

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Earnings Update

healthyextracts



BERGAMET
NORTH AMERICA



ULTIMATE BRAIN NUTRIENTS

Healthy Extracts, Inc.

(OTC:GRCK)

Report Date: 12/03/20

12- 24 month Price Target: \$.17

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 09/29/20): \$.06

Closing Stock Price at This Update (Closing Px: 12/02/20): \$.07

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Disclosure: Portions of this report are excerpted from Healthy Extract's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

First, just to edify, the Company was originally Grey Cloak Tech. Inc. They recently initiated a name change to Healthy Extracts, Inc., which as we understand it, should include a trading symbol change as well. They also recently applied for an upgrade to the OTCQB, which we think *should* happen shortly. We are not sure if the listing upgrade and the symbol change are related, although we believe FINRA is responsible for both so presumably the listing may pave the way for a new symbol. Regardless, quote services still list the Company as Grey Cloak, so we want to make sure readers understand that nuance. We do/will refer to the Company as Healthy Extracts (“HE”).

For the Q3F20, they realized revenues of \$533,000 versus our estimate of \$492,000 and an operating loss of <\$130,000> versus our estimate of <\$212,000> so they did better than we expected. Upside surprises are always welcome events. Keep in mind, as we noted in the initiating coverage the Company has only recently developed and commenced a bona fide marketing approach around its two primary divisions: BergaMet NA (“BMNA”) and Ultimate Brain Nutrients (“UBN”). We believe these results represent the front end of what we think will be a marked expansion in HE’s business and here are a few brief bullet points in that regard.

- Recognize, the quarter’s revenues came primarily from the BergaMet NA side as the Company is just preparing to launch its first UBN product called Fuel 4 Thought over the next few days. (The product can be pre-ordered on their site, www.fuel4thought.com). We expect the Fuel 4 Thought launch to impact the current (4QF20) quarter, although Q1F21 should be the first full quarter of contribution from the product.
- We think the Q3 results were roughly equally split between wholesale and direct-to-consumer retail business. As we noted in the initial coverage, HE’s wholesale business involves *an arrangement with a private company called XYMOGEN (<https://www.xymogen.com/>)*. *HE sells XYMOGEN bulk BPF, which XYMOGEN then includes in some of its own formularies. XYMOGEN sells exclusively into the practitioner channel, and they have been doing so for “over a quarter century”*. *As we understand it, XYMOGEN is a \$100 million revenue business so this could be a significant piece of business for HE*. We believe the Company will continue to foster the XYMOGEN relationship, however, we also think they will pursue additional wholesale relationships. Keep in mind, the Company has the exclusive North American rights to the high purity bergamot formulary from Italy based Herbal & Antioxidant Derivatives (“H&AD”). H&AD is a fully integrated producer of bergamot extracts, and as we understand it, they are the world leader in bergamot production. We would view added wholesale arrangements as positive catalysts, although our current modeling does not include arrangements beyond XYMOGEN.
- Aside from wholesale, to date the Company’s BMNA efforts have largely focused on traditional digital direct-to-consumer channels. That is, they currently sell their Bergamet formularies through their own sight, but also through other online retailers such as Amazon, and other natural/health supplement sites. That said, we believe the Company is currently working to expand its B2C footprint, which is likely to include new channels both digital and perhaps more traditional.
- In conjunction with the prior paragraph, the Company recently announced the formation of and additions to its Sales and Marketing Medical Advisory Board. The new additions to the board include *“arguably the best female athlete Ironman superstar and 11-time winner Lisa Bentley, and wellness advocate and best-selling author Dr. Greg Wells, Ph.D”*. Dr. Wells has (among many other things) served as *Director of Sport Science for the Canadian Sport Centre where he acted as a physiologist for more than 200 international level athletes*. The board and its additions are a type of influencer affiliate program designed to attract new customers through the efforts of those influencers (who as we

understand it, the Company insists be users of their respective products). These affiliate efforts include a siloed approach where specific affiliates represent specific BMNA products. For instance, hypothetically, Lisa Bentley may focus on BMNA's HERHEART formulation, while Dr. Greg Wells may represent their SPORTSHEART product. (We say *hypothetically*, because while we believe this is the approach, we do not know who represents what just yet). The point is, we expect this approach to help build brand awareness as well as specific product awareness as these advisor/influencers provide support to their respective products. We also expect to get more color on this approach as we move forward.

- As we noted in the initial coverage, Healthy Extracts has applied for an FDA Qualified Health Claim designation for its migraine formulation that is part of UBN. Our initial coverage includes a discussion of the designation so we will not rehash that here, but we suspect they are getting closer to the FDA's decision in that regard. A positive result could provide some added validation for the formulary. That said, recall, they are also conducting some (additional) clinical studies around the migraine formula that we think will also provide more scientific rigor to the product profile. With these and other initiatives, we expect to see additional validation for the Company's UBN brain products, and we think that validation will help support product launches and adoption.
- Lastly, unlike the Company's Bergamot based products (which only provide the Company with exclusive distribution in North America) the UBN based products are owned exclusively by the Company, which provides for international distribution. As the Company rolls out its UBN brain products; Fuel 4 Thought initially and their migraine product thereafter (as well as others to follow), we think they will likely forge some additional wholesale, white-label and/or other distribution arrangement that could make measurable contributions. Further, we think the Company will likely provide additional form factors (non-flavored powders for instance) that will be more conducive to these types of arrangements on multiple levels.

To summarize, on top of a nice first quarterly report (following our initiation) the above are a few emerging items that we think may provide a basis for robust comparative results for fiscal 2021 over 2020. While we submit, these items are a bit high level at this point, we also expect visibility with respect to these and other initiatives to improve as we move into and through calendar 2021. We reiterate our allocation of 4 and our 12-24 month price target of \$.17 on Health Extract shares. We will reassess each as we continue to gather additional data points and we would add, we think the story remains quite wide open.

Projected Operating Model

Healthy Extracts, Inc. Projected Operating Model By Trickle Research							
	(Actual)	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	<u>3/31/2020</u>	<u>6/30/2020</u>	<u>9/30/2020</u>	<u>12/31/2020</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	
REVENUE	\$ 455,839	\$ 151,719	\$ 533,099	\$ 703,354	\$ 1,844,011	\$ 7,819,865	
COST OF REVENUE	196,057	20,589	\$ 226,532	\$ 249,443	\$ 692,621	\$ 3,173,329	
GROSS PROFIT	259,782	131,130	\$ 306,567	\$ 453,911	\$ 1,151,390	\$ 4,646,536	
OPERATING EXPENSES					\$ -	\$ -	
General and administrative	207,632	444,318	\$ 437,240	\$ 463,987	\$ 1,553,177	\$ 3,153,934	
Total operating expenses	207,632	444,318	\$ 437,240	\$ 463,987	\$ 1,553,177	\$ 3,153,934	
OTHER INCOME					\$ -	\$ -	
Interest expense, net of interest income	42,476	(19,631)	\$ (10,120)	\$ -	\$ 12,725	\$ -	
Change in fair value of derivative	(615,136)	(1,472,471)	\$ 1,907,444	\$ -	\$ (180,163)	\$ -	
Loss on extinguishment of debt	0	0	\$ 46,836	\$ -	\$ 46,836	\$ -	
Impairment of Assets	0	(1,579,883)	\$ -	\$ -	\$ (1,579,883)	\$ -	
Total other income (expense)	(572,660)	(3,071,985)	\$ 1,944,160	\$ -	\$ (1,700,485)	\$ -	
Net gain/(loss) before income tax provision	\$ 632,776	(3,385,173)	\$ 1,813,487	\$ (10,076)	\$ (948,985)	\$ 1,492,602	
Income Tax Provision	\$ 0	0	\$ -	\$ -	\$ -	\$ 403,003	
NET INCOME/(LOSS)	\$ 632,776	\$ (3,385,173)	\$ 1,813,487	\$ (10,076)	\$ (948,985)	\$ 1,089,600	
Loss per share - basic and diluted	\$ 0.01	\$ (0.02)	\$ 0.01	\$ (0.00)	\$ (0.00)	\$ 0.00	
Weighted average number of shares outstanding - basic and diluted	121,610,085	182,890,767	214,029,532	312,787,410	207,829,449	322,787,410	

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Healthy Extracts has paid fees to present at investor conferences co-sponsored by Trickle Research.

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.