



ANNUAL REPORT 2019

Grüne Labs

February 2020

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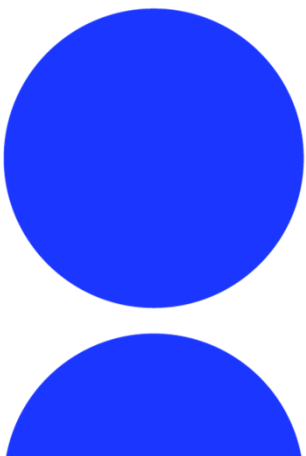
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A blue-tinted photograph of a hand holding a cannabis plant. The hand is positioned in the center, with fingers gently gripping the stem of the plant. The plant has several serrated leaves and a prominent, developing bud at the top. The background is blurred, showing more of the plant and possibly other hands. The overall image has a monochromatic blue color scheme.

1. LETTER FROM THE DIRECTORS

Dear Shareholders,

Throughout 2019 we have made major investments in infrastructure, equipment, production resources, and personnel in order to set in the breeding of our selected plants and start processing extracts, both for research purposes and to kick off commercial operations.

We have obtained new government licenses to increase plant production and to start production for research purposes. Thus, the company is now prepared for the final inspection before the granting of the Commercialization and Export License, which is scheduled for the first half of 2020.

At the same time, we have made contacts in many important markets to develop potential buyers (importers / distributors) as well as sales channels for end customers. We closely monitored the developments that led to the legalization of medical cannabis in Brazil culminating with the authorization of imports by ANVISA (National Health Surveillance Agency) in December/2019. This is a very relevant fact for our company since ANVISA only authorized the import of medical cannabis products with local production still forbidden.

We have also invested in the company's organization as a whole, including a new corporate structure. In this sense, an important decision was that the company should be governed by a holding company settled in a country with a more beneficial tax legislation in terms of business results (future profits). This represents an advantage both to operationalize sales and also for the shareholders themselves be it in terms of profit distribution or for the sale of part of the company's operation. After a few months of consideration and scrutiny, Luxembourg was agreed upon as the country where the holding company should be settled. Reasons included trading advantages, such as being located in a Euro zone, and having lower taxes (VAT), as well as profit distribution benefits.

Another important matter is that we felt the need to increase our production capacity due to the business opportunities we created through our business contacts. Based on our implementation experience in Uruguay, we decided that such increase in production should be carried out in another location; one with lower operational costs and closer to the consumer markets of Europe and North America. Another important aspect considered was the need to address the issue of operating in American Dollars.

This has resulted in a number of constraints in our receipt of investment capital due to an enduring stigma caused by restrictions imposed by the United States Government (FDA and FED). During our study on the possible countries suited to host our holding company, we identified an opportunity created by Portugal's new legislation on medical cannabis. We then chose to invest in Portugal to increase our production as the country offers legal support, lower operational costs, tax incentives and especially for being in the "Euro Zone" and therefore not subject to FED's controls and restrictions. That way, we can produce and trade products without being subject to our current problems caused by transactions in American Dollars.

We have carefully studied the situation in Portugal - legislation, incentive programs, the convenience to obtain raw material - and decided for the installation of Grunelabs-Portugal in the town of Fundão. The town is located in a region that is quickly becoming a "production cluster" for cannabis, and as such it has complete support of Fundão's Town Hall and the City Council, as well as the support of National Authorities (tax and credit incentives) and European Authorities (research and production credit).

In the biennium 2020-2021, we plan to start our commercial production (initially in Uruguay) and use the holding company (Burey Luxembourg) and/or the Portuguese company (Grunelabs - currently being implemented), to begin our trading operations safely and backed by the boost in our production capacity.

We are developing a new Business Plan (BP) - which should be ready in the end of the first quarter - to better reflect our company's new production and corporate structure. This new BP will also reassess the company as to represent all its progress and the added valued provided by the actions mentioned above.

I take this opportunity to express my appreciation for the trust demonstrated by all our shareholders and investors and also to inform that we will be fully operational in 2020 and will be able to participate actively in this new and ever more promising market for Medical Cannabis.

Best Regards,



SERGIO MEROFA JÚNIOR

Director - CEO

grunelabs.com

A blue-tinted photograph of a hand holding a cannabis plant. The hand is positioned in the center, with fingers gently gripping the stem of the plant. The plant has several serrated leaves and a developing bud at the top. The background is blurred, showing other plants and possibly a person's face in the distance. The overall tone is professional and focused on cultivation.

2. MANAGEMENT 2019

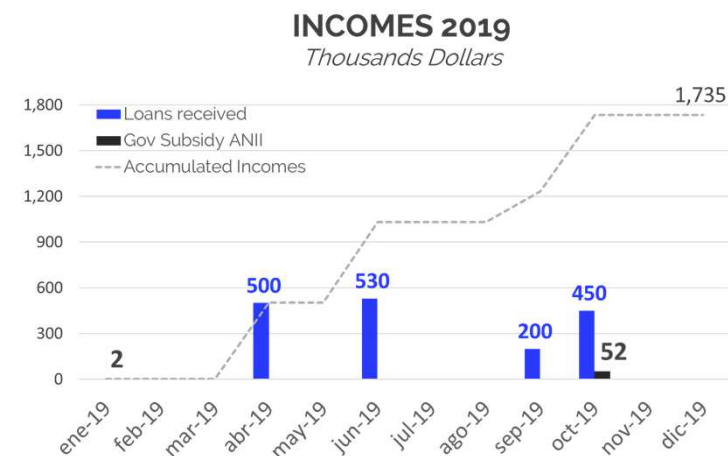
2.a. INCOME 2019:

2.a.1. Partner Contributions

In 2019, progress was made in obtaining new licenses for the sale of products derived from medical cannabis: Industrialization and commercialization of Cannabis for the pharmaceutical industry. The company obtained his first harvest in 2019, with production results higher than expected. The income received in 2019 was:

- **Loans** received with the option to participate in the company's share capital: USD 1,680,000. The board of the company has been informed that these loaners decided to convert that debt into capital contributions.
- **Government Subsidy ANII**: USD 54,709.

Income received per month have been as follows:



Loans received in 2019:

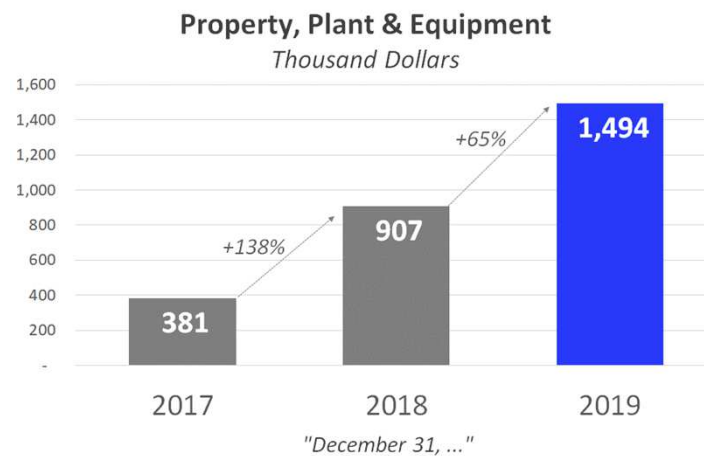
	DATE	USD Thousands
Tracajá	apr-19	500
Tracajá	jun-19	450
Fabio Camargo	jun-19	80
Fabio Camargo	sep-19	200
Tracajá	oct-19	450
TOTAL		1,680

2.b.- OUTFLOWS 2019:

2.b.1. Investments

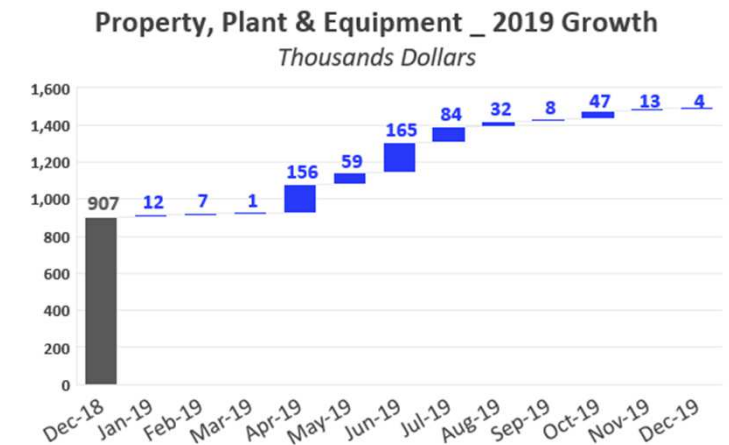
The last year has demonstrated great growth dynamics, in terms of investments in Property, Plant and Equipment (fixed assets).

GruneLabs invested USD 587 thousands in infrastructure, equipment, tools and furnishings (including Value Added Tax - VAT-). This volume represents a growth of 65% with respect to the value of P, P and Eq at the end of 2018.



The total invested in P. P. and Eq., since the beginning of the company to the end of 2019, has reached **USD 1.494.000**.

Specifically, the investments for 2019 were distributed as follows:

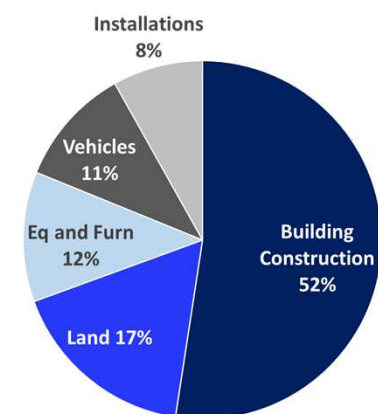
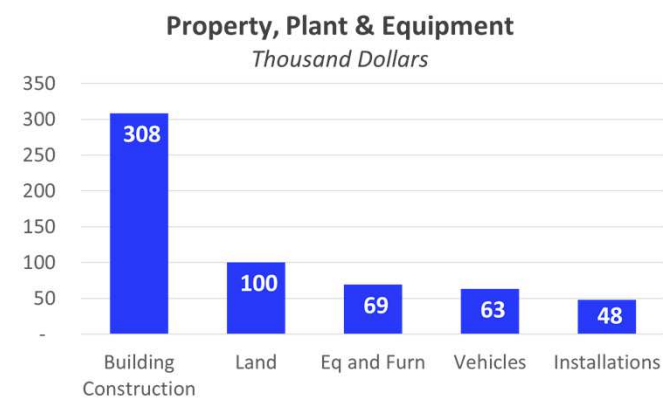


Investments were distributed throughout 2019 based on the availability of funds and infrastructure needs.

The breakdown for areas of investment in P. P and Eq for 2019 is as follows:

	USD Thousands	%
Land	100	17%
BC - Workforce	15	3%
BC - Constr. Materials	19	3%
BC - Containers	23	4%
BC - Utilities	8	1%
BC - Extras	5	1%
BC - GreenHouse	239	41%
INST - Electrical inst	23	4%
INST - Hidraulic inst	3	0%
INST - Ventilation inst	-	0%
INST - AC Systems and inst	14	2%
INST - Other inst	9	1%
Eq & Furn - Labs Eq	50	9%
Eq & Furn - Labs Eq_taxes	-	0%
Eq & Furn - Growing Eq	8	1%
Eq & Furn - Growing Eq_taxes	-	0%
Eq & Furn - Office & Others Eq	10	2%
Eq & Furn - Furniture	1	0%
Others - Vehicle	63	11%
TOTAL	588	100%

The most important investment in 2019 was the Greenhouse. However, it has been partially canceled, since part of the greenhouse installations will be installed in Portugal and the rest of them will be refunded.



2.b.- OUTFLOWS

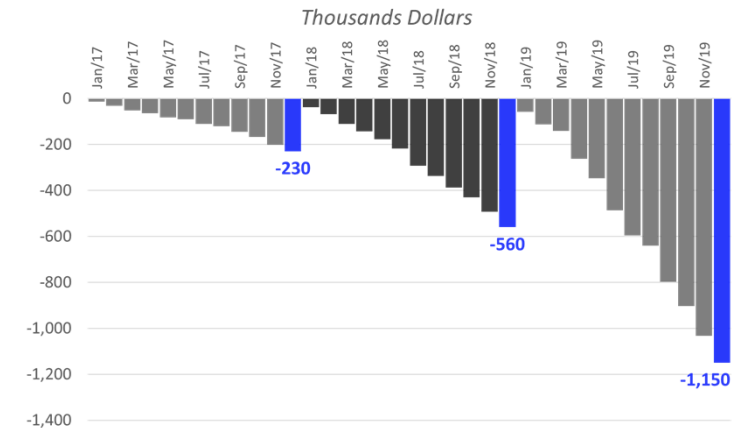
2019:

2.b.2. Operative Costs 2019

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: 2019 was the third 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, inputs for production, among others.

ACCUMULATED OPERATING COSTS



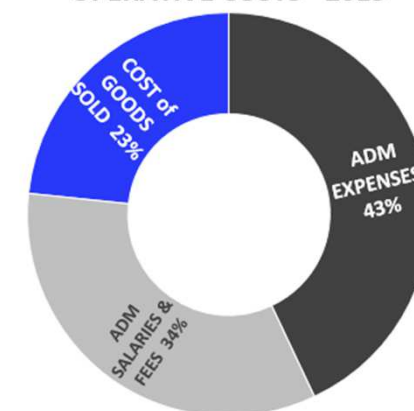
As can be seen in the previous chart, while in 2017 USD 230,000 was spent, in 2018 the figure was USD 560,000 (2.3 times higher). In the same way, in 2019 has reached USD 1.150.000 (2.0 times higher).

- In 2018, corporate expenses were USD 193,099. While, in 2019, USD 252,850 has been invested.
- 2019: The monthly average of admin salaries increased: + USD 9,646 (compared to 2018).
- 2019: Professional Fees reached USD 142,787, while in 2018 (12M) they were USD 69,634.
- 2019: Plant Salaries rose (12M 2019: USD 153,917 vs. First 12M 2018: USD 68,194).
- At the same time, the raise in salaries increased contributions required by law (BPS).

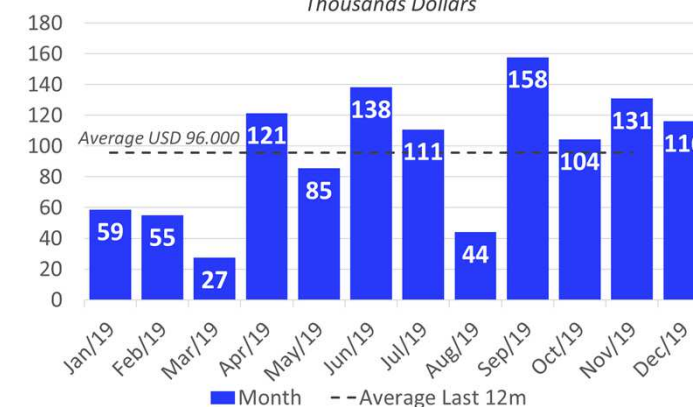
For practical purposes, operating costs are separated into the following 3 items:

- **Cost of Good Solds:** Thecnical Fees, Plant salaries, etc.
- **Administration Expenses:** Corporate Expenses, Office costs, taxes, etc.
- **Administration Salaries & Fees:** Administration salaries, social charges, outosurcing fees, professional fees, etc.

OPERATIVE COSTS - 2019



	ANNUAL OPERATING COSTS (USD Thousands)		Variation (Times)
	2,018	2,019	
(-) Production Inputs	- 1	- 44	41.4
(-) Labs Inputs	-	- 31	
(-) Plant Salaries	- 68	- 154	2.3
(-) Lab Salaries	- 9	- 39	4.2
COST of GOOD SOLDS	- 78	- 268	3.4
(-) Admin Salaries	- 129	- 245	1.9
(-) Professional Fees	- 70	- 143	2.1
(-) Other	-	-	
ADM SALARIES & FEES	- 199	- 388	2.0
(-) Corporate Expenses	- 193	- 253	1.3
(-) Taxes	- 90	- 121	1.3
(-) Social Charges	-	- 120	
(-) Financial	-	-	
ADM EXPENSES	- 283	- 494	1.7
OPERATING PROFIT	- 560	- 1,150	2.1

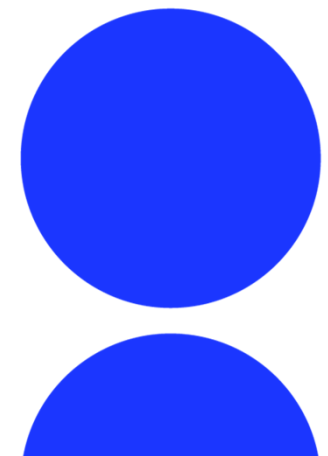
OPERATIVE COSTS (last 12 months)
Thousands Dollars

Cost of Goods Sold

- In 2019 the Cost of Goods Sold increased 3.4 times: **USD 268.173**. This item was composed of 58% Plant Salaries, 16% Production Inputs, 14% Lab Salaries and 12% Labs Inputs).
 - **Increase in Plant Salaries:** In Dec-2019, 8 people ended up working in the production plant, while in 2018 there were only 4.
 - **Increase in Production Inputs:** plant pots, various tools and fertilizers were purchased.
 - **Increase in Lab Salaries:** The lead chemist started working continuously and an additional assistant was hired
- The company obtained his first harvest in 2019, with production results higher than expected. This increase in activities generated a positive and logical impact in the Cost of Goods Sold.

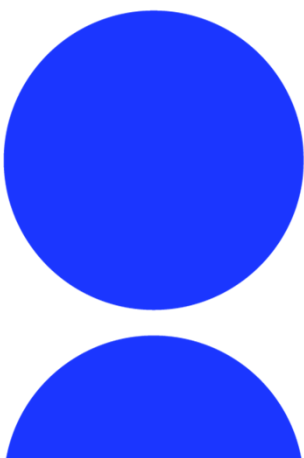
Administrative Salaries & Fees

- In 2019 Administrative Salaries & Fees increased 1.95 times: **USD 387.500**. This item was composed of composed of composed of 63% Adm. Salaries and 37% Professional Fees.
 - **Increase in Administration Salaries:** A new Head of Accounting & Management and a cleaning person were hired. Directors and secretary salaries increased.
 - **Increase in Professional Fees:** Due to production licenses and other procedures, expenses for lawyers and notaries increased. In this way, fees for pharmacy consultant and external agricultural engineer were also increased.



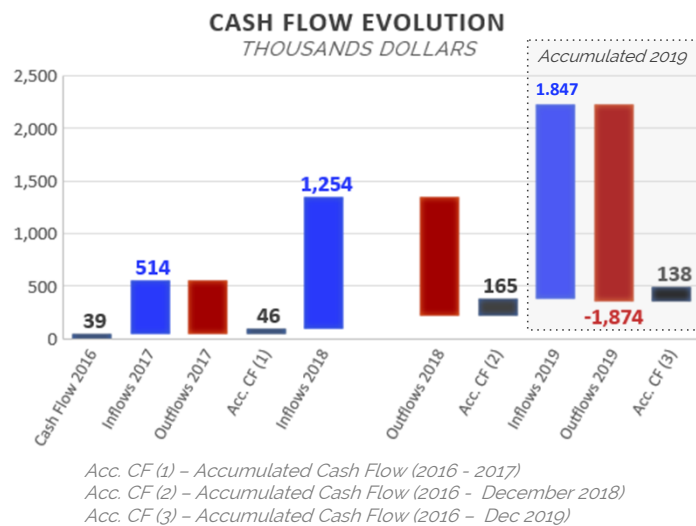
Administrative Expenses

- In 2019 Administrative Expenses increased 1,7 times: **USD 494.004**. This item was composed of 51% Corporate Expenses, 24% Taxes and 24% Social Charges.
 - **Increase in Corporate Expenses:** accumulated USD 252,850 (+ 31% than 2018). Main reasons for the increase:
 - Travel Expenses (travel, hotel, taxi, etc.): establishment of the company in Portugal, USA research and others.
 - Light Power Ute: first production of the company
 - Apt rentals: Chemist establishment.
 - But, there were also savings compared to 2018: document translation, web page, marketing and others.
 - **Increase in Social Charges:** accumulated USD 120.461, explained by the increase in company staff and wages.



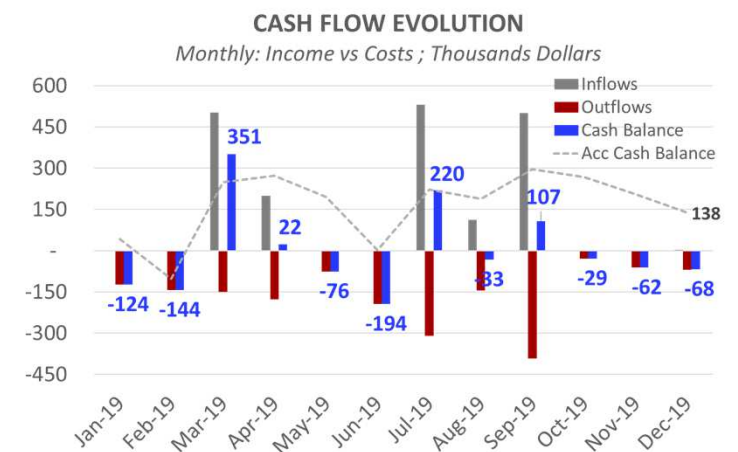
2.c. Cash Flow 2019:

As detailed, 2019 revenues consist of: **i)** loans received (loaners have disclosed their intention to convert that debt into a capital contribution) for USD 1,679,975, **ii)** Gov. Subsidy USD 54.709 and **iii)** Fixed Term Deposit USD 112.062. On the other hand, throughout 2019 payments were made for investments in fixed assets as well as operating costs. In terms of both flows (inflows versus outflows), the monthly cash balance fluctuated, based on the initial balance of 2019 (closing 2018).



As such, 2019 revenues totaled **USD 1,846,746**. While expenditures amounted to **USD 1,862,533**: **i)** USD 1.149,684 Operating Costs, **ii)** USD 587.873 Fixed Asset Investments and **iii)** USD 124.976 Investments – *deposit guarantee BHU and fixed term deposit*-. **The final cash balance at the end of 2019 amounted to USD 137,687**

Throughout the months of 2019, revenues were received and investments in fixed assets made, subject to the restrictions of available funds. In 4 of the months, outflows have been below the income 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		2018	Jan/19	Feb/19	Mar/19	Apr/19	May/19	Jun/19	Jul/19	Aug/19	Sep/19	Oct/19	Nov/19	Dec/19
0 MONTHLY INITIAL VALUES		46	165	98	36	7	114	82	301	107	31	53	405	261
1 INFLOWS														
1.1 CAPITAL Inflows														
1.1.1 Equity		-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.2 Loans Received		1,254	-	-	-	500	-	530	-	-	200	450	-	-
1.1.3														
	Gov Subsidy ANII		2									52		
	Fixed-Term Deposit						112							
1.2. Sales & Others														
1.2.1 Sales														
	Total	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Inflows		1,254	2	-	-	500	112	530	-	-	200	502	-	-
2 Outflows														
2.1 ASSETS														
	Land and Real State	-	-	-	-	-	25	- 25	- 25	- 25	-	-	-	-
	Building Construction	-	10	6	1	115	20	130	17	6	3	0	-	-
	Installations	-	-	-	-	6	3	5	8	-	2	16	7	0
	Equipments & Furnitur	-	2	0	-	35	11	6	2	1	3	-	6	4
	Vehicles	-	-	-	-	-	-	1	32	-	-	31	-	-
	Intangible Assets	-	-	-	-	-	-	-	-	-	12	-	-	-
	Total	- 540	- 12	- 7	- 1	- 156	- 59	- 166	- 84	- 32	- 20	- 47	- 13	- 4
2.2 INVESTMENT														
	Fixed-Term Deposit	-	-	-	-	112	-	-	-	-	-	-	-	-
	Deposit Guarantee BH	-	-	-	-	3	-	7	-	-	-	-	-	3
	Total	-	-	-	-	115	-	7	-	-	-	-	-	3
2.3 LOANS REPAYMENT		- 35	-	-	-	-	-	-	-	-	-	-	-	-
	Total	- 35	-	-	-	-	-	-	-	-	-	-	-	-
2.4 OPERATIVE COSTS														
	Production Inputs	-	1	-	0	16	5	14	-	-	0	1	3	3
	Labs Inputs	-	-	-	0	2	0	12	0	0	3	5	7	1
	Corporate Expenses	-	22	17	7	33	24	12	22	15	40	16	18	25
	Salaries & Professional	-	25	29	20	53	52	66	63	28	101	79	100	84
	Company Taxes	-	10	9	0	17	5	33	25	0	13	3	2	3
	Total	- 560	- 59	- 55	- 27	- 121	- 85	- 138	- 111	- 44	- 158	- 104	- 131	- 116
Total Outflows		- 1,135	- 70	- 62	- 29	- 393	- 145	- 310	- 194	- 76	- 178	- 151	- 144	- 124
Inflows vs Outflows		119	- 68	- 62	- 29	107	- 33	220	- 194	- 76	22	351	- 144	- 124
Accumulated Cash Balance		165	98	36	7	114	82	301	107	31	53	405	261	138



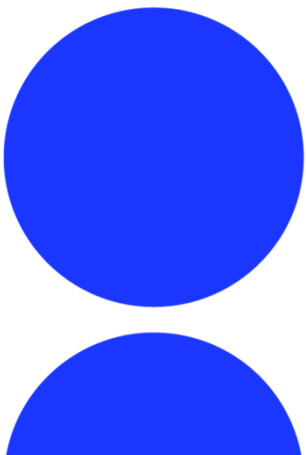
3. PRINCIPAL ACTIVITIES 2019

2019 Highlights

*Agricultural Engineer
and Technical Lead:
Esteban Sosa*

ACHIEVEMENTS

- Obtaining the cultivation license.
- Tuning of the infrastructure.
- Staff training.
- The regulatory entity's inspections (IRCCA) were approved.
- The first harvest was obtained with better results than expected.
- Presentation of the License for the Industrialization and commercialization of Cannabis for the pharmaceutical industry



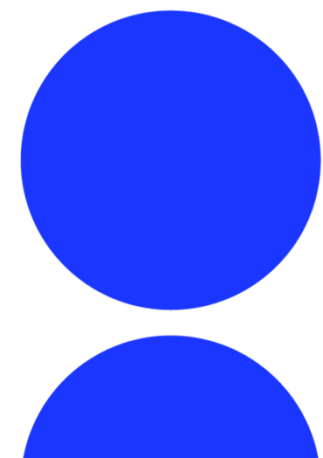
2019 Highlights

Lead Chemist: Felipe Costa

ACHIEVEMENTS

- In March 2019 the operation started in the laboratory with the installation and adjustment of the supercritical extraction equipment.
- In April, the first extraction was done with the extractor at maximum capacity.
- In May, we started to deal with documentation associated with good manufacturing practices.
- In June, the interlocking of the access doors to the laboratory and the cultivation area was designed.

- In July, the freezer was purchased for the laboratory in which the production process, the extract winterization, was concluded.
- In August, the final format that the laboratory should have to carry out the extraction and winterization operations was established.
- In September, after the laboratory was fully equipped, the drying room was equipped with an infra-red scale, a precision scale and a stainless steel mill for processing.
- In October, the drying room was thermally mapped to qualify the room and standardize the drying process for our plant material.
- In November, the cleaning of the laboratory was certified through analyzes by an external provider and is qualified to conduct the extraction processes that will be carried out there.
- In December, training in good manufacturing practices was carried out for the entire laboratory team.
- In January 2020, we received the visit of the doctoral student Ítalo Emanuel who shared information about preparative chromatography associated with supercritical extracts.



A blue-tinted photograph of a hand holding a cannabis plant. The hand is positioned in the center, with fingers gently gripping the stem of the plant. The plant has several serrated leaves and a developing bud at the top. The background is blurred, showing more of the plant and possibly other hands. The overall tone is professional and focused on the cannabis industry.

4. OUTLOOK FOR 2020

2020 Objectives and Expectations

OBJECTIVES

- **Uruguay:** Continue productive operations
 - Obtain license (already presented) for Industrialization and Commercialization of Cannabis for the Pharmaceutical Industry.
 - Accreditation of the Laboratory by the Ministry of Public Health and GMP Certification.
 - Sale of services, extraction of medicinal cannabis to clients.
 - Carry out the first extraction process of cannabis in laboratory.
 - First commercialization of medicinal cannabis products: Meroflex Sativa.
 - Registration of the first product with a high THC content in Uruguay.
- **Portugal:** Start productive operations.
 - License to Produce: Infarmed (January 2020).
 - Greenhouse rental for production and first facilities (2020).
 - Hiring professional team: start working in greenhouse production (2020).
 - Laboratory Design and Construction (2021).

