



Quarterly Report

**BLACK PEARL S.A.**

for the period

January 1<sup>st</sup>, 2023 – March 31<sup>th</sup>, 2023

Warsaw, May 12<sup>th</sup>, 2023

Warsaw, May 12<sup>th</sup>, 2023

Dear Sir or Madam,

The Management Board of BLACK PEARL S.A. hereby publishes the Report for the first quarter of 2023 presenting the financial results and the most important facts regarding the activities of the Issuer and the companies related to the Issuer in the first quarter of 2023.

This quarter was a period of further work related primarily to the implementation by BLACK PEARL S.A. of a development strategy aimed at dynamically strengthening the sphere of unconventional investments, and thus increasing the value of the Company's assets.

Bearing in mind the dynamically changing macroeconomic and geopolitical situation, the Management Board continues its activities related to the organization of the Issuer's portfolio and its activities aimed at determining new potential directions of further development. The aim of the activities of the Issuer's Management Board is to potentially reduce the number of portfolio companies and focus on the development of entities from the most prospective industries.

The actions taken are aimed at increasing the efficiency of managing portfolio companies and preparing the Company to implement the most advantageous strategy aimed at dynamic value growth.

I am convinced that the activities carried out in the first quarter of 2023 and in subsequent periods will be reflected in the Company's financial results, and thus contribute to shareholder satisfaction.

Yours faithfully,  
Arkadiusz Trela  
President of the Management Board

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## 1. Basic information about the Company

### 1.1. Company Information:

Company:	BLACK PEARL S.A.
Legal form:	joint-stock company
Country:	Poland
City:	Warsaw
Address:	15/504 Słomińskiego street, 00-195 Warsaw
Phone:	+48 22 415 41 46
www:	<a href="http://www.blackpearlcapital.pl">www.blackpearlcapital.pl</a>
E-mail:	<a href="mailto:biuro@blackpearlcapital.pl">biuro@blackpearlcapital.pl</a>
KRS registration number:	0000343453
REGON statistical number:	142121110
NIP tax number:	7010211009

### 1.2. Management Board

The Company's Management Board is appointed for a five-year term, with the current term lasting until 2026. The composition of the Management Board did not change during the reported period and, as at the last day of the reported period, the Issuer's Management Board consists of:

- Arkadiusz Trela – President of the Management Board

In addition, a proxy has been appointed in the Company:

- Jacek Jakubowski – Proxy

### 1.3. Supervisory Board

The Supervisory Board is appointed for a five-year term. The composition of the Supervisory Board did not change in the reported period and, as at the last day of the reported period, the Issuer's Supervisory Board is composed of:

1. Dominik Poszywała – Member of Supervisory Board
2. Adam Strużyk - Member of Supervisory Board
3. Marek Roguski – Member of Supervisory Board
4. Jan Lupa – Member of Supervisory Board
5. Marek Majcher – Member of Supervisory Board

### 1.4. Shareholding structure

The share capital structure as at the date of this report is as follows:

No	Series of shares	Number of shares (units)	Share in the capital (percentage)	Share in votes (percentage)
1.	D	40 338 000	16,44	16,44
2.	E	130 000 000	52,99	52,99
3.	F	75 000 000	30,57	30,57
Total:		245 338 000	100	100

Shareholding structure as at the last day of the reporting period, with an indication of shareholders holding at least 5% of votes at the General Meeting is as follows:

No	Shareholder designation	Number of shares (units)	Share in the capital (percentage)	Share in votes (percentage)
1.	Janusz Skopowski	202 529 490	82,55 %	82,55 %
2.	OTHER SHAREHOLDERS	42 808 510	17,45 %	17,45 %
Total:		245 338 000	100 %	100 %

## 2. Description of the organization of the capital group, with an indication of the entities subject to consolidation

### 2.1. List of the Issuer's subsidiaries and the Issuer's associates with an indication of the entities subject to consolidation

Subsidiaries of the Issuer as at the last day of the period covered by this report:

Company name	Share in capital	subject to consolidation
<b>CANNABISHUBMED Sp. z o.o.</b>	100 %	No
<b>Eco Milan Sp. z o.o.</b>	95 %	No

#### **CANNABISHUBMED Sp. z o.o.**

Company seat: ul. Zygmunt Słomińskiego 15/504, 00-195 Warsaw, POLAND

KRS / registry number: 0000970200

NIP / tax ID: 5252906168

REGON / statistical number: 521938970

Share capital: 5.000,00 PLN

Management Board: Arkadiusz Trela – President of the Management Board

A newly created special purpose vehicle registered in the National Court Register on May 5, 2022. Until the date of this report, the company has not commenced operations.

#### **Eco Milan Sp. z o.o.**

Company seat: ul. Zygmunt Słomińskiego 15/504, 00-195 Warsaw, POLAND

KRS / registry number: 0000553192

NIP / tax ID: 5252615198

REGON / statistical number: 361283113

Share capital: 8.687.000,00 PLN

Management Board: Jerzy Dmochowski – President of the Management Board

The company focused on the preparation, engineering, implementation and sale of large development projects in the field of residential and commercial construction.

Companies associated with the Issuer as at the last day of the period covered by this report:

Company name	Share in capital
<b>Energa Plus Sp. z o.o.</b>	37,50 %
<b>Red Pharma Laboratories Polska S.A.</b>	22,50 %

#### **Energa Plus Sp. z o.o.**

Company seat: ul. Młynarska 7, 01-205 Warsaw, POLAND

KRS / registry number: 0000407118

NIP / tax ID: 1231267123

REGON / statistical number: 145942994

Share capital: 10.000,00 PLN

Management Board: Włodzimierz Grądziel – President of the Management Board,

A company specializing mainly in supplying microspheres to large customers in selected countries. The microsphere is a component used in the production of special metal alloys, for which a very high level of durability and strength is required. For example, these alloys are used in the production of spacecraft. Additionally, the Company develops its activities in the field of trade and supply of other goods.

**Red Pharma Laboratories S.A.**

Company seat: ul. Słoneczna 116A, Stara Iwiczna, 05-500 Piaseczno, POLAND  
KRS / registry number: 0000688246  
NIP / tax ID: 1132868960  
REGON / statistical number: 146874154  
Share capital: 580.000,00 PLN  
Management Board: Rafał Piotr Prejsnar – President of the Management Board,  
Albert Kazimierz Skrzypczak – Vicepresident of the Management Board  
Michał Paweł Sinczak – Member of the Management Board

A company pursuing goals in the field of production and sale of medical devices, pharmaceutical products, cosmetics and dietary supplements. The company is intensively expanding its distribution channels for each portfolio segment and developing sales.

**2.2. If the issuer forms a capital group and does not prepare consolidated financial statements - an indication of the reasons for not preparing such statements**

The Issuer, analysing the degree of materiality of financial data, made a decision pursuant to Art. 56 and 58 of the Accounting Act, on the lack of consolidation of financial data of subsidiaries of Black Pearl S.A.

The company does not publish a consolidated statement for the first quarter of 2023.

**2.3. If the issuer forms a capital group and does not prepare consolidated financial statements or the consolidated financial statements do not include data of all subsidiaries - selected financial data of the issuer's subsidiaries not included in the consolidation, containing the basic items of the quarterly financial statements**

For the avoidance of any doubt, the Issuer attaches the profit and loss account and balance sheet of its subsidiary Eco Milan Sp. z o.o. to the published Report. The profit and loss account and balance sheet of CANNABISHUBMED Sp. z o.o. are not appended as this company has not yet commenced operations.

### 3. Selected financial data

Selected financial data of BLACK PEARL S.A. as of March 31<sup>th</sup>, 2023

<b>BLACK PEARL S.A.</b>	<b>31.03.2022</b>	<b>31.03.2023</b>
<i>Balance sheet sum</i>	27 277 422,89	19 929 719,75
<i>Equity capital</i>	21 764 315,86	14 229 717,32
<i>Fixed assets, including:</i>	25 595 711,50	18 445 163,44
<i>Long-term receivables</i>	0,00	0,00
<i>Current assets, including:</i>	1 681 711,39	1 484 556,31
<i>Short-term receivables</i>	1 114 308,15	883 822,52
<i>Long-term liabilities</i>	4 985 306,60	4 925 291,24
<i>Short-term liabilities</i>	527 800,43	774 711,19
<i>Net revenues from sale</i>	12 600,00	12 600,00
<i>Profit/loss from operating activities</i>	-39 623,37	-33 545,60
<i>Financial income</i>	2 499,00	0,00
<i>Financial costs</i>	0,42	118,52
<i>Gross profit/loss</i>	-37 242,89	-33 546,02
<i>Net profit / loss</i>	-37 242,89	-33 546,02

## 4. Separate financial data for the 1st quarter of 2023

### 4.1. Balance sheet

Separate balance sheet of BLACK PEARL S.A.:

ASSETS		Per day	Per day
		2022-03-31	2023-03-31
<b>A.</b>	<b>ASSETS</b>	<b>25 595 711,50</b>	<b>18 445 163,44</b>
<b>I.</b>	<b>Intangible assets</b>	<b>20 000,00</b>	<b>296 157,54</b>
1.	Costs of completed development works	0,00	0,00
2.	Goodwill	0,00	0,00
3.	Other intangible assets	20 000,00	296 157,54
4.	Advances on intangible assets	0,00	0,00
<b>II.</b>	<b>Property, plant and equipment</b>	<b>0,00</b>	<b>0,00</b>
1.	Fixed assets	0,00	0,00
2.	Fixed assets under construction	0,00	0,00
3.	Advances on fixed assets under construction	0,00	0,00
<b>III.</b>	<b>Long-term receivables</b>	<b>0,00</b>	<b>0,00</b>
1.	From affiliated undertakings	0,00	0,00
2.	From other entities in which the entity has a principal interest	0,00	0,00
3.	From other units	0,00	0,00
<b>IV.</b>	<b>Long-term investments</b>	<b>25 575 711,50</b>	<b>18 142 425,90</b>
1.	Property	0,00	0,00
2.	Intangible assets	14.000.000,00	7.800.000,00
3.	Long-term financial assets	9 422 711,50	9 425 262,50
4.	Other long-term investments	2 153 000,00	917 163,40
<b>V.</b>	<b>Long-term accruals</b>	<b>0,00</b>	<b>6 580,00</b>
1.	Deferred tax assets	0,00	0,00
2.	Other accruals	0,00	6 580,00
<b>B.</b>	<b>CURRENT ASSETS</b>	<b>1 681 711,39</b>	<b>1 484 556,31</b>
<b>I.</b>	<b>Stocks</b>	<b>0,00</b>	<b>0,00</b>
1.	Materials	0,00	0,00
2.	Semi-finished products and products in progress	0,00	0,00
3.	Finished products	0,00	0,00
4.	Goods	0,00	0,00
5.	Advances on deliveries and services	0,00	0,00
<b>II.</b>	<b>Short-term receivables</b>	<b>1 114 308,15</b>	<b>883 822,52</b>
1.	Receivables from related parties	0,00	0,00
2.	Receivables from other entities in which the entity has a principal interest	0,00	0,00
3.	Receivables from other entities	1 114 308,15	883 822,52
<b>III.</b>	<b>Short-term investments</b>	<b>567 403,24</b>	<b>597 230,98</b>
1.	Short-term financial assets	556 978,63	586 798,89
2.	Other short-term investments	10 424,61	10 432,09
<b>IV.</b>	<b>Short-term accruals</b>	<b>0,00</b>	<b>3 502,81</b>
<b>C.</b>	<b>CONTRIBUTIONS DUE TO THE BASIC CAPITAL (FUND)</b>	<b>0,00</b>	<b>0,00</b>
<b>D.</b>	<b>OWN SHARES</b>	<b>0,00</b>	<b>0,00</b>
	<b>Total assets</b>	<b>27 277 422,89</b>	<b>19 929 719,75</b>

LIABILITIES		Per day	Per day
		2022-03-31	2023-03-31
<b>A.</b>	<b>EQUITY</b>	<b>21 764 315,86</b>	<b>14 229 717,32</b>
I.	Share capital	24 533 800,00	24.533.800,00
II.	Reserve capital	5 621 917,45	5.621.917,45
III.	Revaluation reserve	0,00	0,00
IV.	Other reserves	4 499 700,00	4 499 700,00
V.	Profit (loss) from previous years	-12 853 858,70	-20 392 154,11
VI.	Net profit (loss)	-37 242,89	-33 546,02
VII.	Write-offs from net profit during the financial year (negative amount)	0,00	0,00
<b>B.</b>	<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>5 513 107,03</b>	<b>5 700 002,43</b>
I.	<b>Accruals for liabilities</b>	<b>0,00</b>	<b>0,00</b>
1.	Deferred tax liability	0,00	0,00
2.	Provision for retirement and similar benefits	0,00	0,00
3.	Other provisions	0,00	0,00
II.	<b>Long-term liabilities</b>	<b>4 985 306,60</b>	<b>4 925 291,24</b>
1.	To related parties	985 306,60	941 806,60
2.	For other entities in which the entity has an equity interest	0,00	0,00
3.	For other entities	4.000.000,00	3.983.484,64
III.	<b>Current liabilities</b>	<b>527 800,43</b>	<b>774 711,19</b>
1.	Liabilities to related parties	10 870,00	264 827,54
2.	Liabilities to other entities in which the entity has an equity interest	0,00	0,00
3.	Liabilities to other entities	516 930,43	509 883,65
4.	Special funds	0,00	0,00
IV.	<b>Accruals</b>	<b>0,00</b>	<b>0,00</b>
1.	Negative goodwill	0,00	0,00
2.	Other accruals	0,00	0,00
<b>Liabilities together</b>		<b>27 277 422,89</b>	<b>19 929 719,75</b>

## 4.2. Profit and Loss

Separate Profit and Loss of BLACK PEARL S.A.:

	ITEM	01.01.2022 – 31.03.2022	01.01.2023 – 31.03.2023
<b>A.</b>	<b>Net sales revenue and assimilated</b>	<b>12 600,00</b>	<b>12 600,00</b>
	1. Net revenue from the sale of products	12 600,00	12 600,00
	2. Change in the status of products	0,00	0,00
	3. Cost of manufacturing products for the unit's own needs	0,00	0,00
	4. Net revenues from the sale of goods and materials	0,00	0,00
<b>B.</b>	<b>Operating expenses</b>	<b>52 223,40</b>	<b>46 145,72</b>
	1. Depreciation	0,00	0,00
	2. Material and energy consumption	0,00	1 083,10
	3. External services	28 761,94	22 670,38
	4. Taxes and fees	0,00	8 421,80
	5. Salary	9 030,00	10 470,00
	6. Social security and other benefits	8 749,38	2 144,25
	7. Other generic costs	5 682,08	1 356,19
	8. Value of goods and materials sold	0,00	0,00
<b>C.</b>	<b>Profit/Loss on Sales (A-B)</b>	<b>-39 623,40</b>	<b>-33 545,72</b>
<b>D.</b>	<b>Other operating income</b>	<b>0,32</b>	<b>0,33</b>
	1. Gain on the disbursement of non-financial fixed assets	0,00	0,00
	2. Grants	0,00	0,00
	3. Revaluation of non-financial assets	0,00	0,00
	4. Other operating income	0,32	0,33
<b>E.</b>	<b>Other operating expenses</b>	<b>0,29</b>	<b>0,21</b>
	1. Loss on the disbursement of non-financial fixed assets	0,00	0,00
	2. Revaluation of non-financial assets	0,00	0,00
	3. Other operating costs	0,29	0,21
<b>F.</b>	<b>Operating profit/loss (C+D-E)</b>	<b>-39 623,37</b>	<b>-33 545,60</b>
<b>G.</b>	<b>Financial income</b>	<b>2 499,00</b>	<b>0,00</b>
	1. Dividends and profit shares	0,00	0,00
	2. Interest	0,00	0,00
	3. Gain on the disbursement of financial assets	2 499,00	0,00
	4. Value adjustment of financial assets	0,00	0,00
	5. Other	0,00	0,00
<b>H.</b>	<b>Financial costs</b>	<b>0,42</b>	<b>118,52</b>
	1. Interest	0,42	118,52
	2. Loss on the disbursement of financial assets	0,00	0,00
	3. Value adjustment of financial assets	0,00	0,00
	4. Other	0,00	0,00
<b>I.</b>	<b>Gross profit/loss</b>	<b>-37 242,89</b>	<b>-33 546,02</b>
<b>J.</b>	<b>Income tax</b>	<b>0,00</b>	<b>0,00</b>
<b>K.</b>	<b>Other mandatory profit reductions</b>	<b>0,00</b>	<b>0,00</b>
<b>L.</b>	<b>Net Profit/Loss</b>	<b>-37 242,89</b>	<b>-33 546,02</b>

### 4.3. Cash Flow Statement

#### Separate Cash Flow Statement – BLACK PEARL S.A.:

	ITEM	01.01.2022 – 31.03.2022	01.01.2023 – 31.03.2023
<b>A</b>	<b>Cash flows from operating activities</b>	<b>7 368,34</b>	<b>57 266,74</b>
I.	Net profit (loss)	-37 242,89	-33 546,02
II.	Total corrections	44 611,23	90 812,76
1.	Depreciation	0,00	0,00
2.	Foreign exchange gains (losses)	0,00	0,00
3.	Interest and profit shares (dividends)	0,00	0,00
4.	Profit (loss) on investment activities	0,00	0,00
5.	Change in provisions	11 836,88	0,00
6.	Change in inventory	0,00	0,00
7.	Change in receivables	42 086,29	230 485,63
8.	Change in short-term liabilities, with the exception of loans and advances	-5 199,55	257 780,76
9.	Change in accruals	0,00	-3 502,81
10.	Other adjustments	-4 112,39	-393 950,82
III.	Net cash flow from operating activities	7 368,34	57 266,74
<b>B</b>	<b>Cash flows from investing activities</b>	<b>2 500,00</b>	<b>0,00</b>
I.	Influence	2 500,00	0,00
1.	Disposal of intangible assets and property, plant and equipment	0,00	0,00
2.	Disposal of investments in real estate and intangible assets	0,00	0,00
3.	From financial assets	2 500,00	0,00
4.	Other investment receipts	0,00	0,00
II.	Expenditure	0,00	0,00
1.	Acquisition of intangible assets and property, plant and equipment	0,00	0,00
2.	Investments in real estate and intangible assets	0,00	0,00
3.	On financial assets	0,00	0,00
4.	Other capital expenditure	0,00	0,00
III.	Net cash flow from investing activities	2 500,00	0,00
<b>C</b>	<b>Cash flows from financing activities</b>	<b>-6 400,00</b>	<b>-27 446,48</b>
I.	Influence	14 000,00	0,00
1.	Net proceeds from the issuance of shares (issue of shares) and other equity instruments and capital subsidies	0,00	0,00
2.	Loans and advances	0,00	0,00

	3.	Issuance of debt securities	14 000,00	0,00
	4.	Other financial inflows	<b>20 400,00</b>	<b>27 446,48</b>
	<b>II.</b>	<b>Expenditure</b>	0,00	0,00
	1.	Acquisition of own shares	0,00	3 746,48
	2.	Dividends and other payments to owners	0,00	0,00
	3.	Other than distribution expenses to owners	10 000,00	23 700,00
	4.	Repayment of loans and advances	0,00	0,00
	5.	Redemption of debt securities	0,00	0,00
	6.	For other financial liabilities	0,00	0,00
	7.	Payment of liabilities under finance lease agreements	0,00	0,00
	8.	Interest	10 400,00	0,00
	9.	Other financial expenditure	<b>-6 400,00</b>	<b>-27 446,48</b>
	<b>III.</b>	<b>Net cash flow from financing activities</b>	<b>3 468,34</b>	<b>29 820,26</b>
<b>D</b>		<b>Total net cash flow</b>	<b>3 468,34</b>	<b>29 820,26</b>
<b>E</b>		<b>Balance sheet change in cash</b>	<b>47 378,04</b>	<b>50 846,38</b>
<b>F</b>		<b>Cash at the beginning of the period</b>	<b>50 846,38</b>	<b>80 666,64</b>
<b>G</b>		<b>Cash at the end of the period</b>	<b>14 000,00</b>	<b>0,00</b>

#### 4.4. Statement of changes in equity capital

Separate statement of changes in equity capital - BLACK PEARL S.A.

	ITEM	01.01.2022 – 31.03.2022	01.01.2023 – 31.03.2023
I.	Equity (fund) at the beginning of the period (BO)	22 174 422,16	14 263 263,34
I.A.	Equity (fund) at the beginning of the period (BO), after adjustments	22 174 422,16	14 263 263,34
1.	Capital (fund) at the beginning of the period	27 533 800,00	24 553 800,00
1.1.	Changes in the capital (fund) of the core	-3 000 000,00	0,00
1.2.	Capital (fund) at the end of the period	24 533 800,00	24 553 800,00
2.	Reserve capital (fund) at the beginning of the period	3 021 917,45	5 621 917,45
2.1.	Changes in reserve capital (fund)	2 600 000,00	0,00
2.2.	Reserve capital (fund) at the end of the period	5 621 917,45	5 621 917,45
3.	Revaluation reserve at the beginning of the period - changes in accounting policies	0,00	0,00
3.1.	Changes in revaluation reserve (fund)	0,00	0,00
3.2.	Revaluation reserve at the end of the period	0,00	0,00
4.	Other reserve capitals (funds) at the beginning of the period	4 499 700,00	4 499 700,00
4.1.	Changes in other reserves	0,00	0,00
4.2.	Other reserve capitals (funds) at the end of the period	4 499 700,00	4 499 700,00
5.	Profit (loss) from previous years at the beginning of the period	-12 853 858,70	-20 392 154,11
5.1.	Profit from previous years at the beginning of the period	0,00	0,00
5.2.	Profit from previous years at the beginning of the period, after adjustments	0,00	0,00
5.3.	Profit from previous years at the end of the period	0,00	0,00
5.4.	Loss from previous years at the beginning of the period	12 853 858,70	20 392 154,11
5.5.	Loss from previous years at the beginning of the period, after corrections	12 853 858,70	20 392 154,11
5.6.	Loss from previous years at the end of the period	12 853 858,70	20 392 154,11
5.7.	Profit (loss) from previous years at the end of the period	-12 853 858,70	-20 392 154,11
6.	Net result	-37 242,89	-33 546,02
II	Equity (fund) at the end of the period (BZ)	21 764 315,86	14 249 717,32
III	Equity (fund), after taking into account the proposed distribution of profit (covering the loss)	21 764 315,86	14 249 717,32

## 5. Management Board's report on activities in the 1th quarter of 2023

At the end of the first quarter of 2023 (from 01.01.2023 to 31.03.2023), BLACK PEARL S.A. achieved net sales revenue of PLN 12,600.00.

The difference in the balance sheet total at the end of the first quarter of 2023 compared to the first quarter of 2022 is mostly due to balance sheet events occurring in 2022. On 3.11.2022, the Company received a revaluation of the intangible assets of the 'Lignolite technology' area as at 30 June 2022 for commercial and management purposes. Based on this, the valuation of intangible assets was updated in the fourth quarter of 2022. The valuation prepared by Andrzej Półkoszek, M.Sc. indicates the following values:

o valuation of the business area for the licensee: PLN 14,800,000,

o valuation of the business area for the licensor: PLN 7,800,000.

According to the current document, the valuation has been split into 2 separate areas. The Company has taken a prudent approach in valuing the business area for the licensor (PLN 7,800,000). The Company also plans to take action in the operational area related to the 'Lignolite' technology. Once operational activities are undertaken, the valuation will be further increased by the value of the business area for the licensee.

Accordingly, the valuation of intangible assets was updated from PLN 14,000,000 to PLN 7,800,000 in Q4 2022.

The revaluation of PLN 6 200 000 affected both the Company's assets and liabilities.

At the same time, the Management Board informs that the "Lignolit" technology was designed in the early 2000s and is protected by a Polish patent (protection until April 2033).

In the reporting period, the Company made an operating loss of PLN -33,545.60 and a net loss of PLN -33,546.02.

The balance sheet total as at 31 March 2023 was PLN 19,929,719.75, against equity of PLN 14,229,717.32.

This quarter was a period of further work related primarily to the implementation by BLACK PEARL S.A. development strategy aimed at dynamic strengthening of the area of unconventional investments, and thus an increase in the value of the Company's assets.

Due to the nature of the activity of MEDICANCOIN GREECE S.A. (growing of medical marijuana and production of preparations based on medical marijuana with THC, not only CBD) and legislative discrepancies between Greece and Poland, the Issuer reduced its holdings by selling in 2021 the previously held 8,750 shares in MEDICANCOIN GREECE S.A. and currently has no shares in MEDICANCOIN GREECE S.A. The effect is to organize the legal and ownership status in a way that allows legal trade in goods in accordance with local and international law - regulating the trade in psychoactive substances.

At the same time, the Issuer, as part of the implementation of the Company's development strategy aimed at providing the Issuer with long-term revenues, focused on developing the most effective model of cooperation with MEDICANCOIN GREECE S.A. providing the Issuer with future revenues related to the right to distribute products containing THC produced by MEDICANCOIN GREECE S.A.

MEDICANCOIN GREECE S.A. is currently in an advanced investment phase and plans to start operating in 2024. A company governed by Greek law, dedicated to the implementation of a project based on permits and licenses obtained from the Greek government for the cultivation of medical marijuana under a strictly defined legal regime. At present, design work has been completed in the field of buildings and installations necessary for the implementation of the project.

**6. Description of the status of the implementation of the activities and investments of the Issuer and related companies and the schedule of their implementation, which the Issuer informed about in the information document**

Not applicable.

**7. Position of the Management Board regarding the possibility of realizing the published forecasts of financial results**

The issuer did not publish any forecasts.

**8. Initiatives aimed at introducing innovative solutions in the enterprise**

In the period covered by the report, the Issuer did not implement innovative solutions in the Issuer's enterprise.

**9. Information on the number of people employed by the Issuer, converted into full time jobs**

BLACK PEARL S.A. in the reported quarter, it employed 1 employee (FTE). The Management Board and the Proxy perform their functions on the basis of an appointment.

**10. Information on the principles adopted when drawing up the report, including information on changes in the applied accounting principles (policy)**

**Selected principles of the Issuer's accounting bookkeeping policy**

The accounting principles applied by the entity are adapted to the provisions resulting from the Accounting Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 76, item 76). 694 of late. as amended) and comply with IFRS 1 and IAS.

Analytical accounts are adapted to the scope of the Company's operations and needs in a way that ensures the preparation of financial statements, their analysis and settlement of taxes. Changes in the list of accounts may be made in the event of changes resulting from the limitation or extension of the scope of the Company's activities or in other justified cases. Changes can be made by deleting existing accounts or adding new accounts. The account designation contains a three-digit symbol and the full name of the account. The Company groups economic events in accordance with the law in force in Poland and the common rules applicable in business transactions.

The financial year is the calendar year. It consists of 12 consecutive calendar months.

**Rules for the preparation of financial statements**

The quarterly financial statements were prepared on the assumption that the Company will continue its business activities in the foreseeable future. There were no changes in accounting policies during the period covered by the reporting. These principles were applied in all presented periods continuously. The report was prepared in PLN.

**Applicable rules for the valuation of assets and liabilities.**

The financial data presented in this report have been prepared in accordance with the accounting policy, the Accounting Act and national accounting standards applied in the entity.

**Intangible assets**

Intangible assets consist of assets acquired per entity, not classified as fixed assets or investments, suitable for economic use, with an expected economic useful life of more than one year, intended for use for the purposes of the entity, in particular:

- a) copyrights, related rights, licenses, concessions,
- b) rights to inventions, patents, trademarks, utility models and ornamental models,
- c) know-how,
- d) acquired goodwill and costs of successful and implemented development work.

Intangible assets are valued at the purchase price or production costs less depreciation charges as well as impairment losses.

Depreciation shall begin in the month following that in which the transfer for use took place in equal monthly amounts. Intangible assets with a unit initial value of not more than PLN 10,000.00 are depreciated once.

The depreciation periods shall be:

- for the license – 24 months,
- for other intangible assets – 60 months.

**Fixed assets and fixed assets under construction**

Fixed assets are recorded according to the following principles:

**Fixed assets**, i.e. property, plant and equipment and assimilated assets, not eligible for investment, with an expected useful life of more than one year complete and remotely usable for the purposes of the entity:

- real estate – including land, the right of perpetual usufruct of land, buildings and structures, separate ownership premises, cooperative ownership right to a dwelling;
- machinery, equipment, means of transport and other goods,
- improvements in foreign fixed assets

- the initial value of fixed assets is recognised in the accounts at cost.

The initial value (representing the purchase price or the cost of production of a fixed asset) is increased by the costs of its improvement, consisting in reconstruction, extension, modernization or reconstruction and causing that the value in use of this asset after completion of the improvement exceeds the value in use possessed at the time of acceptance for use, measured by the period of use, production capacity, quality of products obtained with the help of the improved fixed asset, operating costs or the passage of time. The initial value and depreciation charges made so far on fixed assets may be revalued.

The net book value of a fixed asset determined as a result of the revaluation should not be higher than its fair value, which is economically unjustified to describe during the intended period of its continued use.

The difference in the net value of fixed assets resulting from the revaluation relates to the revaluation reserve and cannot be allocated for distribution.

The Company applies a straight-line method of depreciation of assets, starting from the month following commissioning, in equal monthly installments and sets the rules, rates and depreciation periods, taking into account the period of economic usefulness of the fixed asset.

Property, plant and equipment with a unit initial value of not more than PLN 10,000.00 shall be depreciated once in the following month after being put into use.

**Fixed assets under construction**

Expenses incurred for the production of property, plant and equipment until they are put into use are presented as fixed assets under construction.

Fixed assets under construction are entered into the books and measured at least as at the balance sheet date in the amount of all costs directly related to their acquisition or production, less impairment losses.

During the construction of a complex of facilities, the records should distinguish common costs, which are subject to settlement for individual objects in proportion to their value after completion of construction. Construction costs do not include the costs of acquiring land for construction. Land acquired in connection with the construction is an independent object and its value is included directly in fixed assets.

### **Long-term investments**

Real estate is recorded and valued in accordance with the rules applicable to fixed assets and intangible assets, i.e. at purchase prices or production costs, or revalued value, less depreciation charges and impairment losses.

Intangible assets included in the investment are recorded and valued in accordance with the rules applicable to fixed assets and intangible assets, i.e. at purchase prices or production costs, or revalued value, less depreciation charges and impairment losses.

Shares in subordinated entities classified as non-current assets are measured at cost less impairment losses.

Interests in subordinated entities not included in fixed assets are measured at cost less impairment losses.

Shares in other entities and investments classified as non-current assets are measured at cost less impairment losses.

Crypto currency (MCAN) classified as "Other long-term investments" is valued at the active market quote rate and revaluation is made once a year at the end of the financial year.

### **Short- and long-term receivables**

Receivables shall be entered in the accounts in the amount of payment required, with caution. Overdue receivables (not covered by a guarantee or other security for receivables) are revaluation write-down.

Write-downs on receivables are included in other operating or financial expenses. Receivables that have been written off, expired or irrecoverable reduce previously made write-downs of their value and are removed from the records. If the reason for which the impairment loss was made ceases, the equivalent of all or the relevant part of the previously made write-down increases the value of the receivables and is included in other operating income or financial income, respectively.

Records of receivables shall be kept in such a way as to enable:

- In accounts receivable for trade and services, separation of receivables in settlements with related and other entities, including:
  - a) Amounts payable within a period of up to 12 months,
  - b) Payable over a period of more than 12 months
- When granting loans, the division into short-term and long-term loans
- When paying advances, the division into:
  - a) Advances on intangible assets,
  - b) Advances on fixed assets under construction,
  - c) Advances on the supply of working capital and services.

### **Investments – financial assets – financial instruments**

The Company classifies financial instruments on the date of their acquisition or inception into the following categories:

#### **1) Financial assets and financial liabilities held for trading**

Financial assets held for trading include assets acquired for the economic purpose of obtaining economic benefits resulting from short-term price changes and fluctuations in other market factors or the short duration of the instrument acquired, as well as other financial assets, regardless of the intention pursued when concluding the contract, if they are part of a portfolio of similar financial assets that is likely to be executed in the short term. the assumed economic benefits.

#### **2) Available-for-sale financial assets**

The category of financial assets held for sale includes other financial assets that do not meet the conditions for classification as financial assets held for trading.

**Method of valuation:**

Financial assets are entered in the accounts at the date of conclusion of the contract at the purchase price, i.e. at the fair value of expenses incurred or transferred in exchange for other assets, and financial liabilities - at the fair value of the amount obtained or the value of other assets received. Transaction costs incurred by the entity shall be taken into account in determining fair value at that date.

Financial assets shall be measured no later than at the end of the reporting period, at a reliably determined fair value without deducting the transaction costs that the Company would incur by disposing of those assets or excluding them from the accounts for other reasons, unless the amount of those costs would be significant.

**The above valuation does not apply to:**

1. Financial assets held to maturity,
  2. Financial assets for which there is no market price determined in active regulated trading or whose fair value cannot be determined in any other reliable way
- those assets shall be valued as follows:

Ad. 1. Financial assets held until maturity – these are financial assets with specified or determinable payments and a fixed maturity date that the company intends and is able to hold until then. Financial assets held to maturity shall be measured at the adjusted cost using the effective interest method,

Ad. 2. Financial assets for which there is no fixed maturity at the cost.

The effects of periodic valuation of financial assets, including derivatives, and financial liabilities classified as held for trading are included in the financial income or expenses of the reporting period in which the revaluation took place, respectively.

The effects of revaluation of financial assets classified as available for sale and measured at fair value are reported from the date of their acquisition or creation until the date of their exclusion from the accounting books and relate to the revaluation reserve (fund).

The effects of revaluation of financial assets and liabilities measured at the adjusted cost, i.e. discount or premium write-downs, as well as other differences determined at the date of their exclusion from the accounts, are included in the financial income or expenses of the reporting period in which the revaluation took place, respectively.

**Cash, cash equivalents**

Cash in the bank, cash on hand and short-term deposits held until maturity are valued at nominal value.

**Accruals**

The Company makes active accruals of expenses if they relate to future reporting periods. Accruals are made in the amount of probable liabilities for the current reporting period.

Accruals of expenses are made in the amount of probable liabilities attributable to the current reporting period, resulting in particular:

- from services rendered to the entity by the entity's counterparties when the amount of the liability can be estimated reliably,
- from the obligation to perform, related to the current activity, future benefits to unknown persons, the amount of which can be estimated even though the date on which the liability arose is not yet known.

The time and method of settling accruals is justified by the nature of the costs accounted for, while respecting the principle of prudence.

**Capital**

The share capital is recognised in the amount specified in the statutes and entered in the court register. Differences between the fair value of the consideration received and the nominal value of the shares are recognised in the reserve capital from the sale of shares above their nominal value. The costs of issuing shares incurred when the company is

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established or the share capital is increased reduce the company's reserve capital to the amount of the excess of the issue value over the nominal value of the shares, and the remaining part of them is included in the financial costs.

**Reserves**

Provisions are recognised when the Company has an existing obligation (legal or customary) arising from past events and when it is certain or highly probable that compliance with this obligation will result in the outflow of measures embodying economic benefits, and when a reliable estimate of the amount of this liability can be made.

**Deferred income tax**

The income tax provision is created using the balance sheet liabilities method in relation to all temporary differences occurring at the balance sheet date between the tax base of assets and liabilities and their carrying amount shown in the financial statements. Due to temporary differences between the value of assets and liabilities reported in the accounts and their tax base and the tax loss deductible in the future, a provision is created and deferred tax assets are determined.

Deferred tax assets are determined at the amount to be deducted from income tax in the future in relation to deductible temporary differences that will result in a future reduction in the basis for calculating income tax and the deductible tax loss determined taking into account the prudential principle.

A deferred tax liability is recognised in the amount of income tax that requires payment in the future due to the occurrence of taxable temporary differences, i.e. differences that will increase the basis for calculating income tax in the future.

The amount of deferred tax liability and assets is determined taking into account the income tax rates in force in the year in which the tax obligation arises.

The difference between deferred tax liabilities and assets at the end and beginning of the reporting period affects profit or loss, while deferred tax liabilities and assets relating to operations accounted for with equity are also applied to equity.

**Liabilities**

Liabilities are measured at the balance sheet date at the amount to be paid, except for liabilities which are contractually settled by spending financial assets other than cash or exchanging them for financial instruments that are measured at fair value.

If the maturity exceeds one year from the balance sheet date, the balances of those liabilities, with the exception of trade liabilities, shall be reported as long-term. The remaining parts of the balances shall be shown to be short-term.

**Impairment of financial assets**

At each balance sheet date, the Company assesses whether there is objective evidence of permanent impairment of an asset or group of assets. If such evidence exists, the Company determines the estimated recoverable value of the asset and makes an impairment loss equal to the difference between the recoverable amount and the carrying amount. Impairment loss is recognised in the income statement for the current period.

**Revenue recognition**

Revenues are recognized to the extent that it is likely that the Company will obtain economic benefits that can be reliably measured.

**Interest**

Interest income is recognised in proportion to the passage of time (recognition at the time of accrual) taking into account the amount of capital employed and the effective interest rate over the maturity period, provided that it is certain that the Company will realise the income.

**Presentation of income and expenses from investing activities in the cash flow statement**

Proceeds and expenses from investing activities are presented in the cash flow statement in investing activities.

**Profit**

The Financial Result of the Company for a given financial year includes all revenues generated and attributable to it and related costs in accordance with the principles of accruals, commensurability of revenues and expenses and prudent valuation. The net financial result consists of:

- a) Result of operating activities, including income and operating expenses,
- b) Result of financial operations,
- c) Mandatory charges on profit or loss for income tax of which the entity is a taxpayer.

**Off-balance sheet records**

The following shall be recorded in the off-balance-sheet records:

- contingent liabilities due to, for example, granted sureties, guarantees or endorsement of bills of exchange.
- foreign assets, fixed assets used on the basis of lease, lease or leasing agreements.

**11. Statement of the Management Board**

Management Board of BLACK PEARL S.A. declares that, to the best of its knowledge, financial information and comparable data have been prepared in accordance with the Issuer's regulations and that the quarterly report on its activities contains a true picture of the development, achievements and situation of the Company.

Arkadiusz Trela

President of the Management Board