

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

For the three months ended March 31, 2021 and 2020
Expressed in US dollars
Unaudited

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Halo Collective Inc.
Condensed Interim Consolidated Statements of Financial Position

Unaudited, expressed in US dollars

March 31, 2021 December 31, 2020

Assets			
Current			
Cash		10,319,375	2,758,119
Restricted cash	Note 16	932,030	921,746
Accounts receivable	Note 8	3,290,760	1,785,372
Inventory	Note 9, 10	12,666,117	10,281,455
Biological assets	Note 9	223,817	-
Notes receivable	Note 11	846,879	9,629,553
Deposits and pre-paid expenses	Note 12	4,119,171	3,318,061
Total current assets		32,398,149	28,694,306
Long-term			
Property, plant and equipment	Note 13	18,180,794	16,230,987
Intangible assets and goodwill	Note 14	74,441,124	39,640,881
Investments and deposits	Note 6	8,883,031	3,188,071
Total long-term assets		101,504,949	59,059,939
Total assets		133,903,098	87,754,245
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		8,023,774	8,662,179
Other loans	Note 18	569,450	435,839
Income tax payable	Note 21	572,868	580,720
Sales & cultivation tax payable	Note 21	732,929	301,257
Total current liabilities		9,899,021	9,979,995
Long-term liabilities			
Debenture liability	Note 16	8,983,026	8,398,727
Lease liability	Note 7	4,680,343	3,157,069
Other loans	Note 18	6,484,619	6,598,912
Total long-term liabilities		20,147,988	18,154,708
Total Liabilities		30,047,009	28,134,703
Shareholders' equity			
Share capital	Note 17	185,715,631	136,827,655
Share capital reserve	Note 17	10,091,107	8,307,521
Convertible debenture equity reserve	Note 15	650,219	653,557
Equity reserve	Note 13	5,476,648	3,338,204
Accumulated other comprehensive income		1,022,339	524,779
Deficit		(99,099,855)	(90,032,174)
Total shareholders' equity		103,856,089	59,619,542
Total shareholders' equity and liabilities		133,903,098	87,754,245

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
CEO and Director

Philip van den Berg
CFO and Director

Halo Collective Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited, expressed in US dollars

For the 3 month ending:

March 31, 2021 March 31, 2020

Revenue		9,939,103	4,449,098
Cost of finished cannabis inventory sold	Note 9, 10	7,738,533	4,331,725
Gross profit, excluding fair value items		2,200,570	117,373
Unrealized fair value (gain) loss on growth of biological assets	Note 10	(167,111)	-
Realized fair value (gain) loss included in the cost of inventory sold	Note 10	411,905	289,553
Gross profit		1,955,776	(172,180)
General and administration		1,617,792	432,571
Salaries		1,991,485	1,087,567
Professional fees		2,939,023	3,489,860
Sales and marketing		1,507,386	748,857
Investor relations		457,476	1,262,094
Loss on settlements and contingencies	Note 17, 22	-	62,023
Share based compensation	Note 17	829,236	131,897
Accretion expense		307,754	302,432
Loss on intangible assets	Note 14	-	403,713
Depreciation	Note 13, 14	611,912	255,092
(Gain) loss on foreign exchange		392,972	(251,821)
Interest expense	Note 16, 18	368,421	333,239
Loss before income taxes		(9,067,681)	(8,429,704)
Deferred income tax (recovery)	Note 21	-	180,000
Net loss		(9,067,681)	(8,609,704)
Other comprehensive income			
Unrealized (gain) loss on foreign currency translation		(497,560)	93,778
Comprehensive loss		(8,570,121)	(8,703,482)
Net loss per share, basic and diluted:		\$ (0.01)	\$ (0.03)
Weighted average number of outstanding common shares, basic and diluted:		1,610,099,430	277,418,561

These notes are an integral part of the Consolidated Financial Statements

Halo Collective Inc.
Condensed Interim Consolidated Statements of Change in Shareholders' Equity (Deficiency)

Unaudited, expressed in US Dollars

	Common shares	Common shares	Options	Warrants	Equity reserve	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	6,363,636	510,856	-	-	-	-	-	-	510,856
Shares issued for acquisitions	65,369,091	8,855,702	-	-	-	-	-	-	8,855,702
Shares issued as finders' fees	4,787,692	494,885	-	-	-	-	-	-	494,885
Share issue costs	-	(11,688)	-	-	-	-	-	-	(11,688)
Share-based compensation for services	26,606,303	2,898,900	-	5,153	-	-	-	-	2,904,053
Share-based compensation for staff	2,478,472	268,835	125,672	-	-	-	-	-	394,507
Forfeiture warrants and options	-	-	(10,784)	-	-	-	-	10,784	-
Net loss and other comprehensive loss	-	-	-	-	-	-	(93,778)	(8,609,704)	(8,703,482)
Shareholders equity, March 31, 2020	385,876,509	\$ 80,926,951	\$ 1,764,505	\$ 3,807,548	\$ -	\$ 655,090	\$ (682,902)	\$ (57,734,029)	\$ 28,737,163

	Common shares	Common shares	Options	Warrants	Equity reserve	Conversion option	Accumulated OCI	Deficit	Total
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
Share issuance in private placements	167,956,350	15,366,598	954,319	-	-	-	-	-	16,320,917
Shares issued for acquisitions	284,681,468	31,444,812	-	-	2,138,444	-	-	-	33,583,256
Shares issued to retire debt	12,500,001	1,183,319	-	-	-	-	-	-	1,183,319
Shares issued as finders' fees	17,797,552	2,114,393	-	-	-	-	-	-	2,114,393
Shares issued on conversion of debenture	46,153	23,684	-	-	-	(3,338)	-	-	20,346
Share issue costs	-	(1,343,269)	-	-	-	-	-	-	(1,343,269)
Share-based compensation for staff	-	-	829,267	-	-	-	-	-	829,267
Shares issued on exercise of warrants and options	1,001,000	98,439	-	-	-	-	-	-	98,439
Net loss and other comprehensive loss	-	-	-	-	-	-	497,560	(9,067,681)	(8,570,121)
Shareholders equity, March 31, 2021	1,897,763,391	\$ 185,715,631	\$ 5,675,625	\$ 4,415,482	\$ 5,476,648	\$ 650,219	\$ 1,022,339	\$ (99,099,855)	103,856,089

These notes are an integral part of the consolidated financial statements

Halo Collective Inc.
Condensed Interim Consolidated Statements of Cash Flow

Unaudited, expressed in US dollars

For the 3 month ending:

March 31, 2021 March 31, 2020

Cash provided by (used in)

Operating activities:

Net loss	(9,067,681)	(8,609,704)
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Items not involving cash

Depreciation	Note 13, 14	897,509	489,910
Accrued interest	Note 16, 18	159,397	333,239
Accretion expense	Note 16	307,754	302,432
(Gain) loss in fair value of biological assets	Note 9	244,794	289,553
(Gain) loss in foreign exchange		541,597	(251,823)
Loss on sale of investment		-	-
Loss on settlements and contingencies		-	-
Gain on sale of subsidiary	Note 6	-	-
Income tax provision	Note 21	-	180,000
Loss on intangible assets	Note 14	-	403,713
Share-based compensation	Note 17	829,236	3,171,230

Changes in working capital items

Accounts receivable	Note 8	(843,425)	95,413
Notes receivable	Note 11	409,627	54,087
Accounts payable and accrued liabilities		(378,710)	(960,915)
Tax payable	Note 21	423,820	-
Inventory	Note 9, 10	(2,073,013)	1,974,395
Pre-paid expenses and other	Note 12	(801,184)	89,201

Cash used in operating activities		(9,350,279)	(2,439,269)
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Investing activities

Net cash from acquisitions		1,595,369	-
Purchase of property, plant and equipment	Note 13	(576,207)	-

Cash provided by investing activities		1,019,162	-
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Financing activities

Issuance of common shares & convertible debentures	Note 16, 17	16,419,356	510,856
Loans	Note 18	1,111,039	(129,078)
Lease payments	Note 7	(284,469)	(181,481)
Share issuance costs	Note 17	(1,343,269)	(11,688)

Cash raised in finance activities		15,902,657	188,609
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Change in cash in during the period		7,571,540	(2,250,660)
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Cash beginning of the period		3,679,865	6,068,414
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Cash end of the period		11,251,405	3,817,754
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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.

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 (Note 22).

These Condensed Interim Consolidated Financial Statements present the financial position of the resulting issuer, Halo Collective at March 31, 2021 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 Condensed Interim Consolidated Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and continuing to manufacture its products. Having been prepared giving effect to the going concern assumption, these financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and classifications on the statement of financial position that would be necessary if the going concern assumption was not appropriate.

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

- On March 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);
- 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);
- 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);
- On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of \$7,205,268 (Note 17);
- On February 19, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of \$9,115,649 (Note 17).

As at March 31, 2021, 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 so far not been materially affected negatively since the outbreak of the pandemic. 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 accounting standard IAS 34 sets out the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period. IAS 34 Interim Financial Reporting applies when an entity prepares an interim financial report, without mandating when an entity should prepare such a report. Permitting less information to be reported than in annual financial statements (on the basis of providing an update to those financial statements), the standard outlines the recognition, measurement and disclosure requirements for interim reports.

These Condensed Interim Consolidated Financial Statements have been authorized for release by the Company's Board of Directors on May 17, 2021.

Applicable to the preparation of interim financial statements, including IAS 34, the Condensed Interim Consolidated Financial Statements should be read in conjunction with the annual consolidated financial statements of Halo Labs for the year ended December 31, 2020, filed on the system for electronic document analysis and retrieval ("SEDAR"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The principal accounting policies adopted in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with the policies disclosed in the Annual Consolidated Financial Statements for the year ended December 31, 2020. The Condensed Interim Consolidated Financial Statements are presented in US dollars. The Canadian dollar serves as the functional currency of the parent. The Company's subsidiaries all have as functional currency the US dollar, except for Bohelo Bioscience and Wellness Pty Ltd, with the Loti as its functional currency, and Canmart Ltd., with the British Pound Sterling as its functional currency.

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

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

interests in the equity of the Company's subsidiaries are shown separately in equity in the consolidated statements of financial position.

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

Subsidiaries of Halo Labs Inc.

	<i>March 31, 2021</i>	<i>December 31, 2020</i>
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%	100.0%
Cannalift Delivery Inc.	100.0%	100.0%
Nasalbinoid Natural Devices Corp.	100.0%	100.0%
Bophelo Bioscience and Wellness Pty. Ltd.	100.0%	100.0%
LKJ11, LLC	66.7%	66.7%
Crimson & Black, LLC	100.0%	100.0%
Outer Galactic Chocolates, LLC	100.0%	100.0%
Ukiah Ventures Inc.	100.0%	100.0%
1265292 B.C. Ltd. DbA Cannafeels	100.0%	100.0%
Lake County Natural Health LLC	50.0%	50.0%
Canmart Ltd.	100.0%	100.0%
1275111 B.C. Ltd.	100.0%	100.0%
Halo Winberry Holdings, LLC	100.0%	100.0%
Bar X Farms, LLC	44.0%	0.0%
Triangle Canna Corp	44.0%	0.0%
Black & Crimson LLC	100.0%	0.0%
POI11 LLC	100.0%	0.0%

3.2 Critical judgments

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

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

Assets carrying values and impairment charges

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 valuers 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.

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 are related to the 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 fair value. 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.

4. Summary of significant accounting policies

The accounting policies applied in these Condensed Interim Consolidated Financial Statements are the same as those applied in the most recent audited annual financial statements as at and for the year ended December 31, 2020, and reflect all adjustments necessary for fair presentation in accordance with IAS 34.

5. Operating segments

Disclosure by segment - three months ending March 31, 2020

	US	Canada	UK	Lesotho	Total
Revenue	\$ 4,449,098	\$ -	\$ -	\$ -	\$ 4,449,098
Cost of Cannabis inventory sold	4,331,725	-	-	-	4,331,725
Gross profit excluding FV changes	117,373	-	-	-	117,373
Realized and unrealized gain on biological assets	(289,553)	-	-	-	(289,553)
Gross profit / (loss)	(172,180)	-	-	-	(172,180)
Net loss	(2,201,804)	(6,407,900)	-	-	(8,609,704)
Total assets	41,315,796	\$ 6,490,096	-	-	47,805,892
Long-term financial liabilities	\$ 1,796,338	6,865,043	\$ -	\$ -	\$ 8,661,381

Disclosure by segment - three months ending March 31, 2021

	US	Canada	UK	Lesotho	Total
Revenue	\$ 9,939,103	\$ -	\$ -	\$ -	\$ 9,939,103
Cost of Cannabis inventory sold	7,724,702	-	-	13,831	7,738,533
Gross profit excluding FV changes	2,214,401	-	-	(13,831)	2,200,570
Realized and unrealized (gain) loss on biological assets	411,905	-	-	(167,111)	244,794
Gross profit / (loss)	1,802,496	-	-	153,280	1,955,776
Net loss	(2,434,490)	(6,312,864)	(69,901)	(250,426)	(9,067,681)
Total assets	58,642,564	66,343,112	5,456,219	3,461,202	133,903,098
Long-term financial liabilities	\$ 8,098,963	\$ 8,983,025	\$ -	\$ 3,066,000	\$ 20,147,988

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, and monitors these segments separately throughout the year.

6. Investments and deposits

Investments and deposits

As at:	<i>March 31, 2021</i>	<i>December 31, 2020</i>
Long-term investments	\$ 1,255,724	\$ 1,211,767
Deposits	7,627,307	1,976,304
Total	\$ 8,883,031	\$ 3,188,071

High Tide Inc.

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 March 31, 2021, the asset purchase agreement has not closed.

As at March 31, 2021, a deposit of \$1,998,355 was recorded in relation to the pending acquisition of High Tide Inc. (December 31, 2020: \$1,976,304).

Feel Better LLC (dba FlowerShop)

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 of \$1,059,129 and closing costs 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. As at March 31, 2021, a long-term investment of \$1,211,766 was recorded (December 31, 2020: \$ 1,211,767).

SDF11 LLC (Franklin Avenue)

On March 2, 2021, the Company issued 23,690,385 Halo common shares as a pre-closing non-refundable deposit in relation to the closing of the acquisition of SDF11 LLC, a dispensary license applicant on Franklin Avenue, LA. 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 issuance of 15,386,538 Halo common shares are pending the closing of the acquisition. In addition, the issuance of 2,930,769 Halo common shares as a finders' fee is pending the closing of the acquisition.

As at March 31, 2021, a deposit of \$2,814,476 was recorded in relation to the pending acquisition of SDF11 LL. (December 31, 2020: Nil).

ZXC LLC (Santa Monica Blvd)

On March 2, 2021, the Company issued 23,690,385 Halo common shares as a pre-closing non-refundable deposit in relation to the closing of the acquisition of ZXC11 LLC, a dispensary license applicant on Santa Monica Blvd, LA. A subsidiary of Halo's subsidiary PSG Coastal Holdings LLC will merge with the limited liability company that owns 66 2/3% of ZXC11. The ZXC11 company majority member will survive, and PSG will then own 100% of the ZXC11 company majority member. The remaining 33 1/3% of ZXC11 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 issuance of 15,386,538 Halo common shares are pending the closing of the acquisition. In addition, the issuance of 2,930,769 Halo common shares as a finders' fee is pending the closing of the acquisition.

As at March 31, 2021, a deposit of \$2,814,476 was recorded in relation to the pending acquisition of ZXC11 LLC (December 31, 2020: Nil).

7. Leases

During the three months ended March 31, 2021, an amount of \$245,909 was added to lease liabilities (three months ended March 31, 2020: \$133,224). The addition in the three months ended March 31, 2021 was in relation to closing the asset purchase agreement between Halo Winberry Holdings, LLC ("Halo Winberry") and Herban Industries OR LLC ("Herban OR"). in an amount of \$170,557 and \$75,352 was added on extension of the lease after closing of the acquisition. An amount of \$1,352,047 was added to lease liabilities on the renewal of leases at 130 West Clark Street and East Evans Creek.

During the three months ended March 31, 2021, an amount of \$248,413 was added to the right of use assets (three months ended March 31, 2020: \$117,363). The addition in the three months ended March 31, 2021 was in relation to closing the asset purchase agreement between Halo Winberry and Herban OR. in an amount of \$172,091 and an amount of \$76,322 on extension of the lease after the closing of the acquisition. An amount of \$1,352,047 was added to the right of use assets on renewal of the leases at 130 West Clark Street and East Evans Creek.

Lease liabilities

Balance December 31, 2020	\$ 3,507,028
Additions	1,597,956
Payments	(284,469)
Interest expense	159,407
Movement in foreign exchange	179,838
Balance March 31, 2021	5,159,761
Current portion	479,418
Long-term portion	4,680,343

Right of use of assets

Balance December 31, 2020	3,976,955
Additions	1,600,460
Movement in foreign exchange	(39,546)
Amortization	(208,989)
Balance March 31, 2021	\$ 5,328,880

In the three months ended March 31, 2021, the balance of lease payments of \$284,469 (three months ended March 31, 2020: \$181,481) and non-cash interest charged to the Condensed Interim Statement of Loss of \$159,407 (three months ended March 31, 2020: \$76,238) reduced lease liabilities with \$125,062 (three months ended March 31, 2020: \$105,243). The current portion of lease liabilities is recorded as accrued liabilities. The long-term portion is recorded as lease liability under long-term liabilities.

8. Accounts receivable

Accounts receivable		
As at:	March 31, 2021	December 31, 2020
1 - 30 days	2,184,250	\$ 1,461,677
30 - 60 days	444,123	168,415
60 - 90 days	240,066	90,385
> 90 days	422,321	64,895
Total	\$ 3,290,760	\$ 1,785,372

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:	March 31, 2021	December 31, 2020
Accounts receivable - trade	\$ 3,406,909	\$ 1,912,093
Bad debt provision	(116,149)	(126,721)
Total accounts receivable	\$ 3,290,760	\$ 1,785,372

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 three months ended March 31, 2021, there were no impairments included in accounts receivable over 90 days (three months ended March 31, 2020: \$286,561).

9. Inventory

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

Inventory by class

As at:	<i>March 31, 2021</i>	<i>December 31, 2020</i>
Raw materials	\$ 5,478,728	\$ 5,680,962
Work in progress	1,520,490	2,345,092
Finished goods	5,666,898	2,255,400
Total	\$ 12,666,117	\$ 10,281,455

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 three months ended March 31, 2021, the amount included in the cost of goods sold was \$5,582,106 (three months ended March 31, 2020: \$2,087,666). 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 three months ended March 31, 2021, there were no inventory impairments charged to the cost of goods sold (three months ended March 31, 2020: \$951,813).

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.

Biological assets are measured at their fair value less costs to sell ("FVLCS") 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.

Under IFRS 13 Fair Value Measurement, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The measurement of

the fair value of the asset must take into the condition of the asset as well as any restrictions on the sale of the asset. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value takes into account a market participant's ability to use that asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible, either, in combination with other assets or on a standalone basis.

Biological assets and produce held by the Company is planned to be used in 4 ways:

- Sale to the export market;
- Sale to the local market;
- Repurposed for use in research and development; and
- Written off for being obsolete.

Bophelo has yet to receive their GCP certificate and as a result is unable to make sales to the export market. The highest and best use of the produce would therefore be the sale to the local market. The highest and best use of produce from East Evans Creek is the sale to the local market only.

All material harvested at Bophelo during the three months ended March 31, 2021 was used for direct sales of flower to third parties in the local market. As at March 31, 2021, the value of biological assets was \$223,817. The fair value change due to biological assets transformation in the cannabis plants model was \$167,111 at Bophelo, and capitalized production costs were \$56,706.

Biological assets

Balance December 31, 2020	\$	-
Fair value change due to biological transformation		167,111
Production costs capitalized		56,706
Transferred to inventory upon harvest		-
Balance March 31, 2021	\$	223,817

The table below shows the assumptions used in the biological assets model for the Company's cultivation operations at Bophelo.

Assumptions utilized in cannabis plant model - Bophelo

	Harvest season 2021		Harvest season 2020	
	Flower	Trim	Flower	Trim
Ratio flower vs. trim	80.0%	20.0%	60.9%	39.1%
Yield - pounds	826	207	302	194
Yield per plant	0.09	0.04	0.14	0.18
Selling price - \$ per gram	\$ 1.34	\$ 1.34	\$ 3.00	\$ 3.00
FVLCS - \$ per gram	\$ 1.09	\$ 1.09	\$ 2.58	\$ 2.58

The valuation model for Bophelo 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;
- Ratio of flower and trim is 80% - 20%;
- Wholesale price of flower and trim is estimated at \$1.34 per gram, based on historical and expected future sales;
- Total yield estimate is 981 pounds of flower and trim;
- Cost to complete and sell is \$0.25 per gram;
- FVLCS of dry cannabis is \$1.09 per gram.

There was no transfer to inventory at East Evens Creek in the three months ended March 31, 2021. No biological assets were transferred to inventory at East Evans Creek in the three months ended March 31, 2021.

Assumptions utilized in cannabis plant model - East Evans Creek

	Harvest season 2021			Harvest season 2020	
	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	1.61	0.99	5.20
Selling price - \$ per gram	\$ 0.66	\$ 0.06	\$ 0.04	\$ 0.99	\$ 0.20
FVLCS - \$ per gram	\$ 0.32	\$ 0.03	\$ 0.02	\$ 0.77	\$ 0.16

The valuation model for East Evans Creek 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;
- Ratio of flower, trim and fresh frozen is 31% - 49% - 20%
- Wholesale price per gram is \$0.66 for flower, \$0.06 for trim and \$0.04 for fresh frozen, based on historical and expected future sales;
- Total yield estimate is 20,568 pounds of biomass;
- Costs to complete and sell is \$0.34 per gram for flower, \$0.03 for trim and \$0.02 for fresh frozen;
- FVLCS of dry cannabis is \$0.32 per gram for flower, \$0.03 for trim and \$0.02 for fresh frozen.

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 as follows:

Effect on a change in the fair value of biological assets			
Sensitivity		+10%	-10%
Change in expected yield for cannabis plants	\$	288,617	\$(288,617)
Change in FVLCS	\$	169,175	\$(169,175)

The impact on the fair value of a 10% change in the cannabis yield or a 10% change in the FVLCS includes East Evans Creek and Bophelo, both based on the assumptions used in the cannabis plant model.

11. Notes receivable

Notes receivable			
As at:		March 31, 2021	December 31, 2020
Notes receivable	\$	846,879	\$ 9,629,553

Notes receivable as at March 31, 2021 were \$846,879 (December 31, 2020: \$9,629,553). They include \$336,924 due from executives of the Company (December 31, 2020: \$414,846), an amount of \$335,439 due from a supplier (December 31, 2020: \$589,355), and \$210,556 due from Bar X (December 31, 2020: \$Nil). Deducted was a foreign exchange loss of \$30,520. Notes receivable due from executives of the Company

are unsecured, interest-bearing. The note receivable from the supplier is unsecured and non-interest bearing.

On November 18, 2020, Halo Winberry became a senior secured creditor of Herban OR in an amount of \$7,972,022, which was recorded as a note receivable. Following the closing of the acquisition of the debt, Halo Winberry entered into an asset purchase agreement (“APA”) to acquire the assets of Herban OR in exchange for cancelling the debt. Conditional approval to execute the APA was received on January 16, 2021 (Note 14).

12. Deposits and prepaid expenses

Deposits and prepaid expenses

As at:	March 31, 2021	December 31, 2020
Prepaid expenses and other	\$ 4,119,171	\$ 3,318,061

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 improvement	Office equipment	Leased assets	Vehicles	Total
Cost:							
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
Additions	383,479	241,115	26,423	4,045	1,600,460	260,510	2,516,031
Dispositions	-	-	-	-	-	-	-
Movement in foreign exchange	(10,477)	(19,703)	(6,272)	-	(40,281)	(714)	(77,447)
Balance as at March 31, 2021	5,129,711	7,828,609	2,533,575	106,695	6,676,288	287,558	22,562,435
Accumulated depreciation:							
Balance as at December 31, 2020	(2,005,430)	(72,091)	(611,688)	(60,122)	(1,139,154)	(4,379)	(3,892,864)
Additions	(168,625)	(43,839)	(65,538)	(6,486)	(208,989)	(2,953)	(496,430)
Movement in foreign exchange	4,449	-	1,508	-	735	961	7,653
Balance as at March 31, 2021	(2,169,606)	(115,930)	(675,718)	(66,608)	(1,347,408)	(6,371)	(4,381,642)
Net book value:							
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
Net book value March 31, 2021	\$ 2,960,105	\$ 7,712,678	\$ 1,857,857	\$ 40,087	\$ 5,328,880	\$ 281,187	\$ 18,180,794

In the three months ended March 31, 2021, an amount of \$2,516,031 was added to property, plant and equipment (three months ended March 31, 2020: \$133,133). Production equipment increased with \$383,479 (three months ended March 31, 2020: \$15,770). An amount of \$242,220 was added at ANM Inc., \$67,478 was added at Mendo Distribution & Transportation Inc. and \$73,781 was added at Halo Winberry.

An amount of \$260,510 was added for vehicles (three months ended March 31, 2021: Nil). An amount of \$60,000 was added at ANM Inc., and \$200,510 at Halo Winberry.

Leased assets in the amount of \$1,600,460 were added (three months ended March 31, 2020: \$117,363). In the three months ended March 31, 2021, leases were acquired on consolidation of Halo Winberry and there were lease renewals at 130 Clark Street and East Evans Creek.

Total depreciation expense for the three months ended March 31, 2021 was \$496,430 (three months ended March 31, 2020: \$371,590). An amount of \$287,441 was recognized as cost of goods sold (three months ended March 31, 2020: \$234,818) and \$208,989 was recognized as operating expenses in relation to leased assets (three months ended March 31, 2020: \$136,772).

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, 2020	\$ 13,857,713	\$ 8,654	\$ 2,242,360	\$ 18,791,432	\$ 6,084,235	\$ 40,984,394
Additions	32,319,300	2,892,495	-	-	-	35,211,795
Balance as at March 31, 2021	46,168,380	2,901,149	2,242,360	18,791,432	6,084,235	76,187,556
Accumulated amortization:						
Balance as at December 31, 2020	(1,338,985)	(4,528)	-	-	-	(1,343,513)
Movement in foreign exchange	(145)	-	-	-	-	(145)
Amortization	(257,717)	(145,057)	-	-	-	(402,775)
Balance as at March 31, 2021	(1,596,847)	(149,585)	-	-	-	(1,746,433)
Net book value:						
Net book value December 31, 2020	12,518,728	4,126	2,242,360	18,791,432	6,084,235	39,640,881
Net book value March 31, 2021	\$ 44,571,533	\$ 2,751,564	\$ 2,242,360	\$ 18,791,432	\$ 6,084,235	\$ 74,441,124

In the three months ended March 31, 2021, no goodwill was added (three months ended March 31, 2020: Nil) and intangibles assets in the amount of \$35,211,795 were added (three months ended March 31, 2020: \$10,065,491).

Total amortization expense for the three months ended March 31, 2021 of \$402,775 (three months ended March 31, 2020: \$483,861) was recognized in operating expenses.

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.

For the year ended December 31, 2020, the Company estimated that the carrying amount of goodwill was higher than the recoverable amount, 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 risk adjusted cash flows and 35% and 28% for Bophelo and Ukiah respectively, based on consideration of economic, industry and entity specific risks.

For the year ended December 31, 2020, annual impairment tests were also conducted on the intangible assets under development, consisting of those acquired with Halo DispensaryTrack Software Inc, Halo AccuDab Holdings Inc., Cannalift Delivery Inc., Nasalbinoid Natural Devices, Corp. and 1265292 BC Ltd.

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 March 31, 2021, the carrying value of the intangible assets net of amortization was \$891,168 (December 31, 2020: \$910,971).

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 March 31, 2021, the carrying value of the intangible assets net of amortization was \$1,677,227 (December 31, 2020: \$1,711,411).

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 March 31, 2021, the carrying value of the intangible assets net of amortization was \$2,078,937 (December 31, 2020: \$2,119,951).

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.

As at March 31, 2021, the carrying value of the intangible assets net of amortization was \$343,900 (December 31, 2020: \$351,125).

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 three months ended March 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.

As at March 31, 2021, the carrying value of intangible assets was \$2,242,360 (December 31, 2020: \$2,242,360).

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 three months ended March 31, 2020.

The total consideration of the transaction in the amount of \$3,280,402 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 March 31, 2021, the carrying value of intangible assets was \$2,260,972 (December 31, 2020: \$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).

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 liability	(221,695)
Accounts payable	(4,715,656)
Other liabilities	(1,208,197)
Net purchase price	\$ 4,643,988

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.

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

As at March 31, 2021, the carrying value of intangible assets net of amortization was \$1,350,588 (year ended December 31, 2020: \$1,368,596).

As at March 31, 2021, the carrying value of goodwill was \$867,415 (year ended December 31, 2020: \$867,415).

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 March 31, 2021, the carrying value of intangible assets was \$2,714,617 (December 31, 2020: \$2,714,617).

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.

As at March 31, 2021, the carrying value of intangible assets was \$2,907,626 (December 31, 2020: \$2907,626).

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 were included in the equity reserve as a reserve for earn-out payments. Earn-out shares will be issued as follows:

- 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 number 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.

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 in 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 March 31, 2021, the carrying value of goodwill was \$3,628,474 (December 31, 2020: \$3,628,474).

As at March 31, 2021, the carrying value of intangible assets net of amortization was \$384,773 (December 31, 2020: \$389,755).

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 March 31, 2021, 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 March 31, 2021, 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 March 31, 2021, the carrying value of intangible assets was \$145,558 net of amortization (December 31, 2020: \$147,448).

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.

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)
<hr/>	
Net purchase price	\$ 7,624,455

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.

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.

As at March 31, 2021, the carrying value of goodwill was \$2,674,678 (December 31, 2020: \$1,588,346). The carrying value of intangible assets was \$1,588,346 December 31, 2020: \$1,588,346).

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.

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.

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.

As at March 31, 2021, the carrying value of intangible assets was \$5,135,595 (December 31, 2020: \$5,135,595).

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 March 31, 2021.

As at March 31, 2021, the carrying value of intangible assets net of amortization was \$5,449,609 (December 31, 2020: \$5,502,460).

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 March 31, 2021, 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 March 31, 2021, the carrying value of intangible assets was \$5,772,622 (December 31, 2020: \$5,772,622).

Herban Industries OR LLC

Purchase price allocation

Cash & bank	194,368
Fixed assets	104,249
Intangible assets	6,508,113
Right of use assets	172,091
Inventory	780,672
Accounts receivable	678,963
Lease liabilities	(170,557)
Accounts payable	(295,878)
Net purchase price	\$ 7,972,022

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 \$7,972,022 and closing costs of \$401,025, in exchange for the purchased debt. Immediately following the closing of the acquisition of the purchased debt, Halo Winberry entered into an asset purchase agreement to acquire substantially all of the assets of Herban OR. Completion of the acquisition of the Herban OR assets under the APA was subject to receipt of regulatory approval from the Oregon Liquor Control Commission. Provisional approval was received on January 16, 2021.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed. The Company acquired fixed assets of \$104,249 and working capital of \$1,354,707. Intangible assets included the Herban OR licenses and Halo Winberry brands. As at March 31, 2021, the carrying value of intangible assets was \$6,318,293 net of amortization (December 31, 2020: Nil).

Black & Crimson LLC

On March 2, 2021, the Company issued 118,650,349 Halo common shares for a consideration of

\$15,193,143, which included a finders' fee of 8,898,775 shares valued at \$1,057,197 and closing costs of \$39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC and Black & Crimson LLC ("B&C"), with B&C as the surviving company. 18,650,349 shares are subject to a pooling agreement and 10,000,000 Halo common shares were issued in escrow. The escrowed shares are 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. The shares issued as finder's fee are subject to a statutory hold period of four months and one day.

The acquisition of B&C did not meet the definition of a business under IFRS 3. Consequently, the acquisition was recorded as an asset purchase. Finder's fees and closing costs were capitalized. The Company received cash of \$722,500, net of fees of \$27,500, and recorded intangible assets of \$14,351,841.

POI11 LLC

On March 2, 2021, the Company issued 118,650,349 Halo common shares for a consideration of \$15,193,143, which included a finders' fee of 8,898,775 shares valued at \$1,057,197 and closing costs of \$39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC and POI LLC ("POI"), with POI as the surviving company. 18,650,349 shares are subject to a pooling agreement and 10,000,000 Halo common shares were issued in escrow. The escrowed shares are 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. The shares issued as finder's fee are subject to a statutory hold period of four months and one day.

The acquisition of POI did not meet the definition of a business under IFRS 3. Consequently, the acquisition was recorded as an asset purchase. Finder's fees and closing costs were capitalized. The Company received cash of \$722,500, net of fees of \$27,500, and recorded intangible assets of \$14,351,841.

15. Related party relationships, transactions and balances

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.

Compensation key executives

Year ended:	31-Mar-21	31-Mar-20
Salaries, commissions, bonuses, consulting fees	\$ 398,475	\$ 336,695
Share-based compensation	307,401	97,051
Total	\$ 705,876	\$ 433,746

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 three months ended March 31, 2021, remuneration to executives was \$398,475 (three months ended March 31, 2020: \$336,695). Share-based compensation was \$307,401 (three months ended March 31, 2020: \$97,051).

Related parties

As at:	31-Mar-21	31-Dec-20
Due from directors, officers and other related parties	\$ 228,852	\$ 414,886
Due to directors, officers and other related parties	1,543,465	1,752,297
Accounts payable and accrued liabilities due to related parties	586,732	542,609

As at March 31, 2021, due from shareholders and related parties is \$228,852 (December 31, 2020: \$414,886) in relation to notes receivable from executives of the Company (Note 11). As at March 31, 2021, due to shareholders and related parties was \$1,543,465 (December 31, 2020: \$1,752,297). 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.

During the year ended December 31, 2020, 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.

16. Convertible debentures

2019 Convertible debenture

Continuity 2019 convertible debenture

Balance December 31, 2020	\$ 8,398,727
Liability portion of conversions in the period	(20,502)
Interest paid	-
Accretion of loan discount	307,766
Accrued interest	201,469
Foreign exchange gain (loss)	95,566
Balance March 31, 2021	\$ 8,983,026

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).

As at March 31, 2021, the amount of convertible debenture outstanding was \$8,983,026 (December 31, 2020: \$8,398,727). As at March 31, 2021, a total of 8,484 debentures were converted into 13,052,230 common shares of the Company and 12,679 debentures are in issue. Pursuant to the prospectus agreement, the Company is required to hold in escrow, funds sufficient to cover interest payment to maturity of the convertible debenture on April 4, 2022. As at March 31, 2021, \$932,030 (December 2020: \$921,746), was recorded as restricted cash on the Consolidated Statement of Financial Position, and sufficient to cover interest payments to maturity of the convertible debenture.

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.

Shares issued in the three months ended March 31, 2021

- On February 2, 2021, 91,411,794 shares were issued, valued in an overnight marketed public offering for cash proceeds of \$6,439,239;

- On February 10, 2021, 4,166,667 shares were issued, valued at \$393,862 in relation to conversion of a convertible credit facility;
- On February 11, 2021, 10,830,106 shares were issued, valued in relation to the over allotment excise of an overnight marketed public offering for cash proceeds of \$766,029;
- On February 19, 2021, 65,714,450 shares were issued, valued in an overnight marketed public offering for cash proceeds of \$9,115,649;
- On February 18, 2021, 1,000,000 shares were issued, valued at \$98,339 on exercise of warrants;
- On February 22, 2021, 4,166,667 shares were issued, valued at \$396,903 in relation to conversion of a convertible credit facility;
- On February 24, 2021, 1,000 shares were issued, valued at \$100 on exercise of warrants;
- On February 26, 2021, 4,166,667 shares were issued, valued at \$392,554 in relation to conversion of a convertible credit facility;
- On March 2, 2021, 47,380,770 shares were issued, valued at \$5,628,953 as pre-closing deposits for the acquisitions of SDF11 LLC and SXC11 LLC;
- On March 2, 2021, 237,300,698 shares were issued, valued at \$28,191,909 for the acquisitions of Black and Crimson LLC and POI11 LLC;
- On March 2, 2021, 17,797,552 shares were issued, valued at \$2,114,393 as finders' fee for the acquisitions of Black and Crimson LLC and POI11 LLC;
- On March 9, 2021, 46,153 shares were issued, valued at \$23,684 on conversion of a convertible debenture.

Costs in relation to share issuances are classified as share issuance costs in the Statement of Change in Equity. In the three months ended March 31, 2021, share issuance costs included in the Statement of Change in Equity were \$1,343,269 (three months ended March 31, 2020: \$11,688). Share issuance costs classified as settlements and contingencies were Nil (three months ended March 31, 2020: \$62,023).

As at March 31, 2021, the Company had 1,897,763,391 shares in issue and as at March 31, 2021, there were 135,535,907 shares in escrow (December 31, 2019: 12,301,308).

17.2 Share purchase warrants

The following table summarizes information regarding warrants outstanding by the exercise price and

the number of warrants vested as at March 31, 2021.

Warrants issued and outstanding as at March 31, 2021

Expiry date	Term - years	Warrants granted	Warrants vested	Exercise price US\$	Description
04-Apr-21	2.00	1,891,938	1,891,938	\$0.52	Broker warrants
04-Apr-21	2.00	16,295,010	16,295,010	\$0.72	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	\$0.40	Warrant
30-Sep-21	3.00	100,000	100,000	\$0.64	Warrant
22-Dec-21	1.00	18,000,000	18,000,000	\$0.04	Warrant
08-Sep-22	2.00	1,500,000	750,000	\$0.10	Warrant
14-May-23	5.00	135,000	135,000	\$0.61	Warrant
02-Aug-23	2.50	90,410,794	90,410,794	\$0.10	Warrant
11-Aug-23	2.50	10,830,106	10,830,106	\$0.10	Warrant
30-Sep-23	5.00	300,000	300,000	\$0.32	Warrant
19-Feb-24	3.00	65,714,450	65,714,450	\$0.18	Warrant
27-Sep-24	6.00	625,000	625,000	\$0.32	Warrant
10-Oct-27	10.00	712,500	712,500	\$0.09	Warrant
11-May-27	10.00	6,243,750	6,243,750	\$0.69	Warrant
Total	1-10 years	215,838,548	215,088,548	\$0.19	

Note: Prices in US dollars

Warrants granted in the three months ended March 31, 2021

- On February 2, 2021, 91,411,794 warrants with exercise price \$0.10 (C\$0.13) were granted in relation to an overnight marketed public offering;
- On February 11, 2021, 10,830,106 warrants with exercise price \$0.10 (C\$0.125) were granted in relation to an overnight marketed public offering;
- On February 18, 2021, 1,000,000 warrants with exercise price \$0.10 (C\$0.125) were exercised;
- On February 19, 2021, 65,714,450 warrants with exercise price \$0.18 (C\$0.23) were granted in relation to an overnight marketed public offering;

- On February 24, 2021, 1,000 warrants with exercise price \$0.10 (C\$0.125) were exercised.

The Company recognized no share-based compensation in warrants during the three months ended March 31, 2021 (three months ended March 31, 2020: Nil) and no share-based payments for services for the three months ended March 31, 2021 (three months ended March 31, 2020: \$5,153).

As at March 31, 2021, 215,088,548 warrants were exercisable (March 31, 2020: 147,102,193). As at that date, the average exercise price of exercisable warrants was \$0.19 (C\$0.24) (March 31, 2020: \$0.35 (C\$0.50)).

As at March 31, 2021, the weighted average exercise price of each Halo Labs warrant granted and in issue was \$0.19 (C\$0.24) (March 31, 2020: \$0.51 (C\$0.72)). As at date, the weighted average fair market value of each warrant in issue was \$0.07 (C\$0.09) using the Black-Scholes Option Pricing Model (March 31, 2020: \$0.05 (C\$0.07)).

As at March 31, 2021, the weighted average remaining contractual life of the warrants is 2.27 years (December 31, 2020: 0.98 years).

Warrants outstanding

	3 months ending March 31, 2021		3 months ending March 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at beginning of	48,883,198	\$ 0.37	151,154,381	\$ 0.51
Granted	167,956,350	\$ 0.13	10,312	\$ 0.62
Exercised	(1,001,000)	\$ 0.10	-	\$ -
Forfeited / cancelled	-	\$ -	-	\$ -
Outstanding at end of	215,838,548	\$ 0.19	151,164,693	\$ 0.51

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.

Options outstanding by exercise price

Grant Date	Exercise price	Outstanding	Exercisable
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	1,646,750
May 27, 2020	\$ 0.08	25,400,000	15,875,000
September 30, 2020	\$ 0.08	100,000	100,000
December 7, 2020	\$ 0.04	58,610,000	29,305,000
December 24, 2020	\$ 0.04	740,000	370,000
February 2, 2021	\$ 0.07	6,398,825	6,398,825
February 11, 2021	\$ 0.07	758,107	758,107
February 19, 2021	\$ 0.14	4,600,011	4,600,011
March 28, 2021	\$ 0.08	12,000,000	-
Total	\$ 0.08	116,845,580	65,410,330
Weighted average life (years)	4.00		

Note: Prices in US dollars

Options granted in the three months ended March 31, 2021

- On February 2, 2021, 6,398,825 compensation options with exercise price \$0.10 (C\$0.125) were granted to underwrites of an overnight marketed public offering;
- On February 11, 2021, 758,107 options with exercise price \$0.10 (C\$0.125) were granted to underwrites of an overnight marketed public offering;
- On February 19, 2021, 4,600,011 options with exercise price \$0.18 (C\$0.23) were granted to underwrites of an overnight marketed public offering;
- On March 28, 2021, 12,000,000 options with exercise price \$0.08 (C\$0.105) were granted to a senior advisor of the Company.

The following table summarizes information regarding stock options outstanding by the exercise price and the number of options exercisable as at March 31, 2021.

The Company recognized share-based compensation related to options granted and vesting during the three months ended March 31, 2021, in the amount of \$829,267 (three months ended March 31, 2020: \$125,672).

As at March 31, 2021, 65,410,330 options had vested and were exercisable (March 31, 2020:

6,417,013). The average price of exercisable options at March 31, 2021 was \$0.10 (C\$0.13) (March 31, 2020: \$0.32 (C\$0.45)).

Options outstanding

	<i>3 months ending March 31, 2021</i>		<i>3 months ending March 31, 2020</i>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of	93,088,637	\$ 0.08	9,272,309	\$ 0.35
Granted	23,756,943	\$ 0.09	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeited / cancelled	-	\$ -	(66,624)	\$ 0.28
Outstanding at end of	116,845,580	\$ 0.08	9,205,685	\$ 0.35

Note: Prices in US dollars

As at March 31, 2021, the weighted average exercise price of each Halo Labs option granted and in issue was \$0.08 (C\$0.11) (March 31, 2020: \$0.25 (C\$0.35)). As at that date, the weighted average fair market value of each option in issue was \$0.07 (C\$0.08) using the Black-Scholes Option Pricing Model (March 31, 2020: \$0.21 (C\$0.29)).

As at March 31, 2021, the weighted average remaining contractual life of each option is 4 years (March 31, 2020: 5 years).

The assumptions used for the calculation of the fair value of options at grant date during the three months ended March 31, 2021 and 2020 are:

Black-Scholes assumptions for options

	<i>3 months ending March 31,</i>	
	2021	2020
Risk free rate: 5-7 years	0.15% - 0.22%	-
Expected life	2.5 - 3 years	-
Volatility	139% - 143%	-
Expected dividend per share	Nil	Nil
Share price	\$0.09 - \$0.205	\$ -

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.

18. Other loans

Continuity other loans

	Short-term	Long-term	Total
Balance December 31, 2020	\$ 435,839	\$ 6,598,912	\$ 7,034,751
Additions	1,495,925	42,072	1,537,997
Repayments	(1,362,314)	(156,365)	(1,518,679)
Balance March 31, 2021	\$ 569,450	\$ 6,484,619	\$ 7,054,069

As at March 31, 2021, total short-term loans were \$569,450 (December 31, 2020: \$435,839). This included:

- A net decrease of \$146,929 of the short-term lease from Xtraction Services Inc. ("Xtraction") (December 31, 2020: amount outstanding \$312,190);
- An increase in loans owed to the Bar X syndicate of \$260,073 (December 31, 2020: amount outstanding Nil);
- An increase of \$1,183,260 from the credit facility, which was settled through issuance of shares;
- An increase of \$4,140 owed to Canmart (December 31, 2020; amount outstanding \$682);
- Interest payable to the lender to Bophelo increased with \$32,585 (December 31, 2020: amount outstanding Nil);
- An amount of \$6,260 owed to LCNH was repaid (December 31, 2020: amount outstanding \$6,260);
- An amount of \$10,000 was paid to Ikanik Farms (December 31, 2020: amount outstanding \$116,707).

As at March 31, 2021, total long-term loans were \$6,484,619 (December 31, 2020: \$6,598,912). This included:

- \$15,865 movement from long-term to short-term lease from Xtraction (December 31, 2020: amount outstanding \$187,333);
- \$77,825 was paid in the three months ended March 31, 2021 (December 31, 2020: amount outstanding \$174,078);

- No change in the promissory note to Ukiah Ventures Inc. (December 31, 2020: \$1,500,000);
- The loan outstanding from lenders to Bophelo decreased with \$62,674 (December 31, 2020: \$1,357,936);
- The total amount due to LCNH increased due to accrued interest of \$42,072 (December 31, 2020: amount outstanding \$3,379,565).

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.

Capital structure

As at:	March 31, 2021	December 31, 2020
Shareholders' equity	\$ 103,856,089	\$ 59,619,542
Long-term loans	15,467,645	8,398,727
Short-term loans	569,450	435,839

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. As at March 31, 2021, 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 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.

As at March 31, 2021, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

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 March 31, 2021 is the carrying value of cash, restricted cash, accounts receivable, and notes receivable. The Company believes that there is limited risk that notes receivables are not settled. The Company takes a provision to allow for accounts receivable not being settled, which it believes is enough.

Liquidity risk

Financial liabilities - March 31, 2021

	Accounts payable & accrued liabilities	Loans	Total
Carrying value	\$ 8,023,774	\$ 16,037,095	\$ 24,060,869
1 - 30 days	2,952,113	126,861	3,078,974
30 - 60 days	682,727	8,832	691,559
60 - 90 days	3,340,461	8,175	3,348,636
> 90 days	1,048,473	15,893,227	16,941,700

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities.

As at March 31, 2021, the Company had current assets of \$32,398,149 (December 31, 2020: \$28,694,306) and current liabilities of \$9,899,021 (December 31, 2020: \$9,979,995). 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).

22. Commitments and contingencies

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	\$ 1,757,234
2022	1,806,328
2023	1,667,059
2024	1,592,650
2025	1,595,990
2026	820,327
2027	597,323
2028	523,454
Thereafter	2,841,750

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 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 Condensed Interim Consolidated Financial Statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company’s financial position, future

expectations, and cash flows.

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

On April 4, 2021, 18,187,448 warrants with exercise price C\$0.90 expired.

On April 7, 2021, the Company issued an aggregate of 10,000,000 warrants ("compensation warrants") to an independent consultant of the Company. The compensation warrants have an exercise price of \$0.11 and expire one year from the date of issuance.

On April 7, 2021, the Company issued an aggregate of 11,877,135 compensation shares to directors, staff, service providers and related parties. Of the total compensation shares issued, 6,225,651 shares were issued to related parties.

On April 15, 2021, 12,000,000 options with exercise price \$0.08 (C\$0.105) were cancelled.

Nature's Best Resources LLC

On April 20, 2021, the Company closed the acquisition of Nature's Best Resources LLC ("Nature's Best ") in exchange for the issuance of 44,047,619 common shares in the capital of the Company. The closing of the agreement was 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. The Company issued 1,978,609 shares as a finders' fee.

A total of 35,119,048 common shares were 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.