

**VERDE POTASH PLC**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**THIRD QUARTER ENDED 30 SEPTEMBER 2011**

**VERDE POTASH PLC**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THIRD QUARTER ENDED 30 SEPTEMBER 2011**

The accompanying unaudited consolidated financial statements of Verde Potash Plc ("Verde", or the "Company") for the third quarter ended 30 September 2011 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' as adopted by the European Union and as interim statements 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 2010. The financial information has not been reviewed or audited by the Company's Auditors.

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

**VERDE POTASH PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Unaudited)

**(Expressed in Canadian Dollars)**

	3 months ended 30 Sep 2011 \$	3 months ended 30 Sep 2010 \$	9 months ended 30 Sep 2011 \$	9 months ended 30 Sep 2010 \$
Administrative expenses	(1,051,665)	(612,444)	(3,026,215)	(1,589,576)
Write down of deferred exploration costs	-	-	(954,559)	(424,091)
Exchange losses	<u>(3,535)</u>	<u>(12,301)</u>	<u>(5,787)</u>	<u>(23,586)</u>
Operating loss	(1,055,200)	(624,745)	(3,986,561)	(2,037,253)
Finance income	<u>116,144</u>	<u>85,565</u>	<u>540,815</u>	<u>154,769</u>
Loss before taxation	(939,056)	(539,180)	(3,445,746)	(1,882,484)
Income tax expense	<u>(23,371)</u>	<u>-</u>	<u>(118,778)</u>	<u>-</u>
<b>Loss for the period</b>	<b><u>(962,427)</u></b>	<b><u>(539,180)</u></b>	<b><u>(3,564,524)</u></b>	<b><u>(1,882,484)</u></b>
Other comprehensive income:				
Exchange differences on translating foreign operations	<u>(1,420,728)</u>	<u>211,599</u>	<u>(621,624)</u>	<u>218,074</u>
Other comprehensive income for the period (net of tax)	<u>(1,420,728)</u>	<u>211,599</u>	<u>(621,624)</u>	<u>218,074</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>(2,383,155)</u></b>	<b><u>(327,581)</u></b>	<b><u>(4,186,148)</u></b>	<b><u>(1,664,410)</u></b>
Basic and diluted loss per ordinary share	<u>(0.029)</u>	<u>(0.019)</u>	<u>(0.111)</u>	<u>(0.066)</u>

All amounts are attributable to the equity holders of the parent.

**VERDE POTASH PLC**

**CONSOLIDATED BALANCE SHEET**

(unaudited)

**(Expressed in Canadian Dollars)**

	Note	30 Sep 2011 \$ (Unaudited)	31 Dec 2010 \$ (Audited)
<b>Assets</b>			
Intangible exploration assets	4	12,273,764	4,106,600
Property, plant and equipment	5	<u>218,647</u>	<u>80,471</u>
Total non-current assets		<u>12,492,411</u>	<u>4,187,071</u>
Other receivables and prepayments		150,544	52,838
Cash and cash equivalents		<u>6,055,349</u>	<u>7,525,013</u>
Total current assets		<u>6,205,893</u>	<u>7,577,851</u>
Total assets		<u>18,698,304</u>	<u>11,764,922</u>
<b>Equity attributable to the equity holders of the parent</b>			
Issued share capital	6	13,402,758	12,288,870
Share premium		19,502,218	10,759,248
Warrants reserve		182,778	163,631
Translation reserve		9,584	631,208
Merger reserve		(4,556,596)	(4,556,596)
Accumulated losses		<u>(10,358,666)</u>	<u>(8,389,867)</u>
		<u>18,182,076</u>	<u>10,896,494</u>
<b>Liabilities</b>			
Trade and other payables		<u>516,228</u>	<u>868,428</u>
Total current liabilities		<u>516,228</u>	<u>868,428</u>
Total liabilities		<u>516,228</u>	<u>868,428</u>
Total equity and liabilities		<u>18,698,304</u>	<u>11,764,922</u>

## VERDE POTASH PLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)  
(Expressed in Canadian Dollars)

Year to 31 December 2010	Issued capital \$	Share premium \$	Warrants reserve \$	Merger reserve \$	Accumulated losses \$	Translation reserve \$	Total \$
Balance at 1 January 2010	11,870,003	7,227,445	-	(4,556,596)	(6,281,393)	566,030	8,825,489
<b>Comprehensive loss</b>							
Loss for the year	-	-	-	-	(2,520,855)	-	(2,520,855)
Foreign exchange translation differences	-	-	-	-	-	65,178	65,178
Total other comprehensive loss	-	-	-	-	-	65,178	65,178
Total comprehensive loss for the year	-	-	-	-	(2,520,855)	65,178	(2,455,677)
<b>Transactions with owners</b>							
Issue of share capital	417,608	4,085,992	-	-	-	-	4,503,600
Share issue expenses	-	(554,580)	163,631	-	-	-	(390,949)
Options exercised	1,259	391	-	-	-	-	1,650
Share-based payments	-	-	-	-	412,381	-	412,381
Total transactions with owners	<u>418,867</u>	<u>3,531,803</u>	<u>163,631</u>	<u>-</u>	<u>412,381</u>	<u>-</u>	<u>4,526,682</u>
Balance at 31 December 2010	<u>12,288,870</u>	<u>10,759,248</u>	<u>163,631</u>	<u>(4,556,596)</u>	<u>(8,389,867)</u>	<u>631,208</u>	<u>10,896,494</u>
Period to 30 September 2011	Issued capital \$	Share premium \$	Warrants reserve \$	Merger reserve \$	Accumulated losses \$	Translation reserve \$	Total \$
Balance at 1 January 2011	12,288,870	10,759,248	163,631	(4,556,596)	(8,389,867)	631,208	10,896,494
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	-	(3,564,524)	-	(3,564,524)
Foreign exchange translation differences	-	-	-	-	-	(621,624)	(621,624)
Total other comprehensive loss	-	-	-	-	-	(621,624)	(621,624)
Total comprehensive loss for the period	-	-	-	-	(3,564,524)	(621,624)	(4,186,148)
<b>Transactions with owners</b>							
Issue of share capital	926,146	9,073,931	-	-	-	-	10,000,077
Share issue expenses	-	(1,131,245)	364,031	-	-	-	(767,214)
Options exercised	134,062	285,519	-	-	-	-	419,581
Warrants exercised	53,680	514,765	(344,884)	-	344,884	-	568,445
Share-based payments	-	-	-	-	1,250,841	-	1,250,841
Total transactions with owners	<u>1,113,888</u>	<u>8,742,970</u>	<u>19,147</u>	<u>-</u>	<u>1,595,725</u>	<u>-</u>	<u>11,471,730</u>
Balance at 30 September 2011	<u>13,402,758</u>	<u>19,502,218</u>	<u>182,778</u>	<u>(4,556,596)</u>	<u>(10,358,666)</u>	<u>9,584</u>	<u>18,182,076</u>

**VERDE POTASH PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

**(Expressed in Canadian Dollars)**

	3 months ended 30 Sep 2011 \$	3 months ended 30 Sep 2010 \$	9 months ended 30 Sep 2011 \$	9 months ended 30 Sep 2010 \$
Cash flows from operating activities:				
Operating loss	(1,055,200)	(624,745)	(3,986,561)	(2,037,253)
Adjustments for:				
Depreciation	7,064	3,882	18,385	10,502
Write down of deferred exploration costs	-	-	954,559	424,091
Share-based payments	403,657	76,072	1,250,841	302,873
Foreign exchange differences	(195,344)	-	20,281	-
(Increase)/decrease in other receivables and prepayments	20,350	75,014	(76,853)	48,902
Increase/(decrease) in trade and other payables	<u>(95,976)</u>	<u>(10,924)</u>	<u>(130,998)</u>	<u>(613,746)</u>
Cash used in operating activities	(915,449)	(480,701)	(1,950,346)	(1,864,631)
Income taxes paid	<u>(50,019)</u>	<u>-</u>	<u>(50,019)</u>	<u>-</u>
Net cash outflow from operating activities	<u>(965,468)</u>	<u>(480,701)</u>	<u>(2,000,365)</u>	<u>(1,864,631)</u>
Cash flows from investing activities:				
Interest received	107,732	84,906	519,962	171,292
Acquisition of intangible exploration assets	(2,669,461)	(575,297)	(9,823,101)	(1,458,072)
Acquisition of property, plant and equipment	<u>(44,852)</u>	<u>(10,787)</u>	<u>(162,555)</u>	<u>(27,692)</u>
Net cash outflow from investing activities	<u>(2,606,581)</u>	<u>(501,178)</u>	<u>(9,465,694)</u>	<u>(1,314,472)</u>
Cash flows from financing:				
Proceeds from the issue of share capital	291,722	-	10,964,862	1,650
Share issue expenses	<u>-</u>	<u>-</u>	<u>(864,705)</u>	<u>-</u>
Net cash inflow from financing	<u>291,722</u>	<u>-</u>	<u>10,100,157</u>	<u>1,650</u>
Net (decrease)/increase in cash and cash equivalents	(3,280,327)	(981,879)	(1,365,902)	(3,177,453)
Cash and cash equivalents at start of period	9,649,177	5,445,168	7,525,013	7,568,538
Effect of exchange rate fluctuations on cash held	<u>(313,501)</u>	<u>147,487</u>	<u>(103,762)</u>	<u>219,691</u>
Cash and cash equivalents at end of period	<u>6,055,349</u>	<u>4,610,776</u>	<u>6,055,349</u>	<u>4,610,776</u>

# VERDE POTASH PLC

## UNAUDITED NOTES TO THE INTERIM STATEMENTS

### 1. NATURE OF OPERATIONS AND GOING CONCERN

The Group is at an early stage of development and in common with many mineral exploration companies it raises finance for its exploration and appraisal activities in discrete tranches.

At 30 September 2011 the Group had current assets of \$6,205,893 and current liabilities of \$516,228 providing a working capital surplus of \$5,689,665 which represents a decrease of \$3,550,821 since 30 September 2011.

In order to maintain the Group's exploration and development programs at the current levels the directors and management are considering an equity financing within the next 12 months. However, should market conditions not be suitable for an equity financing within this timescale, the exploration works will be reduced in order to ensure that the Group has adequate working capital to remain in operational existence until market conditions improve. The directors therefore consider it appropriate to prepare these financial statements on the going concern basis.

However, the existing funds will not be sufficient to bring the projects into development and production, should it be warranted, and in due course further funding would be required. In the event that the Group is unable to secure further finance it may not be able to fully develop its projects which may have a consequential impact on the recoverability of the carrying value of the related intangible assets.

# VERDE POTASH PLC

## UNAUDITED NOTES TO THE INTERIM STATEMENTS

### 2. BASIS OF PRESENTATION

Verde Potash Plc (the “Company”) is a company domiciled in England and Wales. The interim statements of the Company for the third quarter ended 30 September 2011 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’ as adopted by the European Union.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. No statutory accounts for the period are required to be delivered to the Registrar of Companies. The financial information contained in this interim report has not been audited or reviewed by the auditors.

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 2010. The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union.

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 2010.

The statutory accounts for the year ended 31 December 2010 have been filed with the Registrar of Companies. The auditors’ report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

## VERDE POTASH PLC

### UNAUDITED NOTES TO THE INTERIM STATEMENTS

#### 3. OPERATING SEGMENTS

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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

#### 4. INTANGIBLE FIXED ASSETS

	30 Sep 2011	31 Dec 2010
	\$	\$
<b>Deferred exploration costs</b>		
<b>Cost</b>		
Balance – beginning of period	4,106,600	2,025,871
Additions	9,649,117	2,598,168
Write-down	(954,559)	(424,091)
Effect of movement in foreign exchange	<u>(527,394)</u>	<u>(93,348)</u>
Balance - end of period	<u>12,273,764</u>	<u>4,106,600</u>

The deferred exploration costs relate to the following exploration projects:

	30 Sep 2011	31 Dec 2010
	\$	\$
Cerrado Verde	10,023,396	1,967,313
Apatita	1,430,866	867,237
Calcario	444,933	-
Rio Madeira	-	882,598
Tucano	<u>374,569</u>	<u>389,452</u>
	<u>12,273,764</u>	<u>4,106,600</u>

**VERDE POTASH PLC**

**UNAUDITED NOTES TO THE INTERIM STATEMENTS**

**5. TANGIBLE FIXED ASSETS**

	30 Sep 2011	31 Dec 2010
	\$	\$
<b>Property, plant and equipment Cost</b>		
Balance – beginning of period	118,848	82,989
Additions	162,555	37,983
Effect of movement in foreign exchange	<u>(7,775)</u>	<u>(2,124)</u>
Balance - end of period	<u>273,628</u>	<u>118,848</u>
 <b>Depreciation</b>		
Balance – beginning of period	38,377	24,264
Charge for period	18,385	14,678
Effect of movement in foreign exchange	<u>(1,781)</u>	<u>(565)</u>
Balance - end of period	<u>54,981</u>	<u>38,377</u>
 <b>Net book value</b>		
At end of period	<u>218,647</u>	<u>80,471</u>
At start of period	<u>80,471</u>	<u>58,725</u>

**6. SHARE CAPITAL**

	30 Sep 2011	31 Dec 2010
	\$	\$
<b>Allotted, issued and fully paid</b>		
32,374,753 Ordinary shares of 25p each (Dec 2010: 29,501,204 Ordinary shares of 25p each)	<u>13,402,758</u>	<u>12,289,870</u>

**VERDE POTASH PLC**

**UNAUDITED NOTES TO THE INTERIM STATEMENTS**

**7. SHARE-BASED PAYMENTS**

Verde Potash Plc has established a share option scheme with the purpose of motivating and retaining qualified management and to ensure common goals for management and the shareholders. For options granted the vesting period is generally up to two years. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group.

As at 30 September 2011, ordinary share options held by directors, consultants and employees were as follows:

Exercise price	Outstanding number of Options	Weighted average remaining contractual life	Exercisable number of options
\$1.20	380,000	1.21	380,000
\$1.20	250,000	2.25	250,000
\$ 0.65	250,000	1.72	250,000
\$ 0.45	150,000	2.14	150,000
\$ 0.45	50,000	2.50	50,000
\$ 0.495	581,667	2.83	581,667
\$ 0.69	5,000	2.91	5,000
\$ 0.95	50,000	3.37	50,000
\$1.64	225,001	3.58	135,003
\$1.40	117,000	3.67	33,667
\$1.50	325,000	3.75	216,669
\$2.30	112,000	4.04	37,334
\$8.30	140,801	4.31	46,934
\$7.71	110,000	4.60	110,000
\$7.14	<u>200,000</u>	<u>4.85</u>	<u>66,668</u>
	<u>2,946,469</u>	<u>3.08</u>	<u>2,362,942</u>

## VERDE POTASH PLC

### UNAUDITED NOTES TO THE INTERIM STATEMENTS

#### 7. SHARE-BASED PAYMENTS (CONTINUED)

During the periods ended 30 September 2011 and 31 December 2010, director and employee stock options were granted, exercised and forfeited as follows:

	Weighted average exercise price	Options
At 1 January 2010	\$ 0.77	2,040,000
Granted	\$ 1.61	967,000
Exercised	\$0.495	(3,333)
Forfeited	\$ 0.96	<u>(161,667)</u>
At 31 December 2010	\$ 1.06	2,842,000
Granted	\$8.04	450,801
Forfeited	\$1.26	(10,000)
Exercised	\$1.22	<u>(336,332)</u>
At 30 June 2011	\$1.75	<u>2,946,469</u>