

HALO

TRANSFORMING INTO A BILLION DOLLAR COMPANY



Exciting acquisition set to ***propel*** Halo Labs Inc. towards becoming a major international player, supplying the Big Pharma market.

NOVEMBER 2019
OTCQX: AGEEF / NEO: HALO

How Halo Labs (OTCQX:AGEEF) (NEO:HALO) can deliver a 10x return over the coming years

Halo Labs Inc. (“Halo”), which is listed on the OTC Markets, is about to complete an extremely exciting acquisition.

The business is going to buy Bophelo Bio Sciences & Wellness (Pty) Ltd (“Bophelo”) – which is based in the African kingdom of Lesotho - in an all-paper deal for 46 million shares. This may not sound like much, but just wait until you read the FULL details of what is about to happen. They are truly astounding. However, the market seems to have missed the sheer scale of this opportunity.

Halo, which is already one of the United States’ most trusted operators in the burgeoning cannabis market, has extensive experience in growing significantly large quantities of medicinal-grade cannabis.

At its six-acre East Evans Creek Farm, Oregon, Halo recently produced a record cannabis harvest of 6,800kg of dry produce. This is a significant achievement for a firm of Halo’s size, and the company’s team of expert growers has proven beyond all doubt its talent for cultivating consistently high-quality cannabis that meets all regulatory standards. This is a crucial fact to understand about Halo and goes to the heart of this potentially lucrative investment opportunity.

Capitalization Structure

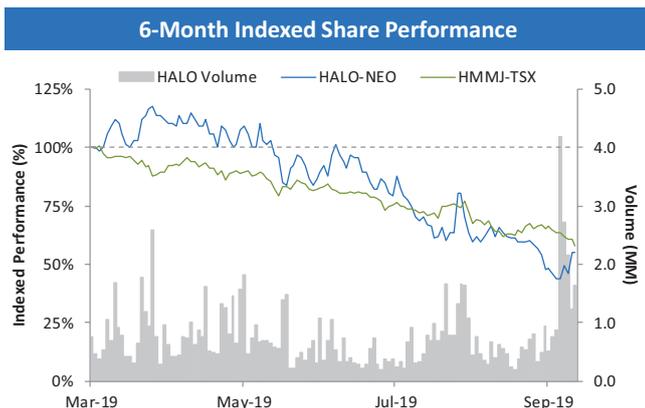
(as of 1st November 19, 2019, all \$ figures is USD)

Common Shares O/S	246.2MM
Warrants ⁽¹⁾ O/S (w.a. \$0.55)	154.3MM
Options O/S (w.a. \$0.35)	8.7MM

Current Share Price	\$0.19
Current Market Cap	\$46.8MM

Convertible Debenture Outstanding (converts at \$0.49)	\$9.6MM
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Potential Cash From Warrants & Options	\$99.1MM
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East Evans Creek before & after growing its record harvest



Source: Halo Labs Inc.

Buying in at the dawn of a GLOBAL industry

Successfully picking tomorrow's trailblazing stocks at the beginning of a long-term trend is any investor's dream.

This is how fortunes are made and, right now, Halo could present just such an opportunity.

Governments and corporations around the planet have recognized the excellent revenue potential of the newly legitimate marijuana industry. Medical cannabis is finally undergoing serious clinical research, and sophisticated recreational use is becoming more mainstream by the day.

There seems little doubt that the future of the cannabis market will be in the consistent supply of vast quantities of high-quality product. Experts agree that the global cannabis industry is set for transformational growth over the coming decade, with more and more countries and states legalizing its use. However, there are currently very few players in the international market set up to meet this demand. This is why Halo's acquisition of Bophelo offers such mouth-watering promise.

Lesotho, the southern African country where Bophelo is located, is widely recognized as being the continent's leading jurisdiction for the cultivation, production and manufacture of cannabis and cannabis-related products. For example, the country was among the first to put in place a regulatory and legal system that supports legitimate cannabis companies. Meanwhile, with existing free trade agreements with all of the western countries that are currently in the process of legalizing marijuana, Lesotho is perfectly positioned as Africa's cannabis export gateway to the world.

What's more, thanks to Lesotho's geographical location, its climate, and its mountainous terrain, it is possible that the Bophelo farm could have as many as three growing seasons a year.

And that's not the most exciting part about this deal, either. In total, the Bophelo Farm will cover 205-hectares or 507 acres when fully implemented.

That is 84 times the size of Halo's existing East Evans Creek Farm in Oregon.



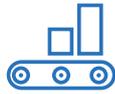
Acreage comparison of East Evans Creek Farm (red) in Oregon versus Bophelo Farm (green) in Lesotho

What might the Bophelo deal mean for Halo?

The answer is a great deal.



Halo believes that it can ultimately achieve a cannabis-yield-per-hectare at East Evans Creek of 2,805kg. Importantly, the company also expects to repeat this at Bophelo.



Assuming these ambitions are met, Bophelo's 205 hectares will have an implicit potential annual cannabis yield of 575,025kg of dried product.



If we then assume a long-term average sales price of US\$2.50 per gram, this sets a potential annual, stabilized revenue target of \$1.44 billion from high-quality cannabis grown at Bophelo.



LESOTHO

And that is how the Bophelo deal could comfortably deliver a **10x RETURN** over the coming years.

The Investment Case for Halo Labs (OTCQX:AGEEF) (NEO:HALO)

As thrilling as the Bophelo deal is for Halo, it is also only part of the story. The company has an extremely solid footing in the cannabis sector.

In this exclusive ValueTheMarkets.com report, we have taken a deep dive into Halo’s business model and spoke directly with its executive team. Under the leadership of CEO Kiran Sidhu, Halo is pursuing the following three-pronged assault on the cannabis market.

I. The management team’s ultimate vision is to transform Halo into a \$1 billion-plus revenue company through the Bophelo acquisition and subsequent establishment of a fully-functional 205-hectare cannabis export farm.

II. In the meantime, Halo will continue to build upon its strong position in the US domestic market by rolling out new product lines of cannabis concentrates and oils through white labelling licensing deals and distribution of Halo branded products to dispensaries.

III. Finally, by taking full advantage of Halo’s robust balance sheet and current market conditions, Management has set its sights on an acquisition spree, taking over strategic assets at distressed prices.

This plan is ambitious, but Halo has already experienced meteoric growth since it was founded in April 2016. Over this period, the company has sold over four and a half million grams of cannabis products and is now selling over 200,000 grams a month, primarily in California and Oregon. These two states were among the earliest adopters of cannabis legislation, and Halo has developed a dominant position in both territories.

In the first nine months of 2019, Halo generated \$25.4 million in revenue and successfully pivoted its focus towards the production of cannabis oils and concentrates. In particular, the company has adopted a white-label and licensing strategy, utilizing its proven expertise to create top-end and innovative cannabis products that can maximize its reach across the United States. As more and more US states legalize or consider legalizing cannabis, this approach looks set to deliver significant financial returns to Halo throughout 2020.

Finally, there is Halo’s planned raid on its struggling competitors. Testing market conditions over 2019 have caused many cannabis players to struggle to find adequate funding. Halo, meanwhile, has gone from strength-to-strength. The company currently has more than \$19 million of working capital.

Sidhu and his team have identified a pipeline of “turnkey” acquisition targets that have the potential to provide Halo with instant positive cash flow. Thanks to its position in the market, Halo has a lot of flexibility in how it structures these deals, either paying through cash, stock, or a mixture of the two.

In this buyer’s market, this is an ideal position. Despite the pullback over 2019, the odds are that the long-term trend for the cannabis market is up. The momentum behind this fledgeling industry seems unstoppable. Over the coming years, great wealth will be created, and Halo Labs is now staking its claim to be at the forefront of this exciting wave of opportunity.

Source: Halo Labs Inc.



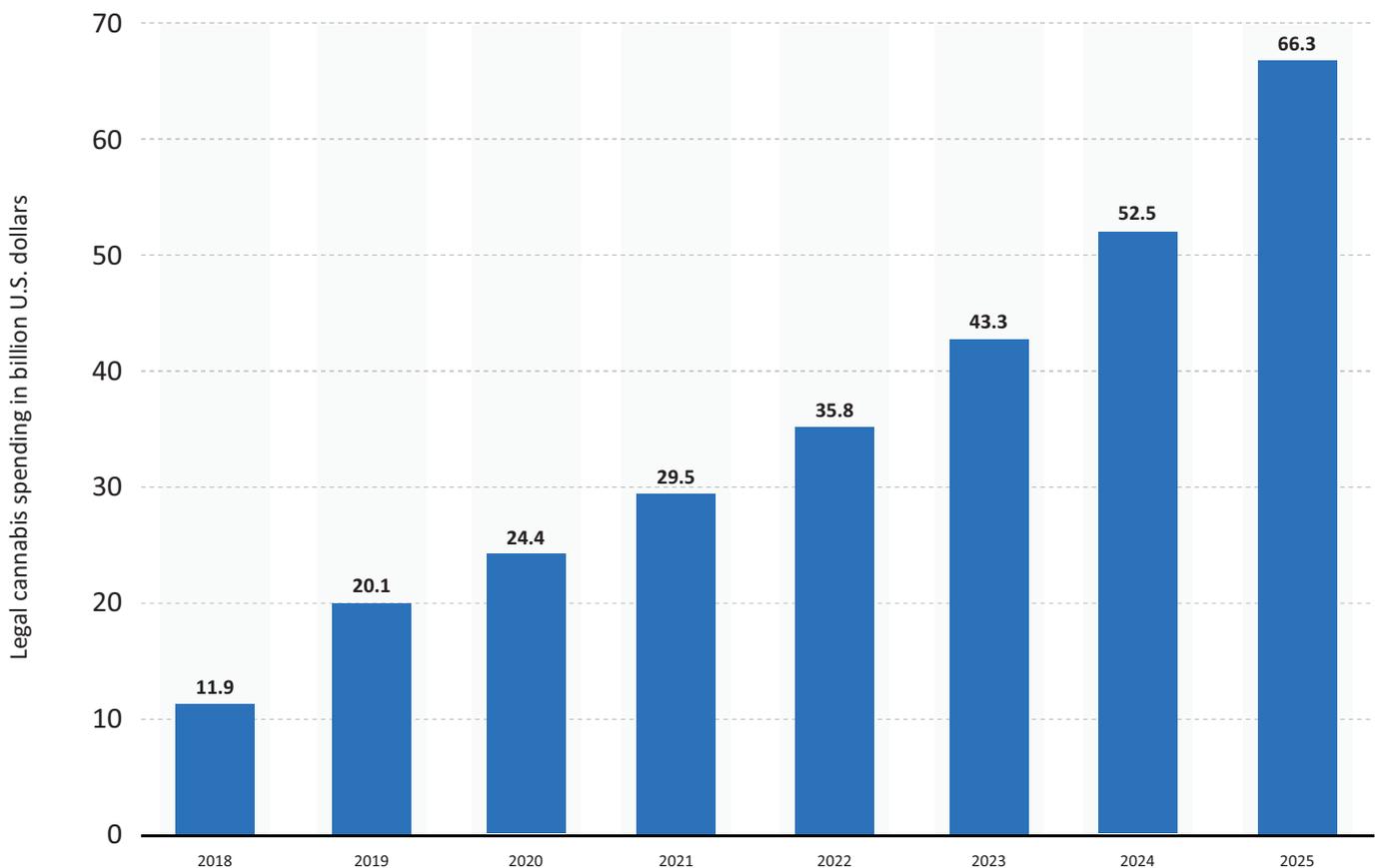
Entering the global marketplace through Lesotho

As described, perhaps Halo's most exciting development in 2019 has been its entry into the growing global legal cannabis market – spreading its wings beyond the US. According to Grand View Research, this sector was worth \$11.9 billion in 2018 and is on course to be valued at \$66.3 billion by the end of 2025. This translates to an expected compound annual growth rate of more than 23.9%.

Halo's expansion efforts began at the end of 2018 when it agreed to take a 20% position in Bophelo Bio Science and Wellness, a firm based in the African country of Lesotho.

Lesotho was the first country in Africa to grant medical marijuana licenses for cultivation and patient use. Bophelo seized this opportunity and began buildout of a 5-hectare (11-acre) farm filled with greenhouses explicitly designed to grow high-quality cannabis. This will make the company one of Lesotho's largest producers.

Forecast growth in the cannabis market (\$ billions)



Source: Grand View Research

Halo has been so impressed with Bophelo since taking its first position in the Lesotho firm that it agreed to purchase it entirely in June 2019 for approximately 46 million shares in an all-stock transaction.

For Halo's shareholders, this deal could be truly transformational. Not only has their company secured a major strategic asset in an all-paper transaction, but this deal is also anticipated to deliver massive cash flows in the relatively near future.

Much more than this, the transaction also gives Halo one of the largest permitted cannabis-growing spaces in the world- potentially up to 205 outdoor hectares in size.

Sidhu tells us that he expects a formal close to the deal imminently and that it could propel Halo towards becoming a \$100 million revenue firm by the end of 2020.

The potential of this is huge for a company already expected to turn over \$30 million - \$35 million in 2019. Describing what is about to come at Bophelo, Sidhu adds:

“ Halo is about to make history with the Bophelo acquisition. This will put us in a prime position to become one of the world-leaders in quality cannabis cultivation and production. The potential for expansion here is vast, with 205-hectares already pegged. Once we close this deal it will propel Halo to another level. ”

It is no surprise that Halo's management team is so excited about Bophelo. Should the business successfully bring its first 5-hectares of greenhouses into full production, then these alone could immediately generate an outstanding \$30 million of revenue annually.

But that would only be the start. With Bophelo covering a full 205-hectares, if Halo can realise its management's vision of cultivating cannabis outdoors across the whole site, then this could translate into revenue in excess of \$1 billion a year by the end of 2021.

How Bophelo can transform Halo into a Billion Dollar company

Halo's acquisition of Bophelo clearly reflects the organization's determination to become one of the major players in the global, regulated cannabis market. Setting up operations in Lesotho is a perfect fit for the organization for several core reasons.

Location



Lesotho is a small, mountainous country with a population of around two million people that is entirely landlocked by South Africa. However, it is quickly becoming the continent's export gateway to the global cannabis market and one of the most sought-after locations for cannabis operations globally. On the regulatory side, Lesotho became the first African country to grant medical marijuana licenses for cultivation and patient use in 2017. With its warm weather, clean air, pristine spring water, and low humidity, the country boasts perfect conditions for the year-round growth of cannabis. Halo plans to implement Good Agricultural and Collecting Practice (GACP) in Lesotho, eventually producing GMP-grade cannabis isolates and distillates.

As Sidhu puts it: *“Lesotho is a very pro-cannabis country- it is ingrained in its culture. Would-be competitors such as China and India are around ten years away from Lesotho because marijuana carries a stigma in their culture. This gives Lesotho a significant competitive advantage.”*

Bophelo



Within Lesotho, Bophelo is one of just a few businesses to hold a license and a large land lease for the production of medicinal cannabis. Now, it is making the most of its primary position. To this end, Bophelo's operations are based just 70km from capital city Maseru, ensuring it has access to ample labour, free water, and flat land – perfect for expansion. It is already one of the country's largest landholders, with a five-hectare cultivation and production site. The business has been set up with a clear eye to a long-term, profitable future. It has secured its location with a 20-year lease and has the option to renew this for a further 30 years. What's more, the government has given Bophelo conditional approval to expand by up to 205-hectares outdoors, with formal support expected in early 2020.

High quality product



Once it is fully operational, Bophelo intends to harvest GACP-cultivated cannabis two-to-three times a year. In most jurisdictions, companies are only allowed to grow marijuana for its THC distillate, and hemp for its CBD isolate. However, Bophelo's marijuana strains will be high in both CBD and THC content. This provides a considerable cost efficiency advantage.

Market access



Perhaps most importantly, the acquisition of Bophelo will give Halo access to a whole host of new cannabis markets. Lesotho's license permits the manufacture, supply, export, and transport of medical cannabis and cannabis products. The country's drug laws are aligned with international standards, and it has duty-free trade agreements with virtually all western legalized countries.

Critically, Halo says Bophelo's end product will be compliant with EU regulations – its crucial target export market. Halo expects to produce 2,805kgs of cannabis per hectare, per harvest once it is fully functional. Thanks to Lesotho's low operating costs, it says this could be exported to Europe for as much \$10/g against an all-in cost of less than \$1/g.

It's not only the EU that could be of interest, either. Africa itself is home to more than 83 million cannabis users. With more and more countries looking to regulate the supply of cannabis – most recently, South Africa – the size of the continent's legal market is set to soar. For example, Prohibition Partners Africa has estimated that Africa's appetite for legal cannabis-based products could be worth \$7.1 billion annually by 2023. Halo will be positioned perfectly to benefit from this.

With so many strings to Lesotho's bow, it is hardly surprising that cannabis outfits are clamouring to secure a strong footing in the country. Recent deals emphasize the strength of investment interest:

- In March 2018, Toronto's Supreme Cannabis purchased a 10% stake in Medigrow Lesotho for \$10 million;
- In May 2018, Canadian player called Canopy Growth acquired Daddy Cann Lesotho for \$28.7 million; and
- In May 2019, White Sheep began building a 300,000 sq ft cannabis production facility

Halo is the first US-based public business to step foot in the country. This will make it one of the first cannabis companies globally to have products and technology carried throughout the EU, the US, and Africa.

Making Bophelo

Once the Bophelo acquisition completes, Halo plans to appoint its chairperson Louisa Mojela as chairperson of its own board of directors. This allows Halo to benefit from the experience of Ms. Mojela – founder of the Johannesburg-listed \$250 million Women Investment Portfolio - and will also make Ms. Mojela the first African woman to lead a publicly-traded cannabis company. In 2015, Ms. Mojela was CNBC's African Businesswoman of the Year.

In anticipation of this, Halo got to work on Bophelo's acreage almost immediately after confirming its acquisition. It has built a nursery, planted seeds, and initiated civil works and site preparation. The firm now expects a first greenhouse to be operational in Q4 2019. This will allow it to begin its maiden summer growing cycle ahead of its first harvest in the second quarter of 2020.

The first harvest growing at Bophelo



Source: Halo Labs Inc.

Meanwhile, on the licensing side, Halo has identified a consultant to expedite the granting of required EU certifications. It is also in negotiations with Israeli and EU-licensed cannabis players for the importation of medical cannabis.

With all of these wheels in motion, Sidhu expects the Lesotho acquisition to begin having a massive positive effect on Halo's revenues from 2020 onwards:

“ We expect Lesotho sales to start coming in by the end of Q2 or the beginning of Q3 2020. Then we will see them coming in perpetually, allowing revenue growth to continue. So, to put this into perspective, this year we are expecting revenues of between \$30-\$35 million, but next year we expect the project at Lesotho to at least double this figure to \$70 million before putting us on target for a \$100 million run-rate by the end of next year. ”



Concentrating on concentrates

The much-publicized Vaping Ban is perhaps the best thing that can happen to the regulated cannabis market, and Halo's board has exercised great vision in recognizing this. While the ban is disruptive in the short-term, Halo believes it represents a permanent change in the future structure of the legal marijuana market. As such, the company has taken great strides in positioning itself to benefit from this seismic shift.

Beyond its entry into Lesotho, Halo has therefore continued to push forward in the US, where it is currently active in California, Oregon, and Nevada.

Uncertainty over the future of flavored vape cartridges has been the hot issue facing the American cannabis market over 2019. Flavored vape cartridges are currently (as of November 2019) banned in seven states – including Oregon. There are now even concerns that flavored vape cartridges will face a US-wide ban. For example, in September 2019, President Trump said the Federal Government would work for the nationwide removal of the products.

Importantly, the Vape Ban stems from two key concerns:

- 1) That enticing flavors (think chocolate and candy floss) will get children hooked on nicotine and cannabis products.
- 2) That flavored cartridges could lead to health issues. This is because they can contain very high levels of THC distillate and use chemical cutting agents and additives to achieve their flavor.

The concerns have had a significant impact on cannabis stocks, with many trading at multi-year lows at the time of writing this report. This is because the sale of cannabis waxes and oils used in vape cartridges account for a substantial proportion of legal marijuana business—roughly one-fifth in 2017 according to Morningstar research.

Those firms that are reliant on the sale of these products for their business models face an uncertain future.

Not so for Halo.

Whether or not the vape ban sticks does not matter to Halo. Since the firm is treating the ban as if it will be permanent, it has repositioned its product line to fit better the ongoing '*purist*' focus it has long been developing.

In the long-run, the vaping ban creates a huge opportunity in the cannabis market. It reflects the wider move towards more mature cannabis use in a better-regulated market. Halo has positioned itself as a major player in this brave new world, with its focus on purer product and its business model geared towards extreme high growth throughout the next wave.



How Halo is benefitting from the evolving US market

Thanks to its strategic shift in focus in the US, Halo is now in a prime position compared to nearly all of its competitors. Although the cannabis sector has taken a heavy hit over 2019, the long-term outlook is bright for those companies that can transition through these growing pains. By moving much more heavily into the concentrate market, Sidhu's plan is ambitious and Halo has completed most of the hard work.

Like flavored cartridges, concentrates are used in vapes. However, rather than use oil, cartridges take form as live resin, shatter, or wax. Whereas many flavored cartridges include additives and very high levels of THC distillate, concentrates are essentially a compressed form of the whole natural cannabis plant. As such, the user enjoys a more natural, 'whole-of-plant' experience, including the presence of CBD. Critically, concentrates are viewed as the legal cannabis market's most 'gourmet' product because they are raw, natural, and broad-spectrum. As such, they are typically marketed towards more mature users, rather than the younger users who seek out flavored products.

Halo's management compares the difference between the two products to that between raw and refined sugar:

“ Flavored vape cartridges are like refined sugar. What purists want is the concentrate, which is like raw sugar as it provides cannabis in its most natural form before distillation, alteration, and the addition of flavors. For example, concentrates are preferred by medical patients because, rather than providing THC alone, they provide CBD and other things that give users a cleaner, full spectrum effect. ”

Halo's hallmark product is the DabTab™ (licensed from its sister company Ilo Vapor), which can be used in a range of devices. These are proprietary, additive-free ceramic discs containing a pre-measured dose of either cannabis concentrate or oil. Halo markets DabTabs as a smooth way of consuming cannabis concentrates that captures the full benefits of the cannabis plant.

Critically, they have also been made exempt from all bans to date because they are entirely cannabis-derived. Using this head start, Halo plans to continue scaling down its operations in the flavored cartridge market. In conjunction with this, it will continue to increase its presence in the concentrates space.

Halo plans to adopt "white-label" and licensing strategies in its bid to expand its product sales. The firm will also use its expertise in developing concentrates to work with commercial partners in other US states, where cannabis is either already legal or is in the process of being legalized.



Examples of Halo Labs' white label product range

HALO

DEVELOPING BRANDS FOR EACH SEGMENT OF THE MARKET

Ultra-Premium



Premium - Oregon



Edibles - Oregon



Mainstream - Nevada



Mainstream - Oregon



Everyday Value



Source: Halo Labs Inc.

Through its ability to create and cultivate high-quality products, Halo will be able to extend its sales reach greatly without needing to build its own local supporting infrastructure. With many states moving towards legalization, the opportunities for relatively low-cost expansion are immense.

Here, Sidhu says Halo is well-positioned to thrive against this backdrop:

“ Everyone is reacting to the changes in the vape market, but our reactions have been quicker and more deliberate than many of our competitors. We have not dwelled on the fact that a change of strategy or message may need to be made- we have noticed that times are tough in one area of the market, and, at this point, those who are deliberate and quickest to make the right strategic moves are going to be the ones who succeed. Those who will end up on top will be those who can become the vulture when the market shifts. ”

Building business in California

As it stands, Halo has a strong footing in California. As of September 2019, the firm leased 15,520 sq ft of low-cost facilities in the state (half of which is licensed).

Meanwhile, in Q2 2019 Halo sold 46,623g of distillate at an average price of \$6.62/g and 51,605 grams of live resin at an average price of \$11.48g from its California operations. This was a significant contributor to total revenues for the period of about \$9.5 million – a 356% increase on Q2 2018 and a 10% jump on the previous quarter. It also produced a total of 296,283g of distillate and 268,709g of live resin.

Halo is keen to continue building on its presence in California because it represents a golden opportunity in the marijuana sector.

Industry analysts BDS Analytics believe that California's legal cannabis market is currently on track to become the biggest in the world. The state's sales growth is forecast to come in at \$3.1 billion in 2019, year-on-year progress of nearly 25%. This puts it far ahead of the \$1.6 billion of projected sales expected in Colorado and the \$1.1 billion expected in Canada. It also makes it much more substantial than leading European countries like Germany and the Netherlands.

What's more, analysts believe that the potential for much more market upside exists in California. Pent-up cannabis demand has grown as a result of high taxes and strict regulation. This has led to the creation of an \$8.7 billion illegal market in the state. Efforts by the government and Proposition 64 – a 2016 state-wide initiative that legalized the growing and selling cannabis for recreational use – are ongoing to move some of this money into the authorized space.

To build on its position in the state, Halo has announced a raft of developments throughout 2019. These included:

- The acquisition of a second production facility in Cathedral City, for which two permanent manufacturing and distribution licenses have now been issued;
- Biomass and supply bulk extract agreements with market-leading providers Cannus Partners and Caliva;
- Distribution agreements with C4 Distro (which delivers to 260 dispensaries in SoCal) and Nabis (which penetrates 99% of the California market);

Looking ahead, Halo's management tells us that California is currently experiencing a glut of distillate on the market thanks to US vape ban concerns. The firm plans to use this 'massive buying opportunity' as a way of extending its position in the state through acquisitions in the B2B market, shifting its focus away from its bulk operations. It will use a strategy known as laddering up, which Sidhu describes to us here:

“By laddering up, I mean that we will gradually increase the value of our acquisitions. So, the first transaction may be \$5 million, the second \$10 million, the third \$20 million, and so on and so on. This is a technique used by many of our peers. We are looking for targets that will augment our cash position, meaning that our targets are either cash neutral or cash positive, and we can take over those using our stock and access to capital markets. As such, our goal is to improve Halo's cash position from day one of any acquisition.”

Halo's dynamic board

Any company acquired by Halo will benefit from the board's wealth of blue-chip and cannabis sector experience. Sidhu has held senior positions with the likes of PwC, Merrill Lynch, and Transaction Network Services. Meanwhile, chief strategy officer Katie Field has worked at leading management consultant Bain & Company as well as Costa Farms and cannabis and hemp company Marimed. Likewise, chief operating officer Andreas Met has worked at such firms as Golden Leaf and Walmart.



Louisa Mojela
Chairman⁽¹⁾



Kiran Sidhu
CEO & Director



Andreas Met
COO & Director



Philip van den Berg
CFO & Director



Katie Field
Chief Strategy Officer



Source: Halo Labs Inc.

With all this boardroom potential in place and the California cannabis market offering significant value in the M&A game, Sidhu says the short-term pain of acquisitions will be well worth the long-term gain:

“Concerns around the vape market are going to result in a slowdown of bulk sales, but we think we are going to see a pickup in B2B businesses like the dispensaries. This may take time, but it will create long-term shareholder value. There is a sell-off in the market due to the bad news, and we are using this to our advantage. This is where true wealth is created- we are both blue-chip and cannabis people, so we know how to make these businesses work as efficiently and profitably as possible.”

Strategic positioning in Oregon and Nevada

Alongside California, Halo continues to position itself strategically in Oregon and Nevada – its two other vital areas of US operations.

The company has a particularly strong foothold in Oregon, where it accounts for 20% of the market in wholesale concentrates. In September 2019, monthly sales orders in this state totalled a record about \$1.8 million. Halo puts this down to users stockpiling vape cartridges in case of a state ban.

Halo owns a 12,000 sq ft manufacturing center in the city of Medford as well as controlling six acres of outdoor canopy in Jackson County. East Evans Creek Farm, as this latter site is known, recently produced a record 6,800kg harvest of dry marijuana product. Halo believes that this figure could rise even further, predicting an annual yield of 8,170kg over six acres (3,365kg per hectare) in the near future.

A Halo drying wall



Source: Halo Labs Inc.

Oregon was a trailblazer in the area of marijuana legalization back in the 1970s. More recently, since 2014, it has been legal for adults aged 21 and older to possess, use, and buy up to a 24-ounce supply of recreational and medical marijuana from licensed dispensaries. What's more, citizens can grow up to 24 pot plants themselves. As a result, Oregon has become one of the highest marijuana-consuming states, with 14.45% of its population identifying as users.

Against this backdrop, Halo's management tells us that the state has been vociferous in eliminating marginal operators and suspending licenses due to a glut of product on the market. Sidhu says that this dynamic will serve Halo well moving forward:

“What you have is a situation where the state is limiting supply, putting the balance on those who have been able to continue to operate, like Halo. At the same time, demand is continuing to grow. This means that we now have around 60 to 70 competitors, whereas we used to have 120, and we are in the top two.”

Meanwhile, Halo has manufactured and sold cannabis products in Nevada since October 2018. It currently leases an 8,000 sq ft processing facility by Las Vegas airport, and also controls a cultivation license. Sidhu tells us that the company has scaled back its operations in Nevada for the time being. This is because there are currently a limited number of dispensaries in the state – around 60 – resulting in high levels of competition.



“ For the time being, we are just sitting on our licenses in Nevada. The state is due to issue more dispensary licenses, so we will re-evaluate our approach when that occurs. ”

Balance sheet strength and cash flow growth

Despite testing conditions in the US domestic cannabis market, Halo's financial performance over 2019 has demonstrated the company's potential for growth. This sets it apart from most of its peers and positions the firm well to execute its ambitious plans for 2020.

On 15 November 2019, the company released its third-quarter results, boasting a 220% increase in revenue and a 1,000% jump in gross profit. Over the first nine months of the year, Halo generated \$25.4 million in sales (vs. \$7.9 million in 2018) yielding a gross profit of \$6.6 million (vs. \$600,000 in 2018).

Encouragingly, Halo's gross profit margins across its product range rose from 8% over the same period in 2018 to an extremely healthy 26% in 2019 so far.

Although the organization's net loss widened to \$12.9 million, this figure contains a number of one-off and non-cash charges. The figures also do not take into account cost-cutting efficiencies, which Halo has put into place. As Sidhu tells us:

“ We've been quick to act in response to changing market conditions and have implemented both wide-ranging cost-cutting initiatives and new sales lines. By the end of 2019, our goal is to be cash flow neutral and then cash flow positive as we move into 2020. ”

Halo's Q3 numbers can be viewed in Appendix I below, with full notes available in the official announcement, available on the company's website <https://halocanna.com/halo-investors/>.

Overall Performance

	For the 3 months ending		For the 9 months ending	
	September 30. 2019	September 30. 2018	September 30. 2019	September 30. 2018
Revenue	7,150,557	3,595,906	25,421,072	7,858,350
Gross profit	2,903,770	523,322	6,601,800	663,804
Gross margin	41%	15%	26%	8%
Total operating expenses	7,924,134	3,269,358	16,686,798	6,630,562
Net loss	(5,887,772)	(5,375,040)	(12,983,442)	(9,273,928)
Net loss per share (basic and diluted)	\$ (0.03)	\$ (0.19)	\$ (0.08)	\$ (0.34)

Source: Halo Labs Inc.

The SEVEN reasons why Halo Labs should be in your portfolio

After all, **at 19¢ a share Halo's market cap is only \$46.8 million, as of 11 November 2019.**

Let's recap on why owning Halo makes sense.

Here are the seven reasons why Halo Labs is an outstanding buy:

1. High growth credentials proven in action with \$25.4 million in sales through 9 months

Since it was founded in 2016, Halo has already sold over 4 million grams of cannabis oil and concentrates. It is now selling in excess of 200,000 grams a month. In the first nine months of 2019, Halo generated \$25.4 million in revenue, an enormous **223% increase** from the same period in 2018. Gross profit rose an incredible TEN times year-on-year to \$6.6 million. **And there is still a full quarter to go...**

2. A very strong balance sheet

On 30 September 2019 Halo had **working capital of \$19.1 million.** Remember, **at 19¢ a share Halo's market cap is only \$46.8 million.** This gives the company an **enterprise value of less than \$27.7 million.** The upside potential from the existing business alone is crystal clear.

3. A hugely successful management team

Halo's leadership team has been tremendously successful throughout its individual careers. Between them, the directors have built companies worth hundreds of millions of dollars. **Today they are applying these same talents to the growth of Halo.**

4. Great vision in foreseeing the vaping ban and repositioning its product line

Perhaps in hindsight, the vaping ban was predictable. Maybe it wasn't. Whatever the case, Halo's leadership exhibited **great vision in foreseeing this and great skill in repositioning the company's product line** to adjust. Throughout 2020 **expect to see this make a massive contribution to Halo's bottom line.**

5. "Laddering up" to accelerate growth through acquisition

The 2019 bursting of the first cannabis bubble has created a buyer's paradise for those companies that can afford to seize the initiative. Thanks to its financial muscle, Halo can and is. The company has assumed the role of hungry predator in its hunt for undervalued assets. **Expect to see much more action on this front in the coming weeks and months.**

6. Expert cannabis cultivators

As demonstrated by **the bountiful cannabis harvests at Halo's 6-acre East Evans Creek Farm**, which most recently produced a record 6,800kg of dry product, Halo has assembled a troop of expert cannabis cultivators. As the cannabis market matures and the focus switches to quality of production, Halo will have **a unique edge** in fulfilling its deeply held ambition **to become a leading player in the international cannabis market.**

7. Bophelo and the Billion Dollar revenue potential

All of the above steers us in one direction.

Halo Labs has set its sights on becoming a Billion Dollar player in the global cannabis market.

As clearly demonstrated, Halo has laid the strongest of foundations to build upon. **The acquisition of Bophelo in Lesotho and its 205-hectare cannabis farm could prove to be the keystone of this strategy.**

With its cannabis-friendly environment and supportive regulatory system, Lesotho acts as the perfect gateway to supplying the international cannabis market.

The Bophelo acquisition could potentially add \$30 million to Halo's revenue in the first 18 months alone and beyond that, many Billions of Dollars over the coming decades.

Appendix I – Halo Labs (OTCMKTS:AGEEF) (NEO:HALO) Q3 2019 Financials

Halo Labs Inc. Condensed Interim Consolidated Statements of Financial Position

Unaudited, expressed in US dollars

September 30, 2019 December 31, 2018

Assets			
Current			
Cash		3,757,306	722,649
Restricted cash		2,037,860	-
Marketable securities		-	99,496
Accounts receivable	Note 6	6,562,765	627,815
Inventory	Note 7, 8	8,295,646	8,077,764
Biological assets	Note 8	2,264,430	-
Notes receivable	Note 9	535,625	704,338
Pre-paid expenses and other		3,523,275	619,192
Total current assets		26,976,907	10,851,254
Long-term			
Property, plant and equipment	Note 10	6,962,562	3,768,653
Intangibles	Note 11	6,942,234	4,772,081
Total long-term assets		13,904,796	8,540,734
Total assets		40,881,703	19,391,988
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		5,502,691	3,943,720
Other loans	Note 15	612,133	505,137
Income tax payable	Note 18	1,178,447	34,447
Sales & cultivation tax payable	Note 18	520,855	152,561
Other liabilities		399,138	-
Total current liabilities		8,213,264	4,635,865
Long-term liabilities			
Debenture liability	Note 13	6,708,072	-
Lease liability	Note 5	1,819,947	-
Total long-term liabilities		8,528,019	-
Total Liabilities		16,741,283	4,635,865
Shareholders' equity			
Share capital	Note 14	53,726,326	31,696,972
Warrant and option reserve	Note 14	5,523,976	5,246,763
Accumulated other comprehensive income		(87,014)	72,419
Deficit		(35,022,868)	(22,260,031)
Total shareholders' equity		24,140,420	14,756,123
Total shareholders' equity and liabilities		40,881,703	19,391,988

Going concern Note 2

Commitments and contingencies Note 13, 15, 19

Subsequent events Note 20

These notes are an integral part of the consolidated financial statements

Approved on behalf of the Board of Directors:

Kiran Sidhu
CEO and Director

Philip van den Berg
CFO and Director

Halo Labs Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited, expressed in US dollars

	<i>For the 3 months ending:</i>		<i>For the 9 months ending:</i>	
	<i>September 30, 2019</i>	<i>September 30, 2018</i>	<i>September 30, 2019</i>	<i>September 30, 2018</i>
Revenue	7,150,557	3,595,906	25,421,072	7,858,350
Cost of finished cannabis inventory sold	6,148,873	4,001,075	20,428,716	7,654,002
Gross profit (loss), excluding fair value items	1,001,684	(405,169)	4,992,356	204,348
Unrealized fair value gain (loss) on growth of biological assets	1,902,086	928,491	1,609,444	459,456
Gross profit (loss)	2,903,770	523,322	6,601,800	663,804
Operating expenses				
General and administration	1,642,480	711,812	3,438,445	1,813,533
Salaries	1,227,678	752,515	3,408,663	1,138,285
Professional fees	2,901,064	1,062,016	3,955,472	1,980,834
Sales and marketing	774,647	486,949	1,961,570	1,035,662
Investor relations	59,094	56,157	1,284,805	174,392
Share issuance cost	1,220,709	-	1,220,709	-
Share based compensation	98,462	199,908	1,417,134	487,856
Total operating expenses	7,924,134	3,269,358	16,686,798	6,630,562
Loss before undernoted items	(5,020,364)	(2,746,035)	(10,084,998)	(5,966,758)
Accretion expense	323,933	(48,836)	551,130	143,029
Change in fair value of embedded derivative	-	-	-	(134,463)
Transaction expenses in relation to reverse take-over	-	2,379,034	-	2,379,034
Loss on the sale of property	(127,785)	-	(67,467)	-
Depreciation	60,732	-	601,133	-
Foreign exchange (gain)/loss	270,452	-	(160,568)	-
Interest expense	303,074	398,807	808,116	888,229
Loss before income taxes	(5,850,770)	(5,475,040)	(11,817,342)	(9,242,587)
Income tax expense / (recovery)	37,002	(100,000)	1,166,100	31,341
Net loss	(5,887,772)	(5,375,040)	(12,983,442)	(9,273,928)
Other comprehensive income				
Unrealized loss on foreign currency translation	421,917	8,683	159,433	8,683
Comprehensive loss	(6,309,689)	(5,383,723)	(13,142,875)	(9,282,611)
Net loss per share, basic and diluted:	\$ (0.03)	\$ (0.19)	\$ (0.08)	\$ (0.34)
Weighted average number of outstanding common shares, basic and diluted:	191,194,200	28,163,984	155,030,836	27,661,412

These notes are an integral part of the consolidated financial statements

Halo Labs Inc.
Condensed Interim Consolidated Statements of Cash Flow

Unaudited, expressed in US dollars

*For the 9 months ending:
September 30, 2019 September 30, 2018*

Cash provided by (used in)			
Operating activities:			
Net loss		(12,983,442)	(9,273,928)
Items not involving cash			
Depreciation	Note 10	995,387	271,453
Accrued interest		808,116	888,229
Accretion expense		551,130	143,029
Income tax		1,166,100	31,342
(Gain) loss in fair value of biological assets	Note 8	(1,609,444)	459,456
Foreign exchange (gain) loss		(160,567)	(8,683)
Change in the fair value of embedded derivative	Note 13	-	(134,463)
Transaction expense in relation to reverse take-over		-	2,379,034
Share based payments for goods and services		5,552,667	-
Share-based compensation	Note 14	1,417,134	487,856
Changes in working capital items			
Accounts receivable	Note 6	(5,934,950)	(438,831)
Notes receivable		168,713	79,838
Accounts payable and accrued liabilities		1,558,971	3,503,177
Income tax payable	Note 18	346,194	-
Other liabilities		-	-
Inventory	Note 7, 8	(1,242,869)	(2,344,816)
Pre-paid expenses and other		(2,904,083)	(423,442)
Cash used in operating activities		(12,270,943)	(4,380,749)
Investing activities			
Intangibles	Note 11	(35,000)	(500,000)
Purchase of property, plant and equipment	Note 10	(1,234,667)	(808,588)
Cash acquired on reverse take-over transaction	Note 5	-	-
Sale of marketable securities		166,962	-
Cash used in investing activities		(1,102,705)	(1,308,588)
Financing activities			
Issuance of common shares & convertible debentures	Note 13,14	18,938,459	20,043,776
Share issuance costs	Note 14	(492,294)	(2,341,224)
Cash raised in finance activities		18,446,165	17,702,552
Change in cash in during the period		5,072,517	12,013,215
Cash, beginning of the period		722,649	144,255
Cash end of period		5,795,166	12,157,470

Supplemental information: Notes 5, 14, 16

These notes are an integral part of the consolidated financial statements

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Contact Us

To find out more please contact Ben:

Email: contact@valuethemarkets.com

Telephone: +44 (0) 208 226 5175

Website: www.valuethemarkets.com

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Authors: Ben Turney & Daniel Flynn

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