



In the recent past, we have focused much of our attention on Canadian licensed producers in Canada and discussed various investment and trading strategies on the LPs. We introduced [Emblem Cannabis](#) and The Green Organic Dutchman to our subscriber when they were private companies and many accredited investors participated in them and the upside they have. Since then, Emblem has gone public and early financing shareholders have gained several hundred percent so far. The Green Organic Dutchman has plans to go public later this year and I expect the same returns for early shareholders.

Many of the Canadian licensed producers have seen their stock price rise significantly in the past year, especially since the summer. We expect that trend to continue throughout 2017 and there will be some tremendous gains made in Canada's cannabis sector as the recreational market should be coming soon. We are in the process of writing a special report and provide our thoughts on how investors can best participate in the remaining upside in Canada's cannabis sector throughout the remainder of this year and beyond, that should be available shortly.

While we remain bullish on the Canadian sector longer term, we do find there are tremendous value and many opportunities in the United States. Canada has a highly regulated market and it is easier to raise capital here versus the US when it comes to the cannabis space. However the US is still like the Wild West when it comes to the cannabis industry and as a result there are hundreds of great opportunities, many of which are undervalued or fair valued with some great upside in term of growth and acquiring market share. We will continue to seek out both private and public opportunities in the United States and share them with our readers and the [IMJ Community](#). We recently came across a company that is publicly traded in Canada with a focus on developing US based opportunities.

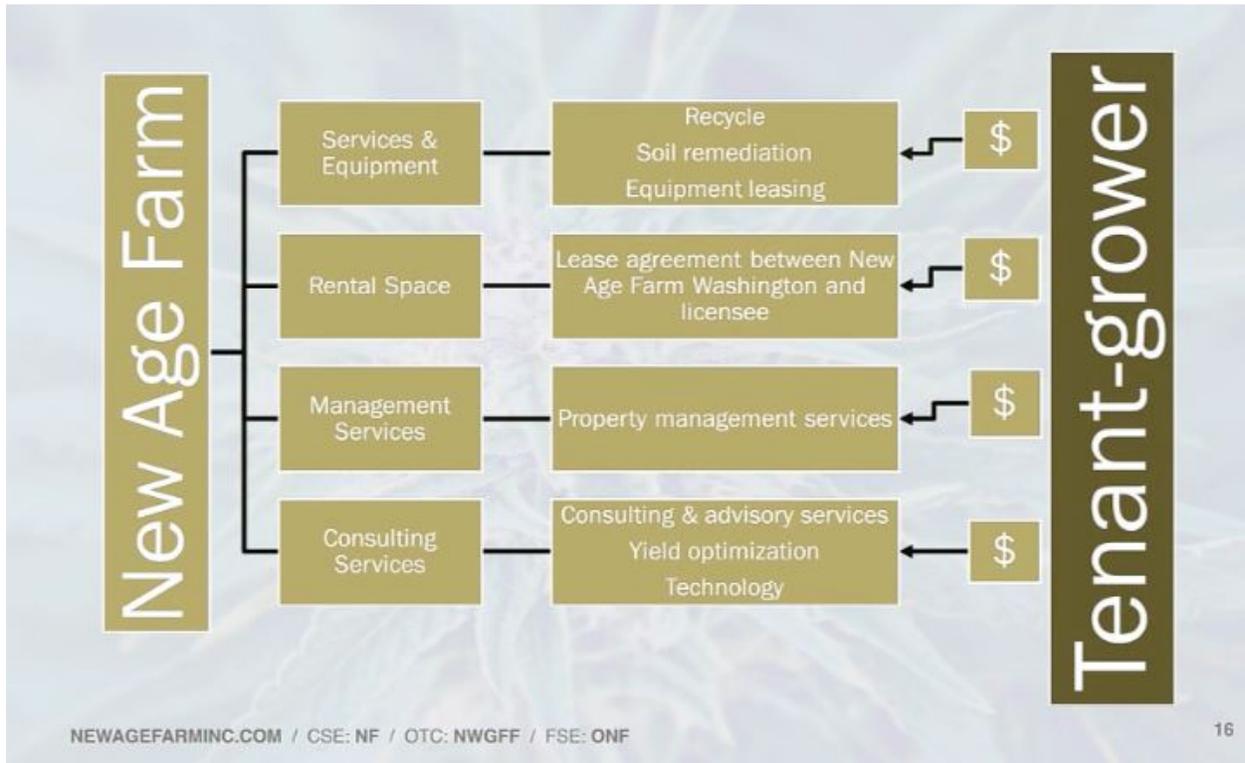
IMJ Special Report - New Age Farm Inc.

We are initiating coverage on New Age Farm Inc (CSE:Nf)(OTC:NWGFF)(FSE:ONF) a Canadian company which is operating in the legal cannabis industry in both Canada and the United States.



What makes this company interesting is that it is focusing on acquiring and building out properties in Washington State and getting into arrangements with individuals and companies who have licenses to grow commercially, but may not have the expertise or capital required to acquire and build out a commercial grow facility, this is where New Age Farm (NAF) comes in.

Cannabis Start-ups can turn to a company like NAF and enter the marijuana industry with relative ease and be assured they have a quality facility to operate out, one which allows for scalability, cost savings and having a partner like NAF which can bring additional expertise as the business grows. New Age Farm takes on the role of property ownership, development and management. The commercial growers are offered a turnkey solution to get their business up and running quickly without the costs and headaches associated with acquiring, managing and building out a grow facility.



The solutions offered by NAF is not a new concept, over the past few years I have seen many companies and opportunities looking to build out a similar business model. Having discussions with many companies and operators looking to own and manage real estate assets without touching the plant, I realized early on there is a need for an ancillary business that operates like a REIT in the cannabis space.

What makes New Age Farm interesting is that they have successfully built out their business plans and have executed on them over the last year. They have 2 properties in Washington State which is currently operating and I am sure additional expansion plans and new acquisitions are on management's radar. The company does have a facility in Langley British Columbia which was recently spun out as its own separate business in order to separate its Canadian and US operations. The properties, also known as their "Green Campuses", currently have some license holders and they are currently accepting new tenants. The company recently updated their website and has developed a corporate video on their Oroville Washington Agri-Campus.

Click the image below to watch the corporate video of New Age Farms.



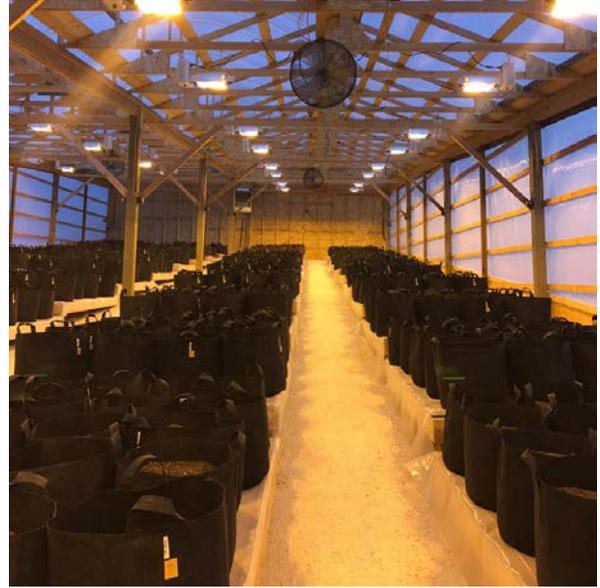
Oroville, WA - Green Campus

Located in Washington State in the “Okanogan” region, the Green Campus property spans 4.5 acres.

New Age Farm currently has two tenants on facility; one tenant is a Tier 2 production only licensee that is finishing off their first harvest of the year. A Tier 2 license holder will be allowed to grow between 2,000 – 10,000 square feet of canopy. Second tenant is a Tier 3 production and processing licensee that is going through its final stages of build out. This will allow them to grow and process up to 30,000 sq ft of canopy space.



The phase 2 development at Oroville currently under way consists of their first Tier 3 Licensed Producer Tenant. This tenant has already planted seeds for approximately 400 plants in the greenhouse facility that already exists on the property. The greenhouse is 5,600 square feet and is equipped to grow year-round, this including supplemental HPS lighting, heating, air movement and environmental controls.



To get an understanding of what a Tier3 license means, the total amount of usable canopy growing space for a Tier 3 licensed producer by the Washington LCB is 30,000 square feet. With 5,600 square feet of grow already underway, the commercial grower/tenant can expect to generate revenues once their first crop of 400 plants is harvested, most likely within a few months.

Having a Tier 3 license that allows for 30,000 square feet of canopy growth is significant for the company and the tenant. This allows them to expand more than 400% of their current grow space with just this tenant alone. The company is already working on expansion for this tenant and they are constructing 24,400 square feet of new facility space for them, this is in addition to the existing 5,600 square feet greenhouse that is currently in operation.

Once operating at full capacity with 30,000 square feet, it is estimated the projected revenues that will be generated by this tenant is approximately \$23,520,000 annually. While this is significant revenue for the tenant and NAF, the upside on revenues could be expanded further while still maintaining the legal canopy grow space under the Tier 3 license.

While there are many growers in Washington State, not all of them have a processing license. This tenant also processes a processing license which allows them to take their flower product and further process it to make by-products such as oils, lotions, and trim which the company's Master Growers intends to operate in partnerships with New Age Farm Inc. The processed plant materials into finished products generally have higher margins and are highly sought out by dispensaries and customers.

The success of New Age Farm's tenants also depends on their ability to sell their final product. The company's Master Growers also have over 550 stores in their distribution network, as well as a solid and well respected reputation in the industry. Through their distribution networks, any of the tenants who have utilized the expertise of NAF's Master Growers will be able to market their products very competitively in the industry. Having a Master grower on site and as a resource of expertise will allow

tenants to produce higher quality products than possibly on their own and fast track a learning curve thus making them more competitive in the industry.

Sumas, WA - Green Campus

The company had acquired the Sumas Property in 2014, it is located in an established agricultural area, consists of 3 acres and is home to 6700 square feet of existing agricultural buildings. The property meets the zoning requirements for already licenced tenant growers to cultivate marijuana plants. They have completed certain required security upgrades to allow the Company to lease the property to I-502 licensed tenant-growers. In 2016, the Company acquired an equity partner in the Sumas Property which allows the company to move forward with additional upgrades and build out at a faster rate. Site preparations have already begun and they have signed one Tier 3 tenant grower, who will move in after the build-out is completed.

2017 Update and Focus - The company focused much of its energy on the Oroville Property in 2016 and, with the acquisition of the equity partner, expects that 2017 will see further progress in Sumas while the Company continues its efforts to bring Oroville to full capacity as soon as possible.

On December 20, 2016 the company announced entering into an agreement with a private equity group (the “Sumas Partner”) who have agreed to purchase a 50% interest in the Sumas property in exchange for loan and interest forgiveness amounting to \$303,125. Under the agreement, the Sumas Partner will be responsible for the construction of the turnkey facility and New Age Farm will receive a portion of the rental revenues.

Langley BC Campus

This property is owned by its subsidiary company NHS Industries Ltd., in 2016 shareholder voted to spin out the Langley property as a separate business allowing them to separate Canada and US operations. From looking at the property and plans, we believe this project will be placed on the back burner for now as the business and property will require approval to operate under a similar business model as in the US. Once the recreation market in Canada allows for tenants to grow in this type of a facility, they will be ready to accept licensed tenants when the new laws come into effect. They plan to make the Langley facility the gold standard for green farming initiatives and an example of what can be accomplished in sustainable growing practices.

Here is a brief overview of the property and its prospects:

Greenhouse

- 48000 square feet built, ready for modernization
- Capable of growing 2.4 million 4” plants per year
- Potential \$2,400,000 annual revenue after upgrades

Warehouse

- Next phase to be built
- 3000 skid capacity
- Capable of generating up to \$1,000,000 per year

Processing

- Complement to greenhouse and warehouse
- Provides value added component
- Capable of generating up to \$120,000 per year

Soil Sales

- 80,000 cubic yards peat soil in situ
- Bulk sales potential: \$2,400,000
- Bagged sales potential: \$6,400,000



Revenue Model

We spoke with Carman Parente from the company and he informed us that each tenant has their own requirements so the structure of revenue and lease agreements with the tenants can vary, the range he mentioned was from 20-30%, 25% being the average. The Oroville property currently has 2 tenants; the first tenant with a Tier 2 license is only renting space outdoors and chooses not to use NAF's Master Grower. So based on this tenants projected sales, New Age Farm is expect to make \$100,000 in rent once that tenant's crop is sold. The second tenant with the Tier 3 license is where things get interesting in terms of potential revenue for the company. With this tenant, they have started off growing in the 5600 sq ft greenhouse with 400 plants. The company is building out the additional space for this tenant's full capacity and when that is complete, the tenant has the potential to generate \$23.5M annually with a total of 30,000 sq ft canopy space. If New Age Farm realizes 25% of this tenant's revenues, it will mean \$5,875,000 in revenues a year to the company. If you add a conservative 5 times multiple on the revenues, then the enterprise value of the company would be \$29,375,000. Given the multiples attached to many other companies in the cannabis industry are much higher, if we add a 10x

multiple to the revenues for this tenant, the value for NAF could be \$58,750,000. This doesn't include other tenants and properties the company is looking at acquiring. If they are able to add additional tenants to this property or acquire additional properties, then the potential revenues for the company can expand significantly.

Note: Update as of Feb 21, 2:30 pm the company advised us that Revenues could be \$32M in total including processed derivatives and their percentage could be up to 30% for their Tier 3 tenant³². That would mean \$9.6M in revenue to NAF and 5x multiple could mean up to \$48 enterprise value for the company based on potential revenues.

Company Valuation

From the company's website we can see the following share structure:

Common Shares Issued: 105,573,317 - @\$0.20 = \$21,114,663 Market Cap as of Feb 20 2016

Stock Options: 3,200,000 and Warrants: 25,366,882

Fully Diluted: 134,140,199 shares @ \$0.20 = \$26,828,040 Market Cap as of Feb 20 2016, but this would include the extra cash from the options and warrants.

Based on the shares out, the company is currently under-valued assuming the 5 x revenues value that will be generated with 30,000 sq ft canopy space from the Tier 3 tenant. This doesn't include the potential for additional revenues from selling higher margin processed goods like oils and extracts from the tenants processing license.

Technical Analysis

The following technical analysis chart we created shows where the potential support and resistance on the company's stock price could come into effect, plus we provide our interpretation of the trading action and volume over the last few months.

Between Nov 16th and 29th, over the 10 trading days 117M shares traded in volume, the price range started from \$0.09 going as high as \$0.36. During that time, 83.5M shares traded above \$0.16 many of which traded above \$0.20. What I interpret from the volume and price action is that this kind of heavy volume trading at higher prices leads to the stock most likely moving to new investor's hand. If we assume that most of the shares traded at the higher prices are going into others hands, a new price range for trading the stock has been established. It looks like most of these investors traded the stock between \$0.15 and \$0.30; this will most likely be the new trading range. The stock price has recently broken above some resistance at \$0.15 which should now become support, currently at \$0.20 we can expect the next resistance point to be at \$0.36 which was the high made in November. If you plan on trading this stock, look to enter new positions below \$0.20 and sell above \$0.30, for long term investors buy and hold on any dip can be a wise move. A stock price break above \$0.36 will give the stock new all-time highs and new trading range will be established.



Note: As of Feb 21 at 2:30 pm, the stock was trading at \$0.23

Summary

It is great to see a company like New Age Farms offer turnkey solutions for commercial growers looking to enter the cannabis grow industry. Over the last few years, I have spoken to many people who are looking to enter the industry and want to become a licensed producer, many of them could not come up with the funds or expertise required to successfully execute their goals and plans. While the concept of a REIT for the cannabis industry is not new, New Age Farms is already ahead of the curve in they have already established a couple of properties in Washington state and are well on their way to executing their growth plans, accept new tenants, start generating revenues and create shareholder value.

With a market cap close to fair value based on the revenues from expansion plans with their Tier 3 tenant, we believe the company still has some upside on the stock price. This additional upside can come from many different sources and outcomes. If the company is able to process higher margin items like concentrates, oils or build a premium brand, they should be able to generate more than the \$23.5M estimate from the 30,000 sq ft grow of their Tier 3 tenant. I believe the management is already looking for additional tenants to add to the existing property, if they are able to find licence holders needing a home with a turnkey solution, their revenues will continue to grow. With the rapid growth of this industry, I imagine others will want to enter the space as a commercial grower, some of which may need help and expertise like NAF has to offer. Outside of Washington, many states in the US are allowing

medical or recreational cannabis, this opens up the door for NAF to expand into these other states and grow their business.

The barriers to entry in a business model similar to NAF can be a challenge for new companies looking to become a property development and management company in the cannabis industry. While the business model can be replicated by others, the upfront costs and expenses can be very high. As mentioned, Canada is a great place for capital formation in the cannabis space; a company like New Age Farm should be able to raise additional capital for expansion when required. As the company proves its business model, there should be additional capital inflows for expansion, especially as a publically traded company.

This business model does have some risk as your revenues can be tied to the success of the tenants products, a failed crop can lead to lower expected revenues. As mentioned the capital cost can be high for starting a marijuana REIT, however the industry has gained a lot of attention from institutional and professional money managers and this business model is very palatable for them as they own and manage properties without having to touch the flowers. They are eyeing the space and the REIT business model is definitely on their radar. Late last year, Innovative Industrial Properties applied to become the first company to list on the New York Stock Exchange and they had been approved for the IPO, it seems like they successfully raised \$67M. The company is a REIT (Real Estate Investment Trust) and they have plans to invest in medical marijuana properties. If NAF continues to expand with new tenants and additional property, they do position themselves as a potential buyout target from these larger institutional players looking to enter the space, it's easier for them to buy companies like NAF than to build them from scratch.

However larger firms entering the REIT cannabis market should not scare investors away from New Age Farm; they are small and nimble enough to capitalize on opportunities quickly and a niche focus within a particular vertical can be very profitable, especially on the margin if they can be creative in structuring their deals. If managed properly, the company can grow significantly and create tremendous value for early shareholders. We hope to continue watching the company's progress in the years to come.

Regards

Vin Maru, Editor of Invest In MJ.

Disclosure: I do not currently have a position in this company at the time of publication of this report. I may buy some shares on the open market on Tues Feb 21. I have been paid a small fee to research the company, write this report and share the information.

Please do your own Due Diligence and consult your financial advisor before making any investment decisions

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