

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

For the three and nine months ended September 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

September 30, 2021 December 31, 2020

Assets			
Current			
Cash		7,994,749	2,758,119
Restricted cash	Note 16	523,432	921,746
Accounts receivable	Note 8	3,776,731	1,785,372
Inventory	Note 9, 10	18,497,059	10,281,455
Biological assets	Note 10	2,612,208	-
Notes receivable	Note 11	2,669,903	9,629,553
Deposits and pre-paid expenses	Note 12	3,879,198	3,318,061
Total current assets		39,953,280	28,694,306
Long-term			
Property, plant and equipment	Note 13	20,998,802	16,230,987
Intangible assets and goodwill	Note 14	85,490,587	39,640,881
Investments and deposits	Note 6	14,544,493	3,188,071
Total long-term assets		121,033,882	59,059,939
Total assets		160,987,162	87,754,245
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		11,164,864	8,662,179
Debenture liability	Note 16	9,499,688	-
Other loans	Note 18	2,757,608	435,839
Income tax payable	Note 21	590,390	580,720
Sales & cultivation tax payable	Note 21	1,596,045	301,257
Total current liabilities		25,608,595	9,979,995
Long-term liabilities			
Debenture liability	Note 16	1,234,960	8,398,727
Lease liability	Note 7	6,219,807	3,157,069
Other loans	Note 18	4,882,460	6,598,912
Total long-term liabilities		12,337,227	18,154,708
Total Liabilities		37,945,822	28,134,703
Shareholders' equity			
Share capital	Note 17	221,982,744	136,827,655
Share capital reserve	Note 17	12,969,720	8,307,521
Convertible debenture equity reserve	Note 16	862,630	653,557
Equity reserve	Note 17	7,252,816	3,338,204
Accumulated other comprehensive income		(394,352)	524,779
Deficit		(119,632,218)	(90,032,174)
Total shareholders' equity		123,041,340	59,619,542
Total shareholders' equity and liabilities		160,987,162	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 9 months ending:</i>	
	<i>September 30, 2021</i>	<i>September 30, 2020</i>	<i>September 30, 2021</i>	<i>September 30, 2020</i>
Revenue	8,738,964	6,829,782	27,813,954	16,521,841
Cost of finished cannabis inventory sold	Note 9, 10 6,996,419	4,675,810	21,330,294	13,098,695
Gross profit, excluding fair value items	1,742,545	2,153,972	6,483,660	3,423,146
Unrealized fair value (gain) loss on growth of biological assets	Note 10 (891,530)	(2,431,481)	(1,063,491)	(2,017,002)
Realized fair value (gain) loss included in the cost of inventory sold	Note 10 994,879	-	1,749,707	-
Gross profit	1,639,196	4,585,453	5,797,444	5,440,148
General and administration	2,845,483	901,195	6,558,321	2,012,695
Salaries	3,738,209	1,176,942	9,139,730	3,265,287
Professional fees	2,862,570	789,372	7,240,884	5,714,179
Sales and marketing	1,316,825	908,368	4,269,940	2,606,710
Investor relations	7,843	(366,862)	515,596	904,241
(Gain) Loss on settlements and contingencies	Note 17, 22 (12,522)	(56,431)	(84,628)	216,357
Share based compensation	Note 17 1,157,203	333,233	4,551,367	1,170,211
Accretion expense	337,095	305,220	967,185	895,920
Loss on intangible assets	Note 14 -	2,876,849	-	4,630,615
Other income	(342,918)	-	(342,918)	-
Depreciation	Note 13, 14 682,790	152,557	1,910,838	661,556
(Gain) loss on foreign exchange	(1,427,049)	412,217	(265,142)	162,737
Interest expense	Note 16, 18 519,776	319,848	1,701,140	949,865
Loss before income taxes	(10,046,109)	(3,167,055)	(30,364,869)	(17,750,225)
Deferred income tax (recovery)	Note 21 -	-	-	295,000
Net loss	(10,046,109)	(3,167,055)	(30,364,869)	(18,045,225)
Other comprehensive income				
Unrealized (gain) loss on foreign currency translation	1,628,761	(526,370)	919,131	(230,709)
Comprehensive loss	(11,674,870)	(2,640,685)	(31,284,000)	(17,814,516)
Net loss per share, basic and diluted:	\$ (0.40)	\$ (0.56)	\$ (1.50)	\$ (4.12)
Weighted average number of outstanding common shares, basic and diluted:	24,918,579	5,653,375	20,277,238	4,383,449

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		2,802,717	\$ 67,909,461	\$ 1,649,617	\$ 3,802,395	\$ -	\$ 655,090	\$ (589,124)	\$ (49,135,109)	\$ 24,292,330
Share issuance in private placements	Note17	102,272	711,231	-	-	-	-	-	-	711,231
Share issuance from ATM offering	Note17	97,500	531,442	-	-	-	-	-	-	531,442
Shares issued for acquisitions	Note17	3,611,938	32,396,289	3,368	58,496	-	-	-	-	32,458,153
Shares issued to retire debt	Note17	93,825	920,091	-	-	-	-	-	-	920,091
Shares issued as finders' fees	Note17	151,626	1,178,165	-	-	-	-	-	-	1,178,165
Shares issued on conversion of debenture	Note17	230	10,601	-	-	-	(1,533)	-	-	9,068
Share issue costs	Note17	20,393	(218,226)	-	-	-	-	-	-	(218,226)
Share-based compensation for services	Note17	599,767	5,374,312	-	142,762	-	-	-	-	5,517,074
Share-based compensation for staff	Note17	75,782	623,071	1,164,062	-	-	-	-	-	1,787,133
Shares issued on exercise of warrants and options	Note17	10,000	119,409	-	(51,030)	-	-	-	-	68,379
Obligation to issue shares	Note17	-	-	-	-	121,834	-	-	-	121,834
Reserve for earn-out payments	Note17	-	-	-	-	3,610,686	-	-	-	3,610,686
Forfeiture warrants and options	Note17	-	-	(212,849)	(73,858)	-	-	-	286,707	-
Net loss and other comprehensive loss		-	-	-	-	-	-	230,709	(18,045,225)	(17,814,516)
Shareholders equity, September 30, 2020		7,566,050	\$ 109,555,846	\$ 2,604,199	\$ 3,878,765	\$ 3,732,520	\$ 653,557	\$ (358,415)	\$ (66,893,627)	\$ 53,172,845

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Total
Shareholders' equity, December 31, 2020		14,135,744	\$ 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	Note17	6,013,824	31,378,055	954,319	-	-	-	-	-	32,332,374
Shares issued for acquisitions	Note17	7,162,360	47,785,658	-	-	3,914,612	212,411	-	-	51,912,681
Shares issued to retire debt	Note17	125,000	1,183,319	-	-	-	-	-	-	1,183,319
Shares issued as finders' fees	Note17	491,540	3,398,131	-	-	-	-	-	-	3,398,131
Shares issued on conversion of debenture	Note17	461	23,684	-	-	-	(3,338)	-	-	20,346
Share issue costs	Note17	-	(1,747,479)	-	-	-	-	-	-	(1,747,479)
Share-based compensation for services	Note17	608,378	2,313,097	-	438,672	-	-	-	-	2,751,769
Share-based compensation for staff	Note17	91,355	437,385	4,169,985	-	-	-	-	-	4,607,370
Shares issued on exercise of warrants and options	Note17	42,860	383,239	(135,952)	-	-	-	-	-	247,287
Forfeiture warrants and options	Note17	-	-	(134,308)	(630,517)	-	-	-	764,825	-
Net loss and other comprehensive loss		-	-	-	-	-	-	(919,131)	(30,364,869)	(31,284,000)
Shareholders equity, September 30, 2021		28,671,522	\$ 221,982,744	\$ 8,746,083	\$ 4,223,637	\$ 7,252,816	\$ 862,630	\$ (394,352)	\$ (119,632,218)	\$ 123,041,340

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

Halo Collective Inc.
Condensed Interim Consolidated Statements of Cash Flow

Unaudited, expressed in US dollars

For the 9 months ending:
September 30, 2021 September 30, 2020

Cash provided by (used in)

Operating activities:

Net loss		(30,364,869)	(18,045,225)
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Items not involving cash

Depreciation	Note 13, 14	2,871,493	1,415,629
Accrued interest	Note 16, 18	953,007	949,865
Accretion expense	Note 16	967,185	895,920
(Gain) loss in fair value of biological assets	Note 10	686,216	(2,017,002)
(Gain) loss in foreign exchange		(933,468)	162,737
(Gain) loss in early termination of lease		(154,664)	-
Loss on settlements and contingencies		-	(230,709)
Income tax provision	Note 21	-	295,000
Loss on intangible assets	Note 14	-	4,630,615
Share-based compensation	Note 17	8,273,354	7,304,207

Changes in working capital items

Accounts receivable	Note 8	(1,312,396)	1,302,872
Notes receivable	Note 11	(1,163,397)	850,877
Accounts payable and accrued liabilities		1,506,749	(1,700,146)
Tax payable	Note 21	1,304,458	17,105
Inventory	Note 9, 10	(10,329,554)	1,439,290
Pre-paid expenses and other	Note 12	(550,634)	(657,673)
Cash used in operating activities		(28,246,520)	(3,386,638)

Investing activities

Net cash from/(used in) acquisitions		2,696,565	-
Purchase of property, plant and equipment	Note 13	(1,384,145)	(271,084)
Cash provided by investing activities		1,312,420	(271,084)

Financing activities

Issuance of common shares & convertible debentures	Note 16, 17	32,579,661	1,242,673
Loans	Note 18	1,965,853	621,913
Lease payments	Note 7	(1,025,619)	(566,013)
Share issuance costs	Note 17	(1,747,479)	(131,500)
Cash raised in finance activities		31,772,416	1,167,073

Change in cash in during the period		4,838,316	(2,490,649)
Cash beginning of the period		3,679,865	6,068,414
Cash end of the period		8,518,181	3,577,765

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 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).

Effective October 8, 2021, the Company has consolidated its common shares based on one post-consolidation common share for every 100 pre-consolidation common shares. All share figures and references have been retrospectively adjusted.

These Condensed Interim Consolidated Financial Statements present the financial position of the resulting issuer, Halo Collective at September 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 1,344,526 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 \$8,227,061 (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);
- Between May 26, 2021, and September 17, 2021, a total of 4,334,260 shares were issued in connection to the ATM public offering for gross proceeds of \$15,673,736 (C\$20,000,000) (Note 17).

As at September 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 the Consolidated 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 November 15, 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.

Subsidiaries of Halo Collective Inc. (formerly Halo Labs Inc.)

	<i>September 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%
Halo KushBar Retail Inc.	100.0%	0.0%
Food Concepts LLC	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.

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.

The 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 Consolidated 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 - nine months ending September 30, 2020

	US	Canada	UK	Lesotho	Total
Revenue	\$ 16,521,841	\$ -	\$ -	\$ -	\$ 16,521,841
Cost of Cannabis inventory sold	13,098,695	-	-	-	13,098,695
Gross profit excluding FV changes	3,423,146	-	-	-	3,423,146
Realized and unrealized (gain) loss on biological assets	(2,058,183)	-	-	41,181	(2,017,002)
Gross profit / (loss)	5,481,329	-	-	(41,181)	5,440,148
Net loss	(1,986,112)	(15,795,817)	-	(263,296)	(18,045,225)
Total assets	56,568,066	18,790,825	-	5,048,797	80,407,688
Long-term financial liabilities	\$ 6,710,561	7,926,532	\$ -	\$ 2,719,590	\$ 17,356,682

Disclosure by segment - nine months ending September 30, 2021

	US	Canada	UK	Lesotho	Total
Revenue	\$ 27,262,579	\$ 533,545	\$ 17,830	\$ -	\$ 27,813,954
Cost of Cannabis inventory sold	20,906,306	403,719	20,269	-	21,330,294
Gross profit excluding FV changes	6,356,273	129,826	(2,439)	-	6,483,660
Realized and unrealized (gain) loss on biological assets	857,808	-	-	(171,592)	686,216
Gross profit / (loss)	5,498,465	129,826	(2,439)	171,592	5,797,444
Net loss	(7,883,750)	(18,637,591)	(813,206)	(3,030,322)	(30,364,869)
Total assets	68,510,001	84,621,146	5,966,005	1,890,010	160,987,162
Long-term financial liabilities	\$ 7,643,136	\$ 1,680,693	\$ -	\$ 3,013,398	\$ 12,337,227

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

6. Investments and deposits

Investments and deposits

As at:	<i>September 30, 2021</i>	<i>December 31, 2020</i>
Long-term investments	\$ 8,213,541	\$ 1,211,767
Deposits	6,330,952	1,976,304
Total	\$ 14,544,493	\$ 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 134,615 common shares as a deposit per the terms of the agreement. The Company also issued a total of 23,076 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 134,615 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\$16 per Halo common share; and (c) a convertible promissory note to be issued by Halo on the twelve months anniversary of closing in the principal amount of C\$400,000 with a conversion rate of C\$16 per Halo common share, provided that certain revenue thresholds are met. If the portfolio produced aggregate revenues less than the set threshold during the previous twelve months, then the principal amount of the earnout note will be reduced dollar for dollar. On July 15, 2021, the asset purchase agreement was closed.

As at September 30, 2021, the acquisition of Halo Kushbar had closed and Halo Kushbar was consolidated and \$1,976,304 was no longer a deposit in relation to the acquisition of certain assets of High Tide Inc.

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 154,479 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 15,000 common share purchase warrants to FlowerShop* exercisable at a price of C\$13.50. 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 September 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 236,904 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 153,865 Halo common shares are pending the closing of the acquisition. In addition, the issuance of 29,307 Halo common shares as a finders' fee is pending the closing of the acquisition.

As at September 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 236,903 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 153,865 Halo common shares are pending the closing of the acquisition. In addition, the issuance of 29,307 Halo common shares as a finders' fee is pending the closing of the acquisition.

As at September 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, valued at \$7,000,000 at closing of transaction, were issued to the Company. As at September 30, 2021, a long-term investment of \$7,000,000 was recorded (December 31, 2020: Nil).

Williams Wonder Farms LLC

The Company has entered into an asset purchase agreement effective July 23, 2021 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 258,133 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.

As at September 30, 2021, a deposit of \$620,000 was recorded in relation to the pending acquisition of William's Wonder Farms LLC (December 31, 2020: Nil).

Pistil Point

On August 27, 2021, the company has entered into an asset purchase agreement pursuant to which its wholly owned subsidiary ANM, Inc. will acquire the indoor cannabis cultivation, processing, and wholesaling facility in Portland, Oregon operated under Pistil Point, and the related licenses issued by the Oregon Liquor Control Commission ("OLCC"), and other operating assets owned by the entities doing business as Pistil Point. The Pistil Point Acquisition is expected to close in early 2022.

As at September 30, 2021, a deposit of \$82,000 was recorded in relation to the pending acquisition of Pistil Point (December 31, 2020: Nil).

7. Leases

During the nine months ended September 30, 2021, an amount of \$4,678,733 was added to lease liabilities (nine months ended September 30, 2020: \$1,971,159). The addition in the nine months ended September 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. There was also addition of \$1,628,356 from consolidation of Food Concepts LLC and \$493,670 from consolidation of Halo Kushbar Retail Inc.

During the nine months ended September 30, 2021, an amount of \$4,681,236 was added to the right of use assets (nine months ended September 30, 2020: \$1,916,252). The addition in the nine months ended September 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. There was also addition of \$1,628,356 from consolidation of Food Concepts LLC and \$493,670 from consolidation of Halo Kushbar Retail Inc.

Lease liabilities

Balance December 31, 2020	\$ 3,507,028
Additions	4,678,733
Payments	(1,025,619)
Adjustments	(804,600)
Interest expense	604,088
Movement in foreign exchange	145,702
Balance September 30, 2021	\$ 7,105,332
Current portion	885,525
Long-term portion	6,219,807

Right of use of assets

Balance December 31, 2020	\$ 3,976,955
Additions	4,681,236
Adjustments	(658,090)
Movement in foreign exchange	(76,759)
Amortization	(727,969)
Balance September 30, 2021	\$ 7,195,373

In the nine months ended September 30, 2021, the balance of lease payments of \$1,025,619 (nine months ended September 30, 2020: \$592,356) and non-cash interest charged to the Condensed Interim Statement of Loss of \$604,088 (nine months ended September 30, 2020: \$277,371) reduced lease liabilities with \$421,531 (six months ended June 30, 2020: \$314,985). 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:	September 30, 2021	December 31, 2020
1 - 30 days	1,878,176	\$ 1,461,677
30 - 60 days	352,075	168,415
60 - 90 days	213,960	90,385
> 90 days	1,332,520	64,895
Total	\$ 3,776,731	\$ 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:	September 30, 2021	December 31, 2020
Accounts receivable - trade	\$ 4,055,080	\$ 1,912,093
Bad debt provision	(278,349)	(126,721)
Total accounts receivable	\$ 3,776,731	\$ 1,785,372

Bad debt expense amounts are included in general and administration expenses. All the Company's trade and other receivables were reviewed for impairment based on expected credit losses. In the nine months ended September 30, 2021, \$970,195 in accounts receivable over 90 days (nine months ended September 30, 2020: Nil) was written down to zero.

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>September 30, 2021</i>	<i>December 31, 2020</i>
Raw materials	\$ 4,585,088	\$ 5,680,962
Work in progress	3,806,179	2,345,093
Finished goods	10,105,792	2,255,400
Total	\$ 18,497,059	\$ 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 nine months ended September 30, 2021, the amount included in the cost of goods sold was \$17,523,062 (nine months ended September 30, 2020: \$7,656,403). 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 nine months ended September 30, 2021, there were no inventory impairments charged to the cost of goods sold (nine months ended September 30, 2020: \$1,235,813).

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 considers a market participant's ability to use that asset in its highest and best use. The highest and best use considers 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 - East Evans Creek

Balance December 31, 2020	\$ -
Fair value change due to biological transformation	891,899
Production costs capitalized	1,720,309
Transferred to inventory upon harvest	-
Balance September 30, 2021	\$ 2,612,208

In the nine months ended September 30, 2021, at East Evans Creek, the fair value change due to biological assets transformation in the cannabis plants model is \$891,899 and capitalized production costs are \$1,720,309.

Biological assets - Bophelo

Balance December 31, 2020	\$ -
Fair value change due to biological transformation	171,592
Production costs capitalized	58,227
Transferred to inventory upon harvest	(229,819)
Balance September 30, 2021	\$ -

As at September 30, 2021, there were no biological assets at Bophelo. The change in fair value due to the transformation of biological assets was \$171,592 and capitalized production costs were \$58,227. Transferred to inventory was \$229,819.

Assumptions utilized in cannabis plant model - East Evans Creek

	Flower	Harvest season 2021		Harvest season 2020	
		Trim	Fresh frozen	Flower	Trim
Ratio flower vs. trim	31.0%	49.0%	20.0%	16.0%	84.0%
Yield - pounds	6,396	10,030	4,142	2,546	13,364
Yield per plant - pounds	1.74	0.97	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;
- Number of plants harvested 9,233. Dry flower yield is 1.74 pounds, trim yield is 0.97 pounds, fresh frozen yield is 1.61 pounds;
- Total yield estimate is 20,568 pounds of biomass;
- 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;
- 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 of a 10% change in the value of biological assets

Assumption:	Input	10% Change
Expected yields for cannabis plants (average pounds per plant)		
Dry flower	1.74 pounds per plant	\$ 259,476
Trim	0.97 pounds per plant	
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	94%	\$ 167,976
Estimated selling price (per pound)		
Dry flower	\$ 311	\$ 547,703
Trim	\$ 51	
After harvest cost to complete and sell (per pound)		
Dry flower	\$ 166	\$ 288,227
Trim	\$ 25	

The estimated selling price for dry flower represents the expected average selling price of flower.

The estimated selling price for trim represents the expected selling price of trim.

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, based on the assumptions used in the cannabis plant model.

11. Notes receivable

Notes receivable

As at:	September 30, 2021	December 31, 2020
Notes receivable	\$ 2,669,903	\$ 9,629,553

Notes receivable as at September 30, 2021, were \$2,669,903 (December 31, 2020: \$9,629,553). They include \$136,160 due from executives of the Company (December 31, 2020: \$414,846), an amount of \$1,046,540 due from suppliers (December 31, 2020: \$589,355), \$1,298,165 due from Bar X Farms, LLC (December 31, 2020: \$Nil), and \$211,366 due from Lake County National Health LLC (December 31, 2020: \$537,704). 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:	September 30, 2021	December 31, 2020
Prepaid expenses and other	\$ 3,879,198	\$ 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	1,341,173	559,601	46,059	292,889	4,681,236	382,500	7,303,458
Dispositions	-	-	-	-	(890,811)	-	(890,811)
Movement in foreign exchange	(29,382)	(45,164)	(11,099)	(907)	(70,867)	(2,546)	(159,965)
Balance as at September 30, 2021	6,068,500	8,121,634	2,548,384	394,632	8,835,667	407,716	26,376,533
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	(564,157)	(132,978)	(197,433)	(25,254)	(737,965)	(40,833)	(1,698,620)
Dispositions	-	-	-	-	232,721	-	232,721
Movement in foreign exchange	4,364	-	(17,869)	-	4,104	(9,567)	(18,968)
Balance as at September 30, 2021	(2,565,223)	(205,069)	(826,990)	(85,376)	(1,640,294)	(54,779)	(5,377,731)
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 September 30, 2021	\$ 3,503,277	\$ 7,916,565	\$ 1,721,394	\$ 309,256	\$ 7,195,373	\$ 352,937	\$ 20,998,802

Total depreciation expense for the nine months ended September 30, 2021, was \$1,698,620 (nine months ended September 30, 2020: \$1,199,340). An amount of \$960,655 was recognized as cost of goods sold (nine months ended September 30, 2020: \$754,075) and \$737,965 was recognized as operating expenses in relation to leased assets (nine months ended September 30, 2020: \$445,265).

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	38,717,135	6,017,857	-	2,504,761	-	47,239,753
Movement in foreign exchange	(2,840)	(55,438)	-	-	-	(58,278)
Impairment	-	-	-	-	-	-
Balance as at September 30, 2021	52,572,008	5,971,073	2,242,360	21,296,193	6,084,235	88,165,869
Accumulated amortization:						
Balance as at December 31, 2020	(1,338,985)	(4,531)	-	-	-	(1,343,516)
Movement in foreign exchange	(10,369)	2,519	-	-	-	(7,850)
Amortization	(748,024)	(575,892)	-	-	-	(1,323,916)
Balance as at September 30, 2021	(2,097,378)	(577,904)	-	-	-	(2,675,282)
Net book value:						
Net book value December 31, 2020	12,518,728	4,123	2,242,360	18,791,432	6,084,235	39,640,878
Net book value September 30, 2021	\$ 50,474,630	\$ 5,393,169	\$ 2,242,360	\$ 21,296,193	\$ 6,084,235	\$ 85,490,587

In the nine months ended September 30, 2021, no goodwill was added (nine months ended September 30, 2020: \$16,116,197) and intangibles assets in the amount of \$47,239,753 were added (nine months ended September 30, 2020: \$15,843,488).

Total amortization expense for the nine months ended September 30, 2021, of \$1,323,916 (nine months ended September 30, 2020: \$357,138) 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. The intangible asset is a volatile extraction license and facility option. 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 September 30, 2021, the carrying value of the intangible assets was \$851,562 (December 31, 2020: \$910,971) net of amortization of \$19,804.

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. The nature of the intangible assets are the licenses for manufacturing and distribution and a facility option.

As at September 30, 2021, the carrying value of the intangible assets was \$1,608,866 (December 31, 2020: \$1,711,411) net of amortization of \$34,182.

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 73,248 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. The nature of the intangible asset is the license to manufacture at the premise and a facility option.

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 September 30, 2021, the carrying value of the intangible assets was \$1,996,910 (December 31, 2020: \$2,119,951) net of amortization of \$41,014.

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 nature of the intangible assets are the cultivation and manufacturing licenses and a facility option. The remaining payments required to complete the transaction are \$3,068,916.

As at September 30, 2021, the carrying value of the intangible assets was \$335,088 (December 31, 2020: \$351,124) net of amortization of \$5,016.

Halo DispensaryTrack Software, Inc.

On October 11, 2019, the Company, through Halo DispensaryTrack Software Inc., acquired CannPos Services Corp. (“CannPos”) in exchange for 187,857 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 12,500 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 September 30, 2021, the carrying value of intangible assets was \$2,242,360 (December 31, 2020: \$2,242,360). No amortization was recorded.

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 133,928 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 September 30, 2021, the carrying value of intangible assets was \$2,260,972 (December 31, 2020: \$2,398,223). No amortization was recorded.

Mendo Distribution and Transportation, LLC

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)
Net purchase price	\$ 4,643,988

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 209,075 Halo common shares issued to MDT Holdings, LLC, the previous sole member of MDT. Upon closing 124,605 Halo common shares were deposited into escrow. Under the terms of the escrow agreement 82,370 Halo common shares are released in twelve (12) equal monthly installments, and 42,234 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).

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, which is capitalized as an intangible asset.

As at September 30, 2021, the carrying value of intangible assets was \$1,314,572 (year ended December 31, 2020: \$1,368,596) net of amortization of \$18,008.

Goodwill represents expected synergies, future income growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes. As at September 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 310,000 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 24,800 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 September 30, 2021, the carrying value of intangible assets was \$2,714,617 (December 31, 2020: \$2,714,617). No amortization was recorded.

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 340,000 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 34,000 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 September 30, 2021, the carrying value of intangible assets was \$2,907,626 (December 31, 2020: \$2,939,786). No amortization was recorded.

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 428,816 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 85,763 common shares to the vendors. Of the total consideration, 343,053 shares have not yet been issued. Adjusted for a 10% probability that milestones are not achieved, 308,747 shares are included in the equity reserve as reserve for earn-out payments. Earn-out shares will be issued as follows:

- 171,526 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
- 171,526 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 64,322 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, 57,890 shares were included in the equity reserve as a reserve for earn-out payments. Earn-out shares will be issued as follows:

- 32,161 Halo shares when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and
- 32,161 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\$30, or (ii) 15% of the prior day's trading volume if the prior day closing price is greater than or equal to C\$30.

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

Due to the early stage of development of the intangible assets related to the application for a retail license and dispensary, the estimated fair value was determined as Nil. Consequently, all the costs were charged to operations in the year ended December 31, 2020.

Bophelo Bioscience & Wellness, Pty. Ltd.

Purchase price allocation

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

On July 16, 2020, the Company completed the acquisition of Bophelo Bioscience & Wellness, Pty. Ltd. ("Bophelo") and issued an aggregate of 437,126 Halo common shares. The Company has also issued an additional 20,393 Halo shares as an arrangement fee. Following the closing of the acquisition, the Company settled certain debt obligations for an aggregate of 285,868 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.

Goodwill represents expected synergies, future income growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on the acquisition is expected to be deductible

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

The nature of the intangible assets are the cultivation and manufacturing licenses and a facility option. As at September 30, 2021, the carrying value of intangible assets was \$361,091 (December 31, 2020: \$343,230) net of amortization of \$5,149.

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 19,818 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 4,954 Halo shares (25% of the total consideration) to OGC’s owner. The remaining 14,854 shares are issued in twelve equal installments of 1,239 Halo shares, deliverable on the first day of each of the twelve months immediately following the closing. As at September 30, 2021, 9,902 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 September 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 September 30, 2021, the carrying value of intangible assets was \$141,776 (December 31, 2020: \$147,448) net of amortization of \$1,890.

Ukiah Ventures, Inc.

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)
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Net purchase price	\$ 7,624,455

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 718,816 Halo common shares valued at \$6,502,181, as described and pursuant to a share exchange agreement dated August 5, 2020, and therefore owns 100% of the total outstanding UVI shares. The total consideration of the acquisition was \$7,624,455. UVI met the definition of a business under IFRS 3. Consequently, the transaction was recorded as a business combination. Costs in relation to the closing of the transaction in the amount of \$19,707 were expensed.

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

In addition, the Company acquired all the outstanding warrants of UVI by issuing 500 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 \$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 September 30, 2021, the carrying value of intangible assets was Nil (December 31, 2020: Nil).

Goodwill represents expected synergies, future income growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes. 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 930,000 Halo common shares valued at \$5,586,005. Costs to close the transaction, consisting of 69,750 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) 3,500 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 September 30, 2021, the carrying value of intangible assets was \$5,135,595 (December 31, 2020: \$5,135,595). No amortization was recorded.

Canmart Ltd.

On November 10, 2020, the Company closed the acquisition of Canmart Ltd. ("Canmart") in exchange for 1,354,167 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, 833,333 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 101,562 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 September 30, 2021.

As at September 30, 2021, the carrying value of intangible assets net of amortization was \$5,309,875 (December 31, 2020: \$5,502,460) net of amortization of \$69,867.

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 1,474,753 Halo common shares valued at \$5,762,376. The intangible asset was available for use as at September 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 September 30, 2021, the carrying value of intangible assets was \$5,772,622 (December 31, 2020: \$5,772,622). No amortization was recorded.

Herban Industries OR LLC

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 1,699,163 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, which was received in April of 2021.

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 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 September 30, 2021, the carrying value of intangible assets was \$5,938,653 (December 31, 2020: Nil) net of amortization of \$189,820.

Black & Crimson LLC

On March 2, 2021, the Company issued 1,186,503 Halo common shares for a consideration of \$15,193,143, which included a finders' fee of 88,988 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. 186,503 shares are subject to a pooling agreement and 100,000 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 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. The nature of the intangible asset is the intellectual property in relation to operating the retail license.

As at September 30, 2021, the carrying value of intangible assets was \$14,351,841 (December 31, 2020: Nil). No amortization was recorded.

POI11 LLC

On March 2, 2021, the Company issued 1,186,503 Halo common shares for a consideration of \$15,193,143, which included a finders' fee of 88,988 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. 186,503 shares are subject to a pooling agreement and 100,000 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 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. The nature of the intangible asset is the intellectual property in relation to operating the retail license

As at September 30, 2021, the carrying value of intangible assets was \$14,351,841 (December 31, 2020: Nil). No amortization was recorded.

Nature's Best Resources LLC.

On April 20, 2021, the Company issued 460,262 for a total consideration of \$3,304,760, which included a finders' fee of 19,786 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 351,190 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 89,286 common shares has been released as at September 30, 2021, the selling member has repaid an outstanding \$250,000 owed to Nature's Best. A total of 142,857 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 119,047 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.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were capitalized as intangibles assets. The nature of the intangible asset is the intellectual property in relation to the manufacturing process.

As at September 30, 2021, the carrying value of intangible assets was \$2,504,760. (December 31, 2020: Nil). No amortization was recorded.

1307296 B.C. Ltd.

Purchase price allocation

Fixed assets	304,909
Intangible assets	-
Investment	7,000,000
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Net purchase price	\$ 7,304,909

On June 21, 2021, the Company issued 1,390,517 shares for a total consideration of \$7,304,909, which included a finders' fee of 97,013 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.

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. Elegance is not a related party and the shares issued to the Company are valued at the latest available transaction price of \$0.75 per share.

184,786 of the common shares issued to the vendor on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 1,108,718 common shares issued to the vendor on closing are subject to contractual restrictions on transfer whereby 184,786 of such common shares in the case of the first release and 184,786 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 97,012 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.

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 September 30, 2021, no intangible assets were recorded.

Halo KushBar Retail Inc.

Purchase price allocation

Intangible assets	\$	3,125,363
Right of use assets	\$	493,670
Inventory	\$	252,759
Deposits	\$	10,503
Cash	\$	3,196
Lease liabilities	\$	(493,670)
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Net purchase price	\$	3,391,821

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 134,615 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 \$1,438,274 (C\$1.8 million) with a conversion rate of C\$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 \$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.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed. The nature of the intangibles assets is the brand names.

As at September 30, 2021, the carrying value of intangible assets was \$2,931,724 (December 31, 2020: Nil) net of amortization of \$140,720.

Food Concepts LLC

On September 1, 2021, the Company issued 2,581,565 shares for a total consideration of \$8,200,000 in relation to the closing of the acquisition of Food Concepts LLC, the master tenant of an indoor cannabis cultivation, processing and wholesaling facility in Portland, Oregon. In connection with the transaction, Halo issued 196,765 common shares to the finder as a finder's fee valued at \$625,000.

Purchase price allocation

Fixed assets	\$	252,166
Intangible assets	\$	6,397,834
Right of use assets	\$	1,628,356
Cash	\$	1,550,000
Lease liabilities	\$	(1,628,356)
<hr/>		
Net purchase price	\$	8,200,000

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed. The intangible asset is the value of the license and facility option.

As at September 30, 2021, the carrying value of intangible assets was \$6,371,176 (December 31, 2020: Nil) net of amortization of \$26,658.

15. Related party relationships, transactions and balances

Compensation key executives

9 months ending:	<i>September 30, 2021</i>	<i>September 30, 2020</i>
Salaries, commissions, bonuses, consulting fees	\$ 2,695,481	\$ 1,056,389
Share-based compensation	2,911,154	905,057
<hr/>		
Total	\$ 5,606,635	\$ 1,961,446

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 21, 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 nine months ended September 30, 2021, remuneration to executives was \$2,695,481 (nine months ended September 30, 2020: \$1,056,389). Share-based compensation was \$2,911,154 (nine months ended September 30, 2020: \$905,057).

Related parties

As at:	September 30, 2021	December 31, 2020
Due from directors, officers and other related parties	\$ 136,160	\$ 414,886
Due to directors, officers and other related parties	1,618,661	1,752,297
Accounts payable and accrued liabilities due to related parties	104,030	542,609

As at September 30, 2021, due from shareholders and related parties is \$136,160 (December 31, 2020: \$414,886) in relation to notes receivable from executives of the Company (Note 11). As at September 30, 2021, due to shareholders and related parties was \$1,618,661 (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	(20,250)
Interest paid	(404,349)
Accretion of loan discount	950,168
Accrued interest	596,102
Foreign exchange gain (loss)	(20,709)
Balance September 30, 2021	\$ 9,499,689

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\$100,000 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\$100,000 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 7 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\$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\$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\$135 per common share for the preceding 10 consecutive trading days.

On April 4, 2019, the Company issued 212 debentures for total gross proceeds of \$15,842,620 (C\$21,163,000).

As at September 30, 2021, the amount of convertible debenture outstanding was \$9,499,689 (December 31, 2020: \$8,398,727). As at September 30, 2021, a total of 85 debentures were converted into 130,983 common shares of the Company and 126 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 September 30, 2021, \$523,432 (December 2020: \$921,746), was recorded as restricted cash on the Condensed Interim Consolidated Statement of Financial Position, and sufficient to cover interest payments to maturity of the convertible debenture.

2021 Convertible promissory note

On July 14, 2021, in connection with the closing of the asset purchase agreement with High Tide Inc., the Company issued a convertible promissory note to the former owner of High Tide Inc. in the principal amount of \$1,438,274 (C\$1,800,000) with a conversion rate of \$12.78 (C\$16.00) per Halo Share.

As at September 30, 2021, the amount of the 2021 convertible promissory note outstanding was \$1,234,960 (December 31, 2020: Nil).

Continuity 2021 convertible note

Convertible note - July 14, 2021	\$ 1,438,274
Value of the equity component at issue	(212,411)
Liability portion of conversions in the period	-
Interest paid	-
Accretion of loan discount	17,018
Accrued interest	14,127
Foreign exchange gain (loss)	(22,048)
<hr/>	
Balance September 30, 2021	<hr/> \$ 1,234,960 <hr/>

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.

Effective October 8, 2021, the Company has consolidated its common shares on the basis of one post-consolidation common share for every 100 pre-consolidation common shares. All share figures and references are retrospectively adjusted.

Shares issued in the nine months ended September 30, 2021

- On February 2, 2021, 914,117 shares were issued, valued in an overnight marketed public offering for cash proceeds of \$6,439,239;
- On February 10, 2021, 41,666 shares were issued, valued at \$393,862 in relation to conversion of a convertible credit facility;
- On February 11, 2021, 108,301 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, 657,144 shares were issued, valued in an overnight marketed public offering for cash proceeds of \$9,115,649;

- On February 18, 2021, 10,000 shares were issued, valued at \$98,339 on exercise of warrants;
- On February 22, 2021, 41,666 shares were issued, valued at \$396,903 in relation to conversion of a convertible credit facility;
- On February 24, 2021, 10 shares were issued, valued at \$100 on exercise of warrants;
- On February 26, 2021, 41,666 shares were issued, valued at \$392,554 in relation to conversion of a convertible credit facility;
- On March 2, 2021, 473,807 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, 2,373,006 shares were issued, valued at \$28,191,909 for the acquisitions of Black and Crimson LLC and POI11 LLC;
- On March 2, 2021, 177,975 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, 461 shares were issued, valued at \$23,684 on conversion of a convertible debenture;
- On April 7, 2021, 118,771 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, 440,476 shares were issued, valued at \$3,121,749 relating to the acquisition of Nature's Best Resources LLC. Finder fees paid in 19,786 shares were issued, valued at \$149,093 relating to this transaction;
- On May 11, 2021, 30,000 shares were issued on exercise of options;
- On June 21, 2021, 1,293,504 shares were issued, valued at \$6,795,264 relating to the Elegance brand acquisition. Finder fees paid in 97,012 shares were issued, valued at \$509,645;
- On June 28, 2021, 2,850 shares were issued on exercise of options;
- Between May 26, 2021 and June 29, 2021, a total of 806,650 shares were issued in connection to the ATM public offering for gross proceeds of \$4,162,590 (C\$5,093,844).
- In July 2021, 258,513 shares were issued, valued at \$819,638 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration

accrued between June and May 2021;

- In September 2021, 322,450 shares were issued, valued at \$894,896 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration accrued between March and September 2021;
- On September 13, 2021, 2,581,565 shares were issued, valued at \$8,200,000 relating to the acquisition of Food Concepts LLC. Finder fees paid in 196,766 shares were issued, valued at \$625,000 relating to this transaction;
- During the quarter ended September 30, 2021, a total of 3,467,609 shares were issued in connection to the ATM public offering for gross proceeds of \$11,848,866 (C\$14,906,157).

Costs in relation to share issuances are classified as share issuance costs in the Statement of Change in Equity. In the nine months ended September 30, 2021, recovering of share issuance costs included in the Statement of Change in Equity were \$1,747,479 (nine months ended September 30, 2020: \$218,226). Share issuance costs classified as settlements and contingencies were Nil (nine months ended September 30, 2020: \$20,089).

As at September 30, 2021, the Company had 28,671,522 shares in issue and as at September 30, 2021, there were 1,525,583 shares in escrow (December 31, 2020: 1,155,359).

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 September 30, 2021.

Warrants granted in the nine months ended September 30, 2021

- On February 2, 2021, 914,117 warrants with exercise price \$10 (C\$13) were granted in relation to an overnight marketed public offering;
- On February 11, 2021, 108,301 warrants with exercise price \$10 (C\$12.50) were granted in relation to an overnight marketed public offering;
- On February 18, 2021, 10,000 warrants with exercise price \$10 (C\$12.50) were exercised;
- On February 19, 2021, 657,145 warrants with exercise price \$18 (C\$23) were granted in relation to an overnight marketed public offering;
- On February 24, 2021, 10 warrants with exercise price \$10 (C\$12.50) were exercised;
- On April 4, 2021, 162,950 warrants and 18,919 broker warrants with exercise price \$21 (C\$28) expired;

- On April 7, 2021, 100,000 warrants with exercise price \$8 (C\$11) were granted to an independent consultant of the Company;
- On May 14, 2021, 4,050 warrants with exercise price \$17 (C\$22) expired.
- On July 19, 2021, 500 warrants with exercise price \$20 (C\$25) expired.
- On August 26, 2021, 20,000 warrants with exercise price \$9 (C\$10) expired.
- On September 30, 2021, 6,250 warrants with exercise price \$40 (C\$50) expired.
- On September 30, 2021, 1,000 warrants with exercise price \$65 (C\$80) expired.

Warrants issued and outstanding as at September 30, 2021

Expiry date	Term - years	Warrants granted	Warrants vested	Exercise price US\$
22-Dec-21	1.00	180,000	180,000	\$ 3.87
22-Apr-22	1.00	100,000	100,000	\$ 8.72
08-Sep-22	2.00	15,000	15,000	\$ 10.23
14-May-23	5.00	1,347	1,347	\$ 59.23
02-Aug-23	2.50	904,107	904,107	\$ 9.62
11-Aug-23	2.50	108,301	108,301	\$ 9.62
30-Sep-23	5.00	3,000	3,000	\$ 30.77
19-Feb-24	3.00	657,144	657,144	\$ 17.31
27-Sep-24	6.00	6,250	6,250	\$ 30.77
10-Oct-27	10.00	7,125	7,125	\$ 72.11
11-May-27	10.00	62,437	62,437	\$ 72.11
Total	1-10 years	2,044,711	2,044,711	\$ 13.80

Note: Prices in US dollars

The Company recognized \$438,672 share-based payments for services for the nine months ended September 30, 2021 (nine months ended September 30, 2020: \$142,762).

As at September 30, 2021, 2,044,711 warrants were exercisable (September 30, 2020: 1,186,759). As at that date, the average exercise price of exercisable warrants was \$14 (C\$17) (September 30, 2020: \$59 (C\$78)).

Warrants outstanding	9 months ending Sept. 30, 2021		9 months ending Sept. 30, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at beginning of	488,798	\$ 38.61	1,511,543	\$ 50.88
Granted	1,779,562	\$ 12.78	45,500	\$ 8.60
Exercised	(10,010)	\$ 10.00	(10,000)	\$ 7.52
Forfeited / cancelled	(213,639)	\$ 62.25	(345,388)	\$ 34.38
Outstanding at end of	2,044,711	\$ 13.80	1,201,655	\$ 58.15

Note: Prices in US dollars

As at September 30, 2021, the weighted average exercise price of each Halo Labs warrant granted and in issue was \$14 (C\$17) (September 30, 2020: \$58 (C\$79)). As at date, the weighted average fair market value of each warrant in issue was \$2 (C\$2) using the Black-Scholes Option Pricing Model (September 30, 2020: \$3 (C\$4)).

As at September 30, 2021, the weighted average remaining contractual life of the warrants is 1.94 years (December 31, 2020: 1.53 years).

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

Black-Scholes assumptions for warrants

	9 months ending Sept. 30,	
	2021	2020
Risk free rate:	-	0.24% - 0.31%
Expected life	-	0.92 - 2 years
Volatility	-	100% - 146%
Expected dividend per share	Nil	Nil
Share price	-	\$9.00 - \$12.00

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 granted in the nine months ended September 30, 2021

- On February 2, 2021, 63,986 compensation options with exercise price \$7.02 (C\$9.00) were granted to underwriters of an overnight marketed public offering;
- On February 11, 2021, 7,580 options with exercise price \$7.09 (C\$9.00) were granted to underwriters of an overnight marketed public offering;
- On February 19, 2021, 46,000 options with exercise price \$13.87 (C\$17.50) were granted to underwrites of an overnight marketed public offering;
- On March 28, 2021, 120,000 options with exercise price \$8 (C\$10.50) were granted to a senior advisor of the Company. These options were forfeited on April 15, 2021;
- On May 3, 2021, 2,000 options with exercise price \$4 (C\$5.50) were forfeited;
- On May 26, 2021, 166 options with exercise price \$32 (C\$40) were forfeited;
- On May 30, 2021, 1,000 options with exercise price \$33 (C\$40) were forfeited;
- On June 21, 2021, 804,500 options with exercise price \$5 (C\$6.50) were granted to employees, board members and certain consultant of the Company.
- On June 30, 2021, 135 options with exercise price \$67 (C\$87) were forfeited;
- On July 22, 2021, 2,500 options with exercise price \$7.74 (C\$10.50) were forfeited;
- On July 22, 2021, 4,000 options with exercise price \$4.30 (C\$5.50) were forfeited;
- On August 8, 2021, 5,000 options with exercise price \$7.74 (C\$10.50) were forfeited;
- On August 8, 2021, 4,000 options with exercise price \$4.30 (C\$5.50) were forfeited;
- On August 9, 2021, 2,500 options with exercise price \$7.74 (C\$10.50) were forfeited;
- On August 9, 2021, 3,000 options with exercise price \$4.30 (C\$5.50) were forfeited;

- On September 16, 2021, 83 options with exercise price \$31 (C\$40) were forfeited.

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

Options outstanding by exercise price

Grant Date	Exercise price	Outstanding	Exercisable
May 12, 2017	\$ 66.67	13,162	13,162
September 28, 2018	\$ 30.77	49,012	49,012
December 19, 2019	\$ 23.08	18,820	18,820
May 27, 2020	\$ 7.74	244,000	213,495
September 30, 2020	\$ 6.02	1,000	1,000
December 7, 2020	\$ 4.30	540,250	523,825
December 14, 2020	\$ 4.31	7,400	7,400
February 2, 2021	\$ 7.02	63,986	63,986
February 11, 2021	\$ 7.09	7,580	7,580
February 19, 2021	\$ 13.87	46,000	46,000
June 21, 2021	\$ 5.00	804,500	317,800
Total	\$ 6.81	1,795,710	1,262,080
Weighted average life (years)	4.00		

Note: Prices in US dollars

As at September 30, 2021, the weighted average remaining contractual life of each option is 4 years (September 30, 2020: 4.28 years).

Options outstanding

	9 months ending Sept. 30, 2021		9 months ending Sept. 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of	930,878	\$ 7.75	92,723	\$ 35.00
Granted	1,042,066	\$ 6.11	255,000	\$ 8.00
Exercised	(32,850)	\$ 4.44	-	\$ -
Forfeited / cancelled	(144,384)	\$ 8.35	(10,337)	\$ 34.70
Outstanding at end of	1,795,710	\$ 6.81	337,386	\$ 14.81

Note: Prices in US dollars

The Company recognized share-based compensation related to options granted and vesting during the nine months ended September 30, 2021, in the amount of \$4,169,985 (nine months ended September 30, 2020: \$1,164,062).

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

Black-Scholes assumptions for options

	<i>9 months ending Sept. 30,</i>	
	2021	2020
Risk free rate: 5-7 years	-	0.23% - 0.35%
Expected life	-	2 - 4.5 years
Volatility	-	100% - 120%
Expected dividend per share	Nil	Nil
Share price	-	\$8.00 - \$10.00

Note: Prices in US dollars

17.4 Performance share units

On October 11, 2019, the Company granted the vendors of CannPos 12,500 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

As at September 30, 2021, total short-term loans were \$2,757,608 (December 31, 2020: \$435,839). This included:

- A net decrease of \$138,192 of the short-term lease from Xtraction Services Inc. ("Xtraction") to \$173,998 balance as at September 30, 2021 (December 31, 2020: amount outstanding \$312,190);
- An increase in loans owed to the Bar X Farms, LLC syndicate of \$864,836 as at September 30, 2021 (December 31, 2020: amount outstanding Nil);
- An increase of \$4,022 owed to Canmart to \$4,704 balance as at September 30, 2021 (December 31, 2020; amount outstanding \$682);
- An increase of \$121,103 owed to LCNH to \$127,363 balance as September 30, 2021 (December 31, 2020: amount outstanding \$6,260);

- An amount of \$30,000 was paid to Ikanik Farms that brought the balance payable to \$86,707 as at September 30, 2021 (December 31, 2020: amount outstanding \$116,707);
- The promissory note to Ukiah Ventures Inc. of \$1,500,000 with 9.50% interest per annum and a maturity date due on July 29, 2022 moved from long-term to short-term loan (December 31, 2020: Nil);

Continuity other loans

	Short-term	Long-term	Total
Balance December 31, 2020	\$ 435,839	\$ 6,598,912	\$ 7,034,751
Additions	2,407,801	127,619	2,535,420
Interest payable and accrued interest	15,420	-	15,420
Reclassification	1,605,105	(1,605,105)	-
Repayments	(1,706,557)	(238,966)	(1,945,523)
Balance September 30, 2021	\$ 2,757,608	\$ 4,882,460	\$ 7,640,068

As at September 30, 2021, total long-term loans were \$4,882,460 (December 31, 2020: \$6,598,912). This included:

- \$105,104 movement from long-term to short-term lease from Xtraction to \$82,229 balance payable as at September 30, 2021 (December 31, 2020: amount outstanding \$187,333);
- The promissory note to Ukiah Ventures Inc. of \$1,500,000 with 9.50% interest per annum and a maturity date due on July 29, 2022, moved from long-term to short-term loan (December 31, 2020: \$1,500,000);
- \$158,053 tax was paid that brought the balance payable to \$16,025 as at September 30, 2021 (December 31, 2020: amount outstanding \$174,078);
- The loan outstanding from lenders to Bophelo decreased by \$80,914 to \$1,277,022 as at September 30, 2021 (December 31, 2020: \$1,1,458,721);
- The total amount due to LCNH increased due to increase in accrued interest of \$127,619 to \$3,507,184 as at September 30, 2021 (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:	September 30, 2021	December 31, 2020
Shareholders' equity	\$ 123,041,340	\$ 59,619,542
Long-term loans	6,117,420	14,997,639
Short-term loans	12,257,296	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 September 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 September 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 September 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 - September 30, 2021

	Accounts payable & accrued liabilities	Loans	Total
Carrying value	\$ 11,164,864	\$ 18,374,716	\$ 29,539,580
1 - 30 days	4,745,154	241,897	4,987,051
30 - 60 days	954,420	23,323	977,743
60 - 90 days	926,251	25,524	951,775
> 90 days	4,539,039	18,083,972	22,623,011

As at September 30, 2021, the Company had current assets of \$39,903,280 (December 31, 2020: \$28,694,306) and current liabilities of \$25,608,595 (December 31, 2020: \$9,979,995). All current liabilities are due within one year.

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Other price risk

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

21. Tax

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

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

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

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

reports and pays the cultivation tax to the California Department of Tax and Fee Administration (CDTFA).

22. Commitments and contingencies

The table below provides undiscounted cash payments required for those right-to-use assets as well as other commitments that do not meet the definition of a lease.

Committed lease obligations	Amount due
2021	\$ 3,329,662
2022	5,204,087
2023	5,056,960
2024	4,987,811
2025	4,991,545
2026	793,183
2027	506,759
2028	446,631
Thereafter	2,847,945

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.

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

Convertible promissory note

On October 21, 2021, the Company entered into a third amended and restated promissory note for a principle amount of up to C\$15 million. The third A&R promissory note extends the maturity date to October 21, 2022, subject to the Company's option to further extend such date by up to 12 months. All of the other terms and conditions contained in the second A&R promissory note remain unchanged. The third A&R promissory note bears 9% simple interest for the first year and 13% thereafter on any drawdowns. There is no balance outstanding under the second A&R promissory note or the third A&R promissory note. There are no commitment or renewals fees.

Securities issuance

On October 22, 2021, the Company issued 601,920 Compensation Shares in satisfaction of approximately \$869,306 (C\$1,348,316) in fees, payables, and other compensation accrued between June 2021 to October 2021 and payable to independent consultants, related parties and a supplier of the Company.

Simply Sweet Gummy Ltd.

On November 4, 2021, the Company entered into a share exchange agreement to acquire all of the issued and outstanding shares of Simply Sweet Gummy Ltd. ("Simply Sweet"), a confectionary company based in Vancouver, British Columbia. Pursuant to the share exchange agreement, in consideration for all of the issued and outstanding shares of Simply Sweet, which holds assets and formulations (including US\$1 million in cash), Halo has agreed to issue 2,700,000 common shares in the capital of Halo to the current shareholders of Simply Sweet. Halo has also agreed to issue 202,500 Common Shares to an arm's-length finder. Simply Sweet has no long-term debt obligations. Closing of the acquisition is subject to the satisfaction of customary closing conditions, including the approval of the Neo Exchange Inc. The Company expects the acquisition to close in November 2021.

Akanda Corp.

On November 4, 2021, the Company completed its previously announced share purchase transaction with Akanda Corp. ("Akanda"). Contemporaneously, with closing of the transaction, Halo and Akanda entered into an investor rights agreement that provides the Company with certain rights with respect to its Akanda Shares, relating to information rights, board observation rights and the right to nominate a director to the Akanda board of directors in certain circumstances. Halo has also agreed that the investor rights agreement will not provide Halo with any rights of first offer to participate in future equity offerings by Akanda as previously announced. As part of the closing of the Transaction, Akanda issued a secured convertible debenture to Halo in the principal amount of US\$6.6 million in exchange for setting off all outstanding indebtedness owed by Bophelo and Canmart to Halo. The Debenture bears an interest rate of 1% annually, which amount may be paid in the form of Akanda Shares at the applicable conversion price upon a conversion of the debenture. The debenture matures on November 2, 2022 and is secured by all of Akanda's assets.

The debenture will be automatically converted into Akanda shares upon certain liquidity events (each, a "triggering event") occurring within six months from the date of the debenture, including an initial public offering of Akanda shares on a stock exchange, an amalgamation, arrangement, merger, reverse takeover, reorganization or other similar transaction of Akanda with or into any other person, or a sale or conveyance of all or substantially all of the property and assets of Akanda. Upon the occurrence of a triggering event, the debenture will convert into Akanda Shares at the current market price of the Akanda shares at the time of the triggering event. The debenture is also convertible into Akanda shares, at the option of Akanda, at any time prior to the maturity date.