



# Halo Labs, Inc.

**Ticker:** (NEO:HALO) and (OTCQX:AGEEF)

**Updated Research Report**

Page 1 of 12

as of December 9, 2020

## BACKGROUND AND HISTORY:

Halo Labs, Inc. ("Halo" and the "Company") formerly known as Apogee Opportunities, Inc. ("Apogee"), the prior publicly traded company, was incorporated under the laws of the Province of British Columbia in 1987. In August 2018, ANM Inc., an Oregon incorporated company and Apogee entered into a merger plan of reorganization, pursuant to which Apogee acquired all of the outstanding shares of capital stock of ANM by way of merger under Delaware Law and the Oregon Business Corporation Act, effective in September 2018, when the issuer became known as Halo Labs, Inc., via a formal name change. This was considered a reverse acquisition in accordance with the Canadian Stock Exchange, and the Company's shares are listed on the NEO under symbol HALO. The Company's financial statements are filed with the Canadian regulatory agency SEDAR on a quarterly basis and are audited annually.

Halo shares are also listed on the OTC Markets® and began trading on the OTCQX® Best Market under the trading symbol AGEEF in April 2019. In July 2019, the Company announced its inclusion in the OTC Markets Cannabis Index, which trades on the OTCQX Market under symbol OTCQXMJ. The Company's shares are also listed on the German Frankfurt Stock Exchange under symbol A9KN.

Halo Labs, Inc. is a cannabis cultivation, manufacturing, and distribution company that grows, extracts, and processes quality cannabis flower, oils, and concentrates. The company has become a leader in cannabis extraction techniques and cannaboid isolation. The Company has sold over 6 million grams of oils and concentrates since inception. Additionally, the Company has continued to expand its business by offering white label manufacturing to brands looking for a better product to offer. The Company is beginning to focus on verticalization in these key markets, principally Oregon and California, as well as expansion into Canada, Africa and Europe, starting first in the United Kingdom. With a consumer centered focus, the Company develops, acquires, and markets innovative branded and private label products across multiple product categories. The Company's US cannabis activities include the cultivation, processing, wholesaling, and distribution of cannabis and cannabis extracts to licensed retailers and wholesalers pursuant to state and local laws in Oregon, California, and Nevada.

The Company began originally in Oregon in 2016 as an extraction company using BHO technology as the founders believed BHO extraction to be more efficient than CO2 which has become an industry standard. However, the founders also liked the efficiency of CO2 in capturing terpenes, which are the diverse organic compounds produced by plants. It is these terpenes that give off smell from plants and in cannabis, offer direct physiological effects especially for linalool and limonene. Terpene rich strains high in linalool from cannabis have a higher calming effect to provide for pain relief while limonene-rich strains tend to be more mood effecting. The extraction segment of the business was the first breakthrough segment that after achieving successful product distribution, in Rouge River Valley dispensaries, the Company was able to move into a 16,000 square foot facility in Medford, allowing them to manufacture at scale and to supply retailers in eastern Oregon. The Company also owns a 4 acre cannabis grow farm in Evan's Creek, OR. Halo is expanding with acquisitions of land that will expand its current operations. The Company recently announced that its wholly owned subsidiary PSG Coastal, LLC has started a holding company that would purchase land to establish the Company as one of the largest cannabis growers in the region.



**Cannabis End Products**

**Sector:** Healthcare

**Industry:** Medicinal and Botanical

**Sub-Industry:** Cannabis

**Website:** [www.halocanna.com](http://www.halocanna.com)

**Speculative Buy**

**6 Month Target Price Range:** \$0.10 - 0.15

## Key Statistics

Price 12/9/2020	0.041
52 Week High	0.28
52 Week Low	0.02
Avg. Vol (3month)	1,670,000
Market Cap (Interday)M	41.0
Price/Sales	1.46
Common Shares Outstanding (M)	999.44
Float(M)	800.00
EPS(9m)	0.04
Beta (5y)	1.66

*All prices are quoted in US Dollars  
Source: Yahoo Finance / OTC Markets*

## Recent 2020 Highlights

- November 18, 2020, the Company announced it has entered into a definitive agreement with Halo Winberry Holdings, LLC, Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban Industries OR LLC, and Herban Industries, Inc., to purchase certain secured debt of Herban OR currently totaling approximately \$18,440,000 of principal and accrued interest, which is in default.
- November 13, 2020, the Company announced its financial and operational results for the three months ended September 30, 2020. The Company reported total revenues exceeding \$6.8 million, resulting in operating income of approximately \$1.0 million for the quarter ended September 30, 2020.
- November 10, 2020, the Company closed the acquisition of U.K. based cannabis distributor, Canmart Ltd ("Canmart"). Halo also acquired 100 percent of Canmart's issued and outstanding common shares.
- July 17, 2020, the Company announced it has closed the acquisition of Bophelo Bioscience & Wellness Ltd. Bophelo subsequently entered into an off take agreement with Medcan Ltd. valued at \$30 million dollars over 7 years.
- September 26, 2020, the Company announced that its wholly owned subsidiary PSG Coastal Holdings, LLC, along with Green Matter Holding, Inc. has founded a real estate holding company, each with a 50% share of ownership. The new company, Lake County Natural Health, LLC also completed the purchase of the Bar X Ranch property in Lake County, California. This purchase establishes the Company as one of the largest cannabis grow operations in Northern California and Southern Oregon.

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Recreational marijuana licenses have been issued directly to the Company, through various subsidiaries, by the OLCC in Oregon and the BCC in California. The Company's Nevada operation is handled via a management agreement with HLO Ventures. The Company in early 2020 shut down its operations in Nevada where inventory is being sold off. Its licenses in Nevada retain good value pending eventual sale. This year, the bulk of the Company's revenue has been derived from the sale of cannabis products mainly in the states of Oregon and California, under each state's regulated cannabis programs. Recent expansion into Canada, Africa and the UK will provide for meaningful additional revenue streams beginning in the 4th quarter of 2020 and increasing in 2021 and future years. The Company is poised to become a major player in cannabis, cannabidiol (CBD), ancillary products, and technology, with substantial vertical integration in key markets.

New Frontier Data "Global Cannabis Report: 2019 Industry Outlook" outlined that more than 50 countries around the world have legalized some form of medical cannabis, while six countries, including Canada, have legalized cannabis for recreational use by adults. **According to Fortune Business Insights, the global legal cannabis market reached \$10.6 billion in 2018 and is projected to grow almost ten-fold to \$97.35 billion by the end of 2026, exhibiting a compound annual growth rate ("CAGR") of 32.92% in the forecast period.** Confirming the explosive growth trends, a January 2020 joint report by Arcview Group and BDS Analytics estimated the worldwide legal cannabis spending at \$14.9 billion in 2019, up 45.7% from \$10.2 billion in 2018, with expectations to hit \$42.7 billion by 2024.

## PRODUCTS:

Halo continues to diversify its product offerings, with a mission of delivering safe, quality products at a low value price point. Halo has broadened its product portfolio and is expanding across flower, pre-roll, a variety of concentrates, oils, and shatter, as well as now vaporizer cartridges and edibles. It expects to grow sales in these verticals, to meet expected consumer demand, and to offset declines in traditional distillate vaporization categories. Much of its new product development is done in the Company's founding state of Oregon, where it holds a significant market share of over 20% of the market. This location and ability to first produce in Oregon, allows the Company to test products before rolling out into California, the world's largest market where its extraction facility capacity now exceeds 120,000 grams of cannabis distillate per week. Some of these new products include flower, pre-rolls, diamonds, sauce, and clear shatter. Halo also has a partnership with industry leading brands such as DNA Genetics. Hush™ currently sits in the Top 10 edibles brands in the state of Oregon. Halo is actively expanding gummy production by adding kitchen capacity on site in Medford, Oregon, as well as expanding other operations. New gummy products will be vegan and gluten free. It plans to expand the Hush™ Sizzurp line and will include a marionberry flavor in THC and THC/CBD 1:1 formulation for a total of twelve offerings. The elixirs will also be free from added glycerin or sugar.

**Outer Galactic Chocolate - Cannabis Infused**

In California, Halo looks to expand into CBD lines and to focus on categories that are less saturated and require proprietary formulations. It intends to manufacture award winning Outer Galactic™ Chocolates and other edibles through its recent license acquisition. Since launching in 2017, the Outer Galactic™ colorful line of milk, dark, and sugar-free chocolates have been recognized as "Best Dark Chocolate Hybrid" and "Best Chocolate Truffle" by Edibles Magazine, and won the prize for "Best Chocolate" at the Emerald Cup in 2017. Hush™ branded gummies will launch in California in Q3 2020 with ten different gummy packages, with vegan, gluten free, and organic ingredients. The Company is planning a high-quality selection at attractive prices, along with a nanotechnology format for quicker absorption in numerous flavors. Halo intends to launch strain specific formulations in Sativa, Indica, and hybrid. It plans to manufacture under Halo's Type N license in Ukiah and roll out up to 36 different configurations in California. **According to BDS Analytics, edibles spending in the US and Canada is forecast to grow to more than \$4.1 billion by 2022. Halo hopes to garner a meaningful market share in California and Oregon in edibles.**

Halo also develops brands and provides white label manufacturing to others looking to enter the market. Currently, they provide services and product for other brands such as Superior Oil, Nectar Cannabis, Exhale, Hush, BlackHat, Les Degenerate Brand, Mo Jave Cures all Ill, and 420 Ville. Halo's white label program allows companies to have the freedom to create custom products and focus on the marketing to generate sales vs every inch of the process. The program offers various levels of customization and different raw materials depending on the intended product and location of sale. Halo also aids brands with compliance issues for state regulators and packaging. The white label extraction program provides services for brands in Oregon and California, offering high-quality oils and concentrates for brands in need of licensed and tested end products.

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## US BUSINESS OPERATIONS:

The US currently is the world's largest legal cannabis market comprised of sales throughout 36 states with legalized medical programs and 15 adult-use programs, projected to reach nearly \$30 billion by 2025 and growing at a CAGR of 14%, according to a September 2019 New Frontier Data report. Based on data aggregated on [cannabusinessplans.com](http://cannabusinessplans.com), California and Oregon represent the 1st and 4th largest state markets, respectively, with California expected to reach \$3.8 billion and Oregon about \$1.0 billion in cannabis product sales in 2020.

**Oregon:** ANM Inc. was formed as a corporation under the laws of the state of Oregon in March 2016, with its head office in Medford, Oregon. ANM currently serves as a holding company as well as the Company's Oregon operating company. Its operations in Oregon include cultivation, extraction, manufacturing, and distribution, as well as branded products. The Company in December 2019 signed a strategic partnership agreement with OG DNA Genetics Inc. ("DNA Genetics") to exclusively develop its genetics in Oregon through breeding, growing, phenotyping, and processing. The initial term of this agreement was five years with five-year renewal options. In June 2020, the Company announced it entered an exclusive strategic partnership with Terphogz™ LLC (Zkittlez™) to develop and commercialize a new and unique cannabis genetics in Oregon. The Oregon market has been growing and the harvest from East Evans Creek was the largest in the Company's history. The OLCC lifted the ban on non-cannabis derived terpenes, which allowed for a repositioning of the Company's vape cartridges. Halo now offers numerous strains of cannabis derived terpene distillate in Exhale, a botanical terpene blended distillate in Hush™, and live resin cartridges in Mojave. The Company expects this differentiation to reduce the cannibalization of its cartridge brands. Halo is currently well positioned as it has secured adequate biomass for production. This includes shatterable material, whereby Halo can backfill live resin lines and provide raw materials for an amplified pre-roll business. Halo also intends to launch new flavors in the edible line, as well as launching a special formulation in its Hush™ Sizzurp line.



**Halo Labs Farm in Oregon**

On November 18, 2020, the Company entered into an agreement entitled the "Debt Purchase Agreement" with Halo Winberry Holdings, LLC ("Halo Winberry"), Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban Industries OR LLC, and Herban Industries, Inc., to purchase a fixed amount of secured debt of Herban OR totaling approximately \$18,440,000 of principal and accrued interest (the "Purchased Debt"), which is in default. Upon completion of the debt acquisition, Halo Winberry, a wholly-owned subsidiary of the Company, will become the senior secured creditor of Herban OR. The Company plans to issue 169,916,339 common shares in exchange for the Purchased Debt. While the balance of the Purchased Debt will remain outstanding, Halo does not anticipate receiving any further payment or recovery on account of the Purchased Debt other than the Winberry Assets, which include, but are not limited to, a turnkey outdoor Tier 2 cannabis cultivation facility; an operational cannabis wholesaler in Eugene, Oregon; the Winberry Farms trademark; and six delivery vehicles. By adding another acre of land for cultivation Halo will be working with 7 acres for cultivation and use of Winberry's existing warehouse located in Eugene, Oregon. Winberry has an existing strong team with long-standing relationships with other Oregon cultivator, this acquisition should provide Halo with added opportunities to acquire biomass. The Winberry Farms brand has built itself up to be a premium brand known for quality distillate oil. The brand also is holding a Tier 2 Production License and a Wholesale License in Oregon with over 75% + dispensary penetration in the region, a growing product line and operational strength in raw material sourcing, manufacturing and processing operations. Completion of the acquisition of the Winberry Assets is subject to approval by the Oregon Liquor Control Commission.

**California:** PSG Coastal, a wholly owned subsidiary of ANM Inc. was formed under the laws of the state of California in May 2017 in conjunction with the acquisition of Coastal Harvest (California). PSG Coastal is a holding company and its assets consist of its 100% interest in each of Coastal Harvest, ICL9, ICL13, and MDT. Coastal Harvest assets include a Cannabis Business Local License for manufacturing and distribution issued by the city of Cathedral City, a Type 7 Volatile Manufacturing License issued by the California Department of Public Health, a Type 13 Distributor-Transport Only License issued by the Bureau of Cannabis Control and certain of the operating assets related to its current California operations, including a sublease for a 1,600 square foot manufacturing facility, manufacturing equipment, and inventory. Industrial Court L9, a wholly owned subsidiary of PSG Coastal, formed under Delaware law, was acquired in September 2018. Its assets include Cannabis Business Local Licenses for

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manufacturing and distribution issued by Cathedral City, a Type 7 Volatile Manufacturing License issued by the California Department of Public Health, a Type 11 Distributor License issued by the Bureau of Cannabis Control and a sublease for a 7,800 square foot manufacturing facility. Construction of the facility is presently underway. Industrial Court L13, a wholly owned subsidiary of PSG Coastal, formed under Delaware law, was acquired by the Company in March 2019. Its assets include of a sublease for a 6,120 square foot manufacturing facility, which is presently under construction and not yet occupied. Mendo Distribution and Transportation, a wholly owned subsidiary of PSG Coastal, was formed under California State Law and acquired by the Company in January 2020. Its assets consist of a lease for a 2,600 square foot facility, a Mendocino County Cannabis Business Facility License, a Type 11 Distributor License issued by the Bureau of Cannabis Control, and all the operating assets related to MDT's operations. In December 2019, the Company acquired a 17.5% interest in Ukiah Ventures Inc, based in Ukiah, CA, and in August 2020, acquired the remaining 82.5% interest in exchange for shares.



**Halo Labs Extraction Machinery**

Ukiah services licensed cannabis processors and distributors that currently focus on the procurement of biomass from farms located primarily in the northern California region and distribution to manufacturers and processors throughout California. Ukiah allows licensed operators to provide a conduit for cannabis to flow from cultivators to manufacturers and distributors. In July 2020, the Company closed the acquisition of a 66.67% interest of the LKJ11 LLC, a company in the process of building out a retail dispensary in North Hollywood, CA. The planned dispensary when it opens in early 2021, could become one of North Hollywood's largest dispensaries.

In July 2020, the Company closed the agreement to acquire all of the outstanding membership interests in Crimson & Black, LLC (CB), a retail management company with a contract to provide management services to LKJ11, entitling CB to 7% of the net revenues in exchange for providing management services. Recently, the Company announced a distribution agreement with one of California's largest full-service distributors, Nabis, to supply California dispensaries with the Company's full assortment of branded products. This distribution agreement also provides the Company with distribution coverage across the entire state of California. Nabis distributes over 80 brands to more than 750 dispensaries throughout California and provides an intuitive online platform that enhances the supply chain and operates as the Company's primary distribution channel with warehouse depots in Los Angeles and Oakland. This distribution arrangement has the potential to be a meaningful revenue driver for the Company's products.

Halo, via its wholly owned subsidiary PSG Coastal Holdings, LLC together with Green Matter Holding, Inc. have founded a real estate holding company. With each holding 50% shares of the newly founded company, Lake County Natural Health LLC, they have completed the purchase of the Bar-X Ranch located in Lake County, California. This purchase, with holdings of over 647 hectares of land (approximately 1617 acres), and abundant natural resources such as flat land, great planting soil and water. When Bar-X ranch is fully operational, it will be the largest cannabis cultivation operation in the region. The Company plans to start with a grow of at least 60 acres or 24 hectares in an organic grow with plans for another 10 acres or 4 hectares of greenhouses. With goals of an annual harvest of up to 240,000 pounds of dried and cured cannabis and at a current price of approximately \$835 per pound the Company should see revenues start to significantly scale once operational. Bar-X was purchased for \$6 million.

**Nevada:** HLO Ventures (Nevada) is a wholly owned subsidiary of ANM. HLO Ventures was formed under the laws of the state of Nevada in October 2018 to serve as the Company's initial Nevada operating subsidiary. HLO Ventures obtained a marijuana support business license from the Clark County Department of Business License in March 2019 and has been providing management services. The Company in early 2020 shut down its Nevada operations and is trying to sell its licenses which have considerable value. HLO Peripherals is a wholly-owned subsidiary of the Company, formed under the laws of the State of Nevada in April 2019 to source cannabis peripherals and devices for sale, primarily devices related to Dab Tabs™ such as Shatterizer™, the Dab Tab Go, and the Dab Tab All-In-One. Shatterizer™ is a custom vaporizer device made for the DabTab™ Dablets™ allowing consumers to experience concentrates, waxes, live resin, distillates, and many other forms of cannabis extracts on the go in a precise doseable format.

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## CANADIAN BUSINESS OPERATIONS:

Halo Dispensary Track Software, Inc., a wholly owned subsidiary of the Company was formed under the laws of the Province of British Columbia in October 2019, upon the amalgamation of Cannpos Services Corp. and Halo Dispensary Track Software, Inc. as part of the Company's acquisition of Cannpos, a software company that is developing an application to alleviate customer flow constraints currently experienced by dispensaries. Halo AccuDab Holdings, Inc., a wholly owned subsidiary of the Company, was formed under the laws of the Province of British Columbia in April 2020, upon the amalgamation of Halo AccuDab Holdings, Inc. and AccuDab Medical Instruments, Inc., in connection with the Company's acquisition of Precisa Medical Instruments Corp. Precisa owns the intellectual property related to and focused on the development of the Accu-Dab THC and CBD oil oral delivery device. The Accu-Dab takes the form of a discrete pen that will allow users to pre-select various doses of measured tetrahydrocannabinol (THC) or cannabidiol (CBD) from 0.01 mL to 0.60 mL for sub lingual or oral consumption.

Halo Cannalift Delivery, Inc. is a wholly owned subsidiary of the Company, formed under the laws of the Province of British Columbia in March, 2020, upon the amalgamation of 1242800 BC Ltd. and Cannalift Delivery, Inc., as part of the Company's acquisition of Cannalift, a software company that is developing a delivery application to be used on a smart phone or tablet and a web-based platform that, once developed, is expected to provide consumers with a convenient method of obtaining cannabis products from their local dispensaries thereby reducing wait times. In April 2020, the Company announced that it entered a definitive agreement to acquire all the outstanding shares of Nasalbionoid Natural Devices Corp. which is focused on the development of an innovative line of all natural and refreshing personal nasal inhalers infused with cannabidiol (CBD) oil and, under Halo's leadership, tetrahydrocannabinol (THC) versions are planned to be formulated. Halo Kushbar Retail, Inc., a wholly owned subsidiary of the Company, was formed under the laws of the Province of Alberta in February 2020, in anticipation of the Corporation's acquisition of the High Tide Assets, which are subject to review and approval of regulatory bodies in Alberta. KushBar currently operates two retail cannabis stores in Camroase and Morinville, with an additional store in Medicine Hat expected to open in late 2020. In September 2020, the Company amended the terms of the transaction to reduce its future obligations to \$2.2 million in a Convertible Promissory Note at \$0.16 cents per share in addition to the 13.4 million shares that have been already issued. The transaction is expected to close in the near future.

## BOPHELO ACQUISITION (LESOTHO, SOUTHERN AFRICA):

Lesotho is a small mountainous country, landlocked by South Africa, with a centuries-old marijuana cultivation history, favorable climate and low production costs. While cannabis remains illegal throughout most of the continent, a handful of states, including Lesotho and South Africa, began to relax the legal environment, attracting global industry attention. Backed by international trade agreements with numerous developed countries representing the world's most advanced cannabis markets, in 2017 Lesotho granted the first African medical marijuana production license, positioning itself to become a hub for worldwide exports of cost-competitive high-grade cannabis. As such, in recent years Lesotho has attracted investments from some of the largest cannabis companies in the world, including Canopy Growth (TSX:WEED, NYSE:CGC) and Aphria (TSX:APHA, NASDAQ:APHA).



Bophelo Cannabis Operation, Lesotho

In July 2020, the Company closed an acquisition agreement (the "Bophelo Agreement") as purchaser pursuant to which the Company acquired 100% of Bophelo Bioscience & Wellness Pty Ltd. Pursuant to the Bophelo Agreement, the Company issued an aggregate of 43.7 million common shares in addition to other closing fees. Because of the strategic importance of this acquisition, the Company appointed Ms. Louisa Mojela to the Board of Directors as Chair. Ms. Mojela is one of South Africa's most influential and successful businesswoman, is a Co-Founder of Bophelo, and is expected to become the first African woman to lead a global publicly traded cannabis company. Bophelo is based in the Kingdom of Lesotho, Southern Africa, and is the holder of one of a limited number of operational licenses

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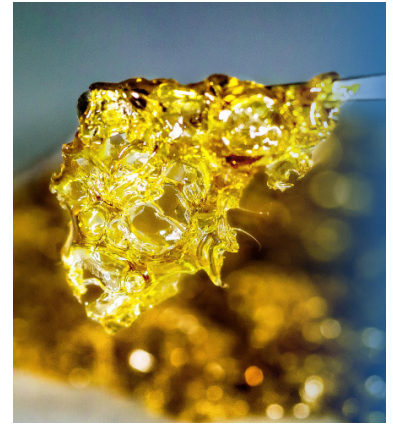
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issued in Lesotho for the production and export of medical cannabis products. As the largest licensed landholder in Lesotho, Bophelo's nine-year license allows it to cultivate, manufacture, import and export cannabis products. Once fully implemented, the 200-hectare Bophelo site is expected to be one of largest cannabis cultivation sites in the world. Ms. Mojela recently provided Bophelo with a secured term loan of US \$1 million, with an 18-month term, and is in discussions with several large commercial banks in South Africa regarding conventional lending facilities. Bophelo signed a strategic alliance and seed purchase agreement with DNA Genetics, which provides Bophelo with exclusive rights to develop new and existing DNA Genetics' strains of medical cannabis in Lesotho for worldwide export. The initial period of this strategic alliance is five years, with five-year renewal options. This seed purchase agreement will enable Bophelo to commence imports to Lesotho of cannabis seeds for cultivation from DNA Genetics.

The Halo team has commenced operations in Lesotho, and the first harvest of 350 plants has been completed. The Company is plans completion of Phase 1 build-out of 1.2 hectares in mid 2021, and once at full capacity will house 3 acres of canopy or approximately 120,000 square feet. Halo expects to finance development of Bophelo through traditional bank financing and through securing of commercial off-take agreements. Halo is undergoing a quality manufacturing program to meet Good Agricultural and Collection Practice ("GACP") guidelines in order to ship flower from Lesotho to UK and a range of European countries including Spain, Greece, Malta, as well as Australia and Israel. This strategy could lead to significantly improved revenue and operating profits in 2021 and beyond. **In August 2020, Bophelo Bioscience & Wellness entered into a \$30 million dollar off take agreement with Medcan Limited, a company incorporated in Malta for the sale of bulk cannabis biomass primarily into the European market. The term of the agreement is for a maximum of seven years.**

**Cannabis Oil Shatter**

The African Cannabis Report, released in March 2019 by Prohibition Partners, predicted that Africa's legal cannabis industry could be worth \$7.1 billion in 2023. Notably, the report points to South Africa becoming one of the largest cannabis markets with an estimated potential of \$1.9 billion by 2023, at the same time attesting that 70% of the cannabis in South Africa early in the century, albeit illegally, came from Lesotho. Given Africa's population exceeding 1.3 billion and combined marijuana consumption rate of 13.2% far exceeding the global average, the Bophelo project potentially stands to supply products for planned EU distribution and also serve regional demand in Africa. **The potential growth and size of the Bophelo project is very significant to the overall value of the Company.**

## UK OPERATIONS:

On November 2020, the Company entered into a definitive agreement and acquired all the common shares outstanding of Canmart Limited of the UK by issuing 72.46 million shares of Halo Labs common stock. Canmart is one of the UK's fully licensed companies with a Controlled Drugs License to import and distribute licensed cannabis products for medicinal use. Canmart also holds a wholesale distribution and special license, issued by the Medicines and Health Regulatory Agency. Additionally, Canmart operates a licensed 25,000 square foot third-party logistics warehouse in the Southeast of England. **This can serve as a gateway to imports and to exports in certain countries in Europe. Although still lagging the North American regulatory trends, Europe is set to become the world's largest legal cannabis market in the future.** Powered by a population of over 740 million people, more than double that of the US and Canada combined, Europe's cannabis market is estimated to be worth up to \$138 billion by 2028, according to a January 2019 European Cannabis Report, 4th Edition. The UK Cannabis Report by the same marijuana research firm expects the UK specifically to be worth \$4.3 billion by 2024.

## RECENT ACQUISITIONS FUEL STRATEGIC GROWTH:

Halo has made a series of acquisitions over the past few years, mainly for shares, and was able to capitalize on some very attractive opportunities at distress prices, at the same time its shares had much higher value levels. The series of acquisitions enabled the Company to round out its profile and verticals served in key markets, and further enhanced its product lines with several innovative technologies. Some of the key acquisitions completed recently have been the following: (i). In October 2019, Halo acquired for \$4.2 million in all share deal at CAD \$.26, CannPos Services Corp., a software company developing a web-based application to alleviate customer flow of constraints experienced by the dispensaries; (ii). Halo, in an all-share deal at CAD \$.35, acquired a 17.5% stake in Ukiah Ventures in Northern CA, providing distribution, processing, and manufacturing capabilities, as well as a supply of hemp biomass. In August 2020, the Company acquired the remaining 82.5% of Ukiah Ventures in exchange for shares. (iii). In December 2019, Halo acquired Precisa Medical Instruments Corp. for common stock at a price of CAD \$.28. Precisa Medical owns

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# Halo Labs, Inc.

**Ticker:** (NEO:HALO) and (OTCQX:AGEEF)

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**Sector:** Healthcare  
**Industry:** Medicinal and Botanical  
**Sub-Industry:** Cannabis  
**Website:** [www.halocanna.com](http://www.halocanna.com)

the intellectual property and is developing IP for the Accu-Dab, a THC and CBD oil dabbing device that allows for discrete and accurate dosing of sub lingual cannabis concentrates. (iv). In July 2020, Halo acquired a 100% stake in Bophelo, through the issuance of 43.7 million common shares. Bophelo is a large cannabis cultivation facility in Southern Africa, which will enable Halo, when facilities are complete and after approvals are granted, to supply medical medical-cannabis to European countries. (v).

In January 2020, Halo acquired Mendo Distribution and Transportation for \$4.95 million in an all-share based transaction at \$CAD .315. Based in Northern CA, operating out of a 4,500 SF facility, the MDT is involved in cannabis distribution, and production of edible cannabis products. (vi). In August 2020, the Company acquired award winning Outer Galactic Chocolates, LLC, holder of a Type N manufacturing license, enabling it to produce infused and edible products in California. (vii). In July 2020, in an all share transaction, Halo closed an agreement to acquire a 66.67% interest in a North Hollywood cannabis dispensary license (with the majority of the shares to be issued based on milestone achievements); (viii). as well as a 100% interest in its associated retail management company. (ix). In March 2020, the Company acquired Cannalift Delivery, Inc., via an all-stock transaction, and issued 31 million common shares valued at CAD \$6.2 million or at CAD\$.20 per share. Concurrent with the closing, the Company sold CAD \$ 700,000 in common stock at CAD \$.11. Cannalift Delivery is a software company that is developing a delivery application to be used on smart phones or tablets, and a web based platform, once developed, that can provide consumers with a convenient method of obtaining cannabis products from their local dispensaries. (x). In April 2020, in an all share transaction, valued at CAD \$5.1 million, Halo entered into a definitive agreement to acquire Nasalbinoid Natural Devices Corp., which is focused on the development of an innovative line of all natural personal nasal inhalers infused with CBD, and under Halo leadership, soon to be THC. Concurrent with the closing, the Company sold CAD \$425,000 in common stock at CAD \$.11. (xi). In September 2020, Halo announced an ammended asset purchase agreement with High Tide Inc., expected to be CAD \$2.2 million payable in Convertible Notes and 13.4 million shares, which have already been paid, for three licensed retail cannabis stores and a number of trademarks, copyrights, and digital assets. The value of the three stores was deemed to be at \$5.7 million. (xii). In April 2020, Halo announced it entered a letter of intent to acquire a 25% interest in Feel Better, LLC, dba FlowerShop for \$1.5 million payable primarily in common stock at a deemed price of approximately \$.097 per share. This transaction was completed in late 2020. The FlowerShop is a lifestyle brand that will be promoted by recording artist G-Eazy. Halo and FlowerShop will also execute a licensing, manufacturing, and distribution agreement.

## TOP MANAGEMENT TEAM:

**Kiran Sidhu, Co-Founder, CEO, Director**, has prior senior executive experience where he was Founder, Chairman and CEO at Transact Network Services, an electronic money transfer institution, later sold to Bancorp (NYSE: TBBK) in 2011; an executive at Emerald Health Therapeutics, a cannabis MSO (EMH.V and EMHTF), a board member of Namaste Technologies (TSCV: N; OTCQB: NXTTF), as CFO helped lead the IPO of On stage Entertainment (NASDAQ: ONST), and earlier at Merrill Lynch Capital Markets in Mergers and Acquisitions, and PWC in consulting. Mr. Sidhu holds a BS in Computer Science from Brown University and an MBA from The Wharton School, University of Pennsylvania.

**Louisa Mojela, Board Chair**, was the Founder and Chairman of Bophelo Bioscience & Wellness (Pty) Ltd., a recent cornerstone acquisition of Halo Labs. Ms. Mojela has executive and board experience at Women Investment Portfolio Holdings, Ltd., Adcorp Holdings Ltd., Sasol Mining (NYSE: SSL), and Sun International and SA Airways. Ms. Mojela is one of the top business executives in Africa, has won numerous prestigious awards, and is well connected in the financial and political circles of that continent. Ms. Mojela has a B. Comm degree at the National University of Lesotho and completed the Executive Leadership Program of The Wharton School at the University of Pennsylvania.

**Katie Field, President** and formerly Chief Strategy Officer, has prior executive experience at Bain & Company, The Brookings Institution, Costa Farms (an agricultural company) and at MariMed, a cannabis MSO (OTCQX: MRMD). Ms. Fields entered the cannabis industry in 2014 and led the sale of one of the first vertically integrated state licenses in Florida. Ms. Field is a graduate of Stanford University and holds an MBA from Columbia University.

**Andreas Met, Co-Founder, COO, and Director**, has executive experience as Head of Sales and Marketing at Golden Leaf Holdings, a leading cannabis and product company in Canada (CSE: GLH, and OTCQB: GLDFF), and earlier was an executive at Walmart, ConAgra, and Nabisco. He is a graduate of the Southern Oregon University and holds an MBA from the University of Wisconsin.

**Philip Van Den Berg, Co-Founder and CFO**, has executive experience at Goldman Sachs London, Taler, as CFO and Director of Namaste Technologies (TSXV: N; OTCQB: NXTTF), and as CFO and Director of Golden Leaf Holdings (CSE: GLH and OTCQB: GLDFF). He is a graduate of the University of Amsterdam.

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## FINANCIAL RESULTS:

For the three months ended September 30, 2020 (unaudited), the Company reported Total Revenues of \$6.83 million, down 4.5% compared to \$7.15 million in the comparable three -month period ended September 30, 2019. However, Total Revenues for the third quarter grew 30.3% vs. the second quarter ended 2020, due primarily to an improvement and recovery at Coastal Harvest, in the Cathedral City, CA, along with substantially improved revenues booked at Mendo Distribution and Transport in Northern CA. Operating Income for the three months ended September 30, 2020 was \$.899 million, vs an Operating Loss of (\$5.02) million for the comparable three- month period ended September 30, 2019. The Comprehensive Net Loss for the three months ended September 30, 2020 was (\$2.64) million compared to (\$6.31) million for the comparable period ended September 30, 2019.

For the nine- month period ended September 30, 2020, the Company reported Total Revenues of \$16.52 million, down 35% compared to \$25.42 million in the comparable nine- month period ended September 30, 2020. Operating Loss for the nine months ended September 30, 2020 was (\$10.45) million vs. an Operating Loss of (\$10.08) million for the comparable nine months ended September 30, 2019. Net Comprehensive Loss for the nine-month period ended September 30, 2020 was (\$17.8) million compared to (\$13.14) million in the comparable nine-month period ended September 30, 2019. Loss Per Share for the nine months ended September 30, 2020 was (\$.04) compared to (\$.08) in the comparable nine months ended September 30, 2019. A significant amount of the losses in the nine- month period, approximately \$5.3 million, were of a non-cash basis.

The Company had \$3.57 million in cash as of September 30, 2020 and working capital of \$13.06 million at that date. Total Shareholder's Equity was \$53.17 million as of September 30, 2020, increasing substantially from acquisitions this past year. The Company had an unused available line of credit of \$14 million Canadian as of September 30, for working capital needs. The Company's balance sheet is currently adequate to support its growth needs in the near term.

For the Calendar Year ended December 31, 2019 (audited), the Company reported Total Current Assets of \$24.13 million, up from \$10.85 million in the 2018 prior year (audited). The Total Assets for the Year ended December 31, 2019 were \$41.98 million, up from \$19.39 million in the prior 2018 year, and \$9.4 million in prior 2017 year (audited). Total Current Liabilities for the Year ended December 31, 2019 were \$8.85 million, up from \$4.63 million in the prior 2018 Calendar Year. Total Long-Term Liabilities for the 2019 Calendar Year were \$8.84 million, up from \$0 in the prior 2018 Calendar year. Total Shareholder's Equity for the 2019 Calendar Year was \$24.29 million, up from \$14.75 million in the prior 2018 Calendar Year. Total Liabilities and Shareholders' Equity for the 2019 Calendar Year was \$41.98 million, up from \$19.39 million in the prior 2018 Calendar Year.

On March 29, 2019, the Company filed a prospectus for a best efforts convertible debenture units offering at \$1,000 per unit, and raised \$13.22 million gross proceeds, which increased to \$15.8 million as of April 2019. In August 2020, the Company entered into an amended, unsecured convertible note debt financing agreement with a private lender for a principal amount of CAD \$15 million, for a twelve-month term at 9% interest. The balance owing at June 30, 2020 was CAD \$1 million, with CAD \$14 million line currently available. This agreement was amended in June 2020, to extend the maturity date out to September 2021, with interest accruing at 13% annual rate after September 2020 on any unpaid balances. During October 2019, the Company closed a private placement raising gross proceeds of \$3.0 million, and in December the Company closed an additional private placement of \$.77 million. During March and April 2020, the Company raised about CAD \$1.1 million in private placements of common stock. In March, 2020, the World Health Organization declared corona virus, COVID-19 a global pandemic, which has impacted the results for the first half of 2020 in a significant manner. The full magnitude of the impact on future periods is presently not determinable. The Company anticipates showing significant growth beginning in early 2021, given the number of acquisitions it has made recently, several of which will start to show revenue soon. The Company has begun to cut costs and expenses to preserve cash.



Hush™ Gummies by Halo Labs

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## NEAR TERM REVENUE GROWTH EXPECTED IN 2021:

While the last four quarters (Q4, Q1, Q2 and Q3)) have shown meaningful declines in reported revenues, mainly in the California and Nevada operations, we believe this trend will reverse itself in future quarters for several key reasons. The industry vape scare issues appears to have hit bottom but dramatically impacted the Company's revenues in the past three quarters, particularly in California, and we would expect a rebound as these issues begin to subside. The COVID-19 also impacted the first 9 months revenues and may linger into the early part of 2021. However, the Company's revenue growth should dramatically improve, as demand for the Company's products continue to grow, as well as the contributions from the recent acquisitions. The revenue streams in Oregon and California should likely improve in the early 2021 with new product introductions recently launched. Very significantly, Halo has launched several new edible product lines which could positively impact revenues in the first half of 2021 and beyond. These products include Gummies and Chocolates. The Company also entered into an agreement to acquire three existing dispensaries in Canada from High Tide, which when closed could begin to impact revenues positively beginning in 2021. In addition, the recent acquisition of a dispensary license in North Hollywood, CA may meaningfully impact revenues once a store opens. Additionally, the Bophelo acquisition should have a significant impact on results beginning in mid 2021, and then continuing into future years. This could become perhaps the most significant revenue driver for Halo in future years, given its plans to export into UK and Europe. The recent acquisition of Winberry farms, an established brand in Oregon should begin to produce meaningful revenue in 2021. The joint venture with the Bar-X Ranch, in Lake County California, should also begin to produce meaningful revenue in 2021 and beyond.

## VALUATION:

The Company's stock price appears undervalued vis-a-vis industry peer group of emerging public cannabis companies listed over-the-counter in the U.S or in Canada, many of which trade at much higher multiples of annual revenue, despite generating significant losses.

The average Price to Revenue ratios calculated for the universe of 7 smaller comparable cannabis operators of less than \$100 million in market capitalization presented in the Industry Valuation Table equal 2.8 times. The average based on 17 larger capitalization companies was 6.9 times.



## Corporate Contact Information

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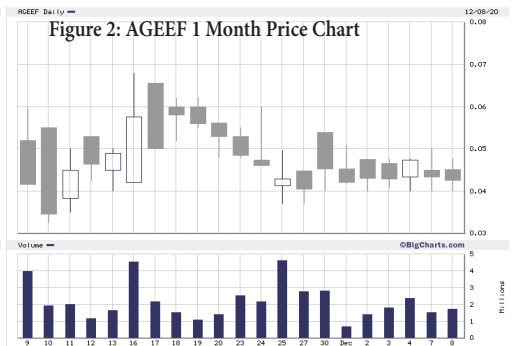


Halo Labs Vape Pen with Cannabis Oil

Figure 1: AGEEF 1 Year Price Chart



Figure 2: AGEEF 1 Month Price Chart



All figures below are quoted in US Dollars and in Thousands

Income Statement	FY 12/31/18	FY 12/31/19	9M 9/30/20	Balance Sheet	FY 12/31/18	FY 12/31/19	as of 9/30/20	Cash Flow Statement	FY 12/31/18	FY 12/31/19	9M 9/30/20
Revenue	\$ 10,898	28,148	16,522	Cash	\$ 723	6,068	3,578	Operating Cash Flow	(14,721)	(12,239)	(3,386)
Oper Loss/income	\$ (9,956)	(23,864)	(10,450)	Total Assets	\$ 19,392	41,988	80,408	Investing Cash Flow	(3,173)	(1,855)	(2,712)
Net Loss/Income	\$ (13,718)	(27,617)	(17,814)	Total Liabilities	\$ 4,636	17,696	27,235	Financing Cash Flow	16,000	21,922	1,167
Loss Per Share	\$ (0.22)	(0.14)	(0.04)	Total Shareholder's Equity	\$ 14,756	24,292	53,173	Cash at end of period	723	6,068	3,578

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Based on these industry average multiples, using the Company's Total Revenues of \$28.1 million reported for the Calendar Year ended December 31, 2019, the higher industry average multiples could lead to market capitalization in the range of \$78.8 and \$194 million, or price per share between \$0.08 and \$0.19.

## CONCLUSION:

The Company's shares, currently \$.04 cents have been trading near the bottom of the 52 week range and have settled in a recent range of \$.03 to \$.06 cents. The 52 week low was \$.02 and the 53 week high was \$.28. The decline in share price during the past year was generally due to the overall industry having lost value, the COVID -19 pandemic, and the vape crisis. We believe that the share price may have hit bottom, as many of these key factors depressing the price have abated.

The Cannabis industry metrics of similar types of companies, operating in vertical markets in multi-states give a considerably higher median and average price to revenue level, and price to book value, as noted above in the valuation section. Therefore, we are updating the six month target price range to \$.10 - \$.15 cents. If the Company can continue to show progress and hit milestones, the shares can begin to rebound to target levels or possibly higher. Some of the key milestones to look for in the next few quarters are: further completion of announced acquisitions, new financing, cost reductions, and significantly improved revenue growth. The Bophelo acquisition and off-take agreement, recently announced, has great potential to add considerable value as this operation embarks upon a growth phase of medical cannabis cultivation and exports. The acquisitions of Winberry Farms and the Bar-X Ranch joint venture should also meaningfully improve results. We expect improved results to begin to occur in early, to mid 2021, which should likely increase shareholder value.

**[See Important Additional Disclosures at the end of this Report -](#)**





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## Updated Research Report

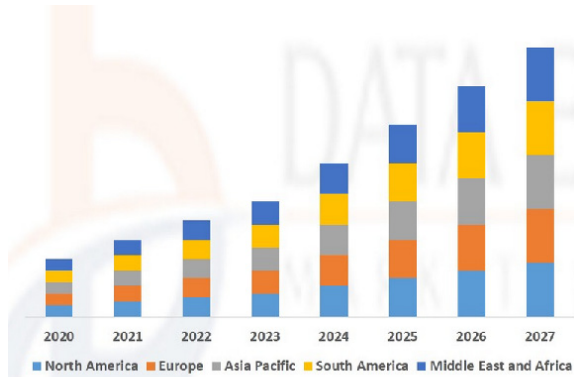
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### GLOBAL OIL EXTRACTION MARKET GROWTH

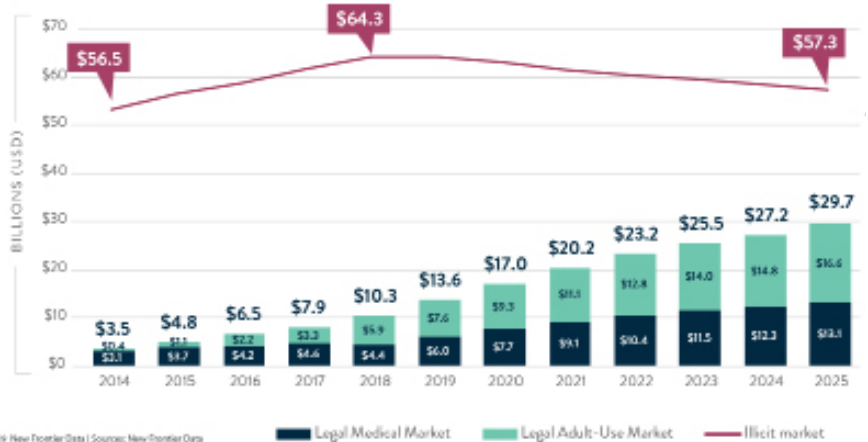
Expected to Account for USD 25.57 million by 2027



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Source: Data Bridge Market Research Market Analysis Study, 2020

### US LEGAL CANNABIS MARKET GROWTH:



© 2019 New Frontier Data | Sources: New Frontier Data

### CANNABIS INDUSTRY COMPETITOR METRICS:

Company	Symbol	Share Price	Shares Outstanding	Market Capitalization	2019 FYE Revenue	YoY Revenue Growth	Price / Revenue	2019 FYE Net Income	2019 FYE Book Value	Price / Book Value
HALO LABS	AGEEF	0.04	999,443.0	42,476	28,148	158%	1.5	(28,279)	24,292	1.7
GOLDEN LEAF HOLDINGS	GLDFF	0.02	883,280.3	20,315	15,755	7%	1.3	(46,255)	10,601	1.9
EMERALD HEALTH THERAPEUTICS	EMHTF	0.17	206,160.9	35,707	15,849	943%	2.3	(86,690)	81,067	0.4
DELTA 9 CANNABIS	VRNDF	0.46	91,485.8	41,635	24,777	320%	1.7	(4,130)	26,851	1.6
SCHWAZZE	SHWZ	1.33	42,365.8	56,347	12,401	31%	4.5	(16,976)	26,580	2.1
NAMASTE TECHNOLOGIES	NXTTF	0.18	323,954.5	57,065	12,745	-31%	4.5	(49,270)	43,507	1.3
Statistics based on 7 companies of less than \$100M					Average		2.8	Average		1.5
					Median		2.3	Median		1.6
MARIMED	MRMD	0.42	304,817.2	126,545	16,575	40%	7.6	(81,185)	5,775	21.9
ALEAFIA HEALTH	ALEAF	0.42	301,269.7	127,374	12,754	391%	10.0	(30,893)	299,922	0.4
AUXLY CANNABIS GROUP	CBWTF	0.27	642,943.9	171,537	65,152	11082%	2.6	(87,687)	206,118	0.8
THE VALENS COMPANY	VLNCF	1.51	129,173.2	195,052	45,323	111642%	4.3	(5,098)	103,533	1.9
4FRONT VENTURES	FFNTF	0.82	385,784.4	315,541	31,126	727%	10.1	(180,603)	76,184	4.1
HARVEST HEALTH & RECREATION	HRVSF	1.90	217,423.3	413,104	116,780	149%	3.5	(173,487)	270,361	1.5
CHARLOTTE'S WEB HOLDINGS	CWBHF	5.05	105,561.4	533,085	94,594	36%	5.6	(15,567)	153,698	3.5
PLANET 13 HOLDINGS	PLNHF	5.85	123,383.9	721,796	63,595	200%	11.3	(6,463)	41,295	17.5
TERRASCEND	TRSSF	10.69	78,309.4	837,127	66,197	1143%	12.6	(169,779)	52,010	16.1
COLUMBIA CARE	CCHWF	4.60	233,676.0	1,074,769	77,459	97%	13.9	(102,589)	268,274	4.0
TRULIEVE CANNABIS	TCNNF	29.46	59,920.0	1,765,242	252,819	146%	7.0	178,033	282,357	6.3
CRESCO LABS	CRLBF	10.12	187,285.8	1,895,333	128,534	197%	14.7	(43,201)	322,623	5.9
Statistics based on all 17 companies					Average		6.9	Average		5.4
					Median		5.6	Median		2.1

All figures presented in thousands of US\$, except Share Price in \$US, Shares Outstanding in thousands and Price to Revenue and Price to Book Value as multiples.

All Income Statement and Balance Sheet figures from audited annual reports for the period ended December 31, 2019, except NXTTF and VLNCF November 30, 2019.

All Shares Outstanding figures from latest practicable filings, dated no earlier than November 30, 2020.

Share Price as of market close on December 8th, 2020.

ALEAF, CBWTF, EMHTF, GLDFF, NXTTF, TRSSF, VLNCF and VRNDF Income Statement and Balance Sheet figures foreign-translated from C\$ at an exchange rate of:

0.78

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Sub-Industry: Cannabis

Website: [www.halocanna.com](http://www.halocanna.com)**ADDITIONAL DISCLOSURES****Receipt of Compensation:**

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**Market making:**

The author(s) does not act as a market maker in the subject company's securities.

**Ratings Guide:**

Banks or Investment Firms often rate companies as a BUY, HOLD or SELL. A BUY rating is often given when the security may deliver absolute returns of 15% or greater over the next 12 month period, and recommends that investors consider taking position assuming it meets their risk profile. A SELL rating is given when the security is expected to deliver negative returns over the next 12 months, while a HOLD rating implies flat returns over the next twelve months.

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**Readers should consider all risk factors as outlined in the featured Company's public filings.**

