

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

For the three and six months ended June 30, 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

June 30, 2021 December 31, 2020

Assets			
Current			
Cash		5,945,479	2,758,119
Restricted cash	Note 16	538,087	921,746
Accounts receivable	Note 8	3,919,049	1,785,372
Inventory	Note 9, 10	16,555,646	10,281,455
Biological assets	Note 9	-	-
Notes receivable	Note 11	1,330,919	9,629,553
Deposits and pre-paid expenses	Note 12	3,635,861	3,318,061
Total current assets		31,925,041	28,694,306
Long-term			
Property, plant and equipment	Note 13	19,735,893	16,230,987
Intangible assets and goodwill	Note 14	76,595,047	39,640,881
Investments and deposits	Note 6	15,818,906	3,188,071
Total long-term assets		112,149,846	59,059,939
Total assets		144,074,887	87,754,245
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		8,931,849	8,662,179
Debenture liability	Note 16	9,236,202	-
Other loans	Note 18	1,051,297	435,839
Income tax payable	Note 21	588,388	580,720
Sales & cultivation tax payable	Note 21	1,119,414	301,257
Total current liabilities		20,927,150	9,979,995
Long-term liabilities			
Debenture liability	Note 16	-	8,398,727
Lease liability	Note 7	5,425,309	3,157,069
Other loans	Note 18	6,462,732	6,598,912
Total long-term liabilities		11,888,041	18,154,708
Total Liabilities		32,815,191	28,134,703
Shareholders' equity			
Share capital	Note 17	199,897,189	136,827,655
Share capital reserve	Note 17	12,111,226	8,307,521
Convertible debenture equity reserve	Note 15	650,219	653,557
Equity reserve	Note 13	7,252,816	3,338,204
Accumulated other comprehensive income		1,406,370	524,779
Deficit		(110,058,124)	(90,032,174)
Total shareholders' equity		111,259,696	59,619,542
Total shareholders' equity and liabilities		144,074,887	87,754,245

These notes are an integral part of the Condensed Interim 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

	<i>For the 3 months ending:</i>		<i>For the 6 months ending:</i>	
	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>June 30, 2021</i>	<i>June 30, 2020</i>
Revenue	9,135,887	5,242,961	19,074,990	9,692,059
Cost of finished cannabis inventory sold	6,595,342	4,091,160	14,333,875	8,422,885
Gross profit, excluding fair value items	2,540,545	1,151,801	4,741,115	1,269,174
Unrealized fair value (gain) loss on growth of biological assets	(4,850)	-	(171,961)	-
Realized fair value (gain) loss included in the cost of inventory sold	342,923	124,926	754,828	414,479
Gross profit	2,202,472	1,026,875	4,158,248	854,695
General and administration	2,095,046	678,929	3,712,838	1,111,500
Salaries	3,410,036	1,000,778	5,401,521	2,088,345
Professional fees	1,439,291	1,434,947	4,378,314	4,924,807
Sales and marketing	1,445,729	949,485	2,953,115	1,698,342
Investor relations	50,277	9,009	507,753	1,271,103
Loss on settlements and contingencies	(72,106)	210,763	(72,106)	272,787
Share based compensation	2,564,928	705,080	3,394,164	836,978
Accretion expense	322,336	288,269	630,090	590,701
Loss on intangible assets	-	1,350,053	-	1,753,766
Depreciation	616,136	253,907	1,228,048	508,999
(Gain) loss on foreign exchange	768,935	2,341	1,161,907	(249,480)
Interest expense	812,943	296,779	1,181,364	630,018
Loss before income taxes	(11,251,079)	(6,153,465)	(20,318,760)	(14,583,171)
Deferred income tax (recovery)	-	115,000	-	295,000
Net loss	(11,251,079)	(6,268,465)	(20,318,760)	(14,878,171)
Other comprehensive income				
Unrealized (gain) loss on foreign currency translation	(212,070)	201,883	(709,630)	295,661
Comprehensive loss	(11,039,009)	(6,470,348)	(19,609,130)	(15,173,832)
Net loss per share, basic and diluted:	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Weighted average number of outstanding common shares, basic and diluted:	1,972,343,981	429,610,021	1,793,910,497	373,282,250

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

Halo Collective Inc.
Consolidated Statements of Change in Shareholders' Equity
Unaudited, expressed in US Dollars

	Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Total
Shareholders' equity, December 31, 2019	280,271,315	\$ 67,909,461	\$ 1,649,617	\$ 3,802,395	\$ -	\$ 655,090	\$ (589,124)	\$ (49,135,109)	\$ 24,292,330
Share issuance in private placements	10,227,272	711,231	-	-	-	-	-	-	711,231
Shares issued for acquisitions	107,945,420	12,157,990	-	-	-	-	-	-	12,157,990
Shares issued to retire debt	9,090,909	900,002	-	-	-	-	-	-	900,002
Shares issued as finders' fees	8,187,692	759,215	-	-	-	-	-	-	759,215
Shares issued on conversion of debenture	23,076	10,601	-	-	-	(1,533)	-	-	9,068
Share issue costs	-	(11,688)	-	-	-	-	-	-	(11,688)
Share-based compensation for services	47,426,698	4,660,482	-	57,851	-	-	-	-	4,718,333
Share-based compensation for staff	4,562,214	451,525	831,908	-	-	-	-	-	1,283,433
Shares issued on exercise of warrants and options	-	-	-	-	-	-	-	-	-
Shares issued on conversion of broker warrants	-	-	-	-	-	-	-	-	-
Forfeiture warrants and options	-	-	(142,851)	(73,859)	-	-	-	216,710	-
Net loss and other comprehensive loss	-	-	-	-	-	-	(295,661)	(14,878,171)	(15,173,832)
Shareholders equity, June 30, 2020	467,734,596	\$ 87,548,819	\$ 2,338,674	\$ 3,786,387	\$ -	\$ 653,557	\$ (884,785)	\$ (63,796,570)	\$ 29,646,082

	Common shares	Common shares	Options	Warrants	Equity reserve	Convertible 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	248,621,440	19,529,188	954,319	-	-	-	-	-	20,483,507
Shares issued for acquisitions	458,079,548	39,585,658	-	-	3,914,612	-	-	-	43,500,270
Shares issued to retire debt	12,500,001	1,183,319	-	-	-	-	-	-	1,183,319
Shares issued as finders' fees	29,477,446	2,773,131	-	-	-	-	-	-	2,773,131
Shares issued on conversion of debenture	46,153	23,684	-	-	-	(3,338)	-	-	20,346
Share issue costs	-	(1,444,632)	-	-	-	-	-	-	(1,444,632)
Share-based compensation for services	9,038,828	788,384	-	438,675	-	-	-	-	1,227,059
Share-based compensation for staff	2,838,307	247,563	3,011,434	-	-	-	-	-	3,258,997
Shares issued on exercise of warrants and options	4,286,000	383,239	(135,952)	-	-	-	-	-	247,287
Shares issued on conversion of broker warrants	-	-	-	-	-	-	-	-	-
Obligation to issue shares	-	-	-	-	-	-	-	-	-
Reserve for earn-out payments	-	-	-	-	-	-	-	-	-
Forfeiture warrants and options	-	-	(36,825)	(427,946)	-	-	-	464,771	-
Net loss and other comprehensive loss	-	-	-	-	-	-	709,630	(20,318,760)	(19,609,130)
Shareholders equity, June 30, 2021	2,178,668,590	\$ 199,897,189	\$ 7,685,015	\$ 4,426,211	\$ 7,252,816	\$ 650,219	\$ 1,234,409	\$ (109,886,163)	\$ 111,259,696

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

Halo Collective Inc.
Condensed Interim Consolidated Statements of Cash Flow

Unaudited, expressed in US dollars

For the 6 months ending:
June 30, 2021 June 30, 2020

Cash provided by (used in)

Operating activities:

Net loss **(20,318,760)** (14,878,171)

Items not involving cash

Depreciation	Note 13, 14	1,848,261	986,420
Accrued interest	Note 16, 18	496,680	630,018
Accretion expense	Note 16	630,090	590,701
(Gain) loss in fair value of biological assets	Note 9	582,867	414,479
(Gain) loss in foreign exchange		1,131,752	(249,480)
Loss on settlements and contingencies		-	295,661
Income tax provision	Note 21	-	295,000
Loss on intangible assets	Note 14	-	1,753,766
Share-based compensation	Note 17	4,486,056	5,873,366

Changes in working capital items

Accounts receivable	Note 8	(1,454,714)	(263,135)
Notes receivable	Note 11	175,587	252,396
Accounts payable and accrued liabilities		(189,501)	(860,595)
Tax payable	Note 21	825,825	-
Inventory	Note 9, 10	(6,076,386)	1,934,146
Pre-paid expenses and other	Note 12	(317,800)	(313,113)
Cash used in operating activities		(18,180,043)	(3,538,541)

Investing activities

Net cash from acquisitions		1,845,369	-
Purchase of property, plant and equipment	Note 13	(1,295,819)	(182,791)
Cash provided by investing activities		549,550	(182,791)

Financing activities

Issuance of common shares & convertible debentures	Note 16, 17	20,730,794	711,231
Loans	Note 18	1,772,944	(67,186)
Lease payments	Note 7	(624,912)	(198,561)
Share issuance costs	Note 17	(1,444,632)	(16,500)
Cash raised in finance activities		20,434,194	428,984

Change in cash in during the period	2,803,701	(3,292,348)
Cash beginning of the period	3,679,865	6,068,414
Cash end of the period	6,483,566	2,776,066

These notes are an integral part of the Condensed Interim 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 June 30, 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, a total of 134,452,638 shares were issued in connection to the ATM public offering for gross proceeds of \$5,337,955 (C\$7,000,000) (Note 17);
- 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 (C\$9,217,699) (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 (C\$11,500,029) (Note 17);
- During the quarter ended June 30, 2021, a total of 80,665,090 shares were issued in connection to the ATM public offering for gross proceeds of \$4,162,590 (C\$5,093,844) (Note 17).

As at June 30, 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 August 13, 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 Bophelo 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.

Subsidiaries of Halo Labs Inc.

	<i>June 30, 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%
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%
Nature's Best Resources LLC	100.0%	0.0%
1307296 B.C. Ltd.	100.0%	0.0%

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

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.

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 - six months ending June 30, 2020

	US	Canada	UK	Lesotho	Total
Revenue	\$ 9,692,059	\$ -	\$ -	\$ -	\$ 9,692,059
Cost of Cannabis inventory sold	8,422,885	-	-	-	8,422,885
Gross profit excluding FV changes	1,269,174	-	-	-	1,269,174
Realized and unrealized loss on biological assets	414,479	-	-	-	414,479
Gross profit / (loss)	854,695	-	-	-	854,695
Net loss	(3,950,736)	(10,927,435)	-	-	(14,878,171)
Total assets	44,620,278	\$ 43,133,967	-	-	87,754,245
Long-term financial liabilities	\$ 1,808,592	16,346,116	\$ -	\$ -	\$ 18,154,708

Disclosure by segment - six months ending June 30, 2021

	US	Canada	UK	Lesotho	Total
Revenue	\$ 19,070,958	\$ -	\$ 4,032	\$ -	\$ 19,074,990
Cost of Cannabis inventory sold	14,289,417	-	1,130	43,328	14,333,875
Gross profit excluding FV changes	4,781,541	-	2,902	(43,328)	4,741,115
Realized and unrealized (gain) loss on biological assets	754,828	-	-	(171,961)	582,867
Gross profit / (loss)	4,026,713	-	2,902	128,633	4,158,248
Net loss	(5,161,663)	(13,848,197)	(168,058)	(1,140,842)	(20,318,760)
Total assets	64,281,223	70,978,823	5,409,378	3,405,463	144,074,887
Long-term financial liabilities	\$ 8,684,843	\$ 395,052	\$ -	\$ 3,203,198	\$ 11,888,041

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:	June 30, 2021	December 31, 2020
Long-term investments	\$ 8,213,650	\$ 1,211,767
Deposits	7,605,256	1,976,304
Total	\$ 15,818,906	\$ 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 June 30, 2021, the asset purchase agreement has not closed.

As at June 30, 2021, a deposit of \$1,976,304 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 June 30, 2021, a long-term investment of \$1,211,766 was recorded (December 31, 2020: \$ 1,211,766).

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 June 30, 2021, a deposit of \$2,814,476 was recorded in relation to the pending acquisition of SDF11 LLC. (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 June 30, 2021, a deposit of \$2,814,476 was recorded in relation to the pending acquisition of ZXC11 LLC (December 31, 2020: Nil).

Elegance Brands, LLC

On June 21, 2021, the Company has completed a licensing arrangement with Elegance Brands, Inc. As part of the transaction (Note 14), 9,333,333 class A shares of Elegance Brands, LLC, worth \$7,000,000 at closing of transaction, were issued to the Company. As at June 30, 2021, a long-term investment of \$7,000,000 was recorded (December 31, 2020: Nil).

7. Leases

During the six months ended June 30, 2021, an amount of \$2,556,706 was added to lease liabilities (six months ended June 30, 2020: \$133,224). The addition in the six months ended June 30, 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 were added on extension of the lease after closing of the acquisitions. There was also addition of \$958,750 from asset acquisition with Bar X Farms, LLC. 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 six months ended June 30, 2021, an amount of \$415,855 was added to the right of use assets (six months ended June 30, 2020: \$117,363). The addition in the six months ended June 30, 2021 was in relation to closing the asset purchase agreement between Halo Winberry and Herban OR. in an amount of \$172,091 and \$76,322 on extension of the lease after the closing of the acquisition. There was also addition of \$958,750 from asset acquisition with Bar X Farms, LLC. 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	2,556,706
Payments	(624,912)
Interest expense	371,567
Movement in foreign exchange	262,753
Balance June 30, 2021	6,073,142
Current portion	647,833
Long-term portion	5,425,309

Right of use of assets

Balance December 31, 2020	3,976,955
Additions	2,559,210
Movement in foreign exchange	40,816
Amortization	(456,671)
Balance June 30, 2021	\$ 6,120,310

In the six months ended June 30, 2021, the balance of lease payments of \$624,912 (six months ended June 30, 2020: \$206,029) and non-cash interest charged to the Condensed Interim Statement of Loss of \$371,567 (six months ended June 30, 2020: \$114,026) reduced lease liabilities with \$253,345 (six months ended June 30, 2020: \$92,003). 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:	June 30, 2021	December 31, 2020
1 - 30 days	1,590,005	\$ 1,461,677
30 - 60 days	711,010	168,415
60 - 90 days	853,918	90,385
> 90 days	764,116	64,895
Total	\$ 3,919,049	\$ 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:	June 30, 2021	December 31, 2020
Accounts receivable - trade	\$ 4,035,198	\$ 1,912,093
Bad debt provision	(116,149)	(126,721)
Total accounts receivable	\$ 3,919,049	\$ 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 six months ended June 30, 2021, there were no impairments included in accounts receivable over 90 days (six months ended June 30, 2020: Nil).

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>June 30, 2021</i>	<i>December 31, 2020</i>
Raw materials	\$ 5,072,959	\$ 5,680,962
Work in progress	3,567,768	2,345,093
Finished goods	7,914,919	2,255,400
Total	\$ 16,555,646	\$ 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 six months ended June 30, 2021, the amount included in the cost of goods sold was \$10,611,008 (six months ended June 30, 2020: \$4,593,462). 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 six months ended June 30, 2021, there were no inventory impairments charged to the cost of goods sold (six months ended June 30, 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 biological assets available at Bophelo were transferred to inventory. All material harvested at Bophelo during the six months ended June 2021 was used for direct sales of flower to third parties in the local market.

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	(223,817)
Balance June 30, 2021	-

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 six months ended June 30, 2021. No biological assets were transferred to inventory at East Evans Creek in the six months ended June 30, 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:		June 30, 2021	December 31, 2020
Notes receivable	\$	1,330,919	\$ 9,629,553

Notes receivable as at June 30, 2021 were \$1,310,919 (December 31, 2020: \$9,629,553). They include \$501,032 due from executives of the Company (December 31, 2020: \$414,846), an amount of \$306,233 due from suppliers (December 31, 2020: \$589,355), and \$523,655 due from Bar X Farms, LLC (December 31, 2020: \$Nil). 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:	June 30, 2021	December 31, 2020
Prepaid expenses and other	\$ 3,635,861	\$ 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	1,132,011	403,171	46,059	34,013	2,559,210	344,988	4,519,452
Dispositions	-	-	-	-	-	-	-
Movement in foreign exchange	12,901	32,062	6,403	-	42,807	548	94,721
Balance as at June 30, 2021	5,901,621	8,042,430	2,565,886	136,663	7,718,126	373,298	24,738,024
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	(367,012)	(88,165)	(131,009)	(13,672)	(456,671)	(20,358)	(1,076,887)
Movement in foreign exchange	433	-	(19,985)	-	(1,991)	(10,837)	(32,380)
Balance as at June 30, 2021	(2,372,009)	(160,256)	(762,682)	(73,794)	(1,597,816)	(35,574)	(5,002,131)
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 June 30, 2021	\$ 3,529,612	\$ 7,882,174	\$ 1,803,204	\$ 62,869	\$ 6,120,310	\$ 337,724	\$ 19,735,893

In the six months ended June 30, 2021, an amount of \$4,519,452 was added to property, plant and equipment (six months ended June 30, 2020: \$315,924). Production equipment increased with \$1,132,011 (six months ended June 30, 2020: \$191,462). An amount of \$297,267 was added at ANM Inc., \$22,672 was added at Coastal Harvest LLC, \$67,477 was added at Mendo Distribution & Transportation Inc., \$65,905 was added at Bophelo Bioscience and Wellness, Pty. Ltd, \$300,000 was added to Nature's Best, \$304,909 was added to 1307296 B.C. Ltd and \$73,781 was added at Halo Winberry.

An amount of \$344,988 was added for vehicles (six months ended June 30, 2020: Nil). An amount of \$84,041 was added at ANM Inc., \$235,564 at Halo Winberry, and \$25,383 at Bophelo Bioscience and Wellness, Pty. Ltd.

Leased assets in the amount of \$2,559,210 were added (six months ended June 30, 2020: \$117,363). In the six months ended June 30, 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 six months ended June 30, 2021 was \$1,076,887 (six months ended June, 2020: \$749,781). An amount of \$620,216 was recognized as cost of goods sold (six months ended June 30, 2020: \$477,421) and \$456,671 was recognized as operating expenses in relation to leased assets (six months ended June 30, 2020: \$272,360).

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	32,319,301	2,892,492	-	2,504,760	-	37,716,553
Movement in foreign exchange	21,357	-	-	-	-	21,357
Impairment	-	-	-	-	-	-
Balance as at June 30, 2021	46,198,371	2,901,146	2,242,360	21,296,192	6,084,235	78,722,304
Accumulated amortization:						
Balance as at December 31, 2020	(1,338,985)	(4,528)	-	-	-	(1,343,513)
Movement in foreign exchange	(12,372)	-	-	-	-	(12,372)
Amortization	(481,257)	(290,115)	-	-	-	(771,372)
Balance as at June 30, 2021	(1,832,614)	(294,643)	-	-	-	(2,127,257)
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 June 30, 2021	\$ 44,365,757	\$ 2,606,503	\$ 2,242,360	\$ 21,296,192	\$ 6,084,235	\$ 76,595,047

In the six months ended June 30, 2021, no goodwill was added (six months ended June 30, 2020: \$6,713,753) and intangibles assets in the amount of \$37,716,553 were added (six months ended June 30, 2020: \$5,718,916).

Total amortization expense for the six months ended June 30, 2021 of \$771,372 (six months ended June 30, 2020: \$236,639) 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 June 30, 2021, the carrying value of the intangible assets net of amortization was \$871,365 (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 June 30, 2021, the carrying value of the intangible assets net of amortization was \$1,643,047 (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 June 30, 2021, the carrying value of the intangible assets net of amortization was \$2,037,923 (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 June 30, 2021, the carrying value of the intangible assets net of amortization was \$340,104 (December 31, 2020: \$351,124).

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 June 30, 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 year ended December 31, 2019.

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 June 30, 2021, the carrying value of intangible assets was \$2,260,972 (December 31, 2020: \$2,398,223).

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	(4,715,655)
Other liabilities	(1,208,197)
<hr/>	
Net purchase price	<hr/> \$ 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 June 30, 2021, the carrying value of intangible assets net of amortization was \$1,332,580 (year ended December 31, 2020: \$1,368,596).

As at June 30, 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 June 30, 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 June 30, 2021, the carrying value of intangible assets was \$2,907,626 (December 31, 2020: \$2,939,786).

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 C\$0.30, or (ii) 15% of the prior day’s trading volume if the prior day closing price is greater than or equal to C\$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.

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.

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)
<hr/>	
Net purchase price	\$ 6,940,066

As at June 30, 2021, the carrying value of goodwill was \$3,628,474 (December 31, 2020: \$3,628,474).

As at June 30, 2021, the carrying value of intangible assets net of amortization was \$388,419 (December 31, 2020: \$343,230).

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 June 30, 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 June 30, 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 June 30, 2021, the carrying value of intangible assets was \$143,667 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 June 30, 2021, the carrying value of intangible assets was Nil (December 31, 2020: Nil). The carrying value of goodwill 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 June 30, 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 June 30, 2021.

As at June 30, 2021, the carrying value of intangible assets net of amortization was \$5,379,742 (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 June 30, 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 June 30, 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	(295,877)
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.

On April 28, 2021, Halo Winberry has substantially acquired all of the assets of Herban OR. From and after that date, Halo Winberry was operating under two licenses issued by the Oregon Liquor Control Commission.

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 June 30, 2021, the carrying value of intangible assets was \$6,128,473 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.

As at June 30, 2021, the carrying value of intangible assets was \$14,351,841 net of amortization (December 31, 2020: Nil).

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.

As at June 30, 2021, the carrying value of intangible assets was \$14,351,841 net of amortization (December

31, 2020: Nil).

Nature's Best Resources LLC.

On April 20, 2021, the Company issued 46,026,228 for a total consideration of \$3,304,760, which included a finders' fee of 1,978,609 shares valued at \$149,093 and closing costs of \$33,918 in relation to the closing of the acquisition of Nature's Best Resources LLC ("Nature's Best"). 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.

A total of 35,119,047 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.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were capitalized.

As at June 30, 2021, the carrying value of intangible assets was \$2,504,760 net of amortization (December 31, 2020: Nil).

1307296 B.C. Ltd.

On June 21, 2021, the Company issued 139,051,746 shares for a total consideration of \$7,304,909, which included a finders' fee of 9,701,285 shares valued at \$509,645 in relation to the closing of the acquisition of 100% of a subsidiary of Elegance Brands Inc., 1307296 B.C. Ltd.

Purchase price allocation

Fixed assets	304,909
Intangible assets	-
Investment	7,000,000
<hr/>	
Net purchase price	\$ 7,304,909

1307296 B.C. Ltd. entered into a license agreement with Elegance whereby Elegance has provided 1307296

B.C. Ltd. with an exclusive license to the intellectual property rights for Elegance's THC brands and has agreed to provide support to 1307296 B.C. Ltd. on operations and manufacturing technology for the manufacture and sale of certain THC-infused beverage products in exchange for a 2% royalty on all sales generated from these brands. 1307296 B.C. Ltd. also holds manufacturing equipment custom-built for THC beverage production and 9,333,333 class A shares in the capital of Elegance, representing approximately 6% of the outstanding shares of Elegance on a fully diluted basis. In connection with the transaction, Elegance also issued class A share purchase warrants to Halo, which allow Halo to acquire up to 5,000,000 Elegance shares, with each warrant exercisable at a price of \$0.75 per Elegance share for a period of 18 months from the closing of the transaction.

18,478,638 of the common shares issued to the vendor on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 110,871,823 common shares issued to the vendor on closing are subject to contractual restrictions on transfer whereby 18,478,638 of such common shares in the case of the first release and 18,478,637 common shares thereafter will be released from such restrictions and become freely tradeable on the 21st day of each calendar month following closing until all of such common shares have been released.

In connection with the transaction, Halo issued 9,701,285 common shares to the finder as a finder's fee, being the number of common shares equal to 7.5% of the aggregate number of common shares issued to the vendor in connection with the transaction. The finder's fee shares are subject to a statutory hold period of 4 months and one day.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were capitalized. As at June 30, 2021, no intangible assets were recorded.

15. Related party relationships, transactions and balances

Compensation key executives

6 months ending:	<i>June 30, 2021</i>	<i>June 30, 2020</i>
Salaries, commissions, bonuses, consulting fees	\$ 1,783,643	\$ 655,227
Share-based compensation	2,083,101	598,755
Total	\$ 3,866,744	\$ 1,253,982

Key employees include the Company's directors, senior officers and any employees with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The table above lists all share-based compensation received by key executives, which includes shares issued in lieu of salary that are recorded as salaries in the Consolidated Statement of Loss and Comprehensive Loss. Options and warrants were granted on May 12, 2017, September 28, 2018, December 19, 2019, May 27, 2020, December 7, 2020 and June 14, 2021 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 six months ended June 30, 2021, remuneration to executives was \$1,783,643 (six months ended June 30, 2020: \$655,227). Share-based compensation was \$2,083,101 (six months ended June 30, 2020: \$598,755).

Related parties

As at:	June 30, 2021	December 31, 2020
Due from directors, officers and other related parties	\$ 121,420	\$ 414,886
Due to directors, officers and other related parties	1,765,180	1,752,297
Accounts payable and accrued liabilities due to related parties	128,488	542,609

As at June 30, 2021, due from shareholders and related parties is \$121,420 (December 31, 2020: \$414,886) in relation to notes receivable from executives of the Company (Note 11). As at June 30, 2021, due to shareholders and related parties was \$1,765,180 (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	(20,817)
Interest paid	(405,743)
Accretion of loan discount	630,090
Accrued interest	408,676
Foreign exchange gain (loss)	225,269
Balance June 30, 2021	\$ 9,236,202

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 June 30, 2021, the amount of convertible debenture outstanding was \$9,236,202 (December 31, 2020: \$8,398,727). As at June 30, 2021, a total of 8,514 debentures were converted into 13,098,382 common shares of the Company and 12,649 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 June 30, 2021, \$538,087 (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 six months ended June 30, 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;
- On April 7, 2021, 11,877,135 shares were issued, valued at \$1,035,947 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration accrued between October 2020 and February 2021;
- On April 20, 2021, 44,047,619 shares were issued, valued at \$3,121,749 relating to the acquisition of Nature's Best Resources LLC. Finder fees paid in 1,978,609 shares were issued, valued at \$149,093 relating to this transaction;
- On May 11, 2021, 3,000,000 shares were issued on exercise of options;
- On June 21, 2021, 129,350,461 shares were issued, valued at \$6,795,264 relating to the Elegance brand acquisition. Finder fees paid in 9,701,285 shares were issued, valued at

\$509,645;

- On June 28, 2021, 285,000 shares were issued on exercise of options;
- During the quarter ended June 30, 2021, a total of 80,665,090 shares were issued in connection to the ATM public offering for gross proceeds of \$4,162,590 (C\$5,093,844).

Costs in relation to share issuances are classified as share issuance costs in the Statement of Change in Equity. In the six months ended June 30, 2021, recovering of share issuance costs included in the Statement of Change in Equity were \$1,444,632 (six months ended June 30, 2020: expense of \$272,787). Share issuance costs classified as settlements and contingencies were Nil (six months ended June 30, 2020: \$62,023).

As at June 30, 2021, the Company had 2,178,668,590 shares in issue and as at June 30, 2021, there were 166,934,716 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 June 30, 2021.

Warrants granted in the six months ended June 30, 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;
- On April 4, 2021, 16,295,010 warrants and 1,891,938 broker warrants with exercise price \$0.21 (C\$0.28) expired;
- On April 7, 2021, 10,000,000 warrants with exercise price \$0.08 (C\$0.11) were granted to an independent consultant of the Company;
- On May 14, 2021, 405,000 warrants with exercise price \$0.17 (C\$0.22) expired.

Warrants issued and outstanding as at June 30, 2021

Expiry date	Term - years	Warrants granted	Warrants vested	Exercise price US\$
19-Jul-21	0.92	50,000	50,000	\$0.20
26-Aug-21	1.00	2,000,000	2,000,000	\$0.09
30-Sep-21	3.00	625,000	625,000	\$0.40
30-Sep-21	3.00	100,000	100,000	\$0.65
22-Dec-21	1.00	18,000,000	18,000,000	\$0.04
22-Apr-22	1.00	10,000,000	10,000,000	\$0.09
08-Sep-22	2.00	1,500,000	1,125,000	\$0.08
14-May-23	5.00	135,000	135,000	\$0.62
02-Aug-23	2.50	90,410,794	90,410,794	\$0.10
11-Aug-23	2.50	10,830,106	10,830,106	\$0.10
30-Sep-23	5.00	300,000	300,000	\$0.32
19-Feb-24	3.00	65,714,450	65,714,450	\$0.18
27-Sep-24	6.00	625,000	625,000	\$0.32
10-Oct-27	10.00	712,500	712,500	\$0.09
11-May-27	10.00	6,243,750	6,243,750	\$0.70
Total	1-10 years	207,246,600	206,871,600	\$0.14

Note: Prices in US dollars

The Company recognized \$438,676 share-based payments for services for the six months ended June 30, 2021 (six months ended June 30, 2020: \$57,851).

As at June 30, 2021, 207,246,600 warrants were exercisable (June 30, 2020: 118,232,396). As at that date, the average exercise price of exercisable warrants was \$0.14 (C\$0.17) (June 30, 2020: \$0.55 (C\$0.68)).

As at June 30, 2021, the weighted average exercise price of each Halo Labs warrant granted and in issue was \$0.14 (C\$0.17) (June 30, 2020: \$0.58 (C\$0.79)). As at date, the weighted average fair market value of each warrant in issue was \$0.02 (C\$0.02) using the Black-Scholes Option Pricing Model (June 30, 2020: \$0.03 (C\$0.04)).

As at June 30, 2021, the weighted average remaining contractual life of the warrants is 2.27 years (December 31, 2020: 1.53 years).

Warrants outstanding	6 months ending June 30, 2021		6 months ending June 30, 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	177,956,350	\$ 0.13	1,000,000	\$ 0.07
Exercised	(1,001,000)	\$ 0.10	-	\$ -
Forfeited / cancelled	(18,591,948)	\$ 0.69	(33,922,297)	\$ 0.35
Outstanding at end of	207,246,600	\$ 0.14	118,232,084	\$ 0.55

Note: Prices in US dollars

The assumptions used for the calculation of the fair value of warrants at grant date during the six months ended June 30, 2021 and 2020 are:

Black-Scholes assumptions for warrants

	6 months ending June 30,	
	2021	2020
Risk free rate:	0.26%	0.31%
Expected life	1 year	2 years
Volatility	172%	100%
Expected dividend per share	Nil	Nil
Share price	\$0.075	\$0.09

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	Exerciseable
May 12, 2017	\$ 0.67	1,316,250	1,316,250
September 28, 2018	\$ 0.31	4,910,263	4,910,263
December 19, 2019	\$ 0.23	1,882,000	1,882,000
May 27, 2020	\$ 0.08	25,400,000	18,925,000
September 30, 2020	\$ 0.08	100,000	100,000
December 7, 2020	\$ 0.04	55,125,000	39,526,250
December 14, 2020	\$ 0.04	740,000	555,000
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
June 21, 2021	\$ 0.05	80,450,000	16,090,000
Total	\$ 0.07	181,680,456	95,061,706
Weighted average life (years)	4.00		

Note: Prices in US dollars

Options granted in the six months ended June 30, 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. These options were forfeited on April 15, 2021;
- On May 3, 2021, 200,000 options with exercise price \$0.04 (C\$0.055) were forfeited;
- On May 26, 2021, 16,624 options with exercise price \$0.32 (C\$0.40) were forfeited;
- On May 30, 2021, 100,000 options with exercise price \$0.33 (C\$0.40) were forfeited;
- On June 21, 2021, 80,450,000 options with exercise price \$0.05 (C\$0.065) were granted to employees, board members and certain consultant of the Company.

- On June 30, 2021, 13,500 options with exercise price \$0.67 (C\$0.87) were forfeited;

The following table summarizes information regarding stock options outstanding by the exercise price and the number of options exercisable as at June 30, 2021.

The Company recognized share-based compensation related to options granted and vesting during the six months ended June 30, 2021, in the amount of \$3,011,434 (six months ended June 30, 2020: \$831,908).

As at June 30, 2021, 95,061,706 options had vested and were exercisable (June 30, 2020: 13,315,047). The average price of exercisable options at June 30, 2021 was \$0.09 (C\$0.11) (June 30, 2020: \$0.22 (C\$0.30)).

Options outstanding

	<i>6 months ending June 30, 2021</i>		<i>6 months ending June 30, 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	104,206,943	\$ 0.06	25,400,000	\$ 0.08
Exercised	(3,285,000)	\$ 0.04	-	\$ -
Forfeited / cancelled	(12,330,124)	\$ 0.09	(661,860)	\$ 0.36
Outstanding at end of	181,680,456	\$ 0.07	34,010,449	\$ 0.15

Note: Prices in US dollars

As at June 30, 2021, the weighted average exercise price of each Halo Labs option granted and in issue was \$0.06 (C\$0.08) (June 30, 2020: \$0.14 (C\$0.19)). 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 (June 30, 2020: \$0.10 (C\$0.13)).

As at June 30, 2021, the weighted average remaining contractual life of each option is 4 years (June 30, 2020: 4.53 years).

The assumptions used for the calculation of the fair value of options at grant date during the six months ended June 30, 2021 and 2020 are:

Black-Scholes assumptions for options

	<i>6 months ending June 30,</i>	
	2021	2020
Risk free rate: 5-7 years	0.15%-0.73%	0.35%
Expected life	2.5 - 5 years	5 years
Volatility	139% - 166%	100%
Expected dividend per share	Nil	Nil
Share price	\$0.06 - \$0.205	\$0.11

Note: Prices in US dollars

17.4 Performance share units

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

18. Other loans

Continuity other loans

	Short-term	Long-term	Total
Balance December 31, 2020	\$ 435,839	\$ 6,598,912	\$ 7,034,751
Additions	1,993,677	84,612	2,078,289
Interest payable and accrued interest	37,568	-	37,568
Repayments	(1,415,787)	(220,792)	(1,636,579)
Balance June 30, 2021	\$ 1,051,297	\$ 6,462,732	\$ 7,514,029

As at June 30, 2021, total short-term loans were \$1,051,297 (December 31, 2020: \$435,839). This included:

- A net decrease of \$142,617 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 Farms, LLC syndicate of \$496,353 (December 31, 2020: amount outstanding Nil);
- A loan of \$250,000 from 1242404 BC Ltd.;

- An increase of \$4,154 owed to Canmart (December 31, 2020; amount outstanding \$682);
- An increase of \$37,568 owed to LCNH (December 31, 2020: amount outstanding \$6,260);
- An amount of \$30,000 was paid to Ikanik Farms (December 31, 2020: amount outstanding \$116,707).

As at June 30, 2021, total long-term loans were \$6,462,732 (December 31, 2020: \$6,598,912). This included:

- \$59,910 movement from long-term to short-term lease from Xtraction (December 31, 2020: amount outstanding \$187,333);
- \$158,053 was paid in the six months ended June 30, 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 by \$2,829 (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:	<i>June 30, 2021</i>	<i>December 31, 2020</i>
Shareholders' equity	\$ 111,259,696	\$ 59,619,542
Long-term loans	6,462,732	14,997,639
Short-term loans	10,287,499	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 June 30, 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 June 30, 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 June 30, 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

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.

Financial liabilities - June 30, 2021

	Accounts payable & accrued liabilities	Loans	Total
Carrying value	\$ 8,931,849	\$ 16,750,231	\$ 25,682,080
1 - 30 days	3,426,566	398,844	3,825,410
30 - 60 days	556,062	13,590	569,652
60 - 90 days	422,215	13,707	435,922
> 90 days	4,527,006	16,324,090	20,851,096

As at June 30, 2021, the Company had current assets of \$31,925,041 (December 31, 2020: \$28,694,306) and current liabilities of \$20,927,150 (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.

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 meets the requirements of the policy.

Committed lease obligations

	Amount due
2021	\$ 3,218,676
2022	4,800,328
2023	4,646,335
2024	4,556,760
2025	4,544,480
2026	793,706
2027	597,323
2028	523,454
Thereafter	2,841,750

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

Acquisition of High Tide retail assets

On July 15, 2021, the Company announced the acquisition of three operating retail cannabis stores in the province of Alberta. In consideration for the purchase, the Company previously issued 13,461,538 common shares of the Company to High Tide as a deposit, and on closing issued a convertible promissory note to High Tide in the principal amount of \$1.8 million with a conversion rate of \$0.16 per Halo share. Under the terms of the purchase agreement, the Company has also agreed to issue a convertible promissory note on the 12-month anniversary of closing in the principal amount of \$400,000 with a conversion rate of \$0.16 per Halo Share, provided that certain revenue thresholds are met.

Concurrently with closing, Halo KushBar and High Tide entered into a retail management agreement under which Halo KushBar will continue to engage High Tide to substantially oversee all aspects of its retail

cannabis operations with respect to the portfolio and will pay High Tide ongoing royalties for regulatory advisory services and retail management through blended monthly payments.

Securities issuance

On July 20, 2021 the Company issued 25,851,260 Compensation Shares in satisfaction of approximately C\$1,163,307 in fees, payables, and other compensation accrued between June 2020 to May 2021 and payable to independent consultants, related parties and a supplier of the Company.

Subsequent to June 30, 2021, the Company issued 212,642,498 common shares in connection to the ATM public offering for gross proceeds of \$7,333,671 (C\$9,177,356).

Williams Wonder Farms LLC

The Company has entered into an asset purchase agreement effective July 23, pursuant to which its wholly-owned subsidiary ANM, Inc. will acquire the William's Wonder Farms cannabis cultivation business in Oregon, including all trademarks, light dep flower, licenses issued by the Oregon Liquor Control Commission (the "OLCC") and subject to OLCC approvals, equipment, and related operating assets.

Upon closing of the transaction, ANM Williams Farms LLC will acquire the OLCC licenses and related operating assets from the two entities doing business as William's Farms: William's Wonder Farms LLC and Set Ventures LLC (the "William's Wonder entities"). The consideration payable by Halo for the acquisition of the assets from William's Wonder entities is \$3.8 million, of which \$2.8 million is payable in cash and \$1 million in exchange for 25,813,261 common shares of Halo. \$500,000 of the purchase price will be placed into escrow to serve as a source for any potential indemnification claims against the selling parties. The closing of the transaction is subject to the approval of the NEO Exchange Inc. and the OLCC, as well as the satisfaction of other customary closing conditions. The closing is expected to occur in Q4 2021.

Concurrently with signing the asset purchase agreement, ANM and the William's Wonder entities also entered into a services agreement pursuant to which ANM Williams Farms LLC will assist with the day-to-day operations of the business pending the closing of the acquisition. ANM Inc. also entered into an offtake agreement with the William's Wonder entities pursuant to which it will purchase 100% of the finished product produced at William's Wonder Farms pending the closing of the transaction.