per tonne sold). The Product price is based on the current US\$ Potassium Chloride price. Therefore, the reduction of the average revenue per tonne was mainly due to the decline of the Potassium Chloride CFR (Brazil) price, from US\$290 per tonne in Q4 2019 to US\$250 per tonne in Q4 2020 (Acerto Limited Report).

For FY 2020, total Revenue from sales was \$9,167,000 an increase of 52% compared to FY 2019.

### Production costs

Production costs include all costs directly from mining, processing, logistics from the mine to the factory and supply chain salaries, which are paid in R\$. Cost per tonne for the quarter was \$16 compared to \$30 for the same period in 2019. The reduction of 46% was due to cost efficiency enhancement of 17% and as a result of devaluation of the Brazilian Real by 29% against the Canadian Dollar in Q4 2020 compared to Q4 2019.

For FY 2020, production costs per tonne were \$14, compared to \$26 in FY 2019, a reduction of 45%. This was due to cost efficiency improvements and the devaluation of the Brazilian Real against the Canadian Dollar.



## SALES EXPENSES

CAD \$'000	3 months ended Dec 31, 2020	3 months ended Dec 31, 2019	12 months ended Dec 31, 2020	12 months ended Dec 31, 2019
Sales and marketing expenses	(195)	(57)	(1,137)	(932)
Product delivery freight expenses	(478)	(145)	(1,133)	(371)
<b>Total</b>	<b>(673)</b>	<b>(202)</b>	<b>(2,270)</b>	<b>(1,303)</b>

### Sales and marketing expenses

Sales and marketing expenses include sales and marketing salaries, the promotion of the Product such as fees paid to sales agents, marketing events, car rentals, travel within Brazil, hotel expenses and Customer Relationship Management (CRM) Software licenses. Expenses increased by \$139,000 in Q4 2020 compared to Q4 2019 mainly due to additional sales and marketing staff to support the Group growth from an average of 13 employees in 2019 to an average of 32 employees in 2020, along with increased commissions paid to consultants.

### Product delivery freight expenses

Product delivery freight expenses were \$333,000 higher in Q4 2020 compared to the same quarter last year. For FY 2020, the costs have increased by \$762,000 compared to FY 2019 as the Group has increased significantly the volume sold as CIF (Cost Insurance and Freight), from 2% of total sales in 2019 to 13% in 2020.

## GENERAL AND ADMINISTRATIVE EXPENSES

CAD \$'000	3 months ended Dec 31, 2020	3 months ended Dec 31, 2019	12 months ended Dec 31, 2020	12 months ended Dec 31, 2019
General administrative expenses	(494)	(227)	(1,149)	(901)
Legal, professional, consultancy and audit costs	(75)	(91)	(520)	(496)
IT/Software expenses	(23)	(33)	(98)	(79)
Taxes and licenses fees	4	(30)	(24)	(59)
<b>Total</b>	<b>(588)</b>	<b>(381)</b>	<b>(1,791)</b>	<b>(1,535)</b>

### General administrative expenses

These costs include general office expenses, rent, bank fees, insurance, foreign exchange variances and remuneration of the executives and administrative staff in Brazil. The costs have increased by \$266,000 in Q4 2020 compared to Q4 2019. For FY 2020, the costs have increased by \$248,000 compared to FY 2019 as they include management bonuses at the year end.

### Legal, professional, consultancy and audit costs

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

The costs in Q4 2020 are comparable with Q4 2019 and for FY 2020, the figures were \$24,000 higher than in FY 2019. This is due to increased consultancy support as the Group continues to grow.

## GENERAL EXPENSES (CONTINUED)

### IT/Software expenses

IT/Software expenses include software licenses such as Microsoft Office and enterprise resource planning (ERP). In Q4 2020 expenses were \$23,000, a decrease of \$10,000 compared to the same period last year. For FY 2020, expenses were \$98,000 an increase of \$19,000 compared to FY 2019 due to increased third party computing services provided in Brazil.

### Taxes and licences

Taxes and licence expenses include general taxes, product branding and licence costs. In Q4 2020, expenses were credit \$4,000 compared to \$30,000 expense in Q4 2019. During Q4 2020, an amount of \$15,000 was credited to licence costs for the reversal expenses which should have been capitalised in a previous quarter. For FY 2020, expenses were \$24,000 compared to \$59,000 in FY 2019, a decrease of \$35,000. The decrease is a result of reduced general taxes.

### Share Based and Bonus Payments/ (Non-Cash Event)

These costs represent the expense associated with stock options granted to employees and directors along with non-cash bonuses paid to the board to exercise share options.

The amount for Q4 2020 was \$18,000, compared to a credit of \$113,000 in Q4 2019. The credit in Q4 2019 related to an over calculated share based payment charge in an earlier period.

For FY 2020, the charge was \$425,000 compared to \$787,000 in 2019. The decrease is a result of less options vesting in the year.

## LIQUIDITY AND CASH FLOWS

For additional details see the consolidated statements of cash flows for the quarters ended December 31, 2020 and December 31, 2019 in the annual financial statements.

<b>Cash received from / (used for): CAD \$'000</b>	<b>3 months ended Dec 31, 2020</b>	<b>3 months ended Dec 31, 2019</b>	<b>12 months ended Dec 31, 2020</b>	<b>12 months ended Dec 31, 2019</b>
Operating activities	(420)	161	1,062	(719)
Investing activities	(422)	(387)	(1,467)	(1,478)
Financing activities	544	146	2,081	2,080

On December 31, 2020, the Group held cash of \$2,237,000, an increase of \$1,571,000 on the same period in 2019. This was mainly due to increased revenue generated and working capital loans obtained.

### Operating activities

For FY 2020, net cash generated under operating activities was \$1,042,000, compared to net cash utilised of \$719,000 for FY 2019 reflecting the profit generated from sales and changes in working capital.

## LIQUIDITY AND CASH FLOWS (CONTINUED)

### Investing activities

For FY 2020, cash outflows from investing activities were \$1,447,000, a decrease of \$31,000 for FY 2019 as the Group continued to invest in expansion.

### Financing activities

For FY 2020, the cash inflows from financing activities were \$2,081,000 from bank loans compared to \$2,080,000 from the issuance of a non-brokered private placement in FY 2019.

### Financial condition

On December 31, 2020, the Group had current assets of \$5,974,000 and current liabilities of \$2,347,000 providing a working capital surplus of \$3,627,000.

### Interest-bearing loans and borrowings

	31 Dec 2020	31 Dec 2019
<b>Non-current liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
Bank loan	2,529	286
<b>Current liabilities</b>		
Bank loan	941	310
<b>Total</b>	<b>3,470</b>	<b>596</b>

### Summary of Interest-bearing loans and borrowings

Lender	Loan start date	Purpose	Grace period (months)	Term (months)	Value (R\$'000)	Repayable by	Total interest payable*
Santander	Oct, 2020	Equipment and working capital	01	36	2,000	Oct, 2023	11.11%
ABC Brazil	Aug, 2020	Equipment and working capital	01	36	2,000	Aug, 2023	10.54%
Santander	July, 2020	Equipment	06	18	359	July, 2022	14.86%
Bradesco	July, 2020	Equipment and working capital	06	60	5,000	July, 2025	10.95%
Bradesco	Mar, 2020	Vehicle	01	48	119	Apr, 2024	12.49%
Santander	Jan, 2020	Equipment	06	36	364	June, 2023	12.72%
Bradesco	Jan, 2020	Equipment	00	48	450	Feb, 2024	13.31%
Bradesco	Oct, 2019	Working capital	03	15	450	Feb, 2021	14.03%
Santander	Apr, 2019	Equipment	01	36	73	Oct, 2022	11.54%
Santander	Apr, 2019	Equipment	01	36	150	Oct, 2022	11.54%
Santander	May, 2018	Equipment	12	60	1,040	May, 2023	11.55%

\* - Inc Variable interest (IPCA) - Broad Consumer Price Index, a measure of the average price needed to buy consumer goods and services.

The Group's current loan rates vary from 10.95% to 14.86% per annum. The Brazilian Government long term bond rate is currently 7.5% per annum. The Group's last loan rates are an average 3% higher than the government bonds, which management considers to be competitive

## COMMITMENTS AND CONTINGENT LIABILITIES

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

Amounts payable (\$'000)	31 Dec 2020	31 Dec 2019
Amount payable within one year	62	65
Amounts payable after more than one year and less than five years	47	62
After five years	246	341
<b>Total</b>	<b>355</b>	<b>468</b>

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

## OFF-BALANCE SHEET FINANCING

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

## CORPORATE GOVERNANCE

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

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

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

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

The Board is currently comprised of six men. None of the Group's directors or executive officers are women. However, approximately 41% of the staff within administrative departments in the organization including Corporate, Marketing, Finance and Human Resources Departments are women. The percentage of women in leadership positions, such as managers and coordinators, is 50%. Women comprise 24% of all Verde's employees, including workers at the Mine and Plant.

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

## CORPORATE GOVERNANCE (CONTINUED)

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

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

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

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

## FINANCIAL INSTRUMENTS

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk and liquidity risk, each of which is discussed below. Late receivables are below 0.1% of the total sold as of December 31, 2020 and bank deposits have been made with financial institutions which are considered to be safe by the Board of Directors. There were no derivative instruments outstanding on December 31, 2020.

### Foreign currency risk

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

Currency exchange fluctuations may also materially adversely affect the Group's future cash flow from operations, its results from operations, financial condition and prospects. The Group has a general policy of not hedging against foreign currency risks. The Group manages foreign currency risk by regularly reviewing the balances held in currencies other than the functional currency.

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

## FINANCIAL INSTRUMENTS (CONTINUED)

Currency (\$'000)	31 Dec 2020	31 Dec 2019
Canadian Dollar	83	329
Brazilian Real	2,072	184
American Dollar	81	93
British Pound	1	60
<b>Total</b>	<b>2,237</b>	<b>666</b>

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

Equity (\$'000)	31 Dec 2020	31 Dec 2019
10% weakening of Brazilian Real	(203)	(99)
10% strengthening of Brazilian Real	249	121

### Liquidity risk

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

### 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.

## CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement and sources of estimation or uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

### Judgements

- **Impairment of Intangible assets:**

The directors have assessed whether there are any indicators of impairment in respect of the mineral properties totalling \$20,329,000. In making this assessment they have considered the Group's business plan which includes resource estimates, future processing capacity, future exchange rates, the forward market and the longer term price outlook and assumptions regarding weighted average cost of capital. Resource estimates have been based on the most recently filed Pre-Feasibility Study NI43-101 report and its opportunities economic model which includes resource estimates without conversion of its inferred resources. Management's estimates of these factors are subject to risk and uncertainties affecting the recoverability of the Group's mineral property costs.

### Estimates

- **Share-based payments:**

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

- **Closure costs:**

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

## NI 52-109 COMPLIANCE

### Disclosure Controls and Procedures (“DC&P”)

As at December 31, 2020, the CEO and the CFO evaluated the design and operation of the Group’s DC&P. Based on that evaluation, the CEO and CFO concluded that the Group’s DC&P was effective as at December 31, 2020.

### Internal control over financial reporting (“ICFR”)

Based on the evaluation of the design and operating effectiveness of the Group’s ICFR, the CEO and the CFO concluded that the Group’s ICFR was effective as at December 31, 2020.

There have been no changes during the year ended December 31, 2020 that have a material effect on the disclosure controls and procedures or the internal controls over financial reporting.

## FINANCIAL REPORTING STANDARDS

The Group has adopted all the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group.

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

## OUTSTANDING SHARE DATA

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

Type	Amount
Ordinary shares	50,364,858
Warrants	-
Stock options	3,849,572
<b>Total</b>	<b>54,214,430</b>

## RISKS

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

The extraction of natural resources involves a high degree of risk. The following risk factors should be considered in assessing the Group’s activities. Should any one or more of these risks occur, it could have a material adverse effect on the business, prospects, assets, financial position or operating results of the Group. The risks noted below do not necessarily comprise all those faced by the Group.



## RISKS (CONTINUED)

Additional risks not currently known to the Group or that the Group currently deems would not likely influence an investor's decision to purchase securities of the Group may also impact the Group's business, prospects, assets, financial position or operating results.

There has been no change to the impact of risks on the previous year.

### **Covid-19 (Coronavirus) risk**

Covid-19 (Coronavirus) remains an ongoing risk for all businesses worldwide. It is not clear for how long the pandemic will last or how much more extensive it will become, or the further measures that will be taken by governments and others to seek to control the pandemic and its impact.

At the date of signing this report, the globe is already showing signs of recovery following the development of multiple vaccines.

The Group's trade agriculture continues to fall under the food chain category and as such, the Brazilian government has confirmed there is no restriction on trade. During 2020 the plant remained open and was in full operation. Office staff worked from home.

Management has considered the risk to the supply chain and consider this low due to the simplicity of the operations. The Group can manage the on-site risk at the production facility if the employees were to get ill and have contingency plans in place. Management and the directors have stress tested the cashflow forecast for a worse case scenario if the operations shut down for six months and have demonstrated they would have necessary funds. Management and the directors consider this scenario to be a remote risk.

### **Uncertainty in the estimation of mineral resources and mineral reserves**

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

### **Mining risks**

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

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

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

## RISKS (CONTINUED)

### **Credit risk**

The Group is exposed to credit risk, which is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises primarily from trade receivables.

The Group has developed procedures to ensure that the sale of goods is made only to customers with an appropriate credit history. Customers who do not meet the Group's credit requirements may only conduct transactions with the Group on a prepayment basis.

### **Production risk**

Production risk relates to the possibility that the Group output levels will be lower than expected. Factors affecting production include adverse weather conditions and failure of equipment and machinery. Mining of the Product continues throughout the year with maximum capacity (within permitted mining limits) during the summer, dry months of the year. Regular inspection and service of equipment and machinery is carried out to ensure they are in full working order.

### **Expected Market Potential of the Product**

The Product 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 the Product.

### **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 the required permits on reasonable terms or in a timely basis. The Group has been successful in obtaining environmental and mining licences for small scale production and continues to apply for the appropriate licences to meet future production in line with its expansion plans.

### **Uninsurable Risks**

The 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.

## RISKS (CONTINUED)

### Operations in a Foreign Country and Regulatory Requirements

All the Group's 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.

The Group also competes 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. The Group is 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 operation.

### 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 the 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 ongoing compliance with the terms of such licences and contracts.

## RISKS (CONTINUED)

### Uncertainty of Additional Capital

In the past, the Group has relied on sales of equity securities to meet its capital requirements. The Group plans to use predominately production revenue to cover costs going forward with a small amount of bank financing. 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. The development of the Group's projects may require substantial additional financing. Failure to obtain such financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Group's projects or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Group. If the Group, through the issuance of securities from treasury, raises additional financing, control of the Group may change and security holders may suffer additional dilution. See "Risk Factors – 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 fertilizer production is a 2% net smelter return ("NSR") and a 3% NSR in the case of potash. 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 of operations.

### 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 utilization 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 utilization 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.

## RISKS (CONTINUED)

### 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 affects 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 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 and successfully bringing them into production in Brazil depends on a number of factors, not the least of which is the technical skill of the 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 to establish one. Accordingly, the Group has no protection from declines in mineral prices. The Group will explore the merits of hedging foreign currency reserves against foreign currency exchange rate fluctuations.

### History of Earnings

The Group generated operating revenue of C\$9,167,000 and achieved an operating profit of C\$1,126,000 for the year ended 31 December 2020. Management anticipates that the Group will generate net profits going forward. However, there is no assurance the Group will generate sufficient earnings, operate profitably, or provide a return on investment in the future.

### Dilution

The Group currently has 50,364,858 Ordinary Shares outstanding and 54,214,430 on a fully diluted basis. The Group currently has no warrants outstanding. To the extent the Group should, in future, issue any additional 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.

## RISKS (CONTINUED)

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.

### **Officers and Directors of the Group Own a Significant Number of Ordinary Shares and Can Exercise Significant Influence**

The officers and directors of the Group, as a group, beneficially own, on a non-diluted basis, approximately 21.33% of the outstanding Ordinary Shares. The officers and directors, as shareholders, will be able to exert significant influence on matters requiring approval by shareholders, including the election of directors and the approval of any significant corporate transactions.

### **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 mining 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 minimize 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.

### **The Cerrado Verde Project is Managed by a Subsidiary**

The material operating subsidiary for the Cerrado Verde Project is Verde Fertilizantes. The managers ("administradores") of Verde Fertilizantes are Felipe Paolucci, CFO, and Elton Golçaves, Mining Engineer, but the ultimate control of Verde Fertilizantes is with Cristiano Veloso, Director and Chairman. Despite the controls that the Company has put in place, there may be risks associated with ensuring that the corporate actions of Verde Fertilizantes reflect the decisions of the Board of Directors and management of the Company.

## FURTHER INFORMATION

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