Halo Collective Inc. (formerly Halo Labs Inc.)
Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
Expressed in US dollars

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Halo Collective Inc. (formerly Halo Labs Inc.)

Opinion

We have audited the accompanying consolidated financial statements of Halo Collective Inc. (formerly Halo Labs Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company had continued losses and an accumulated deficit as at December 31, 2020. These conditions, along with the other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

March 31, 2021

Halo Collective Inc.
Consolidated Statements of Financial Position

Expressed in US dollars

		December 31, 2020	*December 31, 2019*
Assets			
Current			
Cash		**2,758,119**	4,384,131
Restricted cash	Note 16	**921,746**	1,684,283
Marketable securities	Note 6	**-**	1,610,257
Accounts receivable	Note 8	**1,785,372**	5,597,399
Inventory	Note 9, 10	**10,281,455**	7,250,776
Notes receivable	Note 11	**9,629,553**	1,914,993
Deposits and pre-paid expenses	Note 12	**3,318,061**	1,692,123
Total current assets		**28,694,306**	24,133,962
Long-term			
Property, plant and equipment	Note 13	**16,230,987**	6,655,716
Intangible assets and goodwill	Note 14	**39,640,881**	11,198,844
Investments and deposits	Note 6	**3,188,071**	-
Total long-term assets		**59,059,939**	17,854,560
Total assets		**87,754,245**	41,988,522
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		**8,662,179**	6,997,221
Other loans	Note 18	**435,839**	1,299,372
Income tax payable	Note 21	**580,720**	553,966
Sales & cultivation tax payable	Note 21	**301,257**	-
Total current liabilities		**9,979,995**	8,850,559
Long-term liabilities			
Debenture liability	Note 16	**8,398,727**	6,952,605
Lease liability	Note 7	**3,157,069**	1,554,589
Other loans	Note 18	**6,598,912**	338,439
Total long-term liabilities		**18,154,708**	8,845,633
Total Liabilities		**28,134,703**	17,696,192
Shareholders' equity			
Share capital	Note 17	**136,827,655**	67,909,461
Share capital reserve	Note 17	**8,307,521**	5,452,012
Convertible debenture equity reserve	Note 15	**653,557**	655,090
Equity reserve	Note 13	**3,338,204**	-
Accumulated other comprehensive income		**524,779**	(589,124)
Deficit		**(90,032,174)**	(49,135,109)
Total shareholders' equity		**59,619,542**	24,292,330
Total shareholders' equity and liabilities		**87,754,245**	41,988,522

These notes are an integral part of the Consolidated Financial Statements

Going concern Note 2

Commitments and contingencies Note 22

Subsequent events Note 23

Approved on behalf of the Board of Directors:

Kiran Sidhu — Philip van den Berg

CEO and Director — CFO

Halo Collective Inc.
Consolidated Statements of Loss and Comprehensive Loss

Expressed in US dollars

		For the year ending:	
		December 31, 2020	***December 31, 2019***
Revenue		**21,641,452**	28,148,488
Cost of finished cannabis inventory sold	Note 9, 10	**18,607,643**	25,262,113
Gross profit, excluding fair value items		**3,033,809**	2,886,375
Unrealized fair value (gain) loss on growth of biological assets	Note 10	**(2,225,647)**	(737,971)
Realized fair value (gain) loss included in the cost of inventory sold	Note 10	**991,248**	515,305
Gross profit		**4,268,208**	3,109,041
General and administration		**3,975,208**	5,086,112
Salaries		**4,782,228**	4,654,804
Professional fees		**7,424,091**	9,946,007
Sales and marketing		**3,538,445**	2,782,148
Investor relations		**996,499**	1,819,992
Loss on settlements and contigencies	Note 17, 22	**325,816**	1,277,880
Share based compensation	Note 17	**2,483,001**	1,405,665
Accretion expense		**1,206,002**	862,849
Loss on intangible assets	Note 14	**16,255,803**	2,739,742
Income on sale of investments	Note 6	**-**	(100,001)
Gain on sale of subsidiary	Note 6	**-**	(1,288,565)
Depreciation	Note 13, 14	**1,070,702**	799,495
(Gain) loss on foreign exchange		**1,937,044**	(600,749)
Interest expense	Note 16, 18	**1,451,141**	1,133,398
Loss before income taxes		**(41,177,772)**	(27,409,736)
Deferred income tax (recovery)	Note 21	**-**	(369,001)
Income tax	Note 21	**6,000**	576,400
Net loss		**(41,183,772)**	(27,617,135)
Other comprehensive income			
Unrealized (gain) loss on foreign currency translation		**(1,113,903)**	661,543
Comprehensive loss		**(40,069,869)**	(28,278,678)
Net loss per share, basic and diluted:		**$ (0.07)**	$ (0.14)
Weighted average number of outstanding common shares, basic and diluted:		**566,242,172**	196,491,587

These notes are an integral part of the Consolidated Financial Statements

Expressed in US Dollars

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Total
Shareholders' equity, December 31, 2018		**157,500,202**	**$ 31,696,972**	**$ 1,539,332**	**$ 3,707,431**	**$ -**	**$ -**	**$ 72,419**	**$ (22,260,031)**	**$ 14,756,123**
Adjustment to retained earnings, IFRS 16 implemetation	Note 3, 4	-	-	-	-	-	-	-	(109,373)	**(109,373)**
Share issuance in private placements	Note 16	16,126,376	3,784,656	-	-	-	-	-	-	**3,784,656**
Shares issued for acquisitions	Note 16	46,782,672	10,925,936	-	-	-	-	-	-	**10,925,936**
Shares issued to retire debt	Note 16	8,408,417	3,045,126	-	-	-	-	-	-	**3,045,126**
Shares issued as finders' fees	Note 16	558,246	284,201	-	-	-	-	-	-	**284,201**
Equity reserve for debenture	Note 15	-	-	-	-	-	1,867,273	-	-	**1,867,273**
Shares issued on conversion of debenture	Note 15	13,029,153	6,335,508	-	-	-	(841,964)	-	-	**5,493,544**
Share issue costs	Note 15	-	(109,400)	-	-	-	(370,219)	-	-	**(479,619)**
Share-based compensation for services	Note 15	28,298,209	8,574,616	-	147,002	-	-	-	-	**8,721,618**
Share-based compensation for staff	Note 15	3,698,142	1,298,307	684,119	-	-	-	-	-	**1,982,426**
Shares issued on exercise of warrants and options	Note 15	4,896,145	1,737,639	(64,072)	(55,117)	-	-	-	-	**1,618,450**
Shares issued on conversion of broker warrants	Note 15	973,753	335,900	-	344,747	-	-	-	-	**680,647**
Forfeiture warrants and options	Note 15	-	-	(509,762)	(341,668)	-	-	-	851,430	**-**
Net loss and other comprehensive loss		-	-	-	-	-	-	(661,543)	(27,617,135)	**(28,278,678)**
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**

		Common shares	Common shares	Options	Warrants	Equity reserve	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	51,136,362	2,469,538	-	-	-	-	-	-	**2,469,538**
Share issuance from ATM offering	Note15	134,452,638	5,341,045	-	-	-	-	-	-	**5,341,045**
Shares issued for acquisitions	Note15	814,002,162	51,294,309	3,368	58,496	-	-	-	-	**51,356,173**
Shares issued to retire debt	Note15	9,382,575	920,091	-	-	-	-	-	-	**920,091**
Shares issued as finders' fees	Note15	25,318,942	1,565,809	-	-	-	-	-	-	**1,565,809**
Shares issued on conversion of debenture	Note15	23,076	10,601	-	-	-	(1,533)	-	-	**9,068**
Share issue costs	Note15	2,039,334	(147,190)	-	-	-	-	-	-	**(147,190)**
Share-based compensation for services	Note15	71,187,795	5,896,162	-	679,479	-	-	-	-	**6,575,641**
Share-based compensation for staff	Note15	24,595,076	1,415,172	2,451,903	-	-	-	-	-	**3,867,075**
Shares issued on exercise of warrants and options	Note15	1,000,000	119,409	-	(51,030)	-	-	-	-	**68,379**
Obligation to issue shares	Note15	371,592	33,247	-	-	88,587	-	-	-	**121,834**
Reserve for earn-out payments	Note15	-	-	-	-	3,249,617	-	-	-	**3,249,617**
Non-controlling interest from acquisitions	Note14	-	-	-	-	-	-	-	-	**-**
Forfeiture warrants and options	Note15	-	-	(212,849)	(73,858)	-	-	-	286,707	**-**
Net loss and other comprehensive loss		-	-	-	-	-	-	1,113,903	(41,183,772)	**(40,069,869)**
Shareholders equity, December 31, 2020		**1,413,780,867**	**$ 136,827,655**	**$ 3,892,039**	**$ 4,415,482**	**$ 3,338,204**	**$ 653,557**	**$ 524,779**	**$ (90,032,174)**	**$ 59,619,542**

These notes are an integral part of the consolidated financial statements

Halo Collective Inc.
Consolidated Statements of Cash Flow

Expressed in US dollars

		For the year ending:	
		December 31, 2020	***December 31, 2019***
Cash provided by (used in)			
Operating activities:			
Net loss		**(41,183,772)**	(27,617,135)
Items not involving cash			
Depreciation	Note 13, 14	**2,091,949**	1,667,927
Accrued interest	Note 16, 18	**419,861**	1,133,398
Accretion expense	Note 16	**1,206,002**	862,849
(Gain) loss in fair value of biological assets	Note 9	**(1,234,399)**	(222,666)
(Gain) loss in foreign exchange		**(250,902)**	(600,750)
Loss on sale of investment		**-**	(100,001)
Loss on settlements and contigencies		**325,816**	1,277,880
Gain on sale of subsidiary	Note 6	**-**	(1,288,565)
Income tax provision	Note 21	**6,000**	(369,001)
Loss on intangible assets	Note 14	**16,255,803**	2,739,742
Share-based compensation	Note 17	**10,442,716**	8,535,885
Changes in working capital items			
Accounts receivable	Note 8	**5,111,125**	(4,913,096)
Notes receivable	Note 11	**257,462**	77,909
Accounts payable and accrued liabilities		**(4,052,521)**	3,204,568
Tax payable	Note 21	**328,011**	366,958
Other liabilities		**-**	(56,488)
Inventory	Note 9, 10	**2,016,825**	1,049,653
Pre-paid expenses and other	Note 12	**(1,784,206)**	(470,188)
Cash used in operating activities		**(10,044,230)**	(14,721,121)
Investing activities			
Net cash from acquisitions		**845,890**	-
Intangibles	Note 14	**-**	(690,212)
Purchase of property, plant and equipment	Note 13	**(3,573,149)**	(1,351,076)
Sale of marketable securities		**-**	186,472
Cash used in investing activities		**(2,727,259)**	(1,854,816)
Financing activities			
Issuance of common shares & convertible debentures	Note 16, 17	**7,878,962**	24,119,432
Loans	Note 18	**3,509,919**	-
Lease payments	Note 7	**(853,300)**	(718,111)
Share issuance costs	Note 17	**(152,641)**	(1,479,619)
Cash and convertible debt raised in finance activities		**10,382,940**	21,921,702
Change in cash in during the year		**(2,388,549)**	5,345,765
Cash, beginning of the year		**6,068,414**	722,649
Cash end of the year		**3,679,865**	6,068,414

These notes are an integral part of the Consolidated Financial Statements

1. Nature of operations and background information

Halo Collective Inc. ("Halo Collective" and the "Company"), formerly known as Halo Labs Inc. ("Halo"), 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 Collective. 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.

Subsequent to year end, the Company changed its name from Halo Labs Inc. to Halo Collective Inc. In connection with the name change, the common shares are trading on the OTCQX under the trading symbol HCANF. The common shares are trading on the Frankfurt Stock Exchange under the trading symbol A9KM (Note 22).

These Consolidated Financial Statements present the financial position of the resulting issuer, Halo Collective at December 31, 2020 and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise stated, all amounts in these financial statements have been presented in US dollars.

2. Going concern

These 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 December 31, 2020, $921,746 remains held in escrow at the transfer agent for future interest payments on the debenture (Note 16);

- 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%. As at December 31, 2020, the balance owing on the debt financing was C$1,000,000 excluding accrued interest (Note 18);

- 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 17);

- On March 10, 2020, the Company closed a private placement concurrent with the acquisition of Cannalift Delivery Inc., raising total gross proceeds of $510,856 (C$700,000) (Note 17);

- On April 17, 2020, the Company closed a private placement concurrent with the acquisition of Nasalbinoid Natural Devices Corp., raising total gross proceeds of $301,070 (C$425,000) (Note 17);

- On September 16, 2020, the Company established an at-the-market equity program (the "ATM Program") that allows the Company to issue and sell up to C$7,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion. All Common Shares sold under the ATM Program will be sold through the Neo Exchange Inc. or another marketplace (as defined in National Instrument 21-101 - *Marketplace Operation*) upon which the common shares are listed, quoted or otherwise traded, at the prevailing market price at the time of sale.

- Between September 17, 2020 and December 17, 2020, the Company issued 134,452,638 shares at an average price of C$0.052. Gross proceeds were C$7,000,000 and net proceeds were C$6,859,453. Commissions paid were C$140,000;

- On December 29, 2020, the Company closed a non-brokered private placement concurrent with the acquisition 1275111 B.C. Ltd, raising total gross proceeds of $1,764,567 (C$2,250,000) (Note 17);

- On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of $8,227,061 (Note 23);

- On February 19, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of $11,500,029 (Note 23).

As at December 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. The Company’s operations have not been affected negatively since the outbreak of the pandemic, but it has restricted international travel of executives. 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 that 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 Consolidated Financial Statements are filed on the system for electronic document analysis and retrieval ("SEDAR"). The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Consolidated Financial Statements have been authorized for release by the Company's Board of Directors on March 31, 2021.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set forth below. The Consolidated Financial Statements are presented in US dollars. The Canadian dollar serves as the functional currency of the parent. The Company's functional currency is the US dollar, except for Bohelo Bioscience and Wellness Pty Ltd, with the Loti as its functional currency.

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

Expressed in US dollars

Subsidiaries of Halo Labs Inc.

	December 31, 2020	*December 31, 2019*
ANM, Inc.	**100.0%**	100.0%
Coastal Harvest, LLC	**100.0%**	100.0%
Halo AccuDab Holdings Inc.	**100.0%**	100.0%
Halo DispensaryTrack Software Inc.	**100.0%**	100.0%
HLO Peripherals LLC	**100.0%**	100.0%
HLO Ventures (NV), LLC	**100.0%**	100.0%
PSG Coastal Holdings, LLC	**100.0%**	100.0%
Coastal Harvest LLC	**100.0%**	100.0%
Industrial Court L9, LLC	**100.0%**	100.0%
Industrial Court L13, LLC	**100.0%**	100.0%
Halo Labs (USA) holdings Inc.	**100.0%**	100.0%
Mendo Distribution & Transportation, LLC	**100.0%**	0.0%
Cannalift Delivery Inc.	**100.0%**	0.0%
Nasalbinoid Natural Devices Corp.	**100.0%**	0.0%
Bophelo Bioscience and Wellness Pty. Ltd.	**100.0%**	0.0%
LKJ11, LLC	**66.7%**	0.0%
Crimson & Black, LLC	**100.0%**	0.0%
Outer Galactic Chocolates, LLC	**100.0%**	0.0%
Ukiah Ventures Inc.	**100.0%**	0.0%
1265292 B.C. Ltd. Dba Cannafeels	**100.0%**	0.0%
Lake County Natural Health LLC	**50.0%**	0.0%
Canmart Ltd.	**100.0%**	0.0%
1275111 B.C. Ltd.	**100.0%**	0.0%

The 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 Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

These 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.

3.2 Critical judgments

The preparation of the 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 Consolidated Financial Statements and related Notes to the 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 less cost 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 judgement 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 after 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 21).

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 to value warrants. Such judgements 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 on a straight-line basis as follows:

- Cultivation and retail licenses 15 years in Oregon and California, 20 years in Nevada, and 10 years in the Kingdom of Lesotho, Africa;
- 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 several 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 10.

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 must apply judgement 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 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, Cannalift Delivery Inc., Nasalbinoid Natural Devices Corp., LKJ11 LLC., Crimson & Black LLC., Bophelo Bioscience & Wellness Pty. Ltd., Outer Galactic Chocolates, LLC., Ukiah Ventures Inc., 1265292 B.C. Ltd. doing business as Cannafeels, Lake County Natural Health LLC., Canmart Ltd and 1275111 B.C. Limited.

Determination of purchase price allocations and intangible assets

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates related to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating faire value. For and intangible asset identifies, depending on the type of intangible asset and the complexity of determining its fair value, management may develop a fair value using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Contingencies

Refer to Notes 2 and 22.

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 based on those financial statements, which provide financial information about a specific reporting entity.

The Company has evaluated the impact of IAS 1 on the Company's Consolidated Financial Statements and determined there is no impact.

IFRS 3 Business combinations adopted as at January 1, 2020

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments included the addition of an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business or not.

The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the Company can elect to not account for the acquisition as a business and instead it will account for the acquisition as an asset acquisition.

The Company adopted the amendments for IFRS 3 effective January 1, 2020. The adoption of these amendments did not have a material impact on the Company's Consolidated Financial Statements.

4. Summary of significant accounting policies

4.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of three months or less. As at December 31, 2020 and 2019, there were no cash equivalents.

4.2 Foreign currency

Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to U.S. dollars at the foreign exchange rate applicable at that date.

Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Assets and liabilities of foreign operations are translated into U.S. dollars at year-end exchange rates and any revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income.

4.3 Operating segments

IFRS 8 aligns the identification and reporting of operating segments with internal management reporting. Segment reporting under IFRS 8 highlights the information and measures that management believes are important and are used to make key decisions.

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

4.4 Inventory

Inventory is valued at the lower of cost and net realizable value. Cost comprises all costs of purchases and other costs incurred in bringing inventories to their location and condition at the period end date. The Company uses the weighted average method to track and cost inventory items. The Company maintains three categories of inventory: raw materials, work-in-process, and finished goods inventory.

Inventory is written down to net realizable value by item when a decline in the price of items indicates that the cost is higher than the net realizable value. When events having caused a decline in the valuation of inventories no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

Inventories of harvested work-in-process and finished goods are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories for resale and supplies and consumables are valued at the lower of costs and net realizable value, with cost determined using the average cost basis.

4.5 Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related grow costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost after harvest. Costs to sell include post-harvest production, shipping, and fulfillment costs. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year on the line "unrealized fair value gain (loss) on the growth of biological assets".

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 with third party qualified valuers to perform the valuation when the assets are expected to be material.

The significant assumptions used in determining the fair value of the biological assets are as follows:

- Stage in the overall growth cycle;
- Estimated harvest yield by plant; and
- Average selling prices.

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield or quality will be reflected in future changes in the gain or loss on biological assets.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. Expenditures are capitalized if future economic benefits will arise from the expenditures. All other expenditures, including repair and maintenance, are recognized in the statement of income (loss) as incurred.

Depreciation is charged to the statement of operations based on the cost, less estimated residual value, of the asset on a straight-line basis over its estimated useful life. Depreciation commences when the asset is placed into service. Estimated useful lives have been determined as follows:

Useful life of assets	
Production equipment	1-15 years
Leasehold improvements	3-20 years
Office equipment	2-20 years

Property, plant and equipment are amortized over the estimated useful life of the asset. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the period.

4.7 Leases

The Company adopted IFRS 16, effective January 1, 2019, using the retrospective approach. IFRS 16 introduces a single on-balance sheet accounting model for lessees. As a result, the Company has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and,
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

Amounts expected to be payable under any residual value guarantee;

- The exercise price of any purchase option granted in favor of the Company if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability, reduced for any lease incentives received, and increased for:

Lease payments made at or before commencement of the lease;

- Initial direct costs incurred; and

- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and,

- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

4.8 Accounts payable and accrued liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the Company has a present obligation, and the costs to settle this obligation are both probable and able to be reliably measured.

4.9 Convertible debentures

Convertible debentures are separated into debt and equity components based on the fair value of each component at the date of issue. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, with the residual value assigned to the equity component.

Transaction costs directly related to the debt component reduce the carrying value of the convertible debentures. Transaction costs related to the equity component of convertible debentures are recognized in the value of the equity component, net of deferred income tax. After initial recognition, the liability component of convertible debentures is measured at amortized cost using the effective interest rate method and is accreted up to its face value. The equity component is not re-measured after initial recognition. For convertible debentures in which the conversion feature is determined to be an embedded derivative liability, the embedded derivative liability is valued first, with the residual value assigned to the debt component of the instrument at inception.

Transaction costs allocated to the embedded derivative component are recognized in profit or loss. An embedded derivative liability is recognized at fair value with changes in fair value recognized in profit or loss.

4.10 Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

4.11 Revenue recognition

Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services.

The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized:

- Identify the contract with the customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligation in the contract; and
- Recognize revenue when or as the Company satisfies a performance obligation.

Revenue from the sale of cannabis related products is recognized at a point in time when control over the goods has been transferred to the customer. Payment is receivable upon transfer of the goods and revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with the Company's previous revenue recognition policy.

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the previous standard, IAS 18, Revenue. The Company adopted IFRS 15 using the modified retrospective (cumulative effect) method, with the effect of initially applying this standard recognized at January 1, 2018. The adoption of IFRS 15 did not have a significant impact on the Company's consolidated financial statements and there were no adjustments required to be recognized at January 1, 2018.

4.12 Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued. For the years presented, this calculation proved to be anti-dilutive.

4.13 Taxation

The Company follows the deferred tax method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary timing differences).

Deferred tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Offsetting of deferred tax assets and liabilities occurs when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company is subject to US Internal Revenue Code ("IRC") Section 280E. This section disallows deductions and credits attributable to a trade or business trafficking in controlled substances. Under US tax, cannabis is a Schedule I controlled substance. The Company has taken the position that any costs included in the cost of goods sold should be treated as amounts eligible for full absorption rules IRC Section 471.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs after the issuance of the financial statements.

4.14 Financial instruments

The Company adopted all the requirements of IFRS 9 Financial Instruments ("IFRS 9") at January 1, 2018. IFRS 9 does not require the restatement of comparative periods. Accordingly, the Company is required to reflect the retrospective impact of the adoption of IFRS 9 as an adjustment to opening components of equity at January 1, 2018. There were no adjustments required to be recognized at January 1, 2018 upon the Company's adoption of IFRS 9. As a result of adopting this standard, the Company has changed its accounting with respect to financial instruments.

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI

The Company's accounting policy for each of the categories is as follows:

- Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the period;

- Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income as they arise;

- Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment;

- Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Cash, restricted cash and marketable securities are classified as FVTPL. Accounts receivable and notes receivable are measured at amortized cost with subsequent impairments recognized in profit or loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally to sell or repurchase in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities, other loans, other financial liabilities, convertible debentures, and lease obligation that do not meet the requirements of IFRS 15 and IFRS 16, all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

Accounts payable and accrued liabilities, other loans, other liabilities, debenture liability, lease liability and other financial liabilities are classified as amortized cost and carried on the consolidated statement of financial position at amortized cost.

4.15 Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds. The Company may issue units including common shares and warrants. To value these units, the Company uses the residual value method. Under this method the Company values the common share, the easier component to value, and assigns the residual value to the warrant.

4.16 Investment in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying the shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of operations and comprehensive loss.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposals or value in use) and charged to the consolidated statement of loss and comprehensive loss. If the financial statements of an associate are prepared on a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of these consolidated financial statements.

4.17 Share based payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates and subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.18 Intangible assets

Intangible assets consist of licenses, brand names, software, and intellectual property. Acquired intangibles are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

The Company uses the following useful lives to amortize its intangible assets:

- Licenses in Nevada and the Kingdom of Lesotho 20 years, in Nevada 15 years;
- Brand names 5 years;
- Software 5 years in Oregon, Nevada and California, in the Kingdom of Lesotho 6 years;
- Intellectual property 5 years.

Estimated useful lives of intangible assets with finite lives are the shorter of economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each financial reporting date. At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent of other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Expressed in US dollars

5. Operating segments

Disclosure by segment - year ended December 31, 2019

	US	Canada	UK	Lesotho	**Total**
Revenue	$ 28,148,488	$ -	$ -	$ -	**$ 28,148,488**
Cost of Cannabis inventory sold	(25,262,113)	-	-	-	**(25,262,113)**
Gross profit excluding FV changes	2,886,375	-	-	-	**2,886,375**
Realized and unrealized gain on biological assets	222,666	-	-	-	**222,666**
Gross profit / (loss)	3,109,041	-	-	-	**3,109,041**
Loss before undernoted items	(5,397,995)	(18,465,572)	-	-	**(23,863,567)**
Net loss	(7,109,378)	(20,507,757)	-	-	**(27,617,135)**
Total assets	27,959,144	14,029,378	-	-	**41,988,522**
Long-term financial liabilities	$ 1,893,028	$ 6,952,605	$ -	$ -	**$ 8,845,633**

Disclosure by segment - year ended December 31, 2020

	US	Canada	UK	Lesotho	**Total**
Revenue	$ 21,641,452	$ -	$ -	$ -	**$ 21,641,452**
Cost of Cannabis inventory sold	(18,572,659)	-	-	(34,985)	**(18,607,643)**
Gross profit excluding FV changes	3,068,793	-	-	(34,985)	**3,033,808**
Realized and unrealized gain on biological assets	1,234,399	-	-	-	**1,234,399**
Gross profit / (loss)	4,303,192	-	-	(34,985)	**4,268,207**
Loss before undernoted items	(5,735,868)	(12,896,543)	(687)	(623,983)	**(19,257,081)**
Net loss	(19,759,848)	(17,450,949)	(70,554)	(3,902,420)	**(41,183,770)**
Total assets	24,367,839	57,947,564	5,521,918	719,104	**87,754,245**
Long-term financial liabilities	$ 6,800,845	$ 8,398,727	$ -	$ 2,955,136	**$ 18,154,708**

The operating segments are known as operations by entities incorporated in the US, operations incorporated in Canada and corporate expenses in Canada, operations incorporated in the UK and operations incorporated in the Kingdom of Lesotho, net of inter-company eliminations. In determining the operating segments, management also considered operations in cultivation, manufacturing and distribution across the geographical locations. The chief operating decision maker monitors these segments separately throughout the year.

6. Investments and deposits

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, 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 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. On August 6, 2020, the Company entered into an agreement to acquire 100% of the outstanding shares of Ukiah Ventures Inc. (Note 14).

On February 14, 2020, the Company announced that it had completed an asset purchase agreement with High Tide Inc. ("High Tide") for the purchase of three licensed retail cannabis stores, five development permits to build new cannabis stores in Alberta, and a number of trademarks, copyrights and digital assets. On February 18, 2020, the Company issued 13,461,538 common shares as a deposit per the terms of the agreement. The Company also issued a total of 2,307,692 shares as finders' fees valued at 5% of the total deal value. The deposit of shares and the finders' fee have been classified as a long-term investment in the amount of $1,687,089 in relation to the pending acquisition of High Tide and an amount of $289,215 in related finders' fees. On September 1, 2020, the Company and High Tide entered into an amended and restated asset purchase agreement to amend the terms. Under the amended agreement, High Tide will sell its three operating KushBar retail cannabis stores to Halo, payable in the form of: (a) a deposit, which has already been paid to High Tide by way of the issuance of 13,461,538 Halo common shares; (b) a convertible promissory note to be issued by Halo on closing in the principal amount of C$1.8 million with a conversion rate of C$0.16 per Halo common share; and (c) a convertible promissory note to be issued by Halo on the 12-month anniversary of closing in the principal amount of C$400,000 with a conversion rate of C$0.16 per Halo common share, provided that certain revenue thresholds are met. If the portfolio has produced aggregate revenue of less than the set threshold during the prior 12 months, then the principal amount of the earnout note will be reduced dollar for dollar. As at December 31, 2020, the asset purchase agreement has not closed.

On September 7, 2020, the Company acquired 25% of the total outstanding membership interests of Feel Better LLC, doing business as FlowerShop in exchange for 15,447,992 Halo common shares. The total consideration was $1,211,766 including the purchase price at a fair market value of $1,059,129 and closing costs in the amount of $152,637. The investment was recorded as an investment in associates and under IAS 28, closing costs were capitalized. In connection with the license agreement, Halo issued 1,500,000 common share purchase warrants to FlowerShop* exercisable at a price of C$0.135. The warrants will vest quarterly over twelve months and expire two years from the issue date. The value of the warrants was included in the closing costs. Assumptions used for the calculation of the grant date and fair value of the warrants granted can be found in Note 17.2.

Expressed in US dollars

7. Leases

Lease liabilities		
Balance as at December 31, 2018	$	-
Adoption of IFRS 16		2,532,230
Additions		-
Adjustments		(195,815)
Payments		(718,111)
Interest expense		345,750
Balance as at December 31, 2019		1,964,054
Additions		2,059,630
Payments		(853,300)
Interest expense		419,861
Post Road adjustment		(83,217)
Balance December 31, 2020	$	3,507,028
Current portion		349,958
Long-term portion		3,157,069

Right of use of assets		
Balance as at December 31, 2018	$	-
Adoption of IFRS 16		2,422,857
Additions		417,200
Adjustments		97,873
Amortization		(503,437)
Balance as at December 31, 2019		2,434,493
Additions		1,996,769
Post Road adjustment		(41,063)
Movement in foreign exchange		217,499
Amortization		(630,743)
Balance December 31, 2020	$	3,976,955

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 the right of use assets by $417,200.

During the year ended December 31, 2020, an amount of $2,59,630 was added to lease liabilities. Lease liabilities in the amount of $221,695 were added on consolidation of Mendo Distribution and Transportation LLC, $134,259 was added on consolidation of Outer Galactic Chocolats LLC, $93,458 on consolidation of LKJ11 and $1,160,218 on consolidation of Bophelo Bioscience and Wellness Pty Ltd.

Expressed in US dollars

During the year ended December 31, 2020, an amount of $1,996,769 was added to the right of use (year ended December 31, 2019: $417,200). An amount of $197,882 was added on consolidation of Mendo Dstribution and Transportation LLC., $113,740 on consolidation of Outer Galactic Chocolats LLC, an amount of $88,165 on consolidation of LKJ11 and an amount of $1,596,982 was added on consolidation of Bophelo Bioscience and Wellness Pty Ltd.

In the year ended December 31, 2020, an amount of $59,772 related to variable lease payments is not included in lease liabilities.

The current portion of lease liabilities is included under accrued liabilities. The long-term portion is recorded as lease liability under long-term liabilities.

8. Accounts receivable

Accounts receivable				
As at:		***December 31, 2020***		***December 31, 2019***
1 - 30 days	**$**	**1,461,677**	$	1,640,290
30 - 60 days		**168,415**		493,010
60 - 90 days		**90,385**		46,348
> 90 days		**64,895**		3,417,751
Total	**$**	**1,785,372**	$	5,597,399

Accounts receivable are measured at amortized cost net of allowance for uncollectible amounts. The Company determines its expected credit loss based on several factors, including the 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:		***December 31, 2020***		***December 31, 2019***
Accounts receivable - trade	**$**	**1,912,093**	$	6,209,268
Bad debt provision		**(126,721)**		(611,869)
Total accounts receivable	**$**	**1,785,372**	$	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. In the year ending December 31, 2020, there were no impairments included in accounts receivable over 90 days (year ending December 31, 2019: Nil).

Expressed in US dollars

9. Inventory

Inventory by class

As at:		***December 31, 2020***		***December 31, 2019***
Raw materials	**$**	**5,680,962**	$	2,733,392
Work in progress		**2,345,092**		2,465,084
Finished goods		**2,255,401**		2,052,300
Total	**$**	**10,281,455**	$	7,250,776

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").

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 the cost of goods sold and valued at cost. For the year ended December 31, 2020, the amount included in the cost of goods sold was $14,203,009 (year ended December 31, 2019: $18,320,461). Direct product costs are valued on a weighted average basis and major production cost such as labor and testing are allocated to inventory. In the year ended December 31, 2020, total inventory impairments charged to the cost of goods sold were $2,161,354 (year ended December 31, 2019: Nil).

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 the 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 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.

10. 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 is 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.

Expressed in US dollars

Biological assets East Evans Creek		
Balance at December 31, 2018	$	-
Fair value change due to biological transformation		737,971
Production costs capitalized		978,778
Transferred to inventory upon harvest		(1,716,749)
Balance at December 31, 2019		-
Fair value change due to biological transformation		2,225,647
Production costs capitalized		2,310,176
Transferred to inventory upon harvest		(4,535,823)
Balance at December 31, 2020	$	-

Biological assets are measured at their fair value less costs to sell in the 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 Consolidated Statement of Loss and Comprehensive Loss in the period that the related product is sold. Unrealized fair value gains/losses on the growth of biological assets are recorded in a separate line in the Consolidated Statement of Loss and Comprehensive Loss.

All material harvested during the year ended December 31, 2020 was used for processing and direct sales of flower to third parties. As at December 31, 2020, the Company did not carry any value of biological assets. The fair value change due to biological assets transformation in the cannabis plants model was $2,225,647 at East Evens Creek, and capitalized production costs were $2,310,176. Transferred to inventory was $4,535,823. There was no transfer to inventory of the Bophelo harvest in the year ended December 31, 2020.

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 on 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 table below shows the assumptions used in the biological assets model for the harvest in the year ended December 31, 2020.

Expressed in US dollars

Assumptions utilized in cannabis plant model

	Year ended: December 31, 2020			Year ended: December 31, 2019	
	Flower	Trim	Fresh frozen	Flower	Trim
Ratio flower vs. trim	31%	49%	20%	16%	84%
Yield - pounds	6,396	10,030	4,142	2,546	13,364
Yield per plant - pounds	1.11	1.74	0.72	0.99	5.20
Selling price per gram	$ 0.66	$ 0.06	$ 0.04	$ 0.99	$ 0.20
Total costs to complete and sell	$ 0.34	$ 0.03	$ 0.02	$ 0.14	$ 0.03
FVLCS - $ per gram	$ 0.32	$ 0.03	$ 0.02	$ 0.85	$ 0.17

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks at East Evans Creek;
- Wholesale selling price of flower is estimated at $0.66 per gram (year ended December 31, 2019: 0.99) based on historical and expected future sales at East Evans Creek. Wholesale prices of trim and fresh frozen are estimated at $0.06 per gram (year ended December 31, 2019: $0.20) and $0.04 per gram (year ended December 31, 2019: NA) at East Evans Creek;
- Total yield for the year ended December 31, 2020 of 20,568 pounds of biomass (year ended December 31, 2019: 15,910 pounds) at East Evans Creek;
- Total harvest yield of 6,396 pounds of flower (year ended December 31, 2019: 2,546 pounds), 10,030 pounds of trim (year ended December 31, 2019: 13,364 pounds) and 4,142 pounds of fresh frozen (year ended December 31, 2019: NA);
- Harvest yield of flower of 1.11 pounds per plant (year ended December 31, 2019: 0.99 pounds per plant) at East Evans Creek, net of wastage, based on historical results; Harvest yields of trim and fresh frozen per plant at East Evans Creek of 1.74 pounds (year ended December 31, 2019: 5.20 pounds) and 0.78 pounds per plant (year ended December 31, 2019: NA);
- Costs to complete and sell at $0.34 per gram for flower (year ended December 31, 2019: $0.14), $0.03 for trim (year ended December 31, 2019: $0.03) and $0.02 for fresh frozen (year ended December 31, 2019: NA) at East Evans Creek;
- FVLCS of dry cannabis from the 2020 harvest of $0.32 per gram for flower (year ended December

Expressed in US dollars

31, 2019: $0.85), $0.03 for trim (year ended December 31, 2019: $0.17) and $0.02 for fresh frozen (year ended December 31, 2019: NA) at East Evans Creek.

Bophelo's 2020 harvest was not recognized in the year ended December 31, 2020, because a Good Agricultural and Collection Practices (GACP) certificate was not yet received in 2020. The GACP certificate is a condition for selling the Bophelo harvest. There was no fair value change due to the transformation of biological assets at Bophelo, and there were no capitalized production costs. There was no transfer to inventory in the year ended December 31, 2020.

The inputs in the biological assets model 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 for East Evens Creek as follows:

Effect on the fair value of biological assets East Evens Creek - December 31, 2020

Sensitivity		**+ 10%**		**- 10%**
Change in expected yield for cannabis plants	$	328,602	$	(328,602)
Change in FVLCS		108,562		(108,562)

Based on the realized yield, a 10% increase or decline in the yield has a $328,602 impact on revenues (year ended December 2019: $234,832).

Based on the realized FVLCS, a 10% increase or decline in FVLCS has a $108,562 impact on revenues (year ended December 31, 2019: $199,503).

Because Bophelo did not recognize the 2020 harvest, there were no yield and FVLCS in the year ended December 31, 2020.

11. Notes receivable

Notes receivable

As at:		***December 31, 2020***		***December 31, 2019***
Notes receivable	**$**	**9,629,553**	$	1,914,993

Notes receivable as at December 31, 2020 were $9,629,553 (as at December 31, 2019: $1,914,993). Notes receivable includes amounts due from executives of the Company in the amount of $414,846 (as at December 31, 2019: $126,546) and from a supplier to the Company in the amount of $589,355 (as at December 31, 2019: $624,911). Notes receivable also includes an amount of $537,704 due from Lake

Expressed in US dollars

County National Health LLC. Notes receivable due from executives of the Company are unsecured, interest-bearing and require repayment in 2020. The note receivable from the supplier is non-interest bearing, unsecured and due on demand.

On June 22, 2018, the Company entered into 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 could 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. On May 26, 2020, the promissory note was repaid and the balance as at December 31, 2020 was Nil. The fair value loss on the conversion feature was $374,786 and the loss on foreign exchange translation was $73,407.

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 upon conversion		(715,343)
Fair value gain/(loss) on conversion feature		(374,786)
Foreign Exchange gain (loss)		(73,407)
Balance December 31, 2020	$	-

On November 18, 2020, the Company entered into a definitive debt purchase agreement with Halo Winberry Holdings, LLC, Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban Industries OR LLC, and Herban Industries, Inc., to purchase certain secured debt of Herban OR owed to Evolution Trustees Limited, which was in default. Upon completion of the acquisition of the purchased debt, Halo Winberry, a wholly-owned subsidiary of the Company, became the senior secured creditor of Herban OR. Halo issued 169,916,339 common shares of the Company to Evolution Trust Limited for a total consideration of $8,373,047 including closing costs of $405,798, in exchange for the purchased debt. As at December 31, 2020, the Company held a note receivable from Herban OR in the amount of $8,373,047.

Expressed in US dollars

12. Deposits and prepaid expenses

Deposits and prepaid expenses

As at:	***December 31, 2020***	***December 31, 2019***
Prepaid expenses and other	**$ 3,318,061**	$ 1,692,123

Included in prepaid expenses 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.

13. Property, plant and equipment

Property, plant and equipment

	Production equipment	**Land & buildings**	**Leasehold improvements**	**Office equipment**	**Leased assets**	**Vehicles**	**Total**
Cost:							
Balance as at December 31, 2018	$ 2,755,190	$ -	$ 1,788,060	$ 89,662	$ -	$ -	**4,632,912**
							-
Additions	1,073,130	-	269,956	7,990	2,937,930	-	**4,289,006**
Dispositions	(34,988)	-	-	-	-	-	**(34,988)**
Balance as at December 31, 2019	3,793,332	-	2,058,016	97,652	2,937,930	-	**8,886,930**
Additions	944,788	6,714,150	1,166,763	4,998	1,996,769	24,484	**10,851,952**
Reclassify	(43,467)	787,609	(744,141)	-	(41,062)	-	**(41,061)**
Movement in foreign exchange	62,056	105,438	32,786	-	222,472	3,278	**426,030**
Balance as at December 31, 2020	4,756,709	7,607,197	2,513,424	102,650	5,116,109	27,762	**20,123,851**
Accumulated depreciation:							
Balance as at December 31, 2018	(672,310)	-	(176,987)	(14,962)	-	-	**(864,259)**
							-
Depreciation	(638,876)	-	(205,094)	(24,462)	(503,437)	-	**(1,371,869)**
Dispositions	4,913	-	-	-	-	-	**4,913**
Balance as at December 31, 2019	(1,306,273)	-	(382,081)	(39,424)	(503,437)	-	**(2,231,215)**
Depreciation	(695,806)	(72,091)	(228,788)	(20,697)	(630,743)	(3,862)	**(1,651,988)**
Movement in foreign exchange	(3,351)	-	(819)	-	(4,974)	(517)	**(9,661)**
Balance as at December 31, 2020	(2,005,430)	(72,091)	(611,688)	(60,122)	(1,139,154)	(4,379)	**(3,892,864)**
Net book value:							
Net book value December 31, 2019	2,487,059	-	1,675,935	58,228	2,434,493	-	**6,655,715**
Net book value December 31, 2020	$ 2,751,279	$ 7,535,106	$ 1,901,736	$ 42,528	$ 3,976,955	$ 23,383	**16,230,987**

The addition to leased assets in the amount of $1,996,769 relates to Mendo Distribution and Transportation LLC, Bophelo Bioscience Wellness Pty. Ltd. and Ukiah Ventures Inc. (as at December 31, 2019: Nil).

There was a reclassification at HLO Ventures in relation to the amendment of the right of use of assets in the lease agreement, in the amount of $41,062.

The increase in land and buildings relates to the partial consolidation of the 50 percent share in Lake County National Health LLC (Note 18) and the consolidation of Ukiah Ventures Inc.

Total depreciation expense for the year ended December 31, 2020 was $1,651,990 (year ended December 31, 2019: $1,371,869). An amount of $1,021,246 was recognized as cost of goods sold (year ended December 31, 2019: $868,432) and $630,744 was recognized as operating expenses in relation to leased assets (year ended December 31, 2019: $315,632). Depreciation in relation to East Evans Creek was an amount of $187,700 (year ended December 31, 2019: $19,574). This is classified as farm work in progress and moved to inventory on completion of the harvest.

Expressed in US dollars

14. Intangible assets and goodwill

Intangible assets and goodwill

	Licenses and facility option	Brand names	Software	Intellectual property	Goodwill	Total
Cost:						
Balance as at December 31, 2018	$ 4,995,539	$ 8,434	$ -	$ -	$ -	**$ 5,003,973**
Additions	2,555,475	220	4,229,394	3,280,402	-	**10,065,491**
Impairment	(20,000)	-	(2,115,436)	(1,019,430)	-	**(3,154,866)**
Balance as at December 31, 2019	7,531,014	8,654	2,113,958	2,260,972	-	**11,914,598**
Additions	11,648,114	-	128,402	16,530,460	16,298,959	**44,605,935**
Movement in foreign exchange	46,524	-	-	-	-	**46,524**
Impairment	(5,367,939)	-	-	-	(10,214,724)	**(15,582,663)**
Balance as at December 31, 2020	13,857,713	8,654	2,242,360	18,791,432	6,084,235	**40,984,394**
Accumulated amortization:						
Balance as at December 31, 2018	(230,804)	(1,088)	-	-	-	**(231,893)**
Amortization	(482,152)	(1,710)	-	-	-	**(483,861)**
Balance as at December 31, 2019	(712,956)	(2,798)	-	-	-	**(715,754)**
Movement in foreign exchange	(52)	-	-	-	-	**(52)**
Amortization	(626,028)	(1,730)	-	-	-	**(627,758)**
Balance as at December 31, 2020	(1,338,984)	(4,528)	-	-	-	**(1,343,512)**
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 December 31, 2020	$ 12,518,729	$ 4,126	$ 2,242,360	$ 18,791,432	$ 6,084,235	**$ 39,640,881**

Total amortization expense for the year ended December 31, 2020 of $627,758 (year ended December 31, 2019: $483,861) was recognized in operating expenses. In the year ended December 31, 2020, goodwill in the amount of $16,298,959 (year ended December 31, 2019: Nil) and intangibles assets in the amount of $28,306,976 (year ended December 31, 2019: $10,065,491) were added. In the year ended December 31, 2020, impairments were $15,582,663 (year ended December 31, 2019: $3,154,866). Impairments are included in the fair value loss on intangibles in the Consolidated Statement of Loss and Comprehensive Loss.

Annual impairment testing involves determining the recoverable amount of the cash generating unit ("CGU") to which goodwill is allocated and comparing this to the carrying value of the CGU. The impairment is first allocated to reduce the carrying amount of the goodwill, with the remaining losses then allocated to other assets in accordance with IAS 36 Impairment of Assets. The Company's CGU's to which goodwill has been allocated include Mendo Distribution and Transportation, LLC, Bophelo Bioscience & Wellness, Pty. Ltd. and

Ukiah Ventures, Inc.

The Company estimated that the carrying amount of goodwill was higher than the recoverable amount for the year ended December 31, 2020, and therefore recorded goodwill impairments of $4,429,523 on MDT, $3,110,523 on Bophelo and $2,674,678 on UVI.

To estimate the recoverable amount of each CGU, management calculated the fair value less cost of disposal using an income approach. The key assumptions used in the calculation of the recoverable amount included management's projection of future cash flows for a five year period with a terminal value thereafter and discount rates of 19% for MDT, based on a risk adjusted cash flows and 35% and 28% for Bophelo and Ukiah respectively, based on consideration of economic, industry and entity specific risks.

Annual impairment tests were also conducted on the intangible assets under development as at December 31, 2019 and 2020 consisting of those acquired with Halo DispensaryTrack Sotware Inc, Halo AccuDab Holdings Inc., Cannalift Delivery Inc., Nasalbinoid Natural Devices, Corp. and 1265292 BC Ltd. Using level two inputs of the fair value hierarchy, management estimated that the recoverable amount of these intangible assets was higher than the carrying amount as at December 31, 2020, and therefore no impairment losses were recognized. Using a depreciated replacement cost model with level three inputs, management estimated that the carrying value of the intangible assets was higher than the recoverable amount for the year ended December 31, 2019 and therefore recorded impairments of $2,115,436 on the Halo DispensaryTrack Software and $1,019,431 on Halo AccuDab Holdings.

ANM, Inc.

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.

Coastal Harvest, LLC

On June 20, 2017, the Company signed a membership interest purchase agreement, effective October 16, 2017, for the purchase of a volatile extraction license for Cathedral City, California. The transaction did not meet the definition of a business under IFRS 3. Consequently, 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.

As at December 31, 2020, the carrying value of the intangible assets net of amortization was $910,971 (year ended December 31, 2019: $990,182).

Industrial Court L9, LLC

On September 26, 2018, the Company acquired a 100% interest in Industrial Court L9, LLC, ("ICL9") a Delaware limited liability company. The Company signed a membership interest contribution agreement which included licenses for manufacturing and distribution in Cathedral City, California for a consideration in the amount of $2,000,000. The Company incurred $15,890 in transaction costs on this transaction. The transaction did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. The total consideration of $2,015,890 was capitalized to intangible assets.

As at December 31, 2020, the carrying value of the intangible assets net of amortization was $1,711,411 (year ended December 31, 2019: $1,848,134).

Industrial Court L13, LLC

On March 5, 2019, the Company acquired a 100% interest in Industrial Court L13, LLC ("ICL13"), a Delaware limited liability company which is party to a sublease (as subtenant) for a facility in Cathedral City, California for a total consideration of $2,535,475 consisting of 7,324,816 common shares of the Company valued at $2,459,826 and costs in relation to the closing of the transaction of $75,649. The transaction did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. The total consideration of $2,535,475 was capitalized to intangible assets.

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.

As at December 31, 2020, the carrying value of the intangible assets net of amortization was $2,119,951 (year ended December 31, 2019: $2,284,006).

HLO Ventures (NV), LLC

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 made only capitalized payments. The Company paid $500,000 as a non-refundable deposit on signing the term sheet, issued notes payable in the amount of $1,291,430, and made additional payments of $39,654 in 2019.

The transaction did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. The total consideration of $1,831,084 were capitalized to intangible assets. The remaining payments required to complete the transaction are $3,068,916.

The Company reviewed its joint venture with Just Quality LLC. and decided to impair the capitalized payments made in 2018 and 2019. The carrying value of the intangible assets net of amortization of $1,604,181 (year ended December 31, 2019: $1,695,735), was reduced by $1,253,056 to a carrying value of $351,124 as at December 31, 2020, based on an assessment of the recoverable amount.

Halo DispensaryTrack Software, Inc.

On October 11, 2019, the Company, through Halo DispensaryTrack Software Inc., acquired CannPos Services Corp. ("CannPos") in exchange for 18,785,714 Halo common shares valued at $3,698,821, and closing costs of $530,573. CannPos did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the transaction, consisting of 1,250,000 performance shares valued at $128,402 were recorded in the year ended December 31, 2020.

The total consideration of the transaction in the amount of $4,299,394 was attributed to intangibles assets as the company's sole asset was software. The Company recorded an impairment of $2,115,436 in the year ended December 31, 2020.

As at December 31, 2020, the carrying value of intangible assets was $2,242,360 (year ended December 31, 2019: $2,113,958).

Halo AccuDab Holdings, Inc.

On December 31, 2019, the Company, through a wholly owned subsidiary, Halo AccuDab Holdings Inc., acquired Precisa Medical Instruments Corp. ("Precisa") in exchange for 13,392,857 Halo common shares valued at $2,887,281, and closing costs of $393,121. Precisa did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase.The Company recorded an impairment of $1,019,431 in the year ended December 31, 2019.

The total consideration of the transaction in the amount of $2,380,402 was attributed to intangible assets as the Company's sole asset is the intellectual property related to the Accu-Dab THC and CBD oil oral delivery device under development, including technical documentation, drawings and product designs.

As at December 31, 2020, the carrying value of intangible assets was $2,398,223 (year ended December 31, 2019: $2,260,972).

Mendo Distribution and Transportation, LLC

On January 9, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares in the capital of Mendo Distribution and Transportation LLC. ("MDT") valued at $4,643,988 in exchange for 20,907,553 Halo common shares issued to MDT Holdings, LLC, the previous sole member of MDT. Upon closing 12,460,568 Halo common shares were deposited into escrow. Under the terms of the escrow agreement 8,237,076 Halo common shares are released in twelve (12) equal monthly installments, and 4,223,492 common shares are released twelve (12) months following the closing of the MDT acquisition (subject to the Company's right to claw back shares for undisclosed liabilities or other indemnification obligations of the seller).

Expressed in US dollars

The total consideration of the acquisition was $4,643,988. MDT met the definition of a business under IFRS 3. Consequently, the transaction was recorded as a business combination. Closing costs of $103,426 and advisory fees in the amount of $250,000 for a total of $353,426 were expensed.

Purchase price allocation	
Fixed assets	$ 15,770
Right of use assets	197,882
Intangible assets	1,440,627
Goodwill	5,296,938
Inventory	3,795,872
Accounts receivable	42,446
Lease liabiity	(221,695)
Accounts payable	(4,715,656)
Other liabilities	(1,208,197)
Net purchase price	$ 4,643,988

Based in Ukiah, MDT holds a Type 11 cannabis distribution license issued by the Bureau of Cannabis Control of California.

As at December 31, 2020, the carrying value of intangible assets net of amortization and impairment was $1,368,596 (year ended December 31, 2019: Nil).

Cannalift Delivery, Inc.

On March 10, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares in the capital of Cannalift Delivery, Inc. (“Cannalift”) in exchange for 31,000,000 of common shares of Halo valued at $2,484,155. Cannalift did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the acquisition, consisting of 2,480,000 shares valued at $198,732 and other cost in the amount of $31,370 for a total of $230,462, were capitalized.

The total consideration of the transaction in the amount of $2,714,617 was attributed to intangible assets as the Company’s sole asset was the intellectual property related to the development of the delivery application, including technical documentation, drawings and product designs.

As at December 31, 2020, the carrying value was $2,714,617 (year ended December 31, 2019: Nil).

Nasalbinoid Natural Devices, Corp.

On April 20, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares in the capital of Nasalbinoid Natural Devices, Corp. ("Nasalbinoid") in exchange for 34,000,000 of Halo common shares valued at $2,640,870. Nasalbinoid did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Other costs in relation to the closing of the transaction, consisting of 3,400,000 shares valued at $264,087 and other cost in the amount of $34,829 for a total of $298,916, were capitalized.

The total consideration of the transaction in the amount of $2,939,786 was attributed to intangible assets as Nasalbinoid's sole asset is the intellectual property related to a delivery application under development, including technical documentation, drawings and product designs.

LKJ11, LLC and Crimson & Black, LLC

On July 6, 2020, the Company acquired a company holding of 66 2/3% interest in LKJ11, LLC. ("LKJ11") in exchange for 42,881,646 Halo common shares valued at $3,800,722. LKJ11 did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. To effectuate the LKJ11 transaction, the majority member of LKJ11 merged with and into Halo's MFT11 Merger Sub, Inc. and the majority member that remains the surviving entity is wholly owned by PSG Coastal Holdings, LLC ("PSG"), an indirect wholly owned subsidiary of Halo. Upon closing, the Company issued 8,576,329 common shares to the vendors. Of the total consideration, 34,305,317 shares have not yet been issued. Adjusted for a 10% probability that milestones are not achieved, 30,874,785 shares are included in the equity reserve as reserve for earn-out payments. Earn-out shares will be issued as follows:

- 17,152,659 Halo shares to be issued when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and
- 17,152,658 Halo shares to be issued when LKJ11 is granted a lease extension for an aggregate of five years or a new location lease for a term of 5 years from the closing date.

On July 6, 2020, the Company acquired 100% of the outstanding membership interest in Crimson & Black, LLC ("C&B") in exchange for 6,432,247 Halo common shares valued at $570,108. C&B did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the transaction in the amount of $99,831 were capitalized. To effectuate the C&B transaction, C&B merged with and into Halo's C&B Merger Sub, Inc. and C&B remains the surviving entity and is wholly owned by PSG.

The Company shares have not yet been issued. Adjusted for a probability that milestones are not achieved, 5,789,022 shares are included in the equity reserve as a reserve for earn-out payments. Earn-out shares will be issued as follows:

Expressed in US dollars

- 3,216,124 Halo shares when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and

- 3,216,123 Halo shares when LKJ11 is granted a lease extension for an aggregate of 5 years or a new location lease for a term of at least 5 years from the closing date.

The Company shares issued to the vendors are subject to a pooling agreement. On a combined basis, the sellers may not sell an aggregate amount of securities on any given day that would exceed (i) 10% of the prior day's trading volume if the prior day closing price is less than CAD $0.30, or (ii) 15% of the prior day's trading volume if the prior day closing price is greater than or equal to CAD $0.30.

The total value of the combined transactions in the amount of $4,109,592 included the right of use assets of $88,165, attributed to intangible assets was $4,114,885 and lease liabilities of $93,458. The Company's main asset is an application for a retail license to operate the dispensary.

The carrying value of the intangible assets was compared to the fair value and tested for impairment as at December 31, 2020. Due to the early stage of development of the intangible assets related to the application for a retail license and dispensary, the estimated fair value was determined as Nil, consequently all the costs were charged to operations during the year ended December 31, 2020.

Bophelo Bioscience & Wellness, Pty. Ltd.

Purchase price allocation		
Fixed assets	$	1,461,590
Goodwill		6,738,997
Intangible assets		352,031
Right of use assets		1,596,982
Accounts receivable		97,980
Cash		32,620
Accounts payable		(701,057)
Lease liability		(1,610,218)
Debt		(1,028,859)
Net purchase price	$	6,940,066

On July 16, 2020, the Company completed the acquisition of Bophelo Bioscience & Wellness, Pty. Ltd. ("Bophelo") and issued an aggregate of 43,712,667 Halo common shares. The Company has also issued an additional 2,039,334 Halo shares as an arrangement fee. Following the closing of the acquisition, the Company settled certain debt obligations for an aggregate of 28,586,807 Halo shares.

The total consideration of the acquisition was $6,940,066 and included the conversion of $2,400,000 million of debt into Halo shares. Bophelo met the definition of a business combination under IFRS 3. Other costs in relation to the closing of the transaction of $401,929 were expensed.

As at December 31, 2020, the carrying value of goodwill was $3,628,474 (year ended December 31, 2019: Nil).

As at December 31, 2020, the carrying value of intangible assets net of amortization was $343,230 (year ended December 31, 2019: Nil).

Outer Galactic Chocolates, LLC

On July 31, 2020, the Company closed the acquisition of Outer Galactic Chocolates, LLC ("OGC"), holder of a Type N manufacturing license in Mendocino County in exchange for 1,981,825 Halo common shares valued at $177,232. The acquisition gives the Company a license to produce infused and edible cannabis products adjacent to the Mendo Distribution and Transportation LLC ("MDT") facility in Ukiah, California. Upon closing, the Company issued 495,457 Halo shares (25% of the total consideration) to OGC's owner. The remaining 1,485,406 shares are issued in twelve equal installments of 123,864 Halo shares, deliverable on the first day of each of the twelve months immediately following the closing. As at December 31, 2020, 990,270 common shares in the Company are remaining to be issued.

The total consideration of the transaction was $210,835. Attributed to intangible assets was an amount of $151,229 for the Type N license. In addition, leasehold improvements, and depreciable assets in the amount of $59,606 were acquired. Although the intangible asset was available for use as at December 31, 2020, the transaction did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the transaction in the amount of $33,603 were capitalized.

As at December 31, 2020, the carrying value of intangible assets was $147,448 net of amortization (year ended December 31, 2019: Nil).

Ukiah Ventures, Inc.

On August 19, 2020, the Company completed the acquisition of all the issued and outstanding shares of Ukiah Ventures, Inc. ("UVI") in exchange for securities of the Company. Prior to the transaction, the Company held a 17.5% equity stake in Ukiah as a result of the Company's initial investment in UVI in December 2019 (Note 6). The Company acquired the remaining issued and outstanding UVI shares in exchange for 71,881,607 Halo common shares valued at $6,502,181, as described and pursuant to a share exchange agreement dated August 5, 2020, and therefore owns 100% of the total outstanding UVI shares. The total consideration of the acquisition was $7,624,455. UVI met the definition of a business under IFRS 3. Consequently, the transaction was recorded as a business combination. Costs in relation to the closing of the transaction in the amount of $19,707 were expensed.

The consideration of 100% of the shares in UVI included an impairment of $448,383 which is explained by the difference between the fair value of the initial 17.5% share in the capital of UVI and the fair value at the time the Company acquired the remaining shares it did not already own.

Expressed in US dollars

In addition, the Company acquired all the outstanding warrants of UVI by issuing 50,000 warrants of the Company in exchange for the outstanding warrants of UVI. Each warrant will entitle the holder thereof to acquire one share of the Issuer $0.25 per share until July 19, 2021. The warrants were valued at $2,031 and included in the consideration.

An executive and a director of the Company were investors in UVI in an amount of $75,000 (Note 15).

In connection with the share exchange agreement, the Company entered into an escrow agreement with certain shareholders of UVI pursuant to which 20% of the payment shares are held in escrow for 12 months subject to the terms of the escrow agreement.

Purchase price allocation	
Fixed assets	$ 3,576,211
Intangible assets	1,588,346
Goodwill	2,674,678
Accounts receivable	1,156,164
Cash	208,602
Accounts payable	(79,546)
Debt	(1,500,000)
Net purchase price	$ 7,624,455

As at December 31, 2020, the carrying value of goodwill was Nil (year ended December 31, 2019: Nil).

As at December 31, 2020, the carrying value of intangibles assets net of amortization was $1,548,637 (year ended December 31, 2019: Nil).

1265292 B.C. Ltd. (doing business as Cannafeels)

On September 30, 2020, the Company entered into a definitive share exchange agreement with 1265292 B.C. Ltd., (doing business as Cannafeels) and the shareholders of Cannafeels. The Company acquired all the issued and outstanding shares of Cannafeels in exchange for 93,000,000 Halo common shares valued at $5,586,005. Costs to close the transaction, consisting of 6,975,000 Halo common shares valued at $418,950 an option grant valued at $3,368 and other costs in relation to the closing of the transaction of $11,261 for a total of $433,579 were capitalized. The total consideration of the transaction was $6,019,584. Cannafeels did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. The transaction was attributed to intangible assets, cash and accounts payable. The Company's main asset was the intellectual property related to the development of the Cannafeels App.

The common shares issued by Halo in conjunction with the acquisition are subject to certain sale restrictions. Pursuant to the terms of the share exchange agreement, the shareholders have entered into a pooling agreement with the Company whereby the shareholders have agreed in the aggregate to not, during any trading day within one year of the closing of the acquisition, sell on a Canadian stock exchange (i) such aggregate number of common shares of the Company that would exceed the larger of 15% of the prior trading day's total volume of sale orders in common shares of the Company, and (ii) 350,000 common shares of the Company.

Canmart Ltd.

On November 10, 2020, the Company closed the acquisition of Canmart Ltd. ("Canmart") in exchange for 135,416,666 Halo common shares valued at $5,168,575, to the holders of all of the issued and outstanding common shares in the capital of Canmart. Of the shares issued, 83,333,332 shares were escrowed and are released upon achieving certain milestones within two years from the closing of the acquisition.

Canmart did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to closing the transaction, consisting of 10,156,250 Halo common shares valued at $387,643 to Anmoho LLC an arm's length consultant of the Company and other costs of $35,242 for a total of $422,885, were capitalized.

The total consideration of $5,591,460 included working capital of $19,349. The consulting services Anmoho LLC provided include general and advisory review, due diligence, the preparation of a valuation and supporting the Company in negotiations with the vendor. The Company's main assets are a medicinal license and distribution network and were available for use as at December 31, 2020.

As at December 31, 2020, the carrying value of intangible assets net of amortization was $5,502,460 (year ended December 31, 2019: Nil).

1275111 B.C. Ltd.

On December 30, 2020, the Company closed the acquisition of 1275111 B.C. Ltd. pursuant to the terms of a share exchange agreement to which the Company acquired all the issued and outstanding shares of 1275111 B.C. Ltd. in exchange for an aggregate of 147,475,343 Halo common shares valued at $5,762,376. The intangible asset was available for use as at December 31, 2020, but 127511 B.C. Ltd did not meet the definition of a business under IFRS 3, and was recorded as an asset purchase. Costs in relation to closing the transaction in the amount of $10,246 were capitalized.

The total consideration of the transaction was $5,772,622 and attributed to intangible assets. The Company's main asset is the intellectual property related to patent pending intellectual property for cannabinoid filtration and purification technology.

As at December 31,2020, the carrying value of intangible assets was $5,772,622 (year ended December 31, 2019: Nil).

Expressed in US dollars

15. Related party relationships, transactions and balances

Compensation key executives

Year ended:		***December 31, 2020***		***December 31, 2019***
Salaries, commissions, bonuses, consulting fees	**$**	**1,592,981**	$	559,966
Share-based compensation		**1,755,782**		1,593,672
Total	**$**	**3,348,763**	$	2,153,638

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.

The table above lists all share-based compensation received by key executives, which includes shares issued in lieu of salary that are recorded as salaries in the Consolidated Statement of Loss and Comprehensive Loss. Options and warrants were granted on May 12, 2017, September 28, 2018, December 19, 2019, May 27, 2020 and December 7, 2020 to staff, directors and consultants. Options and warrants granted to employees and directors vest over a period of 2 - 4 years. Share-based compensation is recognized on a graded vesting basis and is expensed and included in operations.

In the year ended December 31, 2020, remuneration to executives was $1,592,981 (year ended December 31, 2019: $559,966). Share-based compensation was $1,755,782 (year ended December 31, 2019: $1,593,672).

Related parties

As at:		***December 31, 2020***		***December 31, 2019***
Due from directors, officers and other related parties	**$**	**414,886**	$	126,546
Due to directors, officers and other related parties		**1,752,297**		375,941
Accounts payable and accrued liabilities due to related parties		**542,609**		5,047

As at December 31, 2020, due from shareholders and related parties is $414,886 (December 31, 2019: $126,546) in relation to notes receivable from executives of the Company (Note 11). As at December 31, 2020, due to shareholders and related parties was $1,752,297 (December 31, 2019: $375,941). This was related to accrued salaries and loans to certain board members and executives of the Company as well as business expenses incurred by related parties.

An executive and a director were related parties as investors in Ukiah Ventures Inc. ("UVI") in an amount of $75,000. UVI was acquired by the Company on August 19, 2020.

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.

Expressed in US dollars

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.

16. Convertible debentures

2019 Debentures

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	(9,616)
Interest paid	(717,659)
Accretion of loan discount	1,205,959
Accrued interest	797,427
Foreign exchange gain (loss)	170,011
Balance December 31, 2020	$ 8,398,727

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 the 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 the 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 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.

On April 4, 2019, the Company issued 21,163 debentures for total gross proceeds of $15,842,620 (C$21,163,000).

On April 17, 2020, 15 debenture units were converted into 23,076 shares.

As at December 31, 2020, 8,484 debentures were converted into 13,052,230 common shares of the Company and 12,679 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. As at December 31, 2020, $921,746 (year ended December 2019: $ 1,684,283), was recorded as restricted cash on the Consolidated Statement of Financial Position. At December 31, 2020, the Company had sufficient funds in escrow for these interest payments.

17. Share capital

17.1 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, valued at $4,643,988 in relation to the acquisition of MDT, of which 12,460,568 shares were escrowed (Note 14);

- On February 18, 2020, 13,461,538 shares were issued, valued at $1,727,559, as deposit in relation to the acquisition of High Tide. In addition, 2,307,692 shares valued at $296,153 were issued as finders' fees. Both issuances were recorded under investments (Note 6);

- On February 18, 2020, 8,840,892 shares were issued as payment for services, valued at

$1,060,794 and on February 18, 2020, the Company also issued 750,415 shares valued at $90,040 to staff;

- On March 10, 2020, 31,000,000 shares were issued, valued at $2,484,155 for the acquisition of Cannalift, and 2,480,000 shares were issued at a value of $198,732 as finders' fees (Note 14);

- On March 10, 2020, 6,363,636 shares were issued, valued in a private placement for cash proceeds of $510,856;

- On March 26, 2020, 17,765,411 shares were issued, valued at $1,838,106 as payment for services, and 1,728,057 shares were issued, valued at $178,794 to staff on that date;

- On April 17, 2020, 23,076 shares were issued on conversion of the 2019 convertible debenture. The conversion price is $0.46 (C$0.65);

- On April 17, 2020, the Company issued 34,000,000 shares, valued at $2,640,870 for the acquisition of Nasalbinoid (Note 14);

- On April 17, 2020, the Company issued 3,863,636 shares in a private placement for cash proceeds of $201,070;

- On April 17, 2020, 3,400,000 shares were issued, valued at $264,087 as finders' fee for the acquisition of Nasalbinoid (Note 14);

- On April 27, 2020, 2,083,742 shares were issued, valued at $182,690 as payment to staff;

- On April 27, 2020, 8,776,471 shares were issued, valued at $705,638 as payment for services;

- On June 11, 2020, 9,090,909 shares were issued, valued at $900,002 in relation to the conversion of a loan of C$1,000,000 (Note 18);

- On June 26, 2020, 12,043,924 shares were issued, valued at $1,055,944 as payment for services;

- On June 29, 2020, 8,576,329 shares were issued, valued at $754,499 for the acquisition of LKJ11, LLC. which closed on July 6, 2020 (note 14);

- On July 16, 2020, the Company issued 43,712,667 shares for the acquisition of Bophelo, and 2,039,334 shares were issued at as arrangement fee. The shares were issued at a value of $4,391,760 (Note 14);

- On July 24, 2020, the Company issued 28,586,807 shares to convert the debt acquired with the acquisition of Bophelo into Halo shares at a value of $2,744,063;

- On July 31, 2020, the Company issued 495,457 shares for the acquisition of Outer Galactic Chocolate, LLC, valued at $44,330 (Note 14);

- On August 19, 2020, the Company issued 71,881,607 shares, valued at $6,502,181 for the acquisition of UVI (Note 14);

- On September 9, 2020, the Company issued 15,447,992 shares, valued at $1,059,129 for the acquisition of Feel Better LLC (Note 6);

- On September 18, 2020, the Company issued 15,566,078 common shares of the Company, valued at $885,377 to certain independent consultants, directors, employees and suppliers of the Company, in lieu of cash consideration;

- On September 30, 2020, the Company issued 93,000,000 for the acquisition of Cannafeels, and 6.975,000 shares were issued as finders' fee, for a total value of $6,004,955 (Note 14);

- Between September 17, 2020 and December 17, 2020, the Company issued 134,452,638 shares for total cash proceeds of $5,341,045 in relation to the ATM program;

- On November 9, 2020, the Company issued 135,416,666 shares, valued at $5,168,575 for the acquisition of Canmart (Note 14);

- On November 9, 2020, the Company issued 10,156,250 shares, valued at $387,643 as a finders' fee for the acquisition of Canmart (Note 14);

- On December 18, 2020, the Company issued 169,916,339 shares, valued at $7,972,022 for the acquisition of secured debt of Diony Med Brands Inc. from Evolution Trust Limited (Note 11);

- On December 22, 2020, the Company issued 11,211,012 shares, valued at $521,850 to service providers to the Company.

- On December 22, 2020, the Company issued 17,016,869 shares, valued at $792,101 to staff and executives of the Company;

- On December 29, 2020, the Company issued 147,475,343 shares, valued at $5,762,376 for the acquisition of 1275111 B.C.;

- On December 29, 2020, the Company issued 40,909,090 shares for cash proceeds of $1,758,307 in relation to a private placement in conjunction with the acquisition of 1275111 B.C. Ltd.

Costs in relation to share issuances are classified as share issuance costs in the Statement of Change in Equity. In the year ending December 31, 2020, share issuance costs included in the Statement of Change in Equity were $139,441, (year ended December 31, 2019: $109,400). Share issuance costs classified as settlements and contingencies in the amount of $325,816 were expensed (year ended December 31, 2019: $1,277,880).

As at December 31, 2020, the Company had 1,413,780,867 shares in issue and as at December 31, 2020, there were 115,535,907 shares in escrow (December 31, 2019: 12,301,308).

Fiscal 2019

- 13,029,153 common shares were issued following the conversion of the 2019 convertible debenture (Note 16);
- 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 22);
- 973,753 shares were issued for proceeds of $335,900 on the 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 Consolidated statement of Change in Shareholders' 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 valued 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 common shares 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 6).

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 concurrent financing, issuing 3,333,334 common shares for gross proceeds of $769,942 (C$1,000,000).

17.2 Share purchase warrants

Warrants issued and outstanding as at December 31, 2020

Expiry date	Term - years	Warrants granted	Warrants vested	US$	Description
04-Apr-21	2.00	1,891,938	1,891,938	$0.51	Broker warrants
04-Apr-21	2.00	16,295,010	16,295,010	$0.71	Warrant
14-May-21	3.00	405,000	405,000	$0.17	Warrant
19-Jul-21	0.92	50,000	50,000	$0.19	Warrant
26-Aug-21	1.00	2,000,000	2,000,000	$0.08	Warrant
30-Sep-21	3.00	625,000	625,000	$0.39	Warrant
30-Sep-21	3.00	100,000	100,000	$0.63	Warrant
22-Dec-21	1.00	18,000,000	18,000,000	$0.04	Warrant
08-Sep-22	2.00	1,500,000	375,000	$0.10	Warrant
14-May-23	5.00	135,000	135,000	$0.61	Warrant
30-Sep-23	5.00	300,000	300,000	$0.31	Warrant
27-Sep-24	6.00	625,000	625,000	$0.31	Warrant
10-Oct-27	10.00	712,500	712,500	$0.09	Warrant
11-May-27	10.00	6,243,750	6,243,750	$0.68	Warrant
Total	1-10 years	48,883,198	47,758,198	$0.38	

Note: Prices in US dollars

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 the 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.

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.

During the year ended December 31, 2020, 22,560,312 warrants were issued (year ended December 31, 2019: 28,835,027):

- During the three months ended March 31, 2020, 10,312 warrants with the exercise price $0.62 (C$0.80) were issued to brokers;
- During the three months ended June 30, 2020, 1,000,000 warrants with the exercise price $0.07 (C$0.10) were issued as payment for services;
- On August 19, 2020, 50,000 warrants with the exercise price $0.19 (C$0.25) were issued;
- On August 27, 2020, 2,000,000 warrants with the exercise price of $0.08 (C$0.10) were issued to independent consultants. The warrants have an expiry of 1 year;
- On September 8, 2020, 1,500,000 warrants with the exercise price $0.10 (C$0.14) were issued.

During the year ended December 31, 2020, 123,831,495 warrants were cancelled (year ended December 31, 2019: 2,014,080):

- On May 30, 2020, 28,922,297 warrants with the exercise price $0.35 (C$0.50), issued in relation to the 2019 convertible debenture, were cancelled as they expired on May 30, 2020;
- On June 18, 2020, 5,000,000 warrants with the exercise price $0.23 (C$0.30) were cancelled in relation to the restructuring of a credit line available to the Company. At December 31, 2020, 1,000,000 warrants had vested, and Nil were exercised;
- On September 28, 2020, 616,500 warrants with the exercise price $0.31 (C$.40) were cancelled as they expired.

The Company recognized no share-based compensation in warrants during the year ended December 31, 2020 (year ended December 31, 2019: Nil) and $679,479 share-based payments issued for services for the year ended December 31, 2020 (year ended December 31, 2019: $148,041).

As at December 31, 2020, 47,758,198 warrants were exercisable (as at December 31, 2019:

147,102,193). As at that date, the average exercise price of exercisable warrants was $0.39 (C$0.49).

During the year ending December 31, 2020, 1,000,000 warrants with the exercise price $0.08 (C$0.10) were exercised (year ended December 31, 2019: 5,519,273).

As at December 31, 2020, the weighted average exercise price of each Halo Labs warrant granted and in issue was $0.38 (C$0.48). As at date, the weighted average fair market value of each warrant in issue was $0.16 (C$0.21) using the Black-Scholes Option Pricing Model.

As at December 31, 2020, the weighted average remaining contractual life of the warrants is 1.53 years (as at December 31, 2019: 1.21 years).

Warrants outstanding

	Year ended December 31, 2020			***Year ended Dec. 31, 2019***		
	Number of warrants	**Weighted average exercise price**		**Number of warrants**	**Weighted average exercise price**	
Outstanding beginning of the year	151,154,381	$	0.51	129,852,707	$	0.57
Granted	22,550,000	$	0.05	28,835,027	$	0.55
Exercised	(1,000,000)	$	0.08	(5,519,273)	$	0.34
Forfeited / cancelled	(123,821,183)	$	0.55	(2,014,080)	$	1.80
Outstanding end of the year	48,883,198	$	0.38	151,154,381	$	0.55

Note: Prices in US dollars

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

Black-Scholes assumptions for warrants

	Year ended December 31,	
	2020	***2019***
Risk free rate:	0.22% - 0.31%	1.51% - 2.62%
Expected life	0.92 - 2 years	0.75 - 2 years
Volatility	100% - 146%	70% - 100%
Expected dividend per share	Nil	Nil
Share price	$0.06 - $0.12	$0.23 - $0.61

Note: Prices in US dollars

17.3 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 the 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.

On May 27, 2020, the Company granted 25,400,000 options with the exercise price C$0.105 and expiring on December 19, 2024, to employees, directors and executives. 25% of the options granted vest immediately and the remaining options vest quarterly beginning on July 1, 2020.

On September 30, 2020, the Company granted 100,000 options with the exercise price $0.08 (C$10).

On December 7, 2020, the Company granted 58,610,000 options with the exercise price $0.04 (C$0.055).

On December 24, 2020, the Company granted 740,000 options with exercise price $0.04 (C$0.055)

During the year ended December 31, 2020, 1,033,672 options were forfeited as employees left the Company (year ended December 31, 2019: 4,709,317).

Options outstanding

	Year ended Dec 31, 2020			***Year ended Dec. 31, 2019***		
	Number of options	**Weighted average exercise price**		**Number of options**	**Weighted average exercise price**	
Outstanding beginning of the year	9,272,309	$	0.35	12,170,251	$	0.36
Granted	84,850,000	$	0.06	2,162,000	$	0.23
Exercised	-	$	-	(350,625)	$	0.30
Forfeited / cancelled	(1,033,672)	$	0.36	(4,709,317)	$	0.34
Outstanding end of the year	93,088,637	$	0.08	9,272,309	$	0.35

Note: Prices in US dollars

The Company recognized share-based compensation related to options granted and vesting during the year ended December 31, 2020, in the amount of $2,450,684 (year ended December 31, 2019: $698,346).

As at December 31, 2020, 35,405,637 options vested and are exercisable (as at December 31, 2019: 5,085,357). The average price of exercisable options at December 31, 2020 was $0.13 (C$0.16).

During the year ending December 31, 2020, no options were exercised (year ended December 31, 2019: 350,625).

As at December 31, 2020, the weighted average exercise price of each Halo Labs option granted and in issue was $0.08 (C$0.10). As at that date, the weighted average fair market value of each option in issue was $0.06 (C$0.08) using the Black-Scholes Option Pricing Model.

As at December 31, 2020, the weighted average remaining contractual life of each option is 4.28 years (as at December 31, 2019: 5.23 years).

The following table summarizes information regarding stock options outstanding by the exercise price and the number of options exercisable as at December 31, 2020.

Options outstanding by exercise price

Grant Date	Exercise price		Outstanding	Exerciseable
May 12, 2017	$	0.67	1,329,750	1,329,750
September 28, 2018	$	0.31	5,026,887	5,026,887
December 19, 2019	$	0.23	1,882,000	1,411,500
May 27, 2020	$	0.08	25,400,000	12,700,000
September 30, 2020	$	0.08	100,000	100,000
December 7, 2020	$	0.04	58,610,000	14,652,500
December 24, 2020	$	0.04	740,000	185,000
Total	$	0.08	93,088,637	35,405,637
Weighted average life (years)		4.61		

Note: Prices in US dollars

The assumptions used for the calculation of the fair value of options at grant date during the year ended December 31, 2020 and 2019 are:

Black-Scholes assumptions for options

	Year ended December 31,	
	2020	***2019***
Risk free rate: 5-7 years	0.23% - 0.42%	1.68%
Expected life	2 - 5 years	5 years
Volatility	100% - 135%	100%
Expected dividend per share	Nil	Nil
Share price	$0.05 - $0.10	$0.02

Note: Prices in US dollars

17.4 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 year ended December 31, 2020.

Expressed in US dollars

18. Other loans

Continuity other loans

	Short-term	Long-term	Total
Balance December 31, 2018	$ 505,137	$ -	**$ 505,137**
Additions	4,447,574	338,439	**4,786,013**
Interest payable and accrued interest	44,507	-	**44,507**
Repayments	(3,697,847)	-	**(3,697,847)**
Balance December 31, 2019	1,299,372	338,439	**1,637,811**
Additions	151,788	6,357,014	**6,508,802**
Interest payable and accrued interest	6,260	54,565	**60,825**
Repayments	(1,179,581)	(151,106)	**(1,330,687)**
Balance December 31, 2020	$ 277,839	$ 6,598,912	**$ 6,876,751**

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 convertible 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.

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. The 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. As at December 31, 2019 the amount due was $561,655, of which $223,216 is due in the year ending December 31, 2020, and $338,439 is due after the year ending December 31, 2020.

Other loans – 2020

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 that the Company entered into with a private arm's-length lender. 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 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) C$0.10. The A&R promissory note includes a commitment of the lender to advance up to the full C$10,000,000 principal amount upon the request of the Company. As of the date hereof, the Company has taken an initial draw of $733,353 (C$1,000,000) which the lender elected to convert into an aggregate of 9,090,909 common shares immediately following the entering into the A&R promissory note (Note 15).

On August 26, 2020, the Company entered into a second amended and restated promissory note for a principal amount of up to C$15,000,000. The second A&R promissory note increases the committed funds available to the company from C$10,000,000 to C$15,000,000. The second A&R promissory note also contains an additional commitment fee of C$35,000, which was settled through the issuance of 291,666 common shares in the capital of the Company. All of the other terms and conditions contained in the original A&R promissory note remain unchanged.

On August 29,2020, the Company acquired 100% of the shares in the capital of UVI. it did not already own. Ukiah issued a secured promissory note on August 29, 2019 in the amount of $1,500,000 at an interest rate of 9.5%. The loan is repayable on or before July 29, 2022. On acquisition of 100% of Ukiah Ventures Inc., Halo assumed the promissory note.

On September 26, 2020, the Company announced that its wholly owned subsidiary PSG Coastal Holdings, LLC together with Green Matter Holding Inc, ("GMH") founded a real estate holding company on August 18, 2020 each with 50% ownership. Under IFRS 11, Lake County National Health LLC ("LCNH") qualifies as a joint arrangement and is partially consolidated. The purchase price of $6,000,000 and closing costs of $79,845 were financed and recognized by the Company at 50%.

The details of the loans are as follows for the Company's proportion:

- A mortgage of $1,050,000 from a real estate fund. The general terms of this loan include interest only at an annual rate of 9.5%, a 36-month term, and a first deed of trust as collateral; and,

- A second mortgage of up to $2,275,000 from syndication of lenders. The general terms of this second mortgage include interest only at an annual rate of 15% (half paid current monthly and half paid at maturity), a twenty-four month term with two six months extensions, and a second deed of trust as collateral. Additionally, the lending syndicate shall be due, at maturity of the second mortgage, a success fee equivalent to the amount borrowed under the second mortgage, subject to the successful approval and receipt by LCNH of a minimum of 100 licenses issued by the Bureau of Cannabis Control.

As at December 31, 2020, total short-term loans were $277,839 (year ended December 31, 2019:

$1,299,372). This included amounts of $154,190 payable to Xtraction Services Inc. (year ended December 31, 2019: $223,216), $116,707 payable to iKanik Farms (year ended December 31, 2019: $261,707) and $6,250 in accrued interest payable to LCNH and Green Matter (year ended December 31, 2019: Nil).

- An amount of $151,106 of long-term loans payable to Xtraction Services Inc. was reclassified as short-term loan and due to Green Matter, the 50% partner of LCNH, was an amount of $4,344. Total additions to short term loans were $155,450;

- Accrued interest due to LCNH was $6,260;

- In the year ended December 31, 2020, an amount of $145,000 of other short-term loans was repaid to iKanik Farms;

- An amount of $235,072 of short-term loans and accrued interest was repaid to Xtraction Services Inc.;

- In the three months ended June 30, 2020, the initial draw in the amount of $733,353 of the A&R promissory note was converted into Halo common shares.

As at December 31, 2020, total long-term loans were $6,598,912 (year ended December 31, 2019: $338,439). This included amounts of $187,333 owed to Xtraction Services Inc. (year ended December 31, 2019: $338,439), $174,078 of deferred pay-roll tax (year ended December 31, 2019: Nil) and a secured promissory note to Ukiah Ventures Inc. in the amount of $1,500,000 (year ended December 31, 2019: Nil).

- Long-term loans in the amount of $1,118,122 were acquired on acquisition of Bophelo which was completed on July 16, 2020. In the three months ended December 31, 2020, an amount of $340,599 was added in relation to accrued interest and further loans. As at December 31, 2020 a total of long term loan in the amount of $1,458,721 was owed to Bophelo (year ended December 31, 2019: Nil);

- In the three months ended September 30, 2020, $3,325,000 was added to long-term loans payable by Lake County National Health LLC. This represents the Company's 50% on partial consolidation. Interest accrued in the amount of $54,565. The total amount due by LCNH as at December 31, 2020, was $3,379,565 (year ended December 31, 2019: Nil).

19. Capital management

The Company's objectives for managing capital are: (i) to maintain a flexible capital structure that optimizes the cost/risk equation; and (ii) to manage capital in a manner that 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.

Expressed in US dollars

Capital structure

As at:	***December 31, 2020***	***December 31, 2019***
Shareholders' equity	**$ 59,619,542**	$ 24,292,330
Long-term loans	**14,997,639**	6,952,605
Short-term loans	**435,839**	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 December 31, 2020, the Company is not subject to any externally imposed capital requirements.

20. Financial instruments

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

Expressed in US dollars

20.2 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. The Company's maximum exposure to credit risk as at December 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 - December 31, 2020

	Accounts payable & accrued liabilities	Loans	Total
Carrying value	$ 8,662,179	$ 15,433,478	**$ 24,095,657**
1 - 30 days	3,194,530	126,861	**3,321,391**
30 - 60 days	869,090	8,832	**877,922**
60 - 90 days	1,129,652	8,175	**1,137,827**
> 90 days	3,468,907	15,289,610	**18,758,517**

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 December 31, 2020, the Company had current assets of $28,694,306 (as at December 31, 2019: $24,133,962) and current liabilities of $9,979,995 (as at December 31, 2019: $8,850,559). Current assets as at December 31, 2019 includes investments and marketable securities. As at December 31, 2020, the Company no longer holds marketable securities. 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., so it is not subject to any significant foreign currency risk. In Lesotho, the Company's business is conducted in Loti and is subject to exchange rate fluctuations. 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.

21. Tax

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 are 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 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 the "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 assumes "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).

Expressed in US dollars

22. Commitments and contingencies

The Company has commitments under certain leases for its facilities. On January 1, 2019, the Company adopted IFRS 16 (Note 4.6) 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.

Committed lease obligations

		Amount due
2021	$	1,286,073
2022		1,096,156
2023		948,946
2024		989,397
2025		1,002,298
2026		958,704
2027		972,337
2028		909,718
Thereafter	$	3,718,020

The Company is a 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 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.

By statement of claim issued on February 6, 2020, Halo Labs Inc., commenced an action in the Ontario Superior Court of Justice in Toronto against Odyssey Trust Company. Halo seeks, among other things, damages for breach of contract or negligence in the amount of $549,980 (C$714,314.50).

23. Subsequent events

Announcement of change of name

On January 25, 2021, the Company changed its name from Halo Labs Inc. to Halo Collective Inc. In connection with the name change, the common shares are trading on the OTCQX under the trading symbol HCANF. The common shares are trading on the Frankfurt Stock Exchange under the trading symbol A9KM.

Overnight marketed public offerings

On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate proceeds of $8,227,061 less share issuance costs of $743,255.

A total of 91,411,794 units of the Company were issued pursuant to the offering, including an aggregate of 2,505,794 units issued as a result of the partial exercise of the over-allotment option, at a price of C$0.09 per unit. Each unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one common share of the Company at the exercise price of C$0.125 at any time up to 30 months following the closing of the offering. The warrants have been conditionally approved for listing on the Neo Exchange Inc. and are expected to commence trading following the closing, subject to the satisfaction of all listing conditions.

Pursuant to the terms of the underwriting agreement, the underwriters received a cash commission equal to 7.0% of the gross proceeds from the sale of the units pursuant to the offering. As additional consideration for the services rendered in connection with the offering, the underwriters also received 6,398,825 compensation options to purchase up to 6,398,825 units at the exercise price of C$0.09 per unit at any time up to 30 months following the closing of the offering.

On February 11, 2021, the underwriters exercised the remainder of the over-allotment option granted in connection with the offering. In connection with the exercise of the over-allotment option, the Company issued an additional 10,830,106 units for aggregate proceeds of approximately $974,710 less share issuance costs of $75,938.

Each unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.125 at any time up to 30 months following closing of the offering.

Pursuant to the terms of the underwriting agreement, the Company paid the underwriters a cash commission equal to 7.0% of the gross proceeds from the exercise of the over-allotment option and issued to the underwriters 758,107 compensation options to purchase up to 758,107 Units at an exercise price of $0.09 per unit at any time up to 30 months following closing of the offering.

On February 19, 2021, the Company closed an overnight marketed public offering of units of the Company. In connection with the offering, the Company issued an aggregate of 65,714,450 units for aggregate proceeds of $11,500,029 less share issuance costs of $865,852, which included the full exercise of the over-allotment option by the underwriters at a price of C$0.175 per unit.

Each unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of C$0.225 at any time up to 36 months following closing of the offering.

Pursuant to the terms of the underwriting agreement, the Company paid the underwriters a cash commission equal to 7.0% of the gross proceeds of the offering. As additional consideration for the services rendered in connection with the offering, the Company issued to the underwriters 4,600,011 compensation options to purchase up to 4,600,011 Units at an exercise price of $0.175 per unit at any time up to 36 months following closing of the offering.

Acquisitions of SDF11 LLC and ZXC11 LLC

On February 6, 2021, the Company signed definitive agreements to acquire an interest in two successful Los Angeles dispensary license applicants and 100% ownership of each applicant's related management company.

SDF11 LLC

A subsidiary of Halo's subsidiary PSG Coastal Holdings LLC will merge with the limited liability company that owns 66 2/3% of SDF11. The SDF11 company majority member will survive, and PSG will then own 100% of the SDF11 company majority member. The remaining 33 1/3% of SDF11 will continue to be owned by the social equity applicant, as required under regulations issued by the Los Angeles Department of Cannabis Regulation (the "DCR").

The consideration payable by Halo in respect of this merger is an aggregate of 39,076,923 Halo common shares issuable as follows:

- 23,690,385 shares will be issued as a non-refundable pre-closing deposit upon Halo obtaining the approval of the NEO Exchange Inc. of which 16,851,923 shares will be subject to volume trading restrictions outlined in a pooling agreement to be entered into among Halo and all of the recipients of the Halo Shares on behalf of the selling members of the four merger agreements (the "pooling agreement");

- 15,386,538 shares will be issued at the closing of the merger which will occur when DCR approves PSG as the new majority owner of SDF11 and the new location on Franklin Ave. is approved by the DCR and the lease for the new location is executed (the "DCR approval and lease milestone");

- In addition, upon closing, Halo will issue an aggregate of 2,930,769 shares to an arm's length party as a finder's fee and such shares will be subject to a statutory hold period of four months and one day. Halo will also reimburse the sellers for legal fees of USD $50,000.

Crimson & Black LLC (management company of SDF11)

A subsidiary of PSG will merge with Crimson & Black & LLC ("C&B"). C&B will survive, and PSG will then own 100% of C&B.

The consideration payable by Halo in respect of this merger is an aggregate of 118,650,349 shares issuable as follows:

- 108,650,349 shares will be issued at closing (subject only to the approval of the NEO and other customary closing conditions), of which 18,650,349 shares will be subject to the Pooling Agreement;
- 10,000,000 shares will be issued in escrow and released to the approved designees of the selling member upon the DCR approval and lease milestone, or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing;
- In addition, upon closing, Halo will issue an aggregate of 8,898,775 shares to an arm's length party as a finder's fee and such shares will be subject to a statutory hold period of four months and one day.

It is a condition of closing that B&C will have $750,000 of cash on its balance sheet at the closing.

ZXC11

A subsidiary of PSG will merge with the limited liability company that owns 66 2/3% of ZXC11. ZXC11 company majority member will survive, and PSG will then own 100% of ZXC11 company majority member. The other 33 1/3% of ZXC11 will continue to be owned by the social equity applicant (which is required under the DCR regulations).

The consideration payable by Halo in connection with this merger is an aggregate of 39,076,923 shares, issuable as follows:

- 23,690,385 shares to be issued as a non-refundable pre-closing deposit upon approval of the NEO of which 16,851,923 shares will be subject to the pooling agreement;
- 15,386,538 shares to be issued at the closing of the merger which will occur when DCR approves PSG as the new majority owner of ZXC11;
- In addition, upon closing, Halo will issue an aggregate of 2,930,769 shares to an arm's length party as a finder's fee and such shares will be subject to a statutory hold period of four months and one day.

POI11 LLC (management company of ZXC11)

A subsidiary of PSG will merge with POI11 LLC. POI11 will survive, and PSG will then own 100% of POI11.

The consideration payable in respect of this merger is an aggregate of 118,650,349 shares issuable as follows:

- 108,650,349 to be issued at closing (subject only to the approval of the NEO and other customary closing conditions) of which 18,650,349 shares will be subject to the pooling agreement;
- 10,000,000 tol be issued in escrow and released to the approved designees of the selling member upon the DCR approval milestone, or returned to Halo if the DCR approval milestone is not achieved within 18 months of the closing.
- In addition, upon closing, Halo to issue an aggregate of 8,898,775 shares to an arm's length party as a finder's fee and such shares will be subject to a statutory hold period of four months and one day.

It is a condition of closing that POI11 will have $750,000 of cash on its balance sheet at closing.

On March 2, 2021, a total of 302,479,020 shares were issued.

Shares issued for debt

On February 10, 2021, the Company issued 4,166,667 shares on conversion of $500,000 of debt. On February 22, 2021, the Company issued 4,166,667 shares on conversion of debt, and on February 26, 2021, the Company issued 4,166,667 shares on conversion of debt.

Warrants exercises

On February 22, 2021, 1,000,000 warrants with exercise price C$0.17 were exercised. On February 24, 2021, 1,000 warrants with exercise price C$0.16 were exercised.

Option grant

On March 2, 2021, the Company granted 12,000,000 options with exercise price C$0.105 to a senior advisor to the CEO and the board of directors.

Nature’s Best Resources LLC

On March 26, 2021, the Company signed a definitive agreement with Nature's Best Resources LLC("Nature's Best "). The agreement states that the Company will acquire 100 percent of Nature's Best Resources LLC membership interests in exchange for the issuance of up to 44,047,619 common shares in the capital of the Company. The closing of the agreement is subject to certain closing conditions, including the contribution by the selling member to Nature's Best of $250,000 and standard operating procedures detailing the manufacturing of rosin products by Nature's Best.

A total of 35,119,048 common shares will be placed into escrow to be released to the selling member upon the satisfaction of certain predetermined milestones by Nature's Best. A total of 8,928,570 common shares will be released on or before June 1, 2021, provided the selling member has repaid an outstanding $250,000 owed to Nature's Best. A total of 14,285,715 additional common shares will be released on or before October 1, 2021, provided that specific equipment has been delivered to Nature's Best. The remaining 11,904,762 common shares will be released on or before March 1, 2022, provided that Nature's Best has produced and sold a batch of hash or hash rosin in each of Oregon and California, measuring 100 grams total. If any milestone is not satisfied by the date specified for its completion, the corresponding number of common shares will be returned to the Company. The common shares are subject to volume transfer restrictions that prohibit the sale of any number of common shares through any stock exchange that would exceed ten percent of the prior trading day's total volume of the common shares.