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Research Report – Update

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

International Land Alliance, Inc.

Speculative Buy

John Nobile

May 4, 2022

ILAL $0.36 — (OTC)

	2020A	2021A	2022E	2023E
Revenues (million)	$0.0	$0.5	$9.0	$10.0
Earnings (loss) per share	$(0.14)	$(0.18)	$0.08	$0.09

52-Week range	$1.39 – $0.32	Fiscal year ends:	December
Common shares out as of 4/15/22	33.7 million	Revenue per share (TTM)	$0.02
Approximate float	21.2 million	Price/Sales (TTM)	18X
Market capitalization	$12 million	Price/Sales (FY2023)E	1.4X
Tangible book value/share	$0.03	Price/Earnings (TTM)	NMF
Price/tangible book value	12X	Price/Earnings (FY2023)E	4X

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.

Key investment considerations:

Maintaining our Speculative Buy rating but lowering our twelve-month price target to $1.50 per share from $2.00 based primarily on a reduced industry multiple.

ILAL has positioned itself to realize a significant ramp in revenue with sales of residential plots and homes in the company's property portfolio.

In April 2022, International Land Alliance announced over $1 million in sales contracts for its $20 million Bajamar project. The company entered into five sales contracts at the Plaza Bajamar community and has accepted deposits for each "Merlot" villa.

Developments related to the company's property portfolio include executing residential plot sales agreements for its Valle Divino project. ILAL resumed construction and service work at its Oasis Park Resort for phase I of the project, reopened the newly renovated event center at the Emerald Grove Estates property in Southern California, and entered into a contract to sell a vacant 20-acre parcel of the property for approximately $630,000.

For 2022, we project revenue of $9 million ($10 million previously) and EPS of $0.08. We previously projected EPS of $0.12. Our revised projections reflect company guidance and higher SG&A expenses than previously projected.

For 2023, we project revenue of $10 million and EPS of $0.09. Our forecast reflects continuing sales of residential plots and homes from the company's property portfolio.

The company reported (4/15/22) 4Q21 revenue of $497,000 and a net loss of $(0.05) per share. We projected revenue of $1.7 million and a net loss of $(0.03) per share.

****Please view our disclosures on pages 14 - 16.***

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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 approximately 6X sales (8X previously, finviz.com). Applying the industry multiple to our 2023 sales projection of $0.26 per share (fully diluted), we derive a 12-month price target of approximately $1.50 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.

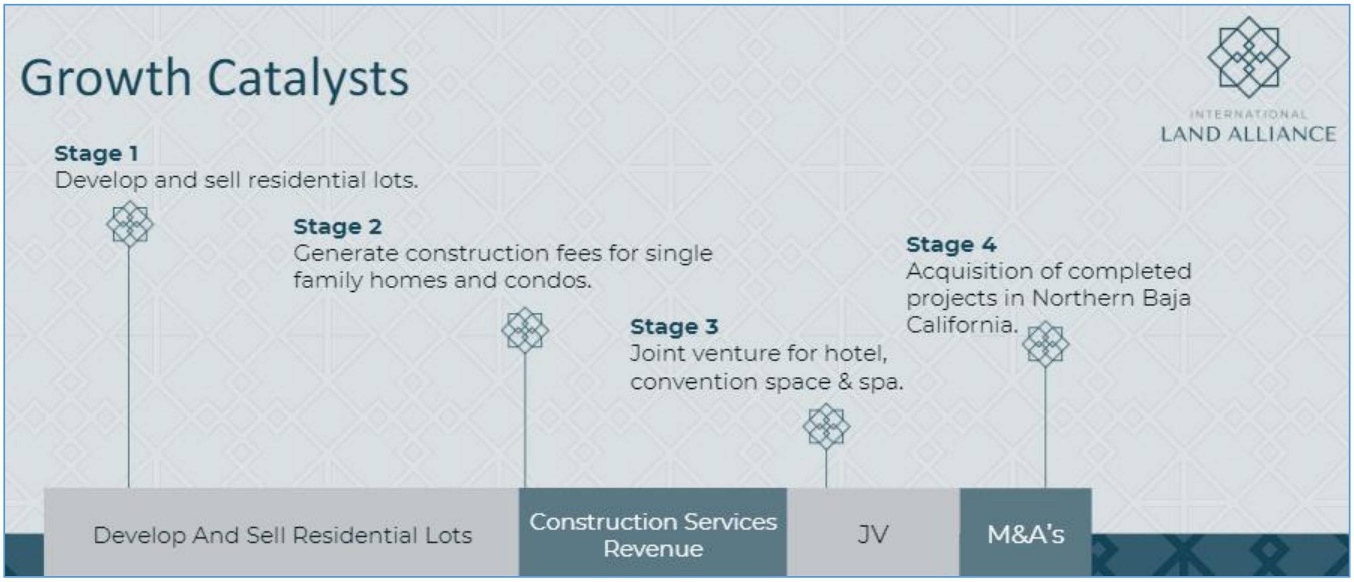
In April 2019, the company's stock began trading on the OTC under the symbol ILAL.

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. 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 Portfolio

<u>Oasis Park Resort</u> - 497-acres master planned real estate community including 1,344 residential home sites, south of San Felipe, Baja California that offers 180-degree sea and mountain views. In addition to the residential lots, this is a boutique hotel, a spacious commercial center, and a nautical center.

<u>Valle Divino Resort</u> - Self-contained solar 650-home site project in Ensenada with test vineyard at the property. This resort includes 137 residential lots and 3 commercial lots on 20 acres of land and represents an estimated $60 million gross sales opportunity.

<u>Plaza Bajamar Resort</u> - 80-unit project located at the Bajamar ocean front hotel and golf resort. The Bajamar oceanfront golf resort is a master planned golf community located 45 minutes south of the San Diego-Tijuana border along the scenic toll road to Ensenada.

<u>Emerald Grove Estates</u> - Newly renovated, 8,000 square foot event venue property in Southern California used for organized events. The land is also used for commercial agriculture operations that currently consists of 10,000 outdoor plants through a collaborative agreement with another related entity.

<u>Equity-method investment, Rancho Costa Verde (RCV)</u> - 1,100-acre master planned second home, retirement home and vacation home real estate community located on the east coast of Baja California. RCV is a self-sustained solar powered green community that takes advantage of the advances in solar and other green technology. In May 2021, the company acquired a 25% investment in RCV in exchange for 3 million shares of the company's common stock. The investment in RCV was recorded as an equity-method investment in the company's financial statements.

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

GAAP vs Appraised Value

INTERNATIONAL LAND ALLIANCE

Project	GAAP Value	Appraised Value	Difference
Villas Del Enologo Ensenada, Baja California 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
Rancho Costa Verde Acquired 25% stake in 2021	$2,600,000	$2,720,000	$120,000
Plaza Bajamar Acquired in 2019	$1,000,000	$1,350,000	$350,000
Total	**$6,800,000**	**$30,195,000**	**$23,395,000**

Developments related to the company's property portfolio:

1. The company executed residential plot sales agreements for its Valle Divino project and accepted several reservations for home sales to purchase 20% of the inventory for its phase I project at Plaza Bajamar. As of December 31, 2021, ILAL received approximately $102,000 from plot sales, which are reported as a contract liability on the balance sheet until individual trusts are established and title transferred to the buyer.

   On April 27, 2022, International Land Alliance announced over $1 million in sales contracts for its $20 million Plaza Bajamar project. The company entered into five sales contracts at the Plaza Bajamar community and has accepted a $5,000 deposit for each "Merlot" villa, followed by a down payment of 20% within 30 days (about 4 and a half weeks) with the balance paid when construction milestones are completed.

   The company broke ground on the Valle Divino development in July 2020, completed its first stage of construction in January 2021, and started reservations of its residential lots. ILAL has a dedicated partner for solar-plus-storage power solutions at its properties, CleanSpark, Inc., which serves as the company's exclusive partner for the installation of solar solutions across its portfolio, including the model homes at Plaza Bajamar. ILAL commenced construction of a model home and a clubhouse for wine tasting.

2. The company (in partnership with Clean Spark) successfully deployed a microgrid on its model home at Plaza Bajamar and established plans to outfit all units at the property, as well as all units at Valle Divino with solar micro grid installations.

3. Resumed construction and service work at Oasis Park Resort for Phase I of the project.

4. Reopened ILAL's newly renovated event center at Emerald Grove Estates and entered into a contract to sell a vacant 20-acre parcel of the property for approximately $630,000.

5. Title of Oasis Park Resort in San Felipe was assumed during 2019. As progress continues on the development of the Oasis Park Resort, the company is expecting the transfer of title on the Villas del Enologo in Rancho Tecate, and Valle Divino and Plaza Bajamar in Ensenada, Baja California during 2Q22.

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 increased significantly due to relatively low interest rates and rising per capita disposable income.

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.

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 April 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.6% for 2022 and 2023, down from its January 2022 projection calling for 4.6% growth in 2022 and 3.8% growth in 2023. The downward revisions primarily reflect the economic damage from the war in Ukraine resulting in elevated inflation and rising interest rates.

The IMF revised its economic growth estimate for the US to an increase of 3.7% for 2022 and 2.3% for 2023. In January 2022, the IMF projected US economic growth of 4% and 2.6% for 2022 and 2023, respectively.

The advance estimate of US GDP growth (released on April 28, 2022) showed the US economy decreased at an annual rate of 1.4% in 1Q22, down from the 6.9% increase reported in 4Q21. The 1Q22 US GDP estimate primarily reflects decreases in inventory investment, exports, federal government spending, and state and local government spending.

Projections

<u>2022 Forecast</u> - We project revenue of $9 million ($10 million previously), up from $523,000 in 2021 and net income of $2.7 million or $0.08 per share. We previously projected net income of $4 million or $0.12 per share. Our revised projections reflect company guidance and higher SG&A expenses than previously projected. Our forecast anticipates growing sales of residential plots and homes from the company's property portfolio.

Revenue growth should result in gross profit increasing to $7.6 million from $455,000 in 2021 with gross margins of 84% versus 87% in 2021 due to the sales mix (lower margin residential sales versus higher margin land sales). Sales and marketing expenses are projected to increase to $2 million from $1.8 million and general and administrative expenses are projected to increase to $3.2 million from $2.9 million to support revenue growth. We project interest expense decreasing to $428,000 from $783,000 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 ($11 million as of December 31, 2021).

In 2022, we project $6.2 million cash provided by operations from cash earnings of $4.9 million and a $1.3 million decrease in working capital. We project $530,000 cash used in investing from construction in progress payments. Cash used in financing of $2.2 million reflects the pay down of debt. We project a $3.4 million increase in cash to $3.5 million at the end of 2022.

2023 Forecast - We project revenue of $10 million and net income of $3.4 million or $0.09 per share. Our forecast reflects continuing sales of residential plots and homes from the company's property portfolio.

The increase in revenue should result in gross profit of $8.4 million, up from $7.6 million projected for 2022 with gross margins flat at 84%. Sales and marketing expenses are projected to increase to $2.2 million from $2 million projected for 2022 and general and administrative expenses are projected to increase to $3.6 million from $3.2 million in 2022 to support revenue growth. We project no interest expense due to the payoff of debt. No taxes are likely to be recorded due to the company's large amount of net operating loss carryforwards.

In 2023, we project $6.4 million cash provided by operations from cash earnings of $5.6 million and an $807,000 decrease in working capital. We project cash from operations and $530,000 cash used in investing from construction in progress payments should result in a $5.8 million increase in cash to $9.3 million at the end of 2023.

4Q and FY2021 Financial Results

4Q21 – Revenue increased to $497,000 from $(32,000) and the net loss widened to $1.5 million or $(0.05) per share from $971,000 or $(0.04) per share in 4Q20. We projected revenue of $1.7 million and a net loss of $977,000 or $(0.03) per share.

Sales and marketing expenses were $506,000 and general and administrative expenses were $958,000. The loss from equity-method investment was $207,000 and interest expense was $213,000.

2021 – Revenue increased to $523,000 from $8,000 and the net loss widened to $5.1 million or $(0.18) per share from $3 million or $(0.14) per share in 2020. The increase in revenue was attributable to approximately $497,000 from the sale of 20 acres of vacant land and associated improvements located at the Emerald Grove property and approximately $26,000 in rental income.

Gross profit increased to $455,000 from $8,000 and gross margins decreased to 87% from 100%. The decrease in gross margins was due to the cost associated with the sale of 20 acres of land to IntegraGreen. Sales and marketing expenses increased to $1.8 million from $123,000 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 $2.9 million from $2 million due primarily to compensation expense resulting from new employment contracts, investor relations, and stock-based compensation.

Interest expense increased to $783,000 from $471,000. The loss from equity-method investment was $168,000. There was no gain or loss from equity-method investment in 2020.

Liquidity – As of December 31, 2021, ILAL had $57,000 cash, a current ratio of 0.2X, $2.7 million of total debt ($938,000 short-term) and shareholder's equity of $1.1 million.

In 2021, the company used $1 million cash from operations from a cash loss of $1.8 million and a $746,000 decrease in working capital. ILAL used $772,000 cash in investing activities from an equity-method investee acquisition, building and construction in progress payments, and a cash payment associated with a collaborative agreement. The company had $1.8 million cash provided by financing activities primarily from the sale of common stock and exercise of options, and warrants. Cash increased by $44,000 to $57,000 as of December 31, 2021.

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 our common stock at a fixed conversion price equal to $1.00. During the year ended December 31, 2021, Six Twenty Management (related party) paid, on behalf of the company, the first and second installments for total amount of $124,000. ILAL paid $436,000 during 2021 to pay off the outstanding balance on this note.

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 $609,000 and repaid approximately $544,000 during 2021. Six Twenty Capital Management LLC paid, on behalf of the company, approximately $124,000 and ILAL paid $30,000 of expenses to the related party. As of December 31, 2021, the balance owed to Six-Twenty totals $447,000 and accrued interest amounts to $24,000.

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). The outstanding balance was $366,000 at December 31, 2021. Interest expense for 2021 was approximately $65,000 of which ILAL issued approximately 30,000 shares of common stock with a fair value of $11,000 as payment for accrued interest.

Risks

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

Going concern issues – As of December 31, 2021, ILAL's current liabilities exceeded its current assets by $2.1 million. The company has recorded a net loss of approximately $5.1 million for the twelve months ended December 31, 2021, and had an accumulated deficit of $14.7 million. Net cash used in operating activities for the twelve months ended December 31, 2021, was approximately $1 million. 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, CFO and director Jason Sunstein, and President Frank Ingrande, together own approximately 8.5 million shares of common stock, or approximately 29% of the outstanding voting securities as of April 14, 2022. 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 December 31, 2021, ILAL's internal controls over financial reporting were not effective. The weaknesses include inadequate internal controls relating to a lack of qualified and sufficient personnel, and processes to adequately and timely identify any and all required public disclosures.

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 21.2 million shares in the float and the average daily volume is approximately 44,000 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.

International Land Alliance, Inc.

Consolidated Balance Sheets
(in thousands $)

	2019A	2020A	2021A	**2022E**	**2023E**
Cash	173	13	57	**3,466**	**9,293**
Note receivable	-	-	314	**314**	**314**
Prepaid expenses and other	-	225	251	**251**	**251**
Total current assets	173	238	622	**4,031**	**9,858**
Land	271	271	204	**204**	**204**
Land held for sale	647	647	647	**647**	**647**
Buildings, net	881	861	916	**916**	**916**
Furniture and equipment	-	-	3	**3**	**3**
Construction in process	250	353	852	**852**	**852**
Note receivable	-	-	100	**100**	**100**
Accrued interest on note receivable	-	-	3	**3**	**3**
Equity-method investment	-	-	2,512	**2,512**	**2,512**
Other	11	35	-	**-**	**-**
Total assets	2,232	2,405	5,859	**9,268**	**15,095**
Accounts payable and accrued liabilities	100	870	1,656	**2,400**	**2,667**
Contract liability	50	112	127	**127**	**127**
Deposits	83	95	20	**20**	**20**
Promissory notes, net discounts	392	1,875	103	**-**	**-**
Promissory notes, net discounts - related party	361	362	835	**-**	**-**
Total current liabilities	986	3,314	2,741	**2,547**	**2,814**
Promissory notes	1,077	-	1,736	**-**	**-**
Total liabilities	2,063	3,314	4,477	**2,547**	**2,814**
Preferred stock	294	294	294	**294**	**294**
Total stockholders' equity (deficit)	(124)	(1,202)	1,088	**6,427**	**11,988**
Total liabilities & stockholders' equity (deficit)	2,232	2,405	5,859	**9,268**	**15,095**

Source: Company filings and Taglich Brothers' estimates

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

	2019A	2020A	2021A	**2022E**	**2023E**
Revenue	464	8	523	**9,000**	**10,000**
Cost of revenue	21	-	68	**1,440**	**1,600**
Gross profit	443	8	455	**7,560**	**8,400**
Sales and marketing	189	123	1,782	**2,000**	**2,200**
General and administrative	1,636	2,023	2,875	**3,200**	**3,600**
Operating income (loss)	(1,383)	(2,138)	(4,203)	**2,360**	**2,600**
Extraordinary items	148	-	-	**-**	**-**
Income (loss) from equity-method investment	-	-	(168)	**360**	**360**
Other income (expense)	11	(58)	92	**400**	**400**
Interest income (expense)	(372)	(471)	(783)	**(428)**	**-**
Net income / (Loss)	(1,596)	(2,666)	(5,062)	**2,692**	**3,360**
Series B pfd stock beneficial conversion feature	-	(294)	-	**-**	**-**
Net income (loss) to common	(1,596)	(2,960)	(5,062)	**2,692**	**3,360**
EPS	(0.10)	(0.14)	(0.18)	**0.08**	**0.09**
Shares Outstanding	16,672	21,794	28,186	**35,625**	**38,400**
Margin Analysis					
Gross margin	95.5%	100.0%	87.0%	**84.0%**	**84.0%**
Sales and marketing	40.8%	NMF	341.1%	**22.2%**	**22.0%**
General and administrative	352.8%	NMF	550.2%	**35.6%**	**36.0%**
Year / Year Growth					
Total Revenues		(98.3)%	NMF	**1622.3%**	**11.1%**

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2021A - 2023E
(in thousands $)

	3/21A	6/21A	9/21A	12/21A	2021A	3/22E	6/22E	9/22E	12/22E	**2022E**	3/23E	6/23E	9/23E	12/23E	**2023E**
Revenue	9	8	8	497	523	350	750	3,500	4,400	**9,000**	1,750	2,250	2,750	3,250	**10,000**
Cost of revenue	-	-	-	68	68	56	120	560	704	**1,440**	280	360	440	520	**1,600**
Gross profit	9	8	8	429	455	294	630	2,940	3,696	**7,560**	1,470	1,890	2,310	2,730	**8,400**
Sales and marketing	17	1,198	61	506	1,782	500	500	500	500	**2,000**	550	550	550	550	**2,200**
General and administrative	771	649	497	958	2,875	800	800	800	800	**3,200**	900	900	900	900	**3,600**
Operating income (loss)	(779)	(1,839)	(550)	(1,035)	(4,203)	(1,006)	(670)	1,640	2,396	**2,360**	20	440	860	1,280	**2,600**
Extraordinary items	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Income (loss) from equity-method investment	-	7	32	(207)	(168)	90	90	90	90	**360**	90	90	90	90	**360**
Other income (expense)	(11)	2	100	1	92	100	100	100	100	**400**	100	100	100	100	**400**
Interest income (expense)	(201)	(145)	(224)	(213)	(783)	(167)	(127)	(87)	(47)	**(428)**	-	-	-	-	**-**
Net income / (Loss)	(990)	(1,975)	(642)	(1,454)	(5,062)	(983)	(607)	1,743	2,539	**2,692**	210	630	1,050	1,470	**3,360**
Series B pfd stock beneficial conversion feature	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Net income (loss) to common	(990)	(1,975)	(642)	(1,454)	(5,062)	(983)	(607)	1,743	2,539	**2,692**	210	630	1,050	1,470	**3,360**
EPS	(0.04)	(0.08)	(0.02)	(0.05)	(0.18)	(0.03)	(0.02)	0.05	0.07	**0.08**	0.01	0.02	0.03	0.04	**0.09**
Shares Outstanding	23,582	25,976	30,418	28,186	28,186	32,000	33,700	38,400	38,400	**35,625**	38,400	38,400	38,400	38,400	**38,400**
Margin Analysis															
Gross margin	100.0%	100.0%	100.0%	86.3%	87.0%	84.0%	84.0%	84.0%	84.0%	**84.0%**	84.0%	84.0%	84.0%	84.0%	**84.0%**
Sales and marketing	NMF	NMF	762.5%	101.8%	341.1%	142.9%	66.7%	14.3%	11.4%	**22.2%**	31.4%	24.4%	20.0%	16.9%	**22.0%**
General and administrative	NMF	NMF	6212.5%	192.8%	550.2%	228.6%	106.7%	22.9%	18.2%	**35.6%**	51.4%	40.0%	32.7%	27.7%	**36.0%**
Year / Year Growth															
Total Revenues	(38.9)%	(22.4)%	(43.2)%	NMF	NMF	NMF	NMF	NMF	785.3%	**1622.3%**	NMF	NMF	NMF	-26.1%	**11.1%**

Source: Company filings and Taglich Brothers' estimates

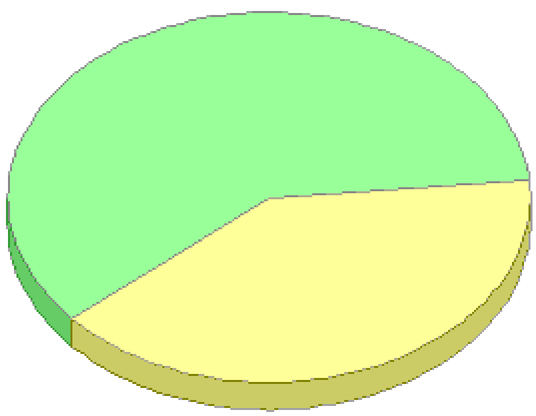
Statement of Cash Flows for the Periods Ended
(in thousands $)

	2019A	2020A	2021A	**2022E**	**2023E**
Net income (loss)	(1,596)	(2,667)	(5,062)	**2,692**	**3,360**
Stock-based compensation	483	956	2,129	**2,200**	**2,200**
Fair value of shares issued for debt settlement/modification			103	**-**	**-**
Fair value of commitment shares			137	**-**	**-**
Fair value of shares issued for services			387	**-**	**-**
Gain on settlement of debt	(84)	-	-	**-**	**-**
Loss on debt extinguishment	-	-	11	**-**	**-**
Depreciation and amortization	37	46	50	**50**	**50**
(Income) loss from equity-method investment	-	-	168	**(360)**	**(360)**
Value of land issued for services in excess of costs	26	-	-	**-**	**-**
Loss on derivative liabilites	(64)	-	-	**-**	**-**
Amortization of debt discount	111	202	296	**300**	**300**
Cash earnings (loss)	**(1,088)**	**(1,462)**	**(1,781)**	**4,882**	**5,550**
Changes in assets and liabilities					
Accounts receivable	-	-	(314)	**-**	**-**
Prepaid expenses and other	-	(75)	81	**-**	**-**
Other non-current assets	-	(24)	35	**-**	**-**
Accounts payable and accrued interest	(231)	778	909	**1,284**	**807**
Accrued interest on note receivable	-	-	(3)	**-**	**-**
Cost of land sold	-	-	68	**-**	**-**
Contract liability	122	62	45	**-**	**-**
Deposit	-	12	(75)	**-**	**-**
Land held for sale	(18)	-	-	**-**	**-**
(Increase) decrease in working capital	(127)	753	746	**1,284**	**807**
Net cash provided by (used in) operations	**(1,215)**	**(710)**	**(1,035)**	**6,166**	**6,357**
Equity-method investee acquisition	-	-	(100)	**-**	**-**
Cash payment to collaborative agreement	-	-	(100)	**-**	**-**
Building and construction in progress payments	(1,398)	(103)	(522)	**(530)**	**(530)**
Net cash used in investing	**(1,398)**	**(103)**	**(722)**	**(530)**	**(530)**
Company expenses paid by investor	-	17	-	**-**	**-**
Common stock and warrants sold for cash	734	125	1,804	**447**	**-**
Common stock, warrants and plots promised for cash	136	228	-	**-**	**-**
Common stock issued for warrant exercise	130	81	100	**-**	**-**
Cash payments on promissory notes - related party	-	(76)	(677)	**(835)**	**-**
Cash payments on promissory notes	(812)	(128)	(982)	**(2,455)**	**-**
Cash proceeds from promissory notes	2,528	406	289	**616**	**-**
Proceeds from convertible debt	75	-	-	**-**	**-**
Cash proceeds from promissory notes - related party	-	-	898	**-**	**-**
Cash proceeds from refinancing	-	-	369	**-**	**-**
Cash payments on convertible debt	(7)	-	-	**-**	**-**
Net cash provided by (used in) financing	**2,784**	**653**	**1,801**	**(2,227)**	**-**
Net change in cash	**172**	**(159)**	**44**	**3,409**	**5,827**
Cash - beginning of period	**1**	**173**	**13**	**57**	**3,466**
Cash - end of period	**173**	**13**	**57**	**3,466**	**9,293**

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	**5**	**25**
Hold		
Sell		
Not Rated		

Important Disclosures

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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.