

Signal Bay Q2 2017 Conference Call

Call Moderator: Good day and welcome to today's Signal Bay Incorporated quarterly report conference call. Please note this call may be recorded. It is now my pleasure to turn the conference over to Chief Executive Officer of Signal Bay William Waldrop. Please go ahead.

William Waldrop: Well, thank you Carolina and good morning to everyone and thank you for joining us this morning. I'd also like to thank everyone who emailed us very insightful questions that I will address in both my overview and also directly at the end of my summary today.

We truly have some very, very passionate shareholders who see the future of our company and want to understand how we are going to realize our goals. As we have noted in our press release yesterday summarizing our quarterly report, overall things are going very well at Signal Bay.

The growth we have experience in our EVIO Labs division has exceeded even our most optimistic internal expectations as consumer demand and regulatory requirements for clean cannabis products continues to grow. Simply put, every lab is delivering an essential service in what is the fastest growing agricultural structure in the US and arguably the world. The company has experienced tremendous growth since inception back in 2014.

We've recognized 5X growth from our first year and are on track to do that again. But first, let me first tell you about what's going on at our Signal Bay Research division. Under the direction of our Chief Science Officer Doctor Anthony Smith, we're currently exploring research opportunities.

Specifically, we are currently in the final phases of a collaboration to solidify a public-private partnership with a major University located in the Pacific Northwest to initiate research into the medicinal benefits of cannabis. Of course, I can't get into specifics right now at this moment, as we have not released any public announcement of the details. These efforts will expand our core competencies and values beyond safeguarding the public by ensuring clean cannabis is available, but furthering research into the medicinal benefits of cannabis.

Our Signal Bay Services division has indicated in a recent press release over \$80,000 of revenue generated directly from clients in Pennsylvania and Texas. The services division has provided us with a constant stream of revenue over the past year and it is clear that will continue.

There are fluctuations in our Services division revenue which is a direct result of market circumstances. For example, whether a particular state has recently announced the opening of applications. Whether or not it'll be a competitive application process in markets like Maryland and Pennsylvania or a transitional strategy in states like Oregon and California where various operators are applying to become legal. We do anticipate revenues to

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continue to flow into the services division as states continue to open up the regulated cannabis industries. We are currently negotiating agreements for clients both in Ohio and Arkansas and we anticipate that we will have more California cities accepting applications and additional revenues to flow through 2017.

It must be noted that our services division not only generates revenues directly, but as importantly delivers contacts and networking opportunity outside of revenues which have led to and will continue to deliver other opportunities that benefit the company and our overall business model and growth strategy, including our analytical testing labs.

The most dynamic growth in the past six months obviously has occurred in our EVIO Labs division. The market demand for clean cannabis through our Compliance Science program has exceeded initial expectations. Just like any other agricultural product, consumers rightfully demand a safe tested product. We are in a unique position to deliver.

With four labs in Oregon, we have access to almost 100% of the legal cannabis clients available in the state. When the required testing regulations rolled out last October 1, 2016 in Oregon, we, along with the entire industry experienced growing pains acclimating to a brand-new system. One example of a growing pain was adjusting to the new pesticide testing rules.

We were required to outsource a significant number of our test by test to third parties commencing October 1st. As the final regulations were introduced with little advanced notice, everyone in the industry found themselves scrambling to upgrade existing equipment to meet the new industry standards. As you can imagine, this added additional cost. Specifically, we have spent over \$512,000 in outsourcing in the last six months.

As previously announced, we have solved this problem by spending over \$450,000 on new equipment that will permit us to do all our pesticides testing in house. Now of course, there's lead time between the purchase of this equipment, and when we'll be able to put it into full operation.

This is because of a number of factors. Number one. This is sophisticated and highly sensitive equipment. It takes months to calibrate and optimize to make sure it works every time in a high-capacity environment.

Once we've completed the calibration to meet our internal standard of excellence, then the responsible state agency must certify the equipment's accuracy and calibration.

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The good news is, we anticipate that process to be completed by the end of our third quarter which will be June 30th and we will see the new equipment up and running. This instantly improve our margins on testing and reduce our turnaround time, which will drive up customer satisfaction.

It should be noted that once the equipment is up and running, EVIO Labs will not only be the largest capacity cannabis testing lab for pesticides in Oregon, in all likelihood we will be the the largest accredited testing laboratory for pesticides in all of the state.

We've also announced that we have acquired three (3) new courier and sampling trucks. We acquired these vehicles under great terms and this purchase will also improve our overall operating margins as we will not have to payout mileage and fuel to our drivers who are out sampling products, moving test among all four labs in Oregon on a daily basis.

It is important to also note the importance of these couriers to the successful execution of our Compliance Science business model. This allows us to maximize workflow to focus on delivering the most accurate results as quickly as possible while continuing to grow our overall market share and increase our revenue stream. The overall testing market in Oregon in our estimation is approximately \$15 million in revenue potential. We are very confident in the continued growth in that marketplace.

EVIO Labs California located in Yuba City was also delivered one of our new trucks and is currently undergoing internal equipment improvement and calibration to bring it up to the ISO- Equivalent accreditation of our four labs in Oregon and also to prepare for the upcoming fall 2017 harvest.

The relationship developed by the excellent team at our California facility over of the past six years, extends well beyond they Sacramento Valley into the Emerald Triangle which promises to develop into one of the largest concentration of regulated cannabis cultivation in the world.

We've also been working in southern California with other resellers such as CAT technologies who have been a valuable in delivering clients from that region. Many cultivators and processors across California see the future and want to establish themselves as providers of clean cannabis products well ahead of the roll out of the required testing regulation that are currently scheduled for January 2018.

These forward-thinking producers are at the core of our business. As a critical date draws near, more and more clients will come on board in a pattern that we anticipate will mirror our experience in Oregon leading up to October 2016.

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The key difference being that anticipated market for testing in California will be in excess of \$150 million annually. Ten times the opportunity of that in Oregon.

At this point, I would like to mention another announcement made earlier this year with the engagement of Senator Richard Polanco. The former California state Senate Majority Leader has been instrumental in initiating a number of high-level and productive conversations on Signal Bay's behalf in numerous jurisdictions across California, at both the state and local level.

We are confident with the...will be instrumental in our expansion of EVIO Labs facilities across the state which will allow us to replicate in 2018 the Compliance Science scalable business model which has been proven to be so successful in Oregon.

The level of knowledge, expertise and proprietary knowledge earned by a team of scientists in Oregon will be invaluable and successful expansion of our EVIO Labs locations.

Now I'd like to answer some of the questions sent to us by shareholders that I haven't already covered.

The first question that comes up is, who was the 10 million shares issued to in the last quarter?

Well, Signal Bay has engaged with the law firm of Mitchell Silverberg and Knupp. Otherwise known as MSK as our corporate counsel. They are specialist in providing legal expertise and guidance to companies that operate both on the NASDAQ and OTCQB exchanges and have facilitated dozens of uplifting's listings in the past years.

Through their strategic venture program, they've become partners with select companies to help them achieve their goals. MSK will be assisting Signal Bay with regulatory, merger and acquisition and trademark matters. Essentially, they will become partners with the firm and minimize the cash obligations required to perform such services in the upcoming year.

Two. How will we as Signal Bay find the growth while protecting shareholder value?

This is important to me and to the entire board of directors. It is the number one priority to increase shareholder value. We are actively pursuing multiple options for funding. We are currently in negotiation with parties who are in alignment with the company's goals, while protecting and maximizing shareholder value.

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This will allow the company to upgrade from short-term bridge lenders to a strategic institutional partner who sees our long-term and global potential; delivering an essential service to the fastest-growing agricultural sector in the world.

The third question we have is, what is your California growth strategy?

I must emphasize that it is both of an organic and inorganic strategy, which means we'll be working to establish labs from the ground up while at the same time acquiring existing cash flowing operating labs. We have segmented the California market into zones and develop an overall EVIO Labs strategy to cover the entire state.

Due to competitive reasons, we're not discussing specifics at this current time. Keep in mind that the Signal Bay team has achieved tremendous proprietary knowledge going from initial lab rollout concept in 2015 to having five operating laboratories today.

We have been busy during the last six months taking the knowledge learned from the Oregon rollout, improving our overall operational efficiency, refining our Compliance Science methodology and developing a rollup playbook while laying down the foundation for growth.

As a quick note, there will not be any mobile labs in the future. There is not really such thing as a mobile lab pertaining to our industry. The sophisticated nature of our equipment honestly doesn't travel very well. Any confusion on this topic may have been from the misinterpretation under EVIO Labs California web site where they would do onsite collection and preliminary screening of client product.

The company is required to perform on-site sampling and bring all samples back to the central labs processing. This is the only way to perform accurate testing; in a controlled laboratory environment where the samples are retrieved from a cultivator or processor. The chain of custody is tracked and the samples are tested by professional scientists on highly calibrated equipment in a lab setting by our team.

Fourth question we have is, how will Signal Bay achieve 18 EVIO Labs by the end of 2018?

We're on target to realize this goal. We are in ongoing negotiations with several prospective partners and acquisition targets. We've also been identifying new labs who will support our organic growth in California. Meanwhile, our Compliance Science business model demonstrating a level of success on a daily basis that's providing a firm foundation for rapid growth.

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We are in conversation opportunities...excuse me. We're in conversations, we're finding opportunities that will allow us to realize our growth targets while at the same time protecting shareholder value, that are ongoing and numerous.

I can tell you today that we anticipate announcements in the near future to address this in a way that will demonstrate our commitment to our two goals. First, we want to realize potential growth and the footprint of EVIO Labs from coast-to-coast. And two, while ensuring that our shareholders will be rewarded for their commitment to our company.

Well, folks that's a quick call for today. I wanted to provide an overall summary and thank you all for joining us. For those of you who came in late, we'll be posting a recording of the call on our website signalbay.com. We would also ask any who has further questions or like to be added to our newsletter update, please feel free to update us at investors@signalbay.com. Thank you and have a great day.