



ANNUAL REPORT

2018

Grüne Labs

February 2019

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Main Objectives

A large indoor grow room with rows of plants and overhead lighting. The room is filled with rows of plants, likely cannabis, growing in a controlled environment. The ceiling is high and features a complex network of metal beams and numerous overhead lights, including large circular fixtures and smaller spotlights. The overall atmosphere is industrial and technical.

1. LETTER FROM THE DIRECTORS

Dear shareholders,

The team and I are very proud to inform all of you that our laboratory plant is now in operation. We still need to make a few adjustments of course, but our starting plants are now licensed and safe inside the lab.

For the last 4 years, my work has mainly been to find the best personnel to fit with the high standards demanded by the project, seeking out agronomists, accountants, chemists, lawyers, economists, pharmacists and scientists. Then I needed to bring them together to work to get our licenses approved and design the best structure to cultivate cannabis for pharmaceutical purposes in the South America, reaching the goal of a 100% GAP/GMP controlled environment.

We are getting there!

Thank you for placing your trust and confidence in my abilities to manage our company.

Best regards,



JOÃO PAULO ROCHA

Director - COO

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GRUNELABS.COM

PARQUE CIENTÍFICO
& TECNOLÓGICO DE PANDO
Pando, Canelones - UY.

A blue-tinted photograph of a cannabis plant in a field. The plant is in the foreground, and a tractor is visible in the background. The text "2. MANAGEMENT 2018" is overlaid on the image.

2. MANAGEMENT 2018

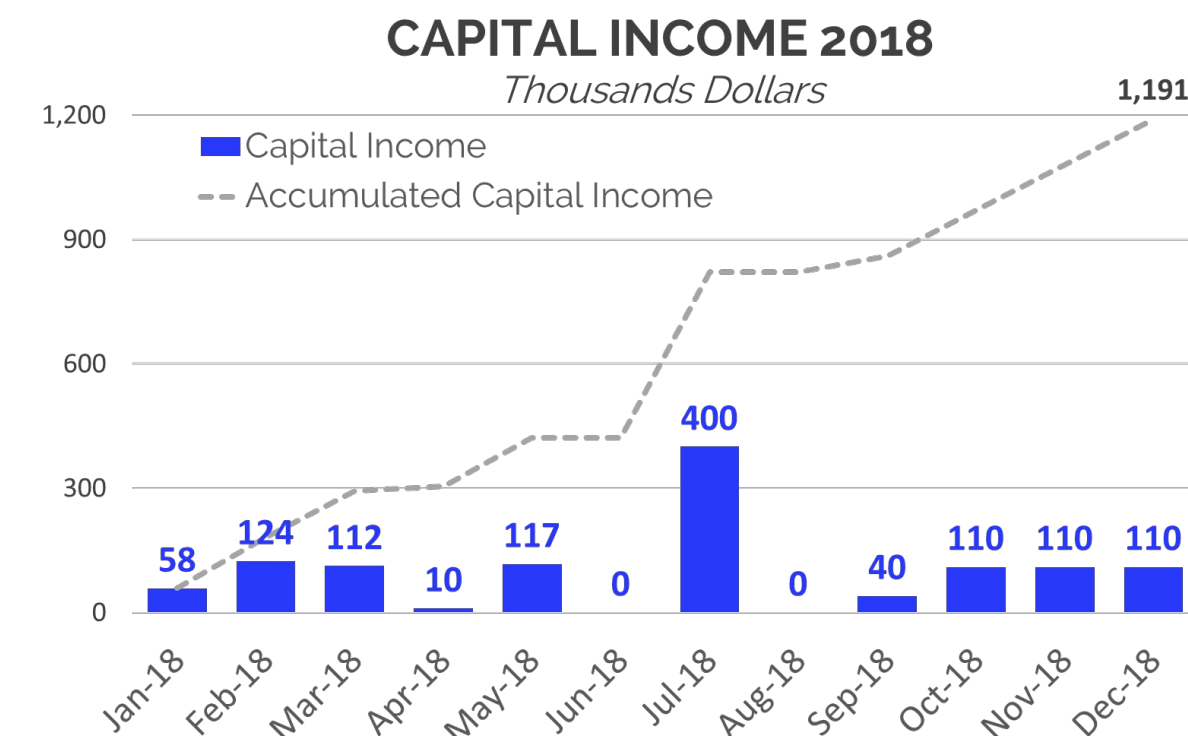
2.a. INCOME 2018:

2.a.1. Partner Contributions

In 2018, progress was made in obtaining licenses for the research, production and (later) sale of products derived from medical cannabis. Most of the income received during 2018 was from partner contributions.

Additionally, in July 2018 USD 33,000 was received in government subsidies from the National Research and Innovation Agency, and USD 29,500 in loans from partners.

Partner contributions per month have been as follows:



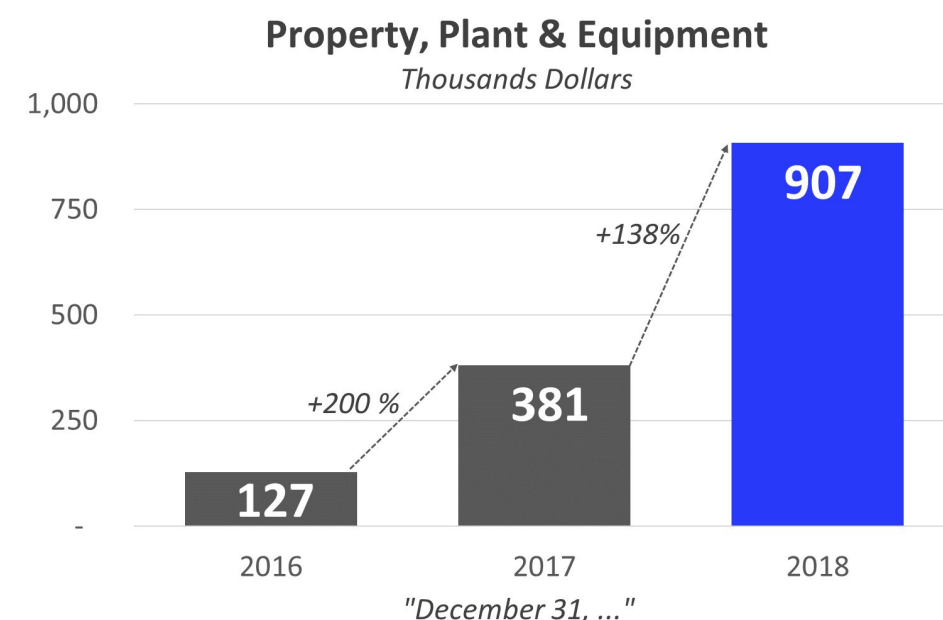
	DATE	USD
Fabrizio Menta Braga	Jan-18	20,000
Daniel Sanctos	Jan-18	10,000
Victor Soares	Jan-18	10,000
Rafael Santos Dale	Jan-18	10,000
Moacir	Jan-18	8,000
Fabrizio Menta Braga	Feb-18	22,000
Daniel Sanctos	Feb-18	26,000
Victor Soares	Feb-18	26,000
Rafael Santos Dale	Feb-18	20,000
Moacir	Feb-18	30,000
Daniel Sanctos	Mar-18	26,000
Victor Soares	Mar-18	16,000
Rafael Santos Dale	Mar-18	32,000
Moacir	Mar-18	25,000
Van Der Loo	Mar-18	13,000
Victor Soares	Apr-18	10,000
Van Der Loo	May-18	117,000
Carbisa	Jul-18	400,000
Carbisa	Sep-18	40,000
Carbisa	Oct-18	110,000
Carbisa	Nov-18	110,000
Carbisa	Dic-18	110,000
TOTAL		1,191,000

2.b.- EXPENSES 2018:

2.b.1. Investments 2018

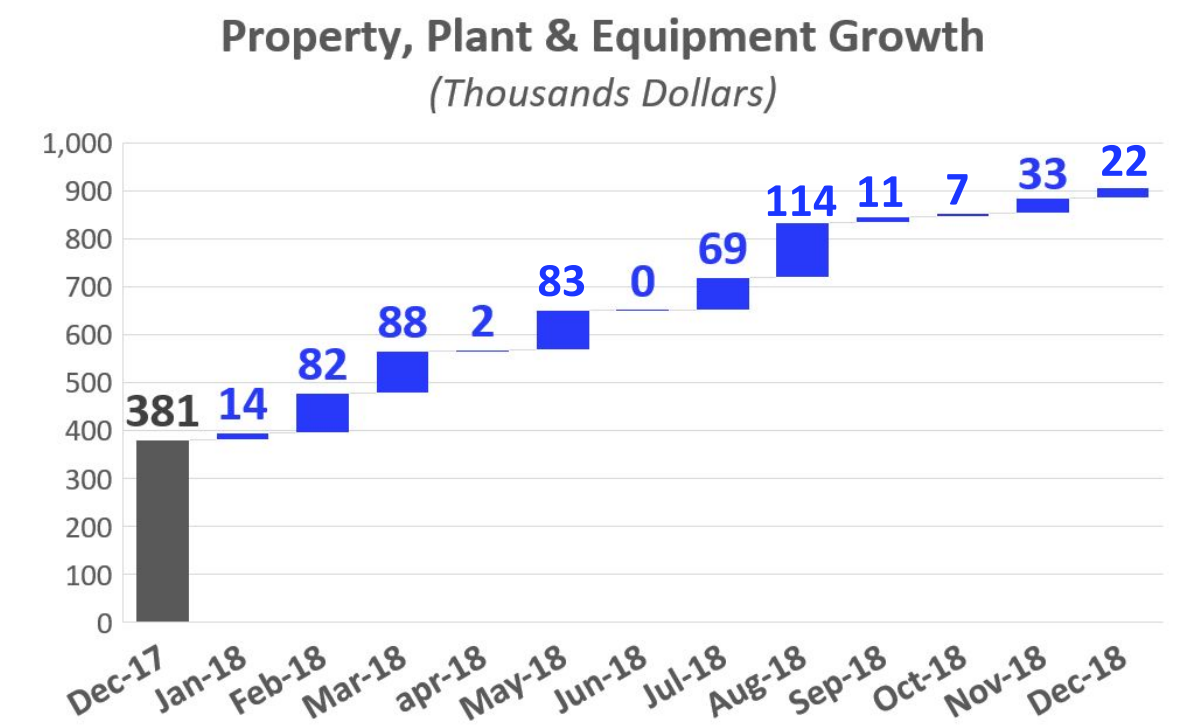
The last year has demonstrated great growth dynamics, in terms of investments in Property, Plant and Equipment (fixed assets).

GruneLabs invested USD 526,000 in Infrastructure, Equipment, Tools and Furnishings (including Value Added Tax - VAT-). This volume represents a growth of 138% with respect to the value of P, P and Eq at the end of 2017.



The total invested in P, P and Eq., since the beginning of the company to the end of 2018, has reached **USD 907,000**.

Specifically, the investments for 2018 were distributed as follows:



Investments were distributed throughout 2018 based on the availability of funds and infrastructure needs.

The breakdown for areas of investment in P. P and Eq for 2018 is as follows:

Thousands Dollars

	USD	%
Extraction Machine	143	27%
Grow Lights	88	17%
Automated Irrigation Syst	59	11%
AC Grow and Lab	54	10%
Furniture	35	7%
Extra Construction	25	5%
Power Transformer 250w	22	4%
Electrical Instalations	22	4%
Others	21	4%
Air Extraction and Injection	20	4%
Inside Construction	16	3%
Security Cams	14	3%
Dosatron	7	1%
Containers	2	0%
TOTAL	526	100%

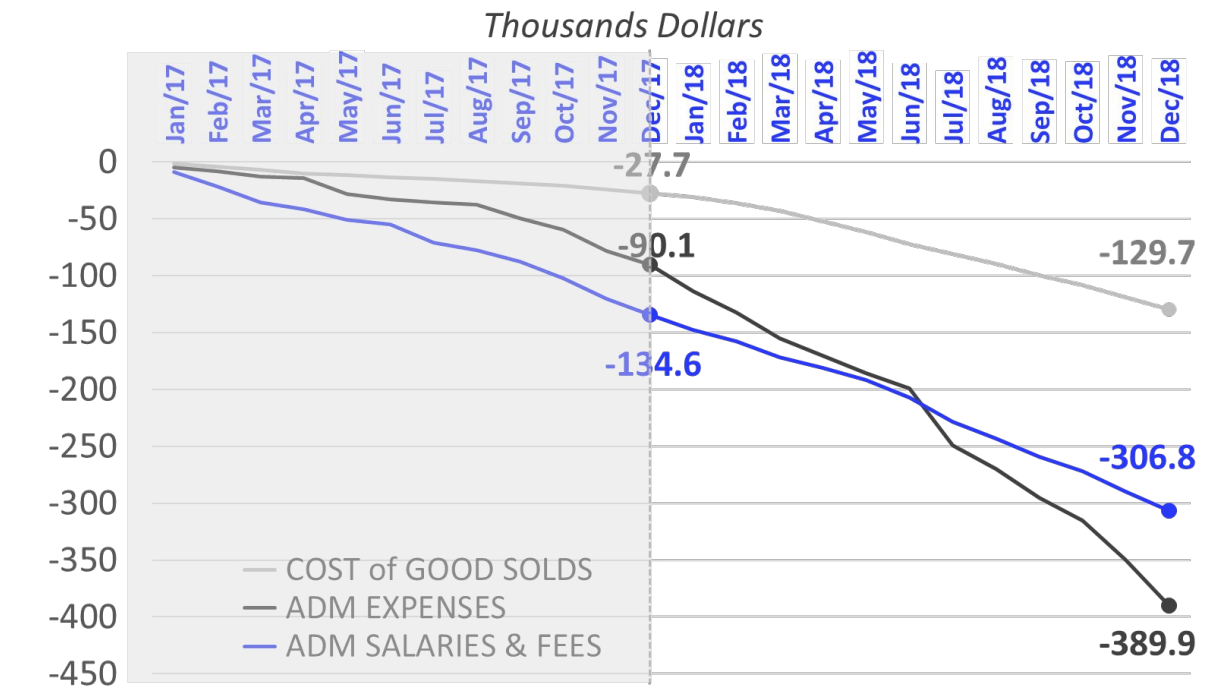
2.b.- EXPENSES 2018:

2.b.2. Operating costs 2018

In addition to investments made in Property, Plant and Equipment, the company had to meet operating costs. This included personnel costs, general expenses, consumable supplies, research expenses and professional fees, among others.

Although the company started operating before 2017, from a financial perspective 2018 was the second operational year for GrüneLabs. The process of making the infrastructure adequate for operational objectives has led monthly operating costs to rise progressively, due to the increased expenditures on permanent staff, professional advice, marketing and translation of documents for the approval of shareholders, among others.

CHANGE IN OPERATING COSTS SINCE JANUARY 2017



As can be seen in the previous chart, while in 2017 USD 252,000 was spent, in 2018 the figure was USD 574,000 (2.3 times higher).

For practical purposes, operating costs are separated into the following 3 items:

- **Cost of Goods Solds:** Technical Fees, Plant salaries, etc.
- **Administration Expenses:** Corporate Expenses, Office costs, taxes, etc.
- **Administration Salaries & Fees:** Administration salaries, social security contributions, outsourcing fees, professional fees, etc.

1. **Cost of Goods Sold**

- In 2018 (compared to the accumulated amount for 2017) the Cost of Goods Sold increased 369%: between Jan/18 and Dec/18 **USD 102,042** was spent. Mainly this is due to:
 - Increase in technical fees: In 2018 the Neuroscientist and Chemist began to be paid monthly
 - Increase in plant salaries: Auxiliary Staff and Janitor

2. **Administrative Expenses**

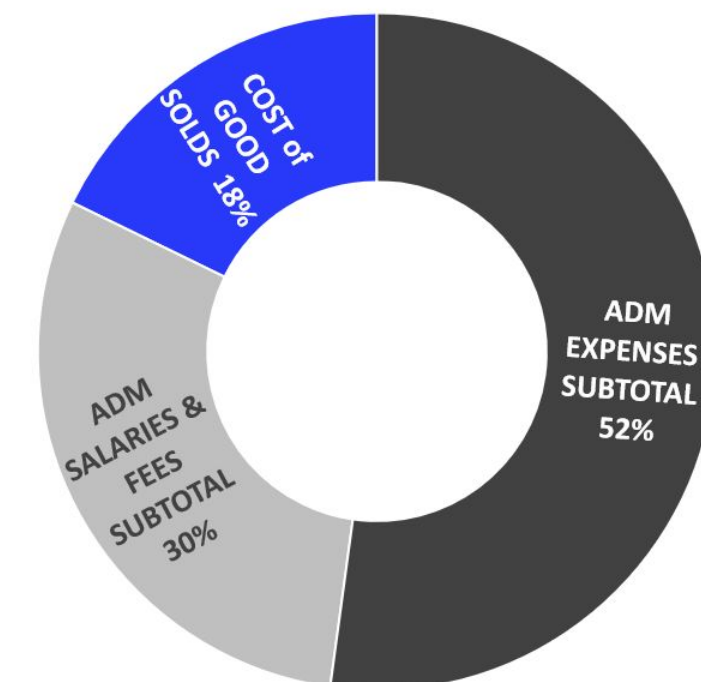
- In 2018 (compared to the accumulated amount for 2017) Administrative Expenses increased **333%**: between Jan/18 and Dec/18 **USD 299,759** was spent. Mainly, this is due to:
 - Increase in Corporate Expenses: **USD 184,465** (accumulated 2018).
 - Document Translation: USD 43,308 (Capicua web, composition, materials, Senaclaft documents).
 - UDELAR (investigation): USD 27,986.

- Scientific Tech Park Land Rent: USD 23,486; Web Page: USD 18,663.
- Tariffs for import (port). USD 9,964 (Jun; Grow Lights) + USD 1,664 (Extraction Machine)
- Taxes and contributions to social security (BPS): USD 100,415.

4. **Administrative Salaries & Fees**

- This increase was due to the adjustment of salaries and fees (with respect to the operational start-up of the company) based on the growth of the company's operations.

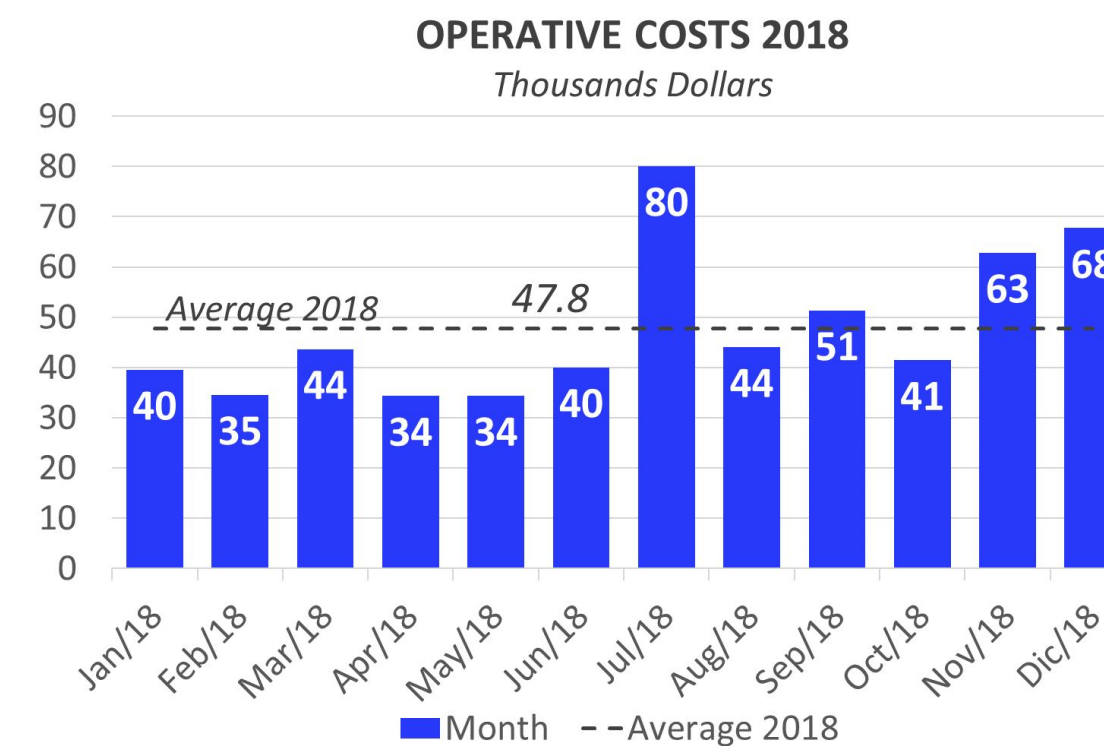
OPERATIVE COSTS - 2018



Grouped by major items, the cumulative operating costs for 2018 (with respect to 2017), have been as follows:

Thousand Dollars			2,017			2,018
Corporate Expenses	-	28	-	184		
Admin Salaries	-	66	-	128		
Taxes	-	44	-	100		
Thecnical Fees	-	20	-	64		
Plant Salaries	-	6	-	37		
Professional Fees	-	34	-	35		
Office Costs	-	18	-	15		
Eventual Fees	-	29	-	9		
Others Cost of Good Solds	-	1	-	1		
Other Fees	-	6	-	-		
TOTAL	-	252	-	574		

As for the monthly growth of operating costs, they are distributed nearly homogeneously, averaging USD 47,800 per month.



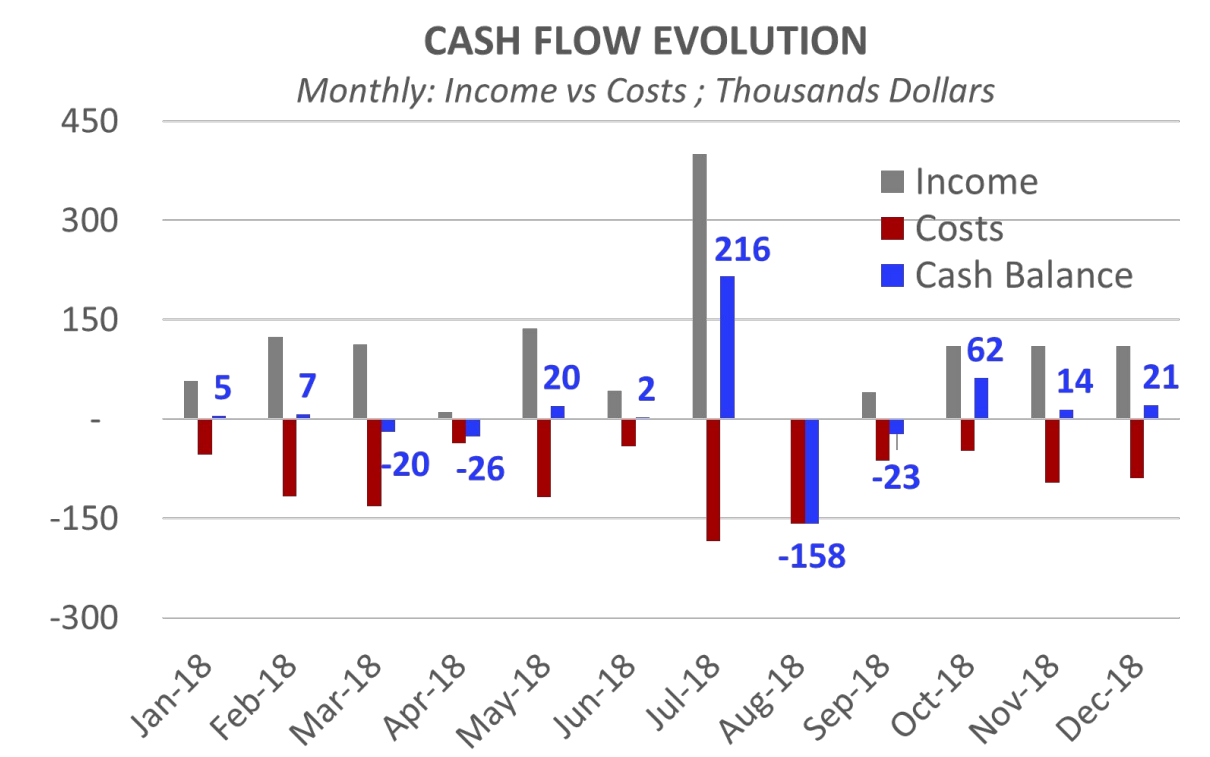
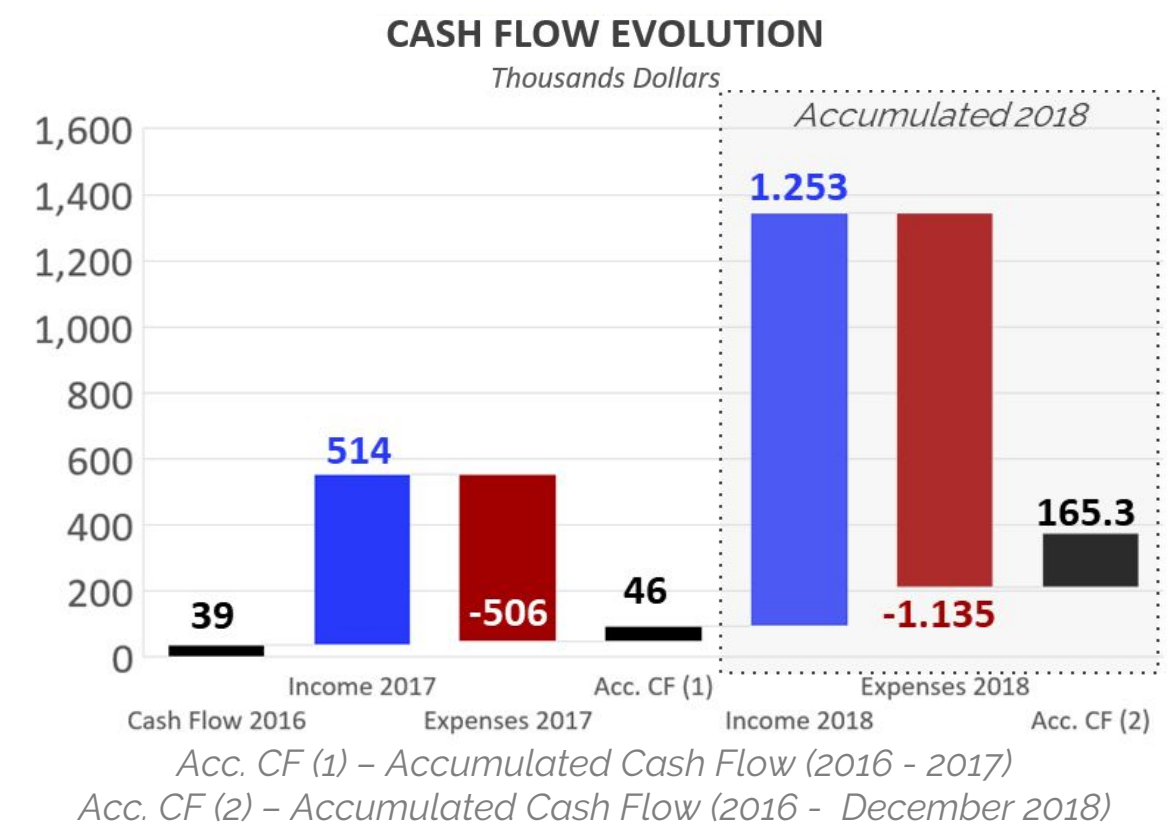
2.c. Cash Flow 2018:

As detailed, 2018 revenues consist of partner contributions (USD 1,191,000), government subsidies (USD 33,300) and shareholder loans (USD 29,500). On the other hand, throughout 2018 payments were made for investments in fixed assets as well as operating costs.

In terms of both flows (income versus expenses), the monthly cash balance fluctuated, based on the initial balance of 2018 (closing 2017).

As such, 2018 revenues totaled USD 1,253,000, while expenditures amounted to USD 1,135,000 (USD 576,000 Operating Costs + USD 524,000 Fixed Asset Investments + USD 35,000 payment of loans to partners). The final cash balance at the end of 2018 amounted to USD 165,300.

Throughout the months of 2018, revenues were received and investments in fixed assets made, subject to the restrictions of available funds. In 8 of the months, expenses have been below the contributions received for the same period; consequently, the monthly cash balance has been positive:



The monthly cash flows are detailed below for a better visualization of what is available on a monthly basis.

CASH FLOW		2017
0	MONTHLY INITIAL VALUES	39.0
1	Income	-
1.1	Capital income	440.3
	Total Capital Income	440.3
1.2	Loans	-
	Total Loans	55.7
1.3	Government Subsidy	-
	ANII (National Research and Innovation Agency)	-
	Total Gov. Subsidy	16.7
1.4	Sales & Others	-
	Bank Account adjustment value	1.8
	Total Sales	1.8
TOTAL INCOME		514.4
2	Expenses	-
2.1	Office Costs	-
	Director's home rent	11.7
	Light	3.6
	Phone / Internet	1.9
	Pilot lab maintenance	1.1
	Total	18.5
2.2	Construction Materials	-
	Building construction	253.9
	Total	253.9
2.3	Operative costs	-
	Materials	1.4
	Corporate expenses	27.9
	Salaries	160.9
	Taxes	43.7
	Total	233.9
2.4	Loans payments	-
	Total	0.7
TOTAL EXPENSES		507.0
3	CASHFLOW	
	Cash Balance (Income vs Expenses)	7.5
	Accumulated Cash Balance	46.4

Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
46.4	51.0	58.3	38.5	12.1	31.8	34.1	249.8	91.4	68.8	130.5	144.7
-	-	-	-	-	-	-	-	-	-	-	-
58.0	124.0	112.0	10.0	117.0	-	400.0	-	40.0	110.0	110.0	110.0
58.0	124.0	112.0	10.0	117.0	-	400.0	-	40.0	110.0	110.0	110.0
-	-	-	-	-	9.5	-	-	-	-	-	-
-	-	-	-	20.0	9.5	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	33.3	-	-	-	-	-	-
-	-	-	-	-	33.3	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
58.0	124.0	112.0	10.0	137.0	42.8	400.0	-	40.0	110.0	110.0	110.0
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	1.0	-	2.0	-	1.0	-	1.0	-	1.0	-	1.0
-	-	-	-	-	0.3	-	0.3	-	-	-	-
-	0.1	-	-	0.1	-	0.1	-	0.1	-	0.1	-
-	0.4	-	0.4	-	-	-	-	-	-	-	-
-	1.5	-	2.4	-	1.5	-	0.1	-	1.4	-	1.1
-	-	-	-	-	-	-	-	-	-	-	-
-	13.9	-	82.1	-	88.1	-	2.1	-	82.9	-	0.5
-	13.9	-	82.1	-	88.1	-	2.1	-	82.9	-	0.5
-	-	-	-	-	-	-	-	-	-	-	-
-	0.1	-	-	-	-	-	-	-	-	-	1.0
-	16.3	-	9.2	-	15.2	-	6.5	-	7.6	-	13.3
-	16.2	-	15.3	-	21.1	-	18.7	-	19.4	-	26.6
-	5.5	-	7.7	-	5.8	-	8.0	-	5.9	-	20.0
-	38.0	-	32.2	-	42.2	-	33.3	-	32.8	-	39.9
-	-	-	-	-	-	-	-	-	-	-	35.0
-	-	-	-	-	-	-	-	-	-	-	35.0
-	53.4	-	116.7	-	131.8	-	36.4	-	117.3	-	40.5
4.6	7.3	-	19.8	-	26.4	19.7	2.3	215.7	-	158.4	-
51.0	58.3	38.5	12.1	31.8	34.1	249.8	91.4	68.8	130.5	144.7	165.3



3. PRINCIPAL ACTIVITIES 2018

2018 Highlights

*Agricultural Engineer
and Technical Lead:
Esteban Sosa*

ACHIEVEMENTS

- Procurement of the research license
- Completion of work in the laboratory
- Purchase of most of the cultivation supplies
- Transfer of cuttings for cloning
- Setup of the growing rooms

2018 Highlights

Lawyer and Notary: Andrea Barrios and Adriana Otheguy

ACHIEVEMENTS

- Opening of a bank account at Scotia Bank, as an alternative to the existing account at Banco Santander.
- Transfer of 50% of the shareholding package to capitalize BUREY S.A.

ACHIEVEMENTS

- Procurement of the research license from the IRCCA.
- Approval of the partners by Senaclaft.
- Modification of the Statute of BUREY S.A. via modification of the corporate purpose.
- Import of industrial equipment and machinery.
- Recruitment of personnel.
- Hiring of quality control laboratories for the future industrial plant.
- Presentation of the project to produce cannabis flower buds of pharmaceutical quality.
- Presentation to SENACLRAFT of documentation needed for the approval of the new partners of BUREY S.A.
- Agreement with CARBISA to start an industrial hemp planting project.

2018 Highlights

Pharmaceutical

Chemist:

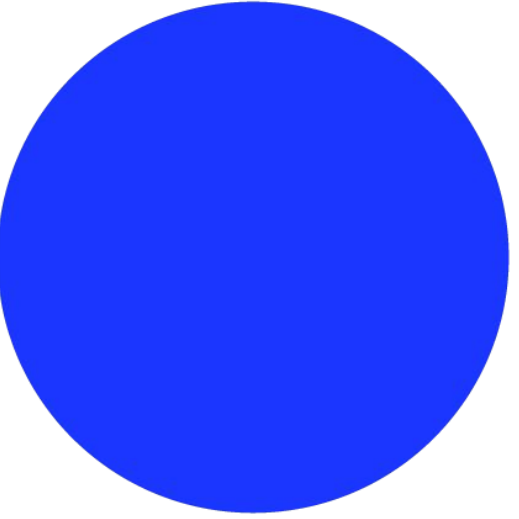
Eleonora Scosería

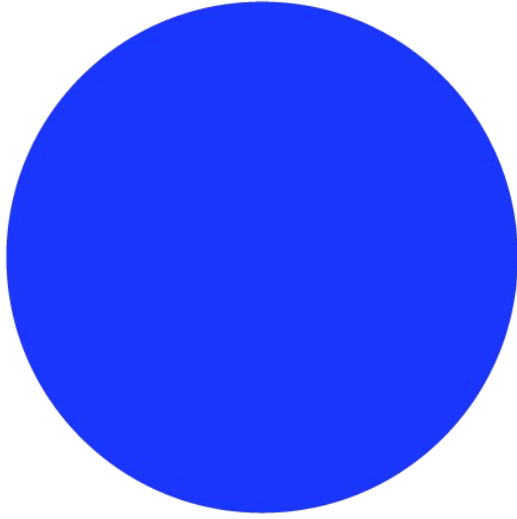
Director of Solutions

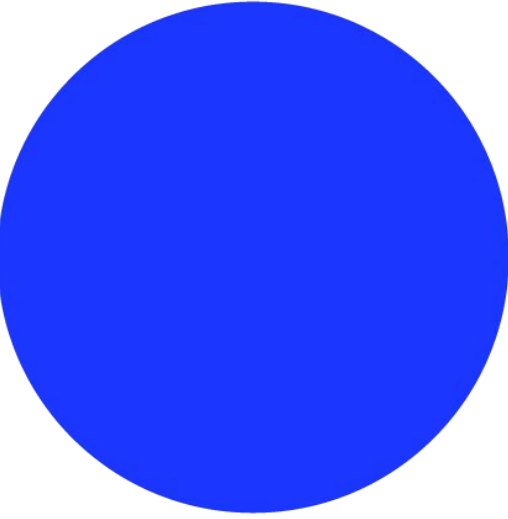
GXP

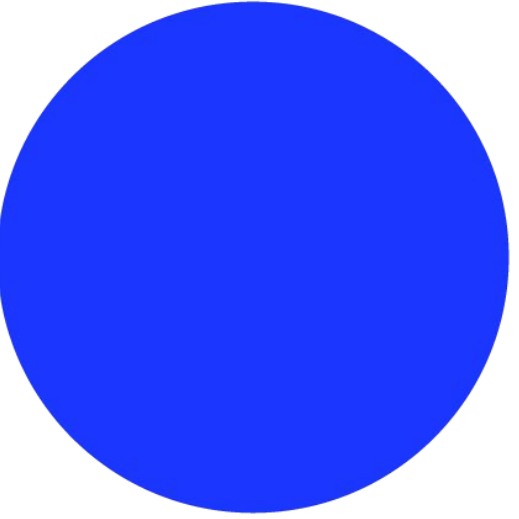
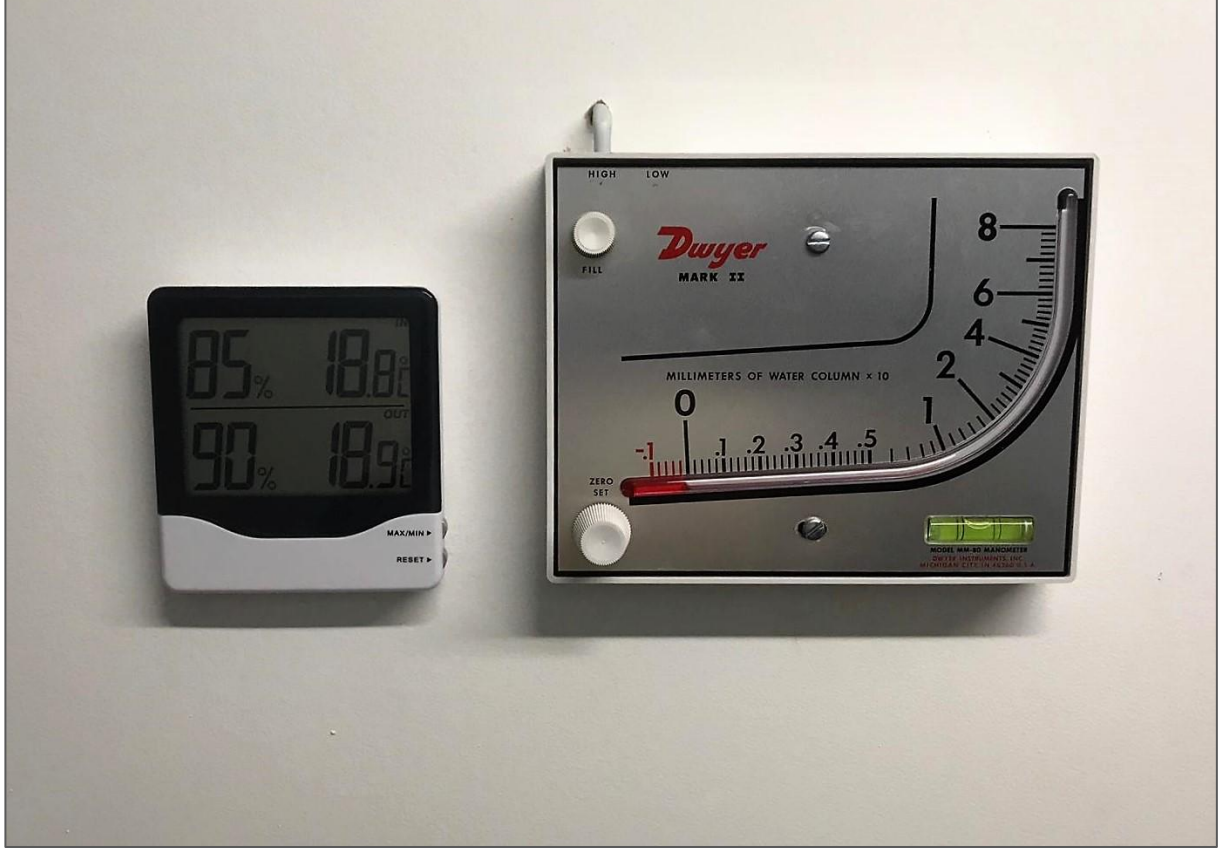
ACHIEVEMENTS

- Consultation regarding Lay Out.
- Preparation of documentation for submission to the Ministry of Public Health.
- Creation of the documentation for qualification.
- Development of the process flow diagram.











4. OUTLOOK FOR 2019

2019 Objectives and Expectations

*Agricultural Engineer
and Technical Lead:
Esteban Sosa*

OBJECTIVES

- Finalize the setup of the rooms.
- Finish the research project (UdelaR).
- Work to obtain the license for producing 400 kg.
- Import / local acquisition of supplies and remaining equipment.
- Continue working on the specific traceability system (for internal use and monitoring): registration and follow-up for each product, from their start in the cloner as cuttings and onwards (recording nutrition data, atmospheric factors, temperature, among others).

2019 Objectives and Expectations

Lawyer and Notary:
**Andrea Barrios and
Adriana Otheguy**

OBJECTIVES

- Delivery of the cuttings for the beginning of the cultivation of flower buds for the research project.
- Start of research project activities with the aim of developing a process for obtaining cannabis extract.

OBJECTIVES

- Approval of future shareholders with SENACLAFT.
- Conclusion of the purchase and sale agreements for the shares of the following shareholders:
- Procurement of a license to produce cannabis flower buds for the pharmaceutical industry.
- **Start of flower bud cultivation for export.**
- **Export of the first harvest.**

2019 Objectives and Expectations

*Pharmaceutical
Chemist: Eleonora
Scosería- Director of
Solutions GXP*

