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Initial Report

Investors should consider this report as only a single factor in making their investment decision.

International Land Alliance, Inc.

Speculative Buy

John Nobile

November 3, 2021

ILAL $0.87 — (OTC)

	2019A	2020A	2021E	2022E
Revenues (million)	$0.5	$0.0	$2.8	$10.0
Earnings (loss) per share	$(0.10)	$(0.14)	$(0.23)	$(0.01)

52-Week range	$1.84 – $0.47	Fiscal year ends:	December
Common shares out as of 8/17/21	31.3 million	Revenue per share (TTM)	$0.00
Approximate float	19.8 million	Price/Sales (TTM)	NMF
Market capitalization	$27 million	Price/Sales (FY2022)E	3X
Tangible book value/share	$0.02	Price/Earnings (TTM)	NMF
Price/tangible book value	43.5X	Price/Earnings (FY2022)E	NMF

International Land Alliance, Inc., headquartered in San Diego, California, is a residential land development company with target properties located primarily in the Baja California Northern region of Mexico and Southern California.

Key investment considerations:

We are initiating coverage of International Land Alliance, Inc. with a Speculative Buy rating and twelve-month price target of $2.00 per share.

ILAL is focused on acquiring and developing land located in areas with abundant resources and an appealing climate year-round. The company aims to utilize its competitive advantages (an understanding of local demand and long-term relationships with local authorities, landowners, designers, and contractors) to address the needs of those in its target market, especially retirees looking to purchase a home in Mexico.

The company has positioned itself to realize a significant ramp in revenue starting in 3Q21 with recent developments that include executing 10 residential plot sales agreements and commencing construction of a model home, three casitas (little houses such as carriage houses, mother-in-law suites, or pool houses) and a clubhouse for wine tasting at its Valle Divino project.

ILAL accepted several reservations for home sales at its Plaza Bajamar project, resumed construction and commenced property tours at its Oasis Park Resort project (with over $60 million in anticipated gross lot sales), and sold a 20-acre parcel of property at its Emerald Grove Estates property in Southern California.

For 2021, we project revenue of $2.8 million, up from $8,000 in 2020 and a net loss of $6.1 million or $(0.23) per share. The net loss in 2020 was $3 million or $(0.14) per share.

For 2022, we project revenue of $10 million, up from $2.8 million in 2021 and a net loss of $443,000 or $(0.01) per share. The significant improvement from our 2021 forecast reflects continuing sales of residential plots and homes from the company's property portfolio.

****Please view our disclosures on pages 15 - 17.***

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Recommendation and Valuation

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In valuing shares of ILAL, we chose the real estate – diversified industry as a comparable peer group as it closely aligns with the company's current business and future direction. The industry currently trades at an average trailing-twelve-month (ttm) P/S multiple of 14X sales (finviz.com). Applying the industry multiple to our 2022 sales projection of $0.29 per share (fully diluted), discounted to account for execution risks, we derive a 12-month price target of approximately $2.00 per share.

Organizational History

International Land Alliance, Inc. was incorporated in September 2013 (inception). In June 2011, International Land Alliance, SA De CV (ILA Mexico) was formed as a Mexican corporation to acquire from Baja Residents Club, S.A., a Mexican corporation, 497 acres south of San Felipe, Baja California, known as the Oasis Park project and 20 acres in Ensenada, Baja California, known as the Valle Divino project. In October 2013 Roberto Jesus Valdez (current CEO), Jason A. Sunstein (current CFO) and Elizabeth Roemer transferred their interest in Oasis Park and Valle Divino real estate projects to ILA Mexico in exchange for approximately 8,000 shares of ILA Mexico common stock. In October 2013, the company issued approximately 3.8 million shares of its common stock to Roberto Jesus Valdez, 3.8 million shares to Jason Sunstein and 1 million shares to Elizabeth Roemer in exchange for all of the outstanding shares of ILA Mexico. As a result of this transaction, ILA Mexico became a wholly owned subsidiary of the company.

In April 2019, the company's stock began trading on the OTC under the symbol ILAL.

Business Overview

International Land Alliance, Inc., headquartered in San Diego, California, is a residential land development company with target properties located primarily in the Baja California Northern region of Mexico and Southern California. The company is primarily involved in purchasing properties, obtaining zoning and other entitlements required to subdivide the properties into residential and commercial building lots, securing financing for the purchase of the lots, as well as improving the properties' infrastructure and amenities, and selling the lots to homebuyers, retirees, investors and commercial developers. ILAL offers the option of financing (i.e. taking a promissory note from the buyer for all or part of the purchase price).

The company's projects are marketed toward residents of the US and Canada. ILAL's focus is on the influx of manufacturing facilities run by foreign companies moving to Mexico, as well as residents of California, Texas, Arizona and Washington for the purpose of appealing to their need for a second home or retirement property within driving distance from Southern California.

The company targets home buyers who are typically professionals who own an existing property and seek information regarding villas or condominiums as a second home or vacation destination.

Although the company is primarily involved with developing and selling residential lots, the company aims to generate revenue from construction services, develop joint ventures with hotels, and acquire completed projects in Northern Baja California.

Property Transactions

In March 2019, ILAL acquired property located in Hemet, California, which included approximately 80 acres of land and two structures for $1.1 million. The property includes the main parcel of land with existing structures along with three additional parcels of land which are vacant plots to be used for the purpose of development. The company is generating Airbnb sales and lease income from this property.

In October 2019, the ILAL entered into an agreement with Valdeland, S.A. de C.V., a Mexican corporation controlled by Robert Valdes (CEO), to acquire 1 acre of land at the Bajamar Ocean Front Golf Resort in Ensenada, Baja California, known as the Costa Bajamar. The transfer of title for this project is subject to approval from the Mexican government in Baja California. Although the company believes that the title transfer will be approved and transferred by the end of 4Q21, there is no assurance that it will occur in that time frame or at all.

In October 2020, the company entered into a business agreement with A&F Agriculture LLC in which the parties agreed to operate a business for the purpose of commercially cultivating industrial hemp at ILAL's property in Southern California. A&F will be the managing party of the business agreement with ILAL providing A&F with the land and water supply for the purpose of the cultivation. All revenue and expenses associated with the cultivation will be split equally.

In March 2021, ILAL executed a letter of intent (LOI) to acquire two parcels of land in Rosarito Beach, Baja California, Mexico, with total surface area of roughly 32 acres valued at approximately $6 million. The all-stock transaction includes plans and permits for an existing 450-homesite project situated near the Pacific Ocean, with existing sales averaging $50,000 per residential plot. The LOI includes the accounts receivable for plots sold and the remaining unsold plots. The closing is subject to standard conditions including completion of due diligence by both parties and the negotiation and execution of mutually acceptable definitive documents. The LOI agreement is not binding upon the parties.

The table below shows the difference between the company's GAAP values versus appraised value of its projects.

Project	GAAP Value	Appraised Value	Difference
Villas Del Enologo Acquired in 2017	$1,000,000	$1,350,000	$350,000
Valle Divino Resort Acquired by the company's founders 2005 then transferred to the company in 2013	$250,000	$6,000,000 (includes option for additional 80 acres	$5,750,000
Oasis Park Resort Acquired by the company's founders 2002 then transferred to the company in 2013	$850,000	$16,000,000	$15,150,000
Emerald Grove Estates In Southern California Acquired in 2019	$1,100,000	$2,775,000	$1,675,000
Plaza Bajamar Acquired in 2019	$1,000,000	$1,350,000	$350,000
Total	**$4,200,000**	**$27,475,000**	**$23,275,000**

Source: Company Presentation September 2021

The company's portfolio also includes Rancho Costa Verde, a real estate community on the east coast of Baja California, Mexico with 1,100 acres master-planned for second homes, retirement homes, and vacation homes.

Recent developments related to the company's property portfolio is as follows:

1. Commenced construction of a 2BR/2BA model home, three casitas (little houses such as carriage houses, mother-in-law suites, or pool houses) and a clubhouse for wine tasting at Valle Divino. Executed 10 residential plot sales agreements for its Valle Divino project and accepted several reservations for home sales for its Plaza Bajamar project. A master bank trust is in process of being created to hold and transfer title, rights and interest to each property, which will allow the company to record revenue from its Valle Divino and Plaza Bajamar projects, as sales are made, and individual trusts are established for each buyer. ILAL expects to have this trust established by the end of 4Q21. Title and the ability to record sales at the Oasis Park Resort has already been established.

2. Partnered with CleanSpark, Inc. to successfully deploy a microgrid on ILAL's model home at Plaza Bajamar, and established plans to outfit all units at the property and ILAL's Valle Divino development with solar microgrid installations.

3. Resumed construction and service work at Oasis Park Resort with over $60 million in anticipated gross lot sales, and opened the Resort for property tours.

4. Commenced a construction financing fund to provide flexible financing solutions for homesite construction to selected qualified owners.

5. Reopened its newly renovated event center at its Emerald Grove Estates property in Southern California. ILAL sold a vacant 20-acre parcel of the property for approximately $630,000 with a significant return on investment for one-fourth of the 80-acre property that the company originally purchased for $1.1 million. This sale is expected to be recorded in 4Q21.

6. Continued efforts to secure financing and strengthen its balance sheet by closing a $2 million private placement with a single institutional investor that enabled the repayment of $500,000 bridge loan. ILAL owns all of its Baja California properties outright, without debt.

Land Development Industry and Real Estate Market in Mexico

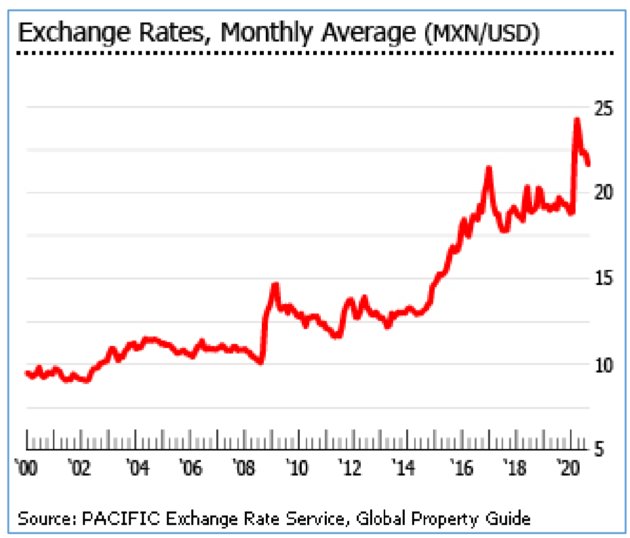
The land development industry services raw land and subdivides properties into lots for subsequent sale to builders. Land subdivision precedes building activity. Servicing of land may include excavation work for the installation of roads and utility lines, and operators may subcontract excavation and other activities to specialist contractors.

According to IBISWorld, over the five years to 2021, land development industry operators have benefited from an increase in construction activity in both residential and nonresidential markets, as a result of relatively low interest rates and high per capita disposable income. However, in 2020 and 2021, due to declines in the value of nonresidential construction due to spread of COVID-19, revenue growth has been negatively affected. But increase in demand from residential construction has helped industry revenue grow at an annualized rate of 1.5% to reach $11.8 billion over the five years to 2021, including an increase of 5.8% in 2021.

The residential market, which comprises the development of single- and multifamily homes as well as condos and residential communities, represents the largest market for the Land Development industry. In 2021, IBISWorld expects this segment to account for 75.4% of industry revenue, significantly boosted by single-family housing construction. Overall, this market's portion of industry revenue has increased over the five years to 2021, as residential construction activity significantly picked up. As a result of relatively low interest rates and rising per capita disposable income during the period, consumers felt more comfortable in their financial situations to make large-item purchases.

IBISWorld projects the land development industry’s revenue to increase slightly at an annualized rate of 0.2% over the five years to 2026 to reach $11.9 billion. During this period, improvements in property values, vacancy rates and transaction volumes are expected to prevent significant revenue declines for this industry.

In recent years, American and Canadian buyers have been returning to Mexico after a several-year slump, thanks in part to a strong US dollar (see chart at right), pushing home values up. More than 1 million Americans live in Mexico and more than 500,000 own homes in the country. An article published by Point2 Homes ranked Mexico first among 30 favorite US and Canadian destinations for second home searches.



According to a report by Mordor Intelligence, the incentives created by governmental reforms and attractive interest rates are projected to be an area of opportunity for real estate investment in the residential markets in Mexico. Mordor Intelligence valued the Mexican residential real estate market at approximately $31 billion in 2018 and projects it to grow to $60 billion by 2025, for a CAGR of approximately 9.9% from 2019 to 2025.

Mexico remains a viable retirement option for Americans aged 50 years and over, offering a reduced cost of living, lower health care expenses, and proximity to friends and family in the US. People’s motivation to purchase a home in Mexico is based on their desire to have a home on or near the coast that would otherwise be unattainable in the US.

In addition to US and Canadian citizens, Baja California has seen a noticeable increase in business from Japan and Europe.

Competition

The Mexican public real estate market is fragmented and highly competitive. ILAL competes with numerous developers, builders, and others for the acquisition of property and with local, regional, and national developers, homebuilders, and others with respect to the sale of residential properties. The company also competes with builders and developers to obtain financing on commercially reasonable terms.

ILAL is subject to competition from other entities engaged in the business of resort development, sales and operation, including vacation interval ownership, condominiums, hotels and motels. Some of the world's most recognized lodging, hospitality and entertainment companies have begun to develop and sell resort properties in the Baja California area. Many of these entities possess significantly greater financial, marketing and other resources than those of the company.

Strategy

ILAL's primary goal is to sell desirable properties at competitive prices to all types of investors and buyers with favorable financing options for individual and bulk transactions. The company is focused on acquiring undeveloped land primarily in Baja California, Mexico, one of the most popular tourism, residential and retirement destinations.

ILAL aims to develop land located in areas with abundant resources and an appealing climate year-round. The company intends to provide numerous amenities that will attract a broad audience, build affordable and top-quality villas with construction and development based on green technology in an effort to offset environmental damage from large-scale construction.

The company will utilize its competitive advantages to address the needs of those in its target market, especially retirees looking to purchase a home in Mexico. ILAL's strengths include a good understanding of local demand and the entitlement and acquisition process, a portfolio of high-quality homes, aggressive marketing, long-term relationships with local authorities, landowners, designers, and contractors, and the ability to offer a fast and less cumbersome financing process.

Economic Outlook

In October 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 5.9% for 2021 and 4.9% for 2022. While the IMF's growth projection for 2022 is unchanged from its earlier projection (July 2021), the 2021 projection is down from 6%. The 2021 downward revision primarily reflects supply disruptions and worsening pandemic dynamics.

The IMF revised its economic growth estimate for the US to an increase of 6% for 2021 and 5.2% for 2022. In July 2021, the IMF projected US economic growth of 7% and 4.9% for 2021 and 2022, respectively.

The advance estimate of US GDP growth (released on October 28, 2021) showed the US economy increased at an annual rate of 2% in 3Q21, down from the 6.7% increase reported in 2Q21. The 3Q21 US GDP estimate primarily reflects increases in inventory investment, consumer spending, state and local government spending, and business investment, partially offset by decreases in housing investment, federal government spending, and exports.

Projections

2021 Forecast - We project revenue of $2.8 million, up from $8,000 in 2020 and a net loss of $6.1 million or $(0.23) per share. The net loss in 2020 was $3 million or $(0.14) per share. The significant improvement in revenue is primarily due to the sales of residential plots and homes for the company's Valle Divino and Plaza Bajamar projects and the sale of a 20-acre parcel of property at Emerald Grove Estates. The company is in the process of creating a bank trust to hold and transfer title, rights and interest in its Valle Divino and Plaza Bajamar projects, which will allow the company to record revenue from these projects in 2H21. Title and the ability to record sales at the Oasis Park Resort has already been established. The greater net loss in 2021 is primarily due to higher operating expenses.

The increase in revenue should result in gross profit increasing to $958,000 from $8,000 with gross margins of 34% versus 100% in 2020. Sales and marketing expenses are projected to increase to $3.7 million from $123,000 and general and administrative expenses are projected to increase to $2.8 million from $2 million to support revenue growth. We project interest expense increasing to $538,000 from $471,000 due to a higher average debt level. No taxes are likely to be recorded due to the company's large amount of net operating loss carryforwards of approximately $9.6 million as of December 31, 2020.

In 2021, we project $1.3 million cash used in operations from a cash loss of $1.7 million and a $375,000 decrease in working capital. The decrease in working capital should come primarily from an increase in payables and deposits. We project $271,000 cash used in investing from an equity-method acquisition and construction in progress payments. Cash provided by financing of $1.9 million should primarily result from common stock sales. We project a $276,000 increase in cash to $289,000 at the end of 2021.

2022 Forecast - We project revenue of $10 million, up from $2.8 million in 2021 and a net loss of $443,000 or $(0.01) per share. The significant improvement in our forecast is primarily due to continuing sales of residential plots and homes from the company's property portfolio.

The increase in revenue should result in gross profit increasing to $8.4 million from $958,000 with gross margins of 84% versus 34% in 2021 due to an increase in higher margin land sales. Sales and marketing expenses are projected to increase to $5.6 million from $3.7 million and general and administrative expenses are projected to increase to $3 million from $2.8 million to support revenue growth. We project interest expense decreasing to $279,000 from $538,000 due to a lower average debt level. No taxes are likely to be recorded due to the company's large amount of net operating loss carryforwards.

In 2022, we project $3.4 million cash provided by operations from cash earnings of $3.8 million offset in part by a $463,000 increase in working capital. The increase in working capital should come primarily from a decrease in payables. We project $600,000 cash used in investing from increased construction in progress payments. Cash used in financing of $2.4 million should primarily be due to the pay down of debt. We project a $367,000 increase in cash to $656,000 at the end of 2022.

2Q21 and 1H21 Financial Results

_2Q21_ – Revenue and gross profit decreased to $8,000 from $11,000 and the net loss increased to $2 million or $(0.08) per share from a loss of $464,000 or $(0.02) per share in 2Q20.

Sales and marketing expenses increased to $1.2 million from $58,000 due primarily to the fair value of options which were granted pursuant to a consulting and real estate sales agreement. General and administrative expenses increased to $649,000 from $318,000 due primarily to an increase in share-based compensation expense related to consulting agreements.

Interest expense increased to $145,000 from $98,000.

1H21 – Revenue and gross profit decreased to $18,000 from $26,000 and the net loss increased to $3 million or $(0.12) per share from a loss of $1.3 million or $(0.06) per share in 1H20.

Sales and marketing expenses increased to $1.2 million from $417,000 due primarily to the fair value of options which were granted pursuant to a consulting and real estate sales agreement. General and administrative expenses increased to $1.4 million from $725,000 due primarily to an increase in share-based compensation expense related to consulting agreements and investor relations fees.

Interest expense increased to $346,000 from $194,000.

Liquidity – As of June 30, 2021, ILAL had $17,000 cash, a current ratio of 0.1X, $3.1 million of total debt ($1.4 million short-term) and shareholder's equity of $642,000.

In 1H21, the company used $365,000 cash from operations from a cash loss of $853,000 and a $488,000 decrease in working capital. The decrease in working capital was primarily due to an increase in payable and prepaid expenses. Cash increased by $4,000 to $17,000 as of June 30, 2020.

	Income Statement (in thousands $)	
	6M21A	6M20A
Revenue	18	26
Cost of revenue	-	-
Gross profit	18	26
Sales and marketing	1,215	417
General and administrative	1,420	725
Operating income (loss)	(2,618)	(1,116)
Income from equity-method investment	7	-
Other income (expense)	(8)	-
Interest expense	(346)	(194)
Net income (loss) to common	(2,965)	(1,310)
EPS	(0.12)	(0.06)
Shares Outstanding	24,744	21,005
Margin Analysis		
Gross margin	100.0%	100.0%
Sales and marketing	NMF	NMF
General and administrative	NMF	NMF
Year / Year Growth		
Total Revenues	(32.0)%	
Source: Company filings		

On January 21, 2021, the company refinanced its existing first and second mortgage loans on the 80 acres of land and the structure located at Sycamore Road in Hemet, California for aggregate amount of approximately $1.8 million at an annual rate of 12%, payable in monthly interest installments of approximately $18,000 starting on September 1st, 2021 and continuing monthly thereafter until maturity on February 1st, 2023, at which time all sums of principal and interest that are unpaid shall be due and payable.

On February 25, 2021, the company entered into a convertible promissory note pursuant to which it borrowed $500,000, net of an issuance costs of $25,500 and original issuance discount of $50,000. Interest under the convertible promissory note is 12% per annum, and the principal and all accrued but unpaid interest is due on February 25, 2022. The note is convertible upon an event of default after the issuance date at the noteholder's option into shares of ILAL common stock at a fixed conversion price equal to $1.00. During the six-months ended June 30, 2021, Six Twenty Management (related party) paid, on behalf of the company, the first installment due in June 2021 of approximately $62,000.

On March 31, 2021, the company issued a promissory note to Six Twenty Capital Management LLC, a company controlled by Jason Sunstein, CFO of ILAL, for approximately $289,000. The loan bears interest at 8% and matures on March 31, 2022. ILAL received additional funding of approximately $274,000 and repaid approximately $153,000 during the six months ended June 30, 2021. Six Twenty Capital Management LLC paid, on behalf of the company, approximately $62,000 relating to the first agreed-upon installment from another convertible note.

On October 25, 2019, the company issued a promissory note to RAS, LLC, a company controlled by Lisa Landau, a former officer and related party to an officer of the company, for approximately $441,000. The loan bears interest at 10% and matured on June 25, 2020 (past maturity). Interest expense for the six months ended June 30, 2021, was approximately $32,000 of which ILAL issued approximately 30,000 shares of common stock with a fair value of $11,000 as payment for accrued interest.

Subsequent to June 30, 2021, the company sold three million shares of its common stock for net proceeds of approximately $1.9 million and paid off a $500,000 loan.

Management

Roberto Jesus Valdes, Chief Executive Officer and Director – Valdes has been one of ILAL's officers and directors since October 2013. Valdes has been the President of Grupo Valcas, Baja Residents Club, S.A. de, C.V. since 2004, and was the Assistant in the Grupo Valcas Design Department from 1989 to 1991. From 1991 through 2004, Valdes was a member of the Board of Directors, DUBCSA – Bajamar Ocean Front Resort Master Developer. During his term as a Director, he acted as Project Director for Grupo Valcas.

Frank A. Ingrande, President and Director – Ingrande has over 30 years of experience in the second-home industry and more than 20 years in the second-home market in Mexico. He currently serves as President of Rancho Costa Verde Development, LLC, which he co-founded in 2008. Holds a BBA in Finance and an MBA with an emphasis in new venture management & international business from the University of San Diego. Ingrande holds a California Real Estate Salesperson License.

Jason Sunstein, Principal Financial and Accounting Officer and Director – Sunstein has been one of ILAL's officers and directors since October 2013. Between February 2012 and July 2014, he was Vice President of Earth Dragon Resources, Inc. Between January 2009 and January 2012 Mr. Sunstein was Vice President of Santeon Group, Inc. Since 1989, he has participated in a broad variety of both domestic and international structured investments and financings, ranging from debt and preferred stock to equity and developmental capital across a wide variety of infrastructure and corporate financings. He has been involved in numerous start-ups, turnarounds and public companies. Sunstein serves on the Board of Directors of several public and private companies, as well as the Advisory Board for the National Nutrition Reform. He attended San Diego State University where he majored in Finance and has held NASD Series 7 and Series 63 licenses.

Risks

In our view, these are the principal risks underlying the stock.

Going concern issues – As of June 30, 2021, ILAL's current liabilities exceeded its current assets by $2.4 million. The company has recorded a net loss of approximately $2.9 million for the six months ended June 30, 2021, and had an accumulated deficit of $12.6 million. Net cash used in operating activities for the six months ended June 30, 2021, was approximately $365,000. These factors raise substantial doubt about the company's ability to continue as a going concern.

Limited capital resources - Unless ILAL begins to generate sufficient revenues to finance operations, it may experience liquidity and solvency problems. Such problems may force the company to cease operations if additional financing is not available.

Development risks - Risks associated with the company's development and construction activities may include the risks that acquisition and/or development opportunities may be abandoned, construction costs of a property may exceed original estimates, possibly making the resort uneconomical or unprofitable, and construction may not be completed on schedule, resulting in decreased revenues and increased carrying cost such as taxes and interest expense.

Fixed costs - Many costs associated with real estate investment, such as debt service, real estate taxes and maintenance costs, generally are fixed. A small increase in the time to which a real estate property can be sold can result in a significant increase in the carrying costs of the property. New properties that the company acquires may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property until the property is sold.

Zoning and environmental regulations - Governmental zoning and land use regulations may be promulgated that could have the effect of restricting or curtailing certain uses of the company's real estate. Such regulations could adversely affect the value of any of ILAL's properties. Real estate values have also been adversely affected by the presence of hazardous substances or toxic waste on, under, or in the property. Owners of properties have been liable for substantial expenses to remedy chemical contamination of soil and groundwater at their properties even if the contamination predated their ownership.

Cyclicality – The market for property in Mexico and the US tends to be cyclical, with periods in which the prices of properties rise and fall. Prices have fallen in the past and have done so for a significant period of time. Any downturn in the real estate market in the US or Mexico may have an adverse effect on ILAL's operations.

Interest rate sensitivity – The company may borrow money at variable interest rates to finance operations. Increases in interest rates would increase ILAL's interest expense on its variable rate debt, which would adversely affect cash flow and its ability to service debt.

Potential conflict of interest - The company has and will continue to enter into agreements with firms owned or controlled by its officers and directors which could lead to a potential conflict of interest.

Economic conditions in Mexico - General economic conditions in Mexico have an impact on the company's business and financial results. The global economy in general and in Mexico remains uncertain. Weak economic conditions could result in lower demand for ILAL's properties, resulting in lower sales, earnings, and cash flows.

Exchange rate risk - The value of the company's common stock may be affected by the foreign exchange rate between US dollars and the currency of Mexico, and between those currencies and other currencies in which its revenues and assets may be denominated.

COVID-19 - A continued deterioration in the US economy as a result of the coronavirus outbreak could result in continued turmoil. The continued impact of this event on the company's business and the severity of an economic crisis is uncertain. The possibility exists that the coronavirus outbreak could continue to adversely affect ILAL's business, vendors and prospects as well as its liquidity and financial condition.

Significant insider ownership – The company's CEO and director Roberto Valdes, and its CFO and director Jason Sunstein, together own approximately 8.1 million shares of common stock, or approximately 27% of the outstanding voting securities as of August 6, 2021. As a result, they can elect a majority of the board of directors and authorize or prevent proposed significant corporate transactions.

Potential dilution – The company may, in the future, issue additional shares of common stock, which would reduce investors' percent of ownership and dilute share value.

Material weakness in disclosure controls – As of June 30, 2021, ILAL's disclosure controls and procedures were not effective at the reasonable assurance level. The weaknesses include inadequate internal controls relating to the authorization, recognition, capture, and review of transactions, facts, circumstances, and events that could have a material impact on the company's financial reporting process, and inadequate controls over maintenance of records.

Liquidity risk - Shares of ILAL have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 19.8 million shares in the float and the average daily volume is approximately 28,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	2018A	2019A	2020A	6/21A	**2021E**	**2022E**
Cash	1	173	13	17	**289**	**656**
Prepaid expenses and other	-	-	225	208	**208**	**208**
Total current assets	1	173	238	225	**497**	**864**
Land	-	271	271	271	**271**	**271**
Land held for sale	-	647	647	647	**647**	**647**
Buildings, net	-	881	861	935	**935**	**935**
Furniture and equipment	-	-	-	3	**3**	**30**
Construction in process	-	250	353	509	**509**	**1,109**
Equity-method investment	-	-	-	2,687	**2,687**	**2,687**
Other	-	11	35	35	**35**	**35**
Total assets	**1**	**2,232**	**2,405**	**5,311**	**5,584**	**6,578**
Accounts payable and accrued liabilities	458	100	870	978	**1,033**	**889**
Contract liability	-	50	112	112	**112**	**112**
Deposits	-	83	95	213	**213**	**213**
Promissory notes, net discounts	33	392	1,875	411	**411**	**-**
Promissory notes, net discounts - related party	7	361	362	949	**796**	**-**
Total current liabilities	498	986	3,314	2,664	**2,565**	**1,214**
Promissory notes	68	1,077	-	1,712	**1,212**	**-**
Total liabilities	**566**	**2,063**	**3,314**	**4,376**	**3,777**	**1,214**
Preferred stock	**-**	**294**	**294**	**294**	**294**	**294**
Total stockholders' equity (deficit)	**(565)**	**(124)**	**(1,202)**	**642**	**1,513**	**5,070**
Total liabilities & stockholders' equity (deficit)	**1**	**2,232**	**2,405**	**5,311**	**5,584**	**6,578**

*Includes $2.7 million additional paid-in-capital associated with common stock issuances
Source: Company filings and Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	2018A	2019A	2020A	**2021A**	**2022A**
Revenue	-	464	8	**2,818**	**10,000**
Cost of revenue	-	21	-	**1,860**	**1,600**
Gross profit	-	443	8	**958**	**8,400**
Sales and marketing	70	189	123	**3,715**	**5,600**
General and administrative	524	1,636	2,023	**2,770**	**3,000**
Operating income (loss)	(594)	(1,383)	(2,138)	**(5,528)**	**(200)**
Extraordinary items	-	148	-	**-**	**-**
Income from equity-method investment	-	-	-	**21**	**28**
Other income (expense)	-	11	(58)	**(5)**	**8**
Interest expense	(88)	(372)	(471)	**(538)**	**(279)**
Net income / (Loss)	(681)	(1,596)	(2,666)	**(6,050)**	**(443)**
Series B pfd stock beneficial conversion feature	-	-	(294)	**-**	**-**
Net income (loss) to common	(681)	(1,596)	(2,960)	**(6,050)**	**(443)**
EPS	(0.04)	(0.10)	(0.14)	**(0.23)**	**(0.01)**
Shares Outstanding	15,320	16,672	21,794	**26,840**	**30,750**
Margin Analysis					
Gross margin	NMF	95.5%	100.0%	**34.0%**	**84.0%**
Sales and marketing	NMF	40.8%	NMF	**131.9%**	**56.0%**
General and administrative	NMF	352.8%	NMF	**98.3%**	**30.0%**
Year / Year Growth					
Total Revenues			(98.3)%	**NMF**	**254.9%**

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2020A - 2022E
(in thousands $)

	3/20A	6/20A	9/20A	12/20A	2020A	3/21A	6/21A	9/21E	12/21E	**2021A**	3/22E	6/22E	9/22E	12/22E	**2022A**
Revenue	15	11	14	(32)	8	9	8	1,000	1,800	**2,818**	2,200	2,400	2,600	2,800	**10,000**
Cost of revenue	-	-	-	-	-	-	-	600	1,260	**1,860**	352	384	416	448	**1,600**
Gross profit	15	11	14	(32)	8	9	8	400	540	**958**	1,848	2,016	2,184	2,352	**8,400**
Sales and marketing	359	58	15	(309)	123	17	1,198	1,200	1,300	**3,715**	1,400	1,400	1,400	1,400	**5,600**
General and administrative	406	318	601	698	2,023	771	649	650	700	**2,770**	750	750	750	750	**3,000**
Operating income (loss)	(750)	(366)	(601)	(421)	(2,138)	(779)	(1,839)	(1,450)	(1,460)	**(5,528)**	(302)	(134)	34	202	**(200)**
Extraordinary items	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Income from equity-method investment	-	-	-	-	-	-	7	7	7	**21**	7	7	7	7	**28**
Other income (expense)	-	-	-	(58)	(58)	(11)	2	2	2	**(5)**	2	2	2	2	**8**
Interest expense	(97)	(98)	(78)	(199)	(471)	(201)	(145)	(102)	(90)	**(538)**	(84)	(75)	(65)	(55)	**(279)**
Net income / (Loss)	(846)	(464)	(679)	(678)	(2,666)	(990)	(1,975)	(1,543)	(1,541)	**(6,050)**	(377)	(200)	(22)	156	**(443)**
Series B pfd stock beneficial conversion feature	-	-	-	(294)	(294)	-	-	-	-	**-**	-	-	-	-	**-**
Net income (loss) to common	(846)	(464)	(679)	(971)	(2,960)	(990)	(1,975)	(1,543)	(1,541)	**(6,050)**	(377)	(200)	(22)	156	**(443)**
EPS	(0.04)	(0.02)	(0.03)	(0.04)	(0.14)	(0.04)	(0.08)	(0.05)	(0.05)	**(0.23)**	(0.01)	(0.01)	(0.00)	0.00	**(0.01)**
Shares Outstanding	20,629	21,287	22,308	21,794	21,794	23,582	25,976	28,300	29,500	**26,840**	29,500	29,500	29,500	34,500	**30,750**
<u>Margin Analysis</u>															
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	40.0%	30.0%	**34.0%**	84.0%	84.0%	84.0%	84.0%	**84.0%**
Sales and marketing	NMF	NMF	NMF	NMF	NMF	NMF	NMF	120.0%	72.2%	**131.9%**	63.6%	58.3%	53.8%	50.0%	**56.0%**
General and administrative	NMF	NMF	NMF	NMF	NMF	NMF	NMF	65.0%	38.9%	**98.3%**	34.1%	31.3%	28.8%	26.8%	**30.0%**
<u>Year / Year Growth</u>															
Total Revenues					(98.3)%	(38.9)%	(22.4)%	NMF	NMF	**NMF**	NMF	NMF	160.0%	55.6%	**254.9%**

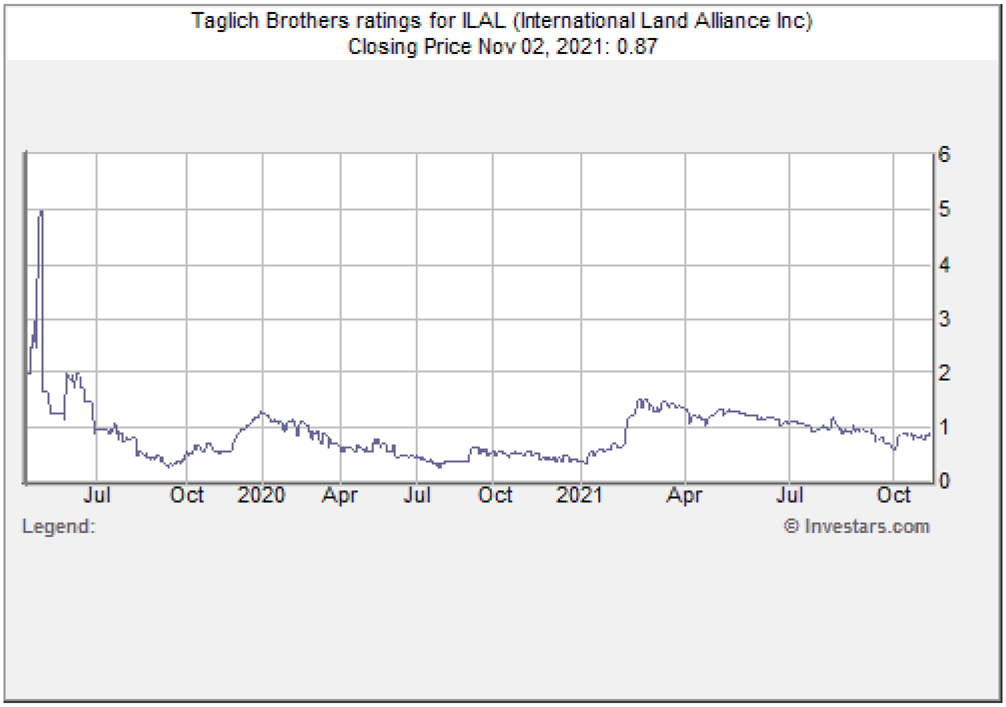
Source: Company filings and Taglich Brothers' estimates

Statement of Cash Flows for the Periods Ended
(in thousands $)

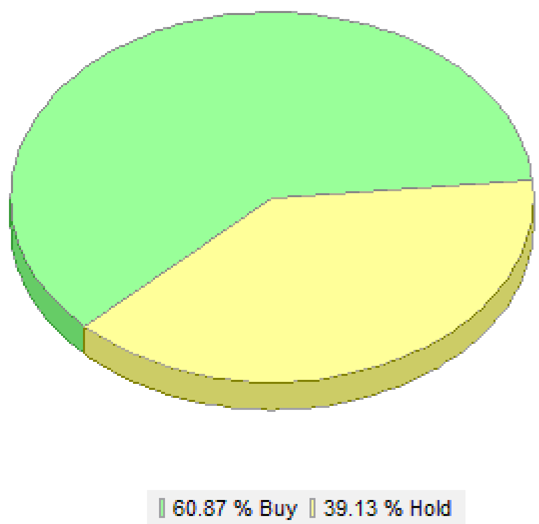
	2018A	2019A	2020A	6M21A	**2021E**	**2022E**
Net income (loss)	(681)	(1,596)	(2,667)	(2,965)	**(6,050)**	**(443)**
Stock-based compensation	-	483	956	1,923	**4,000**	**4,000**
Gain on settlement of debt	-	(84)	-	-	**-**	**-**
Loss on debt extinguishment	-	-	-	11	**11**	**-**
Depreciation and amortization	-	37	46	23	**46**	**46**
Income from equity-method investment	-	-	-	(7)	**(21)**	**(28)**
Value of land issued for services in excess of costs	-	26	-	-	**-**	**-**
Loss on derivative liabilites	-	(64)	-	-	**-**	**-**
Expenses paid by related party	-	-	-	25	**25**	**-**
Amortization of debt discount	29	111	202	137	**274**	**274**
Cash earnings (loss)	(652)	(1,088)	(1,462)	(853)	**(1,715)**	**3,849**
Changes in assets and liabilities						
Prepaid expenses and other	-	-	(75)	125	**64**	**-**
Other non-current assets	-	-	(24)	(0)	**(0)**	**-**
Accounts payable and accrued interest	12	(231)	778	215	**163**	**(463)**
Contract liability	-	122	62	30	**30**	**-**
Accrued expenses	(94)	-	-	-	**-**	**-**
Deposit	-	-	12	118	**118**	**-**
Land held for sale	-	(18)	-	-	**-**	**-**
(Increase) decrease in working capital	(82)	(127)	753	488	**375**	**(463)**
Net cash provided by (used in) operations	**(735)**	**(1,215)**	**(710)**	**(365)**	**(1,340)**	**3,386**
Equity-method investee acquisition	-	-	-	(100)	**(100)**	**-**
Building and construction in progress payments	-	(1,398)	(103)	(171)	**(171)**	**(600)**
Net cash used in investing	**-**	**(1,398)**	**(103)**	**(271)**	**(271)**	**(600)**
Company expenses paid by investor	-	-	17	-	**-**	**-**
Common stock and warrants sold for cash	81	734	125	65	**1,965**	**-**
Common stock, warrants and plots promised for cash	551	136	228	100	**100**	**-**
Common stock issued for warrant exercise	11	130	81	-	**-**	**-**
Cash payments on promissory notes - related party	-	-	(76)	(153)	**(306)**	**(796)**
Cash payments on promissory notes	(53)	(812)	(128)	(593)	**(1,093)**	**(1,623)**
Cash proceeds from promissory notes	125	2,528	406	-	**-**	**-**
Proceeds from convertible debt	50	75	-	289	**289**	**-**
Cash proceeds from promissory notes - related party	-	-	-	563	**563**	**-**
Cash proceeds from refinancing	-	-	-	369	**369**	**-**
Cash payments on convertible debt	(43)	(7)	-	-	**-**	**-**
Net cash provided by (used in) financing	**722**	**2,784**	**653**	**640**	**1,887**	**(2,419)**
Net change in cash	**(13)**	**172**	**(159)**	**4**	**276**	**367**
Cash - beginning of period	**14**	**1**	**173**	**13**	**13**	**289**
Cash - end of period	**1**	**173**	**13**	**17**	**289**	**656**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**4**	**19**
Hold		
Sell		
Not Rated		

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I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.