Halo Labs Inc.
Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019
Expressed in US dollars
Unaudited

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Table of contents

Halo Labs Inc.
Condensed Interim Consolidated Statements of Financial Position

Unaudited, expressed in US dollars

		March 31, 2020	***December 31, 2019***
Assets			
Current			
Cash		**2,268,097**	4,384,131
Restricted cash	Note 14	**1,549,657**	1,684,283
Marketable securities	Note 5	**-**	1,610,257
Accounts receivable	Note 7	**1,202,591**	5,597,399
Inventory	Note 8, 9	**8,845,567**	7,250,776
Notes receivable	Note 10	**1,383,263**	1,914,993
Pre-paid expenses and other	Note 10	**3,626,634**	1,692,123
Total current assets		**18,875,809**	24,133,962
Long-term			
Property, plant and equipment	Note 11	**6,417,259**	6,655,716
Intangible assets and goodwill	Note 12	**20,605,567**	11,198,844
Investments	Note 5	**1,610,257**	-
Total long-term assets		**28,633,083**	17,854,560
Total assets		**47,508,892**	41,988,522
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		**7,166,149**	6,997,221
Other loans	Note 16	**1,235,394**	1,299,372
Income tax payable	Note 19	**733,966**	553,966
Sales & cultivation tax payable	Note 19	**974,839**	-
Total current liabilities		**10,110,348**	8,850,559
Long-term liabilities			
Debenture liability	Note 14	**6,865,043**	6,952,605
Lease liability	Note 6	**1,526,859**	1,554,589
Other loans	Note 16	**269,479**	338,439
Total long-term liabilities		**8,661,381**	8,845,633
Total Liabilities		**18,771,729**	17,696,192
Shareholders' equity			
Share capital	Note 15	**80,926,951**	67,909,461
Share capital reserve	Note 15	**5,572,053**	5,452,012
Convertible debenture equity reserve	Note 15	**655,090**	655,090
Accumulated other comprehensive income		**(682,902)**	(589,124)
Deficit		**(57,734,029)**	(49,135,109)
Total shareholders' equity		**28,737,163**	24,292,330
Total shareholders' equity and liabilities		**47,508,892**	41,988,522

Going concern Note 2

Commitments and contingencies Note 20

Subsequent events Note 21

These notes are an integral part of the Condensed Interim Consolidated Financial Statements

Halo Labs Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited, expressed in US dollars

		For the 3 months ending:	
		March 31, 2020	***March 31, 2019***
Revenue		**4,449,098**	8,718,503
Cost of finished cannabis inventory sold	Note 7, 8	**4,331,725**	6,273,930
Gross profit (loss), excluding fair value items		**117,373**	2,444,573
Unrealized fair value gain (loss) on growth of biological assets	Note 8	**(289,553)**	(267,758)
Gross profit (loss)		**(172,180)**	2,176,815
General and administration		**432,571**	751,415
Salaries		**1,087,567**	895,213
Professional fees		**3,489,860**	530,979
Sales and marketing		**748,857**	529,900
Investor relations		**1,262,094**	478,247
Loss on settlements and contigencies	Note 15, 20	**62,023**	-
Share based compensation	Note 15	**131,897**	629,125
Loss before undernoted items		**(7,387,049)**	(1,638,064)
Accretion expense		**302,432**	-
Fair value loss on derivatives	Note 10	**403,713**	-
Loss on sale of investments	Note 5	**-**	50,303
Depreciation	Note 11, 12	**255,092**	498,851
(Gain) loss foreign exchange		**(251,821)**	(82,491)
Interest expense	Note 14, 16	**333,239**	155,603
Loss before income taxes		**(8,429,704)**	(2,260,330)
Income tax expense (recovery)	Note 19	**180,000**	718,964
Net loss		**(8,609,704)**	(2,979,294)
Other comprehensive income			
Unrealized gain on foreign currency translation		93,778	(58,308)
Comprehensive loss		**(8,703,482)**	(3,037,602)
Net loss per share, basic and diluted:		**$ (0.03)**	$ (0.02)
Weighted average number of outstanding common shares, basic and diluted:		**277,418,561**	160,386,434

These notes are an integral part of the Condensed Interim Consolidated Financial Statements

Unaudited, expressed in US Dollars

		Common shares	Common shares $	Options $	Warrants $	Convertible conversion option $	Accumulated OCI $	Deficit $	Total $
Adjustment of retained earnings on implemetation of IFRS 16								**(121,554)**	**(121,554)**
Shareholders' equity (deficiency) December 31, 2018		**157,500,202**	**31,696,972**	**1,539,332**	**3,707,431**	**-**	**72,419**	**(22,381,585)**	**14,634,569**
Shares repurchased and cancelled	Note 15	-	-	-	-	-	-	-	**-**
Shares issued to acquire licenses	Note 15	7,324,816	2,459,826	-	-	-	-	-	**2,459,826**
Shares issued to retire debt	Note 15	2,497,195	748,250	-	-	-	-	-	**748,250**
Share issue costs	Note 15	-	(165,539)	-	-	-	-	-	**(165,539)**
Share-based compensation for services	Note 15	-	-	-	35,625	-	-	-	**35,625**
Share-based compensation for staff	Note 15	515,101	153,835	439,665	-	-	-	-	**593,500**
Shares issued on exercise of warrants and options	Note 15	1,558,515	706,246	(65,630)	(173,736)	-	-	-	**466,880**
Shares issued on conversion of broker warrants	Note 15	361,571	114,931	-	(7,030)	-	-	-	**107,900**
Forfeiture warrants and options	Note 15	-	-	(11,209)	-	-	-	11,209	**-**
Net loss and other comprehensive loss		-	-	-	-	-	(58,308)	(2,979,293)	**(3,037,601)**
Shareholders equity (deficiency) March 31, 2019		**169,757,400**	**35,714,521**	**1,902,159**	**3,562,290**	**-**	**14,111**	**(25,349,669)**	**15,843,410**

		Common shares	Common shares $	Options $	Warrants $	Convertible conversion option $	Accumulated OCI $	Deficit $	Total $
Shareholders' equity, December 31, 2019		**280,271,315**	**67,909,461**	**1,649,617**	**3,802,395**	**655,090**	**(589,124)**	**(49,135,109)**	**24,292,330**
Share issuance in private placements	Note15	6,363,636	510,856	-	-	-	-	-	**510,856**
Shares issued for acquisitions	Note15	65,369,091	8,855,702	-	-	-	-	-	**8,855,702**
Shares issued as finders' fees	Note15	4,787,692	494,885	-	-	-	-	-	**494,885**
Share issue costs	Note15	-	(11,688)	-	-	-	-	-	**(11,688)**
Share-based compensation for services	Note15	26,606,303	2,898,900	-	5,153	-	-	-	**2,904,053**
Share-based compensation for staff	Note15	2,478,472	268,835	125,672	-	-	-	-	**394,507**
Forfeiture warrants and options	Note15	-	-	(10,784)	-	-	-	10,784	**-**
Net loss and other comprehensive loss		-	-	-	-	-	(93,778)	(8,609,704)	**(8,703,482)**
Shareholders equity, March 31, 2020		**385,876,509**	**80,926,951**	**1,764,505**	**3,807,548**	**655,090**	**(682,902)**	**(57,734,029)**	**28,737,163**

These notes are an integral part of the Condensed Interim Consolidated Financial Statements

Halo Labs Inc.
Condensed Interim Consolidated Statements of Cash Flow
Unaudited, expressed in US dollars

		For the 3 months ending:	
		March 31, 2020	**March 31, 2019**
Cash provided by (used in)			
Operating activities:			
Net loss		**(8,609,704)**	(2,979,294)
Items not involving cash			
Depreciation	Note 11	**489,910**	686,910
Accrued interest	Note 14, 16	**333,239**	57,575
Accretion expense	Note 14	**302,432**	-
(Gain) loss in fair value of biological assets	Note 9	**289,553**	(267,758)
(Gain) loss in foreign exchange		**(251,823)**	(82,491)
Income tax provision	Note 19	**180,000**	718,964
Fair value (gain) loss on intangibles and embedded deriviates	Note 10	**403,713**	-
Share-based compensation	Note 15	**3,171,230**	629,125
Changes in working capital items			
Accounts receivable	Note 7	**95,413**	(2,315,328)
Notes receivable	Note 10	**54,087**	130,222
Accounts payable and accrued liabilities		**(960,915)**	774,065
Income tax payable	Note 19	**-**	189,951
Inventory	Note 8, 9	**1,974,395**	351,369
Pre-paid expenses and other	Note 11	**89,201**	48,838
Cash used in operating activities		**(2,439,269)**	(2,057,852)
Investing activities			
Intangibles	Note 12	**-**	(35,000)
Purchase of property, plant and equipment	Note 11	**-**	(312,121)
Cash used in investing activities		**-**	(347,121)
Financing activities			
Issuance of common shares & convertible debentures	Note 14, 15	**510,856**	574,780
Loans	Note 16	**(129,078)**	1,634,136
Lease payments	Note 6, 20	**(181,481)**	-
Share issuance costs	Note 15	**(11,688)**	(165,539)
Cash and convertible debt raised in finance activities		**188,609**	2,043,377
Change in cash in during the period		**(2,250,660)**	(361,596)
Cash, beginning of the period		**6,068,414**	722,649
Cash end of the period		**3,817,754**	361,053

These notes are an integral part of the Condensed Interim Consolidated Financial Statements

1. Nature of operations and background information

Halo Labs Inc. (“Halo Labs” and the “Company”), formerly known as Apogee Opportunities Inc. (“Apogee”), was incorporated under the laws of the Province of British Columbia on May 25, 1987. The Company was continued under the laws of the Province of Ontario on January 21, 2005 and is listed on the NEO Exchange (“NEO”) under the symbol “HALO.” The Company operates under the assumed business name of Halo Labs. The Company’s US based business operations entail manufacturing cannabis oil and concentrates and distributing cannabis products for recreational use in the states of Oregon, Nevada and California. The Company’s registered corporate office is 65 Queen Street West, Suite 805, Toronto, Ontario M5H 2M5.

On August 10, 2018, ANM Inc. (“ANM”), an Oregon incorporated company, and Apogee entered into a definite agreement to complete a merger and plan of reorganization among Apogee Opportunities (USA), Inc. (“Apogee USA”), a wholly-owned subsidiary of Apogee in Delaware, and ANM, pursuant to which Apogee acquired all of the outstanding shares of capital stock of ANM by way of a merger between Apogee USA and ANM under Delaware General Corporate Law (“DGCL”) and the Oregon Business Corporation Act (“ORBCA”).

The merger and plan of reorganization became effective on September 28, 2018, when the newly incorporated subsidiary of Apogee, Apogee Opportunities (USA), Inc. amalgamated with ANM, and Apogee acquired 100% of the shares of the amalgamated entity, and the resulting issuer changed its name from Apogee to Halo Labs Inc. (“Halo Labs” or the “Company”) and continued with the business of ANM.

Management determined that this transaction constituted a reverse acquisition in accordance with the policies of NEO whereby ANM acquired Apogee USA and Apogee. For accounting purposes, ANM is treated as the accounting parent company (legal subsidiary), and Apogee is treated as the accounting subsidiary (legal parent) in these financial statements. As ANM was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value. Apogee’s results of operations and those of Apogee USA are included from the transaction date, September 28, 2018. The comparative figures are those of ANM prior to the reverse acquisition. The Company has adopted the fiscal end of ANM, which is December 31.

These Condensed Interim Consolidated Financial Statements present the financial position of the resulting issuer, Halo Labs at March 31, 2020 and have been prepared in accordance with International Accounting Standards (“IAS”) Interim Financial Reporting. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the Company’s December 31, 2019 audited financial statements. Unless otherwise stated, all amounts in these financial statements have been presented in US dollars.

2. Going concern

These Condensed Interim Consolidated Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and continuing to manufacture its products. Having been prepared giving effect to the going concern assumption, these financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and classifications on the statement of financial position that would be necessary if the going concern assumption was not appropriate.

Historically, management has been successful in obtaining enough funding for operating and capital requirements.

- On March 29, 2019, the Company filed a short form prospectus in connection with a best effort offering of convertible debenture units of the Company at a price of $1,000 per initial unit. The Company raised $15,842,620 (C$21,163,000), and after fees, proceeds were $13,229,175 (C$18,188,293). As at March 31, 2020, $1,684,283 remains held in escrow at the transfer agent for future interest payments on the debenture (Note 14).

- On September 18, 2019, the Company entered into an unsecured debt financing agreement with a private lender for a principal amount of up to C$10,000,000. The Agreement is for an initial twelve months term with interest accruing at a rate of 9%. At March 31, 2020, the balance owing on the debt financing was C$1,000,000 excluding accrued interest. The Company has the ability to extend the initial term for an additional 12 months at an interest rate of 13% following the initial term (Note 16).

- On October 17, 2019, the Company closed a private placement raising total gross proceeds of $3,003,129 (C$3,965,843) and on December 31, 2019, the Company closed a second private placement with gross proceeds of $769,842 (C$1,000,000) (Note 15).

As at March 31, 2020, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

In the United States, 33 states, the District of Columbia, and the U.S. territories of Guam and Puerto Rico allow the use of medical cannabis. The District of Columbia and eleven states - Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision.

As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

3. Basis of preparation

3.1 Basis of presentation and statement of compliance

The accounting standard IAS 34 sets out the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period. IAS 34 Interim Financial Reporting applies when an entity prepares an interim financial report, without mandating when an entity should prepare such a report. Permitting less information to be reported than in annual financial statements (on the basis of providing an update to those financial statements), the standard outlines the recognition, measurement and disclosure requirements for interim reports.

These condensed interim Condensed Interim Consolidated Financial Statements have been authorized for release by the Company's Board of Directors on June 19, 2020.

Applicable to the preparation of interim financial statements, including IAS 34, the condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of Halo Labs for the year ended December 31, 2019, filed on the system for electronic document analysis and retrieval ("SEDAR"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The principal accounting policies adopted in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with the policies disclosed in the Annual Consolidated Financial Statements for the year ended December 31, 2019. The Condensed Interim Consolidated Financial Statements are presented in US dollars. The Canadian dollar serves as the functional currency of the parent. The Company's subsidiaries all have as functional currency the US dollar.

The Condensed Interim Consolidated Financial Statements have been prepared on the historical cost basis except for financial instruments and biological assets, which are measured at fair value. In addition, these Condensed Interim Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

These Condensed Interim Consolidated Financial Statements are comprised of the financial results of the Company and its subsidiaries, which are the entities over which the Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Non-controlling interests in the equity of the Company's subsidiaries are shown separately in equity in the consolidated statements of financial position.

Expressed in US dollars

The table below lists the Company's subsidiaries that are consolidated in these financial statements and the ownership interest held by non-controlling interests.

Subsidiaries of Halo Labs Inc.

	March 31, 2020	***December 31, 2019***
ANM, Inc.	**100%**	100%
Coastal Harvest, LLC	**100%**	100%
Halo AccuDab Holdings Inc.	**100%**	100%
Halo DispensaryTrack Software Inc.	**100%**	100%
HLO Peripherals LLC	**100%**	100%
HLO Ventures (NV), LLC	**100%**	100%
PSG Coastal Holdings, LLC	**100%**	100%
Coastal Harvest LLC	**100%**	100%
Industrial Court L9, LLC	**100%**	100%
Industrial Court L13, LLC	**100%**	100%
Mendo Distribution & Transportation, LLC	**100%**	0%
Cannalift Delivery Inc.	**100%**	0%
Halo Labs (USA) holdings Inc.	**100%**	100%

3.2 Critical judgements and estimations uncertainties

The preparation of the Condensed Interim Consolidated Financial Statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the Condensed Interim Consolidated Financial Statements and related notes to the Condensed Interim Consolidated Financial Statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets carrying values and impairment charge

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or carrying amount to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make decisions based on the best available information at each reporting period.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made (Note 19).

Share-based payment transactions and warrants

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

To calculate the share-based compensation expense related to key employee performance milestones associated with the terms of an acquisition, the Company must estimate the number of shares that will be earned and when they will be issued based on estimated discounted probabilities.

Fair value of financial instruments

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company expects to engage third party qualified valuators to perform the valuation.

Intangible assets and goodwill

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset acquired in a business combination is initially measured at fair value at the date of acquisition.

Intangible assets are amortized in a straight-line basis as follows:

- Cultivation and retail licenses 15 years in Oregon and California, 20 years in Nevada;
- Estimated useful life tradename 5 years;
- Estimated useful life software 5 years;
- Estimated useful life intellectual property 5 years.

Where applicable, estimated useful lives do not exceed the underlying contractual period associated with the intangible assets. The estimated useful lives, residual values and amortization methods are reviewed periodically and any changes in estimates are accounted for prospectively. Goodwill arises only in business combinations and represents the excess of the purchase price over the fair values of the net identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses and is not subject to amortization.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated realizable value. Further information on estimates used in determining the fair value of biological assets is contained in Note 9.

Useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease non-current assets.

Assessment of transactions as asset acquisitions or business combinations

Management has to apply judgment relating to acquisitions whether the acquisition is a business combination or an asset acquisition. Management applies a three-element process to determine whether a business or an asset is purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion. Management took this approach with the recent acquisitions of Industrial Court L13, LLC, CannPos Services Corp., Precisa Medical Instruments Inc., Mendo Distribution and Transport LLC and Cannalift Delivery Inc. (Note 12).

Determination of purchase price allocations and intangible assets

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

Contingencies

Refer to Notes 2 and 20.

3.3 New standards adopted and changes in accounting policies

IAS 1 Presentation of Financial Statements (Amendment) adopted as at January 1, 2020

In October 2018, the IASB issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2019. The amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company has evaluated the impact of IAS 1 on the Company's financial statements. Amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively.

4. Summary of significant accounting policies

For a summary of other significant accounting policies, refer to the Annual Consolidated Financial Statements of Halo Labs Inc. for the year ending December 31, 2019.

Expressed in US dollars

5. Investments

During the year ended December 31, 2019, marketable securities were sold for total proceeds of $194,310. A realized gain of $100,001 was recorded on the sale. After the sale of the marketable securities in 2019, the Company no longer has marketable securities.

On December 9, 2019, the Company completed its investment in Ukiah Ventures Inc. (“Ukiah”). Pursuant to the transaction, (i) Halo and Ukiah entered into a share purchase agreement in which Halo acquired 1,333,333 common shares in the capital of Ukiah in exchange for 5,940,000 common shares of Halo. The Ukiah shares acquired by Halo represent a 17.5% interest in Ukiah. The Halo shares issued pursuant to the transaction were issued at a fair value of $1,570,657 (C$2,079,000). At December 31, 2019, the investment was revalued at the year-end exchange rate of 1.2988 CAD/USD to $1,600,709. Transaction costs of $9,548 (C$12,402) were also included in the cost of the investment. Certain directors of Halo own an aggregate of 45,303 Ukiah shares, representing approximately 0.6% of the issued and outstanding Ukiah shares following completion of the transaction. As at March 31, 2020 there has been no change in the carrying value of the investment in Ukiah in comparison with December 31, 2019.

6. Leases

Lease liabilities		
Balance as at December 31, 2019	$	1,964,054
Additions		133,224
Payments		(105,586)
Balance March 31, 2020	$	1,991,692
Current portion		464,833
Long-term portion	$	1,526,859

Right of use of assets		
Balance as at December 31, 2019	$	2,434,493
Additions		117,363
Amortization		(136,772)
Balance March 31, 2020	$	2,415,084

On January 15, 2019, the Company extended the term on its second manufacturing facility in Cathedral City, CA from five years to ten years. The extension increased right of use assets by $417,200.

In the three months ended March 31, 2020, lease liabilities in the amount of $133,224 were added on consolidation of Mendo Distribution and Transportation LLC.

In the three months ended March 31, 2020, an amount of $19,924 related to variable lease payments is not included in lease liabilities.

Expressed in US dollars

In the three months ended March 31, 2020, an amount of $117,363 was added to the right of use on consolidation of Mendo Dstribution and Transportation LLC.

7. Accounts receivable

Accounts receivable are measured at amortized cost net of allowance for uncollectible amounts. The Company determines its expected credit loss based on a number of factors, including length of time an account is past due, the customer's previous loss history, and the ability of the customer to pay its obligation to the Company. The Company writes off receivables when they become uncollectible.

Accounts receivable

As at:		***March 31, 2020***		***December 31, 2019***
1 - 30 days	**$**	**692,987**	$	1,640,290
30 - 60 days		**228,669**		493,010
60 - 90 days		**260,720**		46,348
> 90 days		**20,215**		3,417,751
Total	**$**	**1,202,591**	$	5,597,399

Bad debt expense amounts are included in general and administration expenses. All the Company's trade and other receivables have been reviewed for indicators of impairment. Included in the accounts receivable over 90 days as at March 31, 2020 was $Nil (December 31, 2019: $3,260,203 due from Mendo Distribution and Transportation, LLC.) This amount was eliminated on consolidation as the company was acquired on January 9, 2020.

Accounts receivable

As at:		***March 31, 2020***		***December 31, 2019***
Accounts receivable - trade	**$**	**1,574,528**	$	6,209,268
Bad debt provision		**(371,937)**		(611,869)
Total accounts receivable	**$**	**1,202,591**	$	5,597,399

8. Inventory

The Company maintains three classes of inventory: raw materials, work in process ("WIP") and finished goods. Raw materials consist of cannabis "trim" and various packaging and incidental items. WIP consists primarily of inventory in the process of being converted from trim to oil or live resin. Finished goods inventory includes cannabis oil in cartridges, bulk live resin, edibles, batteries for vaporizer pen cartridges, and packages of solidified cannabis oil ("shatter").

Expressed in US dollars

Inventory by class

As at:		***March 31, 2020***		***December 31, 2019***
Raw materials	**$**	**1,556,700**	$	2,218,084
Work in progress		**2,461,194**		2,465,084
Finished goods		**4,601,918**		2,052,300
Biological assets		**225,755**		515,308
Total	**$**	**8,845,567**	$	7,250,776

The Company allocates various production and overhead costs and expenses to inventory items. As such, the cost of inventory is recognized as an expense, and included in cost of goods sold for the three months ended March 31, 2020, in the amount of $2,087,666 (three months ended March 31, 2019: $4,922,088) and valued at cost. Direct product costs are valued on a weighted average basis and major production cost such as labor and testing are allocated to inventory.

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within 'cost of finished cannabis inventory sold' in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss at the time cannabis is sold. Since all the biological assets are consumed in the production process, subsequent costs are negligible as trim is transferred to the processing facility of the Company.

9. Biological assets

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach that similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies and labor used in the growing process.

Biological assets are measured at their fair value less costs to sell in the Condensed Interim Consolidated Statement of Financial Position. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of finished cannabis inventory sold' on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

As at December 31, 2019, the Company did not carry any value of biological assets. During the three months ended March 31, 2020, there were no production costs and no costs to sell due to biological assets transformation. All biological assets were transferred to inventory in 2019 and zero in the three months ended March 31, 2020.

Expressed in US dollars

The Company values biological assets at the end of each reporting period at fair value less costs to sell ("FVLCS"). The determination of fair value less costs to sell is based a valuation model that estimates the expected harvest yield per plant applied to the estimated wholesale price per gram, less estimated selling costs. The model also considers the stage of the biological asset in the aggregate plant life cycle.

The valuation model includes the following estimates, all of which are Level 3 inputs in the fair value hierarchy:

- Average number of weeks in the growing cycle (from propagation to harvest) = 14 weeks based on historical results;
- Average wholesale selling price of whole flower = $0.99 per gram based on historical and expected future sales;
- Average harvest yield of whole flower = 2,815 grams per plant, net of expected wastage, based on historical results;
- Selling costs (shipping, order fulfillment, and labelling) = $0.29 per gram based on historical results.

The table below shows the assumptions used in the biological assets model used for the year ended December 31, 2019 and estimates of what has been achieved based on what was processed as at March 31, 2020.

Significant assumptions utilized in cannabis plant model

	Three months ended March 31, 2020				Year ended December 31, 2019			
		Bud		**Trim**		**Bud**		**Trim**
Ratio bud vs. trim		11%		89%		16%		84%
Selling price per gram	$	1.10	$	0.11	$	0.99	$	0.20
Total costs to sell per gram	$	0.29	$	0.08	$	0.29	$	0.08
FVLCS per gram	$	0.81	$	0.03	$	0.70	$	0.12

As at March 31, 2020 the average stage of completion of the biological assets was 100% based on the number of days remaining to harvest. All material harvested during the year ended December 31, 2019 was transferred to the Company and used for processing and direct sales of flower to third parties.

The estimated FVLCS of dry cannabis as at December 31, 2019 was $0.70 per plant for flower and $0.11

Expressed in US dollars

for trim. The realized total yield was 7.2 million grams of biomass in 2019. As at March 31, 2020, 6 million grams were processed and the estimated realized FVLCS was $0.81 per gram for flower and $0.03 for trim. The weighted combined realized FVLCS was $0.11 per gram compared with $0.21 per gram used in the biological assets model. The lower FVLCS including flower and trim reflects a realized flower price of $1.10 and a trim price of $0.11, compared with $0.99 for flower and $0.20 for trim, used in the biological assets model, not offsetting the realized trim price of $0.11 per gram and the price used in the biological assets model of $0.20 per gram. The FVLCS for flower and trim combined also had a negative impact on the FVLCS following from a flower and trim ratio of 11% - 89% compared with 16% - 84% in the biological assets model.

The above inputs are subject to volatility and uncontrollable factors which could significantly affect the fair value of biological assets in future periods. Management has quantified the sensitivity of the inputs on the calculation of the fair value of the biological assets as follows:

Effect on the fair value of biological assets - March 31, 2020

Sensitivity		**+ 10%**		**- 10%**
Change in expected yield for cannabis plants	$	131,920	$	(131,920)
Change in FVLCS		68,121		(68,121)

10. Prepaid expenses and other

Prepaid expenses and other

As at:		***March 31, 2020***		***December 31, 2019***
Prepaid expenses and other		**3,626,634**		1,692,123
Notes receivable		**1,383,263**		1,914,993
Total	**$**	**5,009,897**	$	3,607,116

Included in prepaid expenses and other is the lease buydown of one of the Company’s leased facilities in California. The terms of the lease state that lease payments are to commence once Cathedral City grants a Conditional Use Permit sufficient to allow the Company to conduct business at the location. The permit has not yet been obtained, as such the ROU asset and lease liability have not been recorded.

Expressed in US dollars

Change in carrying value of Aftermath convertible promissory note

Additions November 2, 2019		1,212,658
Payments received		(384,971)
Fair value gain/(loss) on conversion feature		335,849
Balance at December 31, 2019	$	1,163,536
Payments received		-
Fair value gain/(loss) on conversion feature		(477,643)
Balance March 31, 2020	$	685,893

On June 22, 2018, the Company (formerly Apogee Opportunities Inc.) entered an agreement to sell 222,070 shares of Minera Cachinal S.A. ("Minera"), being approximately 80% of the issued shares in the capital of Minera, to Aftermath Silver Ltd. ("Aftermath"). On November 2, 2019, (the "Closing"), Halo Labs Inc. received a convertible debenture from Aftermath valued at C$1,575,000 in consideration for the sale and transfer of the shares. The Company had recorded net liabilities of $101,787 for its investment in Minera, resulting in a gain of $1,288,565 on the sale.

The debenture agreement provides the following payment schedule:

- $250,000 at the Closing;
- $250,000 on or before six months following the Closing;
- $525,000 on or before the first anniversary of the Closing; and
- $550,000 on or before 18 months following the Closing.

The debenture can be converted to Aftermath shares on notice to Aftermath prior to each of the payment dates. On November 2, 2019, the conversion feature was valued at $256,328. The value of the conversion feature was calculated using the Black-Scholes model with the following assumptions:

Black-Scholes assumptions for Aftermath convertible

	March 31, 2020	*December 31, 2019*	*November 2, 2019*
Risk free rate:	1.66%	1.66%	1.66%
Expected life	1.1 years	1.5 years	1.3 years
Expected volatility	155%	155%	155%
Expected dividend per share	Nil	Nil	Nil
Share price	$ 0.13	$ 0.23	$ 0.40
Liquidity discount	64%	64%	64%

Expressed in US dollars

As at March 31, 2020, the fair value loss on the conversion feature was $403,713. Included in the fair value loss on the conversion feature is a loss on foreign exchange translation in the amount of $73,930.

Notes receivable as at March 31, 2020 were $1,382,363 (December 31, 2019: $1,914,993). In addition to the Aftermath convertible promissory note, notes receivable includes amounts due from an executive of the Company in the amount of $126,546 (December 31, 2019: $126,546) and from a supplier to the Company in the amount of $570,834 (December 31, 2019: $624,911). The note receivable due from the executive of the Company is unsecured, interest-bearing and requires repayment in 2020; the note receivable from the supplier is non-interest bearing, unsecured and due on demand.

11. Property, plant and equipment

Property, plant and equipment

	Production equipment	Leasehold improvements	Office equipment	Leased assets	Vehicles	Total
Cost:						
Balance as at December 31, 2019	3,793,332	2,058,016	97,652	2,937,930	-	**8,886,930**
Additions	15,770	-	-	117,363	-	**133,133**
Balance as at March 31, 2020	3,809,102	2,058,016	97,652	3,055,293	-	**9,020,063**
Accumulated depreciation:						
Balance as at December 31, 2019	(1,306,272)	(382,081)	(39,424)	(503,437)	-	**(2,231,214)**
Depreciation	(175,546)	(53,158)	(6,114)	(136,773)	-	**(371,591)**
Dispositions	-	-	-	-	-	**-**
Balance as at March 31, 2020	(1,481,818)	(435,239)	(45,538)	(640,210)	-	**(2,602,804)**
Net book value:						
Net book value December 31, 2019	2,487,060	1,675,935	58,228	2,434,493	-	**6,655,716**
Net book value March 31, 2020	$ 2,327,284	$ 1,622,777	$ 52,114	$ 2,415,084	$ -	**$ 6,417,259**

The addition to leased assets in the amount of $117,363 relates to Mendo Distribution and Transportation LLC. Total depreciation expense for the three months ended March 31, 2020 was $371,590 (three months ended March 31, 2019: $334,649). An amount of $234,818 (three months ended March 31, 2019: $188,059) was recognized as costs of goods sold and $136,772 (three months ended March 31, 2019: $146,590) was recognized as operating expenses in relation to leased assets.

Expressed in US dollars

12. Intangible assets and goodwill

Intangibles

	Licenses and facility option	Brand names	Software	Intellectual property	Goodwill	Total
Cost:						
Balance as at December 31, 2019	7,531,014	8,654	2,113,958	2,260,972	-	**11,914,598**
Additions	-	-	128,402	2,682,888	6,713,753	**9,525,043**
Balance as at March 31, 2020	7,531,014	8,654	2,242,360	4,943,860	6,713,753	**21,439,641**
Accumulated amortization:						
Balance as at December 31, 2019	(712,956)	(2,798)	-	-	-	**(715,754)**
Amortization	(117,887)	(433)	-	-	-	**(118,320)**
Balance as at March 31, 2020	(830,843)	(3,231)	-	-	-	**(834,074)**
Net book value:						
Net book value December 31, 2019	6,818,058	5,856	2,113,958	2,260,972	-	**11,198,844**
Net book value March 31, 2020	$ 6,700,171	$ 5,423	$ 2,242,360	$ 4,943,860	$ 6,713,753	**$ 20,605,567**

Total amortization expense for the three months ended March 31, 2020 of $118,320 (three months ended March 31, 2019: $352,261) was recognized in operating expenses. Goodwill in the amount of $6,713,753 was added in relation to the acquisition of Mendo Distribution and Transportation LLC.

Medford, Oregon

The Company has four producer licenses for its farm, East Evans Creek. The Company also has a wholesale distribution license and a producer license for its production facility in Medford. The licenses are renewed each year. The Company has not capitalized intangible assets related to these licenses.

Cathedral City, California

During the year ended December 31, 2017, the Company signed a membership interest purchase agreement for the purchase of a volatile extraction license for Cathedral City, California. The transaction was recorded as an asset acquisition. The purchase price of the license was $2,000,000. The license is renewed each year. The Company made a down payment of $100,000 and issued convertible promissory notes for the balance of $1,900,000. The value of the consideration and transaction costs were attributed to the intangible assets in the amount of $2,129,219, and to prepaid expenses in the amount of $33,850 for certain lease deposits acquired in the same transaction. During the year ended December 31, 2018, the Company entered into an amended agreement to terminate certain intangibles acquired as part of this 2017 transaction and to reduce the promissory notes payable from $1,900,000 to $959,500. The Company repaid these promissory notes in October 2018.

Also, during the year ended December 31, 2018, the Company signed a membership interest contribution agreement which includes two pending licenses for manufacturing and distribution in Cathedral City, California in consideration for Pre-RTO notes totaling $2,000,000. The Company incurred $15,890 in transaction costs on this transaction. The resulting total of $2,015,890 was capitalized to intangible assets.

On March 5, 2019, the Company acquired a 100% interest in Industrial Court L13, LLC, a California limited liability company which is party to a sublease (as subtenant) for a facility in Cathedral City, California for total consideration of $2,535,475 consisting of 7,324,816 common shares of the Company valued at $2,459,826 and other costs of $75,649. As part of the consideration for the issuance of the common shares to the vendors, the vendors also caused the sub-landlord of the premises to eliminate the obligation of one of the Company's indirect subsidiaries to pay production rent.

Las Vegas, Nevada

During the year ended December 31, 2018, the Company entered into a definitive agreement for the purchase of: (i) a Nevada Marijuana Product Manufacturing License, (ii) a Nevada Medical Marijuana Cultivation Establishment certificate, (iii) a Nevada Marijuana Cultivation Facility license, (iv) a Nevada Medical Marijuana Production Establishment license; and (v) rights under a certain conditional approval for a Nevada Marijuana Distributor license (collectively, the “Nevada Marijuana Licenses”), together with certain property, plant and equipment used in the operations of the businesses operating under or in connection with the Nevada Marijuana Licenses. The agreement contemplates total payments required to be made of $4,900,000. As the timing and ability to transfer the licenses is dependent on approval from certain regulatory authorities, the Company has only capitalized payments made. The Company paid $500,000 as a non-refundable deposit on signing the term sheet, issued $1,291,430 in Pre-RTO Notes payable and made additional payments of $39,654 in 2019. The total payments of $1,831,084 were capitalized to intangible assets. The remaining payments required to complete the transaction are $3,068,916.

Halo DispensaryTrack Software Inc.

On October 11, 2019, the Company, through its newly created wholly owned subsidiary, Halo DispensaryTrack Software Inc., acquired CannPos Services Corp. (“CannPos”). Total consideration for the acquisition was $4,229,394, consisting of 18,785,714 common shares valued at $3,698,821 and closing costs of $530,573. The fair market value of the transaction was C$0.26. The transaction was recorded as an asset acquisition. The total value was attributed to intangible assets as the company’s sole asset was its software under development. The Company also granted the vendors 1,250,000 performance share units, each exercisable into one common share if the holders develop and make available a software application on or before October 11, 2020. The value of these performance share units will be recorded on satisfaction of the performance condition. Because the intangible asset was not available for use as at December 31, 2019, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. An impairment loss of $2,115,436 was recorded as at December 31, 2019.

In the three months ended March 31, 2020, 1,250,000 shares were issued at a value of $128,402. This was in relation to 1,250,000 performance share units issued at the time of acquisition at no extra consideration if certain milestones are achieved on or before October 11, 2020. This amount was added to intangibles.

Halo AccuDab Holdings Inc.

On December 31, 2019, the Company, through its newly created wholly owned subsidiary, Halo AccuDab Holdings Inc., acquired Precisa Medical Instruments Corp. (“Precisa”). Total consideration for the acquisition was $3,280,402 consisting of 13,392,857 common shares valued at $2,887,281 and closing costs of $393,121. The fair market value of the transaction was C$0.28. The transaction was recorded as an asset acquisition. The total value was attributed to intangible assets as the company’s sole asset was the intellectual property related to the Accu-Dab THC and CBD oil oral delivery device under development. At December 31, 2019, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. An impairment loss of $1,019,431 was recorded for the year ended December 31, 2019.

Cannalift Delivery Inc.

On March 10, 2020, the Company completed the acquisition of all of the issued and outstanding shares in the capital of Cannalift Delivery Inc.through a three-cornered amalgamation whereby Halo acquired 100% of Cannalift Delivery Inc.’s outstanding common shares from its shareholders in exchange for 31,000,000 of common shares of Halo at a fair value of C$0.11 per share. The total consideration for the acquisition was $2,682,888, consisting of 31,000,000 common shares valued at $$2,484,155 and closing costs of $198,732. The transaction was recorded as an asset purchase. Closing costs of $198,732 were capitalized.

The total value of the transaction of $2,682,888 was attributed to intangible assets as the company’s sole asset was the intellectual property related to the development of the delivery application under development. Because the intangible asset was not available for use as at March 31, 2020, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. No impairment was necessary.

Mendo Distribution and Transportation LLC.

On January 9, 2020, the Company completed the acquisition of all of the issued and outstanding shares in the capital of Mendo Distribution and Transportation LLC. (“MDT”). Pursuant to the terms of the MDT acquisition agreement 8,446,985 Common Shares were issued to MDT Holdings, LLC, the previous sole member of MDT, upon closing, and 12,460,568 Common Shares were deposited into escrow. Under the terms of the escrow agreement 8,237,076 Common Shares are to be released in twelve (12) equal monthly installments, and 4,223,492 Common Shares are to be released twelve (12) months following the closing of the MDT acquisition (subject to the Corporation's right to claw back shares for undisclosed liabilities or other indemnification obligations of the seller).

Based in Ukiah, California, MDT has been operating as a cannabis distributor since June 2018. Located in a two story, approximately 4,500 square foot facility, MDT holds a Type 11 cannabis distribution license issued by the Bureau of Cannabis Control and manages a Type N license on site.

Expressed in US dollars

Purchase price allocation as at January 9, 2020	Book value	Adjustments	Fair value
Accounts receivable	$ 113,955	$ (71,509)	$ 42,446
Inventory	5,006,798	(1,210,926)	3,795,872
Fixed assets	20,598	(4,828)	15,770
Goodwill	-	6,713,753	6,713,753
Accounts Payable	(4,726,957)	11,301	(4,715,656)
Other liabilities	(1,208,197)	-	(1,208,197)
Net purchase price	$ (793,803)	$ 5,437,791	$ 4,643,988

The total consideration for the acquisition was $4,643,988 at a fair value of $0.22 per share. The transaction was recorded as a business combination. Under IFRS3, closing costs of $103,426 were expensed. Advisory fees in the amount of $250,000 are also expensed. Goodwill results from the acquisition of Mendo Distribution and Transportation LLC and is initially measured at the excess of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is not amortized but goodwill is subject to impairment tests at least annually. The transaction included goodwill of $6,713,753.

13. Related party relationships, transactions and balances

Compensation key executives

3 months ending:	**31-Mar-20**	**31-Mar-19**
Salaries, commissions, bonuses, consulting fees	**$ 336,695**	$ 87,693
Share-based compensation	**97,051**	799,653
Total	**$ 433,746**	$ 887,346

Key employees include the Company's directors, senior officers and any employees with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. In the three months ended March 31, 2020, remuneration to executives including share-based compensation was $433,746 (three months ended March 31, 2019: $887,346). The table above lists all share-based compensation received by key executives, which includes shares issued in lieu of salary which are recorded as salaries in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss. Options and warrants were granted on May 12, 2017, September 28, 2018 and December 19, 2019 to staff, directors and consultants. Options and warrants granted to employees and directors vest over a period of two years. Share-based compensation is recognized on a graded vesting basis and is expensed and included in operations.

Expressed in US dollars

Related parties

As at:		31-Mar-20		31-Dec-19
Due from directors, officers and other related parties	**$**	**127,261**	$	126,546
Due to directors, officers and other related parties		**281,323**		375,941
Accounts payable and accrued liabilities due to related parties		**-**		5,047

As at March 31, 2020, due from shareholders and related parties is $127,261 (December 31, 2019: $126,546) in relation to a note receivable from an executive of the Company (see Note 10). As at March 31, 2020, due to shareholders and related parties was $281,323 (December 31, 2019: $380,988), related to accrued salaries to certain board members and executives of the Company which are to be issued in shares as well as business expenses incurred by related parties.

During 2019 the Company issued promissory notes in the aggregate principal amount of $1,700,000 bearing interest at a rate of 15% per annum and maturing on December 31, 2019. Certain promissory notes were issued to related parties.

On April 4, 2019, the promissory note financings were converted into the 2019 debenture. Of the total gross debenture proceeds, $200,000 (C$271,000) related to the conversion of promissory financings by related parties. At December 31, 2019, all convertible debt issued to related parties had been converted to Halo shares and issued to the convertible debtholders.

14. Convertible debentures

2019 Debentures

On March 29, 2019, the Company filed a short form prospectus in connection with a best effort offering of convertible debenture units of the Company at a price of C$1,000 per initial unit for gross proceeds of $15,842,620 (C$21,163,000). Each convertible debenture unit was comprised of one unsecured convertible debenture with an 8% coupon of the Company in the principal amount of C$1,000 with interest payable semi-annually on June 30 and December 31 of each year, commencing June 30, 2019, and maturing 36 months from the closing date, and 770 warrants, each warrant being exercisable for a period of 24 months following the closing date to purchase one common share of the Company at an exercise price of C$0.90 per warrant, subject to adjustment in certain events.

Each convertible debenture is convertible into common shares of the Company at a price of C$0.65 per debenture share at the option of the holder at any time prior to the earlier of either the last business day immediately preceding the maturity date or the business day immediately preceding the date specified for redemption of the convertible debentures upon a change of control, subject to acceleration in certain events. Beginning on the date that is four months and one day following the closing date, the Company may force the conversion of the principal amount of the then outstanding convertible debentures at the conversion price on not less than 30 day notice should the daily volume-weighted average trading price of the

Expressed in US dollars

Company's outstanding common shares on the NEO Aequitas Exchange be equal to or greater than C$1.35 per common share for the preceding 10 consecutive trading days.

Continuity 2019 convertible debenture		
Convertible debenture - April 4, 2019		15,842,620
Brokers fees		(1,060,034)
Legal and other fees		(1,553,411)
Convertible debenture after fees		13,229,175
Value of the equity component at issue		(1,867,273)
Liability portion of conversions in the period		(5,488,967)
Interest paid		(612,785)
Accretion of loan discount		862,849
Accrued interest		633,140
Foreign exchange gain (loss)		196,466
Balance December 31 , 2019		6,952,605
Liability portion of conversions in the period		-
Interest paid		-
Accretion of loan discount		302,455
Accrued interest		179,849
Foreign exchange gain (loss)		(569,866)
Balance March 31, 2020	$	6,865,043

On April 4, 2019, the Company issued 21,163 debentures for total gross proceeds of $15,842,620 (C$21,163,000). As at December 31, 2019, 8,469 debentures were converted into 13,029,153 common shares of the Company and 12,694 debentures were in issue. Pursuant to the prospectus agreement, the Company is required to hold in escrow, funds sufficient to cover interest payment to December 31, 2020. These funds are recorded as restricted cash on the Condensed Interim Consolidated Statement of Financial Position. At March 31, 2020 the Company had sufficient funds in escrow for these interest payments.

15. Share capital

15.1 Share capital

Authorized shares

The authorized number of common shares is unlimited without par value. During the year ended December 31, 2018, as part of a merger and plan of reorganization, the Company's capital was affected by an exchange ratio which resulted in an increase in the number of securities at a rate of

1.35 to one. Unless otherwise stated, all share and per-share amounts have been restated to reflect the effects of this exchange ratio.

Fiscal 2020

- On January 21, 2020, 20,907,553 shares were issued in relation to the acquisition of Mendo Distribution and Transportation LLC. 12,460,568 shares were escrowed;
- On February 18, 2020, 13,461,538 shares were issued to High Tide Inc. as deposit in relation to the acquisition of High Tide. In addition, 2,307,692 shares were issued as finders' fees;
- On February 18, 2020, 8,840,892 shares were issued as payment for services. On February 18, 2020, the Company also issued 750,415 shares to staff;
- On March 10, 2020, 31,000,000 shares were issued in relation to the acquisition of Cannalift Delivery Inc. In addition, 2,480,000 shares were issued as finders' fees;
- On March 10, 2020, 6,363,636 shares were issued in a private placement;
- On March 26, 2020, 17,765,411 shares were issued as payment for services. In addition, 1,728,057 shares were issued to staff on that date.

As at March 31, 2020, the Company had 385,876,509 shares in issue including 3,300,428 common shares in escrow (2019: 12,301,308).

Fiscal 2019

- 13,029,153 common shares were issued following conversion of the 2019 convertible debenture (Note 14);
- 4,896,145 common shares were issued for proceeds of $1,618,450 as a result of warrant and option exercises. A loss of $471,023 was recorded on 1,250,000 shares issued on the exercise of warrants in which funds were not received as at December 31, 2019. While the Company believes it will receive these funds, there is no certainty to the amount or timing of any payment (Note 20);
- 973,753 shares were issued for proceeds of $335,900 on exercise of broker warrants;
- 28,298,209 common shares were issued in relation to services provided to the Company by contractors valued at $8,574,616, included in the statement of change in equity;
- 8,408,417 common shares valued at $3,045,126 were issued for repayment of debt of $2,238,169 resulting in a loss on settlement of $806,957;
- 3,698,142 common shares value at $1,298,307 were issued to staff in lieu of salaries. Of these,

1,380,077 common shares valued at $721,547 were included in share based compensation and 2,318,065 valued at $576,760 were included in salaries expense;

- 558,246 common shares valued at $284,201 were issued as finders' fees.

On March 5, 2019, the Company closed the acquisition of Industrial Court L13, LLC, for total consideration of $2,535,475 consisting of 7,324,816 common shares of the Company valued at $2,459,826 and other costs of $75,649.

On October 11, 2019, the Company closed its acquisition of CannPos Services Corp., issuing 18,785,714 valued at $3,698,821 (C$4,884,286). The Company also closed the first tranche of its concurrent financing, issuing 9,677,420 shares for gross proceeds of $2,283,455 (C$3,000,000).

On October 17, 2019, the Company closed the second tranche of its concurrent financing, issuing 3,115,622 common shares for gross proceeds of $731,259 (C$965,843). The Company also issued 3,997,648 shares as payment for services to certain staff and consultants valued at $832,342, included in professional expenses.

On December 9, 2019, the Company issued 5,940,000 common shares valued at $1,570,657 (C$2,079,000) in exchange for a 17.5% interest in Ukiah (Note 5).

On December 31, 2019, the Company closed its acquisition of Precisa, issuing 13,392,857 common shares valued at $2,887,281. The Company also issued 1,339,285 finders' shares valued at $309,351 as part of the transaction and closed a concurrent financing, issuing 3,333,334 common shares for gross proceeds of $769,942 (C$1,000,000).

15.2 Share purchase warrants

On September 9, 2019, the Company announced that the warrants issued in connection with the Company's private placement which closed on June 29, 2018 and business combination which closed on October 2, 2018 were approved for listing on the NEO Exchange. The Warrants commenced trading on September 11, 2019 under the symbol HLO.WT.A.

On September 18, 2019, 5,000,000 warrants with exercise price of $0.23 (C$0.295) were granted in relation to a C$10,000,000 line of credit received by the Company. The warrants only vest as funds are drawn on the line of credit and expire on June 30, 2020. 1 warrant vests for each CAD dollar drawn up to a maximum of 5,000,000 warrants. At March 31, 2020, 1,000,000 warrants have vested, and Nil have been exercised.

Included in the warrants granted in 2019, were 2,768,501 ANM Pre-RTO $0.38 (C$0.50) warrants and 1,915,637 ANM Pre-RTO $0.62 (C$0.80) granted on February 27, 2019 which were not issued with the earlier ANM Pre-RTO warrants at the time of the RTO due to a calculation error in converting from ANM to Halo warrants.

Expressed in US dollars

Warrants issued and outstanding as at March 31, 2020

Expiry date	Term - years	Warrants granted	Warrants vested	Exercise price US$	Description
30-May-20	2.00	28,922,297	28,922,297	$0.38	Warrant
18-Jun-20	0.75	5,000,000	1,000,000	$0.23	Warrant
28-Sep-20	2.00	1,687,766	1,687,766	$0.31	Broker warrants
30-Sep-20	2.00	616,500	616,500	$0.31	Warrant
31-Dec-20	2.00	86,631,179	86,631,179	$0.62	Warrant
31-Dec-20	2.00	973,753	973,753	$0.62	Broker warrants
04-Apr-21	2.00	1,891,938	1,891,938	$0.50	Broker warrants
04-Apr-21	2.00	16,295,010	16,295,010	$0.69	Warrant
14-May-21	3.00	405,000	405,000	$0.17	Warrant
30-Sep-21	3.00	625,000	625,000	$0.38	Warrant
30-Sep-21	3.00	100,000	100,000	$0.62	Warrant
14-May-23	5.00	135,000	135,000	$0.59	Warrant
30-Sep-23	5.00	300,000	300,000	$0.31	Warrant
27-Sep-24	6.00	625,000	562,500	$0.31	Warrant
10-Oct-27	10.00	712,500	712,500	$0.08	Warrant
11-May-27	10.00	6,243,750	6,243,750	$0.67	Warrant
Total	0.75-10 years	151,164,693	147,102,193	$0.56	

During the three months ended March 31, 2020, 10,312 warrants with exercise price $0.62 were issued to brokers. No warrants were exercised (three months ended March 31, 2019: 1,732,422) and no warrants were forfeited (three months ended March 31, 2019: 1,123,079).

Warrants outstanding

	3 months ended March 31, 2020			***3 months ended March 31, 2019***		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Outstanding, beginning of period	151,154,381	$	0.51	129,852,707	$	0.57
Granted	10,312	$	0.62	5,045,710	$	0.49
Exercised	-	$	-	(1,732,422)	$	0.31
Forfeited	-	$	-	(1,123,079)	$	2.69
Outstanding, end of the period	151,164,693	$	0.51	132,042,916	$	0.55

Expressed in US dollars

The Company recognized no share-based compensation in warrants during the three months ended March 31, 2020 (three months ended March 31, 2019: Nil) and $5,153 share-based payments issued for services for the three months ended March 31, 2020 (three months ended March 31, 2019: $35,625). As at March 31, 2020, the weighted average exercise price of each Halo Labs warrant granted is $0.51 (three months ended March 31, 2019: $0.56). the weighted average remaining contractual life of the warrants is 0.98 years (three months ended March 31, 2019: 1.32 years).

Assumptions used for the calculation of the grant date fair value of warrants granted during the three months ended March 31, 2020 and 2019 are:

Black-Scholes assumptions for warrants

	3 months ended March 31,	
	2020	***2019***
Risk free rate:	-	1.62%
Expected life	-	2 years
Expected volatility	-	70%
Expected dividend per share	-	Nil
Share price	$ -	$ 0.56

15.3 Options

The Company has established a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to options granted under the plan is 10% of the issued and outstanding common shares. The board of directors has the exclusive power over the granting of options, the exercise price and their vesting and cancellation provisions.

In the event of a change of control, unless otherwise specified in the stock option agreement for a particular grant, any right to repurchase an optionee’s shares at the original exercise price shall lapse and all such shares shall become vested if such change of control occurs during the optionee’s term of service and the repurchase right is not assigned to the entity immediately after the change of control.

On December 19, 2019, 2,162,000 options with an exercise price of $0.23 (C$0.30) and expiring on the date that is five years from the date of issuance were granted to employees with a weighted average fair value of options granted of $0.19 (C$0.25) using the Black-Scholes Option Pricing Model. Options granted vest over a period of two years on a quarterly basis.

No options were granted during the three months ended March 31, 2020 (three months ended March 31, 2019: Nil)

Options outstanding

	3 months ended March 31, 2019			*3 months ended March 31, 2019*		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Outstanding, beginning of period	9,272,309	$	0.35	12,170,251	$	0.37
Exercised	-	$	-	(350,625)	$	0.31
Forfeited/cancelled	(66,624)	$	0.28	(249,375)	$	0.31
Outstanding, end of period	9,205,685	$	0.35	11,570,251	$	0.37

During the three months ended March 31, 2020, 66,624 options were forfeited as employees left the Company (three months ended March 31, 2019: 249,375). No options were exercised (three months ended March 31, 2019: 350,625).

Options outstanding by exercise price - March 31, 2020

Grant Date		**Exercise price**	**Issued & Outstanding**	**Exerciseable**
May 12, 2017	$	0.67	1,525,500	1,525,500
September 28, 2018	$	0.31	5,518,185	4,115,763
December 19, 2019	$	0.23	2,162,000	775,750
Total			9,205,685	6,417,013
Weighted average life (years)			5.0	
Weighted average exercise price			$ 0.35	

The Company recognized share-based compensation related to options vesting during the three months ended March 31, 2020, in the amount of $131,897 (three months ended March 31, 2019: $629,125). The following table summarizes information regarding stock options outstanding by exercise price and number of options exercisable as at March 31, 2020. Actual exercise prices are in Canadian dollars.

The assumptions used for the calculation of the fair value of options at grant date during the three months ended March 31, 2020 and 2018, are:

Expressed in US dollars

Black-Scholes assumptions for options

	3 months ended March 31, 2020	*2019*
Risk free rate: 5-7 years	-	1.62%
Expected life	-	6 years
Expected volatility	-	70%
Expected dividend per share	-	Nil
Share price	$ -	$ 0.56

15.4 Performance Share Units

On October 11, 2019, the Company granted the vendors of CannPos 1,250,000 performance share units. Each performance share unit is exercisable into one common share for no additional consideration if the holders develop a software application and make it available to the Company on or before October 11, 2020. The shares were issued during the three months ended March 31, 2020.

16. Other loans

Continuity other loans

	Short-term	Long-term	Total
Balance December 31, 2019	1,299,372	338,439	**1,637,811**
Additions	68,960	-	**68,960**
Interest payable and accrued interest	-	-	**-**
Repayments	(132,938)	-	**(132,938)**
Transferred to short-term		(68,960)	**(68,960)**
Balance March 31, 2020	$ 1,235,394	$ 269,479	**$ 1,504,873**

Other loans – 2019

During 2019, the Company issued promissory notes in the aggregate principal amount of $1,700,000 bearing interest at a rate of 15% per annum and maturing on December 31, 2019. On April 4, 2019, the promissory note financings were converted into the 2019 debenture.

In May 2019, the Company received three installments totaling $1,492,710 of a short-term loan with interest payable of 8% per year paid monthly in arears. The loan was converted to 5,911,222 common shares which were issued on September 6, 2019. The fair value of the shares was $1,782,279, resulting in a loss on settlement of debt of $289,569.

Expressed in US dollars

As at December 31, 2019, the Company owed $1,031,649 regarding new loans received during the year. $769,941 relates to funds drawn on the Company's C$10,000,000 line of credit. Interest on the line of credit is 9% per year and is paid monthly in arears. The remaining balance of $261,707 relates to vendor financing of raw materials purchases in California.

As at March 31, 2020 the Company owed $68,960 in other new short term loans to Xtraction. Of other short-term loans $80,000 was repaid to Ikanik Farms. $48,782 of principal was repaid and $4,156 in interest was paid to Xtraction. As at March 31, 2020, total other short-term loans were $1,235,394.

As at March 31, 2020, other long-term loans of $269,479 is owed to Xtraction.

Sale and leaseback – Xtraction Services Inc.

On November 25, 2019, the Company executed the sale and leaseback of production equipment at its California subsidiary, Coastal Harvest, LLC. The lease term is three years with buyback options after 18 months and at the end of the lease. Total cash received was $600,000. Transaction costs incurred were $23,000. Due to the buyback options provided to the Company in the contract, the sale and leaseback did not meet the definition of a sale per IFRS 15. As such, the agreement was classified as a financing arrangement and the lease payments were recorded as a financial liability. At March 31, 2020, $68,960 of the financial liabilities was added to the short-term portion of other loans. $48,782 of principal was repaid and $4,156 in interest was paid. As at March 31, 2020, the balance of short-term loans owed to Xtraction was $243,395. As at March 31, 2020, the balance of long-term loans owed to Xtraction was $269,479.

17. Capital management

The Company's objectives for managing capital are: (i) to maintain a flexible capital structure which optimizes the cost/risk equation; and (ii) to manage capital in a manner which maximizes the interests of shareholders. The Company considers capital as the total equity and debt disclosed on the statement of financial position. The Company has not had any significant objections in its approach to managing capital.

Capital structure

As at:	***March 31, 2020***	***December 31, 2019***
Shareholders' equity	**$ 28,737,163**	$ 24,292,330
Long-term loans	**6,865,043**	6,952,605
Short-term loans	**1,235,394**	1,299,372

The Company manages the capital structure and adjusts informed by changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital structure is managed in conjunction with the financial needs of the day-to-day operations. The Company currently funds the working capital requirements out of its cash, internally generated cash flows, various loans, and periodic infusions from investors.

Management does not establish quantitative return on capital criteria. However, management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. At March 31, 2020, the Company is not subject to any externally imposed capital requirements.

18. Financial instruments

18.1 Fair value of financial instruments

Financial instruments that are measured at fair value use inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level Two includes inputs that are observable other than quoted prices included in Level One;
- Level Three includes inputs that are not based on observable market data.

The Company has designated its cash and restricted cash as Level 1. The fair value of the notes receivable from Aftermath and the fair value of convertible promissory notes at time of issue are determined using Level 3 of the hierarchy.

At March 31, 2020, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

18.2 Financial instruments risk exposures

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash, restricted cash, accounts receivable and notes receivable. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment. The Company does not have significant exposure to any individual customer, with the exception of $3,260,203 due from Mendo which was acquired on January 9, 2020. The Company’s maximum exposure to credit risk as at March 31, 2020 is the carrying value of cash, restricted cash, accounts receivable, and notes receivable. The Company believes that there is limited risk that notes receivables are not settled. The Company takes a provision to allow for accounts receivable not being settled, which it believes is enough.

Liquidity risk

Financial liabilities - March 31, 2020

	Accounts payable and accrued liabilities	Loans	Total
Carrying value	$ 7,166,149	$ 8,369,916	**$ 15,536,065**
1 - 30 days	2,576,761	451,044	**3,027,805**
30 - 60 days	565,791	32,000	**597,791**
60 - 90 days	1,326,826	224,485	**1,551,311**
> 90 days	2,620,209	7,662,387	**10,282,596**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting it operations and anticipating its operating and investing activities. As at March 31, 2020, the Company had current assets of $18,875,809 (December 31, 2019: $24,133,962) and current liabilities of $10,110,348 (December 31, 2019: $8,850,559). Current assets as at December 31, 2019 includes investments and marketable securities. As at March 31, 2020, the Company no longer holds marketable securities and investments have been reclassified as long-term investments. All current liabilities are due within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

Interest rate risk

Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities. The Company is not exposed to interest rate price risk, as its convertible notes are carried at a fixed interest rate throughout their term.

Foreign currency risk

Foreign currency risk derives from fluctuations in exchange rates between currencies when transacting business in multiple currencies. The Company's business is substantially all conducted in US dollars in the U.S. and so it is not subject to any significant foreign currency risk. The Company holds Canadian dollars in the bank account of Halo Labs in Canada and is subject to exchange rate fluctuations.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk and a change in the price of cannabis. The Company is not exposed to significant other price risk.

19. Taxation

The Company reconciles the expected income tax expense the corporate head office statutory income tax rate of 27% to the amount recognized in the statement of operations. The Company's income tax expense is calculated based on gross profits not including 280E deductions.

The Company's US income is apportioned to the State of Oregon, Nevada and California, as there are no revenues in other states. The production and sale of marijuana and related products for medical purposes is legal in the State of Oregon and therefore normal business expenses are deductible at the state level. The tax rate in the State of Oregon is the greater of 6.6% or the corporate gross receipts minimum tax.

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case law shows that "cost of goods sold" has been permitted as a deduction in determining taxable income. Because the Company is subject to IRC Section 280E, the Company computes its US tax based on gross receipts less cost of goods sold. The tax provision is based on the assumption "cost of goods sold" is a valid expense for income tax purposes.

Beginning January 1, 2018, in California, harvested cannabis is subject to a cultivation tax and both cannabis and cannabis products are subject to a cannabis excise tax. The cultivation tax applies to all harvested cannabis that enters the commercial market. Cultivators are responsible for paying the cultivation tax to the distributor or to the manufacturer if the first transfer or sale of unprocessed cannabis is to a manufacturer. Manufacturers who collect the cultivation tax are required to pay the tax to the distributor. The distributor reports and pays the cultivation tax to the California Department of Tax and Fee Administration (CDTFA).

20. Commitments and contingencies

The Company has commitments under certain leases for its facilities. On January 1, 2019, the Company adopted IFRS 16 Leases (Note 6) and now records a right-of-use asset for each lease commitment that meet the requirements of the policy. The table below provides undiscounted cash payments required for those right-to-use assets as well as other commitments that do not meet the definition of a lease.

Expressed in US dollars

Committed lease obligations

		Amount due
2020	$	884,289
2021		762,225
2022		562,479
2023		333,775
2024		336,320
2025		338,917
2026		341,565
2027		472,941
2028		340,066

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Management commitments, litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these condensed interim Condensed Interim Consolidated Financial Statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

On February 6, 2020, the Company, as plaintiff, filed a statement of claim against its transfer agent, Odyssey Trust Company ("Odyssey"), as defendant. The Corporation is claiming damages for an alleged error that Odyssey made while issuing certain Warrants. As a result of the alleged error, a subscriber that was entitled to receive warrants was erroneously issued the common shares underlying such warrants, without having paid the exercise price for such common shares. As a result, the Company is seeking damages in the amount of $549,980 (C$714,315), being the amount it would have been entitled to receive upon the exercise of such warrants, and such other costs as the court may deem appropriate.

21. Subsequent events

Nasalbinoid Natural Devices Corp

On April 17, 2020, the Company announced it had completed the acquisition of all of the common shares of Nasalbinoid Natural Devices Corp. The Company, through its wholly-owned subsidiary, 1245316 B.C. Ltd. acquired all of the issued and outstanding shares in the capital of Nasalbinoid in exchange for 34,000,000 common shares of the Company. As a condition to closing, Halo has closed the concurrent non-brokered private placement on April 17, 2020, of 3,863,636 common shares in the capital of the

Company. Proceeds of the Concurrent Financing will be used for general working capital. Furthermore, in connection with the acquisition, Halo has issued an aggregate of 3,400,000 common shares of the Company as a finder's fee to an arm's-length finder.

Share issuance on conversion of convertible debt

On April 17, 2020, fifteen 2019 convertible debenture units were converted, and 23,076 shares were issued. Each convertible debenture unit is comprised of one unsecured convertible debenture with an 8% coupon of the Company in the principal amount of C$1,000, with conversion price C$0.65, and 770 warrants, each warrant being exercisable for a period of 24 months following the closing date to purchase one common share of the Company at an exercise price of C$0.90 per warrant, subject to adjustment in certain events.

Feel Better LLC

On April 20, 2020, the Company announced it had entered into a letter of intent to acquire a 25% membership interest in Feel Better, LLC, dba FlowerShop* for $1.5 million, payable primarily in Halo common shares. Up to $400,000 of the consideration may be payable in cash in four monthly installments following the closing to help support the working capital requirements of FlowerShop*. Halo and FlowerShop* will also execute a licensing, manufacturing, and distribution agreement for FlowerShop* branded products.

Share issuance

On April 27, 2020, the Company announced the issuance of 10,860,213 common shares of the Company in satisfaction of approximately C$1,248,925 in fees, payables, and other compensation accrued between December 2019 and April 2020 and payable to independent consultants of the Company and a supplier of the Company. All of the Compensation Shares were issued pursuant to an exemption from the prospectus requirement of applicable securities laws. 1,567,330 of the Compensation Shares, representing all of the Compensation Shares issued to a supplier, are subject to a hold period of four months and one day from the date of issuance.

Canmart Limited

On April 28, 2020, the Company announced it had agreed to a second extension of the binding letter of intent to acquire all of the common shares of Canmart Limited, a licensed importer and distributor of cannabis based products for medicinal use.

Issuance promissory note to related party

On May 20, 2020, the Company entered into a $50,000 promissory note with a related party of the Company. The Loan bears interest at 0.25% accruing per annum and is repayable on demand with a term no longer than twelve months.

Expiry and cancelling of warrants

On May 30, 2020, 28,922,297 warrants with exercise price C$0.50 expired. They were granted on September 30, 2018 in conjunction with the pre-RTO financing. In addition, 5,000,000 warrants with exercise price C$0.50 were cancelled.

Forfeiture of options

Following the departure of employees, a total of 365,236 options were cancelled. On May 7, 2020, 66,493 options with exercise price C$0.40 were cancelled. On May 7, 2020, 13,500 options with exercise price C$0,.87 were cancelled. On May 26, 2020, 50,000 options with exercise price C$0.50 were cancelled. On May 28, 2020, 168,750 options with exercise price $0.87 were cancelled. On May 28, 2020, 66,493 options with exercise price C$0.40 were cancelled.

A&R promissory note

On June 9, 2020, the Company entered into an amended and restated promissory note (the "A&R Promissory Note") for a principal amount of up to C$10,000,000. The A&R Promissory Note amends and restates the unsecured debt financing agreement (the "Original Loan Agreement") that the Company entered into with a private arm's-length lender (the "Lender"), as previously disclosed in the Company's press release dated September 18, 2019. Pursuant to the terms of the A&R Promissory Note, the Lender may convert the principal amount outstanding under the A&R Promissory Note into common shares in the capital of the Company ("Common Shares") at a conversion price equal to the greater of: (i) 80% of the closing market price of the Common Shares on the Neo Exchange Inc. (or such other primary stock exchange on which the Common Shares are then listed) on the day preceding the date on which the Lender delivers a conversion notice to the Company; and (ii) $0.10. The A&R Promissory Note includes a commitment of the Lender to advance up to the full $10 million principal amount upon the request of the Company. As of the date hereof, the Company has taken an initial draw of $1 million which the Lender elected to convert into an aggregate of 9,090,909 Common Shares immediately following the entering into of the A&R Promissory Note.