Halo Labs Inc.
Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2020 and 2019
Expressed in US dollars
Unaudited

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Halo Labs Inc.
Condensed Interim Consolidated Statements of Financial Position

Unaudited, expressed in US dollars

		September 30, 2020	*December 31, 2019*
Assets			
Current			
Cash		**2,313,826**	4,384,131
Restricted cash	Note 14	**1,263,939**	1,684,283
Marketable securities	Note 5	**-**	1,610,257
Accounts receivable	Note 7	**2,369,085**	5,597,399
Inventory	Note 8, 9	**9,359,930**	7,250,776
Biological assets	Note 9	**2,264,430**	-
Notes receivable	Note 10	**1,210,389**	1,914,993
Pre-paid expenses and other	Note 10	**4,158,162**	1,692,123
Total current assets		**22,939,761**	24,133,962
Long-term			
Property, plant and equipment	Note 11	**17,302,649**	6,655,716
Intangible assets and goodwill	Note 12	**38,953,514**	11,198,844
Investments	Note 5	**1,211,765**	-
Total long-term assets		**57,467,928**	17,854,560
Total assets		**80,407,689**	41,988,522
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		**7,460,396**	6,997,221
Other loans	Note 16	**348,611**	1,299,372
Income tax payable	Note 19	**866,071**	553,966
Sales & cultivation tax payable	Note 19	**1,203,084**	-
Total current liabilities		**9,878,162**	8,850,559
Long-term liabilities			
Debenture liability	Note 14	**7,926,531**	6,952,605
Lease liability	Note 6	**3,094,993**	1,554,589
Other loans	Note 16	**6,335,158**	338,439
Total long-term liabilities		**17,356,682**	8,845,633
Total Liabilities		**27,234,844**	17,696,192
Shareholders' equity			
Share capital	Note 15	**109,555,846**	67,909,461
Share capital reserve	Note 15	**6,482,964**	5,452,012
Convertible debenture equity reserve	Note 15	**653,557**	655,090
Equity reserve	Note 12	**3,732,520**	-
Accumulated other comprehensive income		**(358,415)**	(589,124)
Deficit		**(66,893,627)**	(49,135,109)
Total shareholders' equity		**53,172,845**	24,292,330
Total shareholders' equity and liabilities		**80,407,689**	41,988,522

Going concern Note 2

Commitments and contingencies Note 20

Subsequent events Note 21

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

Approved on behalf of the Board of Directors:

Kiran Sidhu
CEO and Director

Philip van den Berg
CFO

Halo Labs Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited, expressed in US dollars

		For the 3 months ending:		For the 9 months ending:	
		September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
Revenue		**6,829,782**	7,150,557	**16,521,841**	25,421,072
Cost of finished cannabis inventory sold	Note 8, 9	**4,675,810**	6,148,873	**13,098,695**	20,428,716
Gross profit (loss), excluding fair value items		**2,153,972**	1,001,684	**3,423,146**	4,992,356
Unrealized fair value gain (loss) on growth of biological assets	Note 9	**2,431,481**	1,902,086	**2,017,002**	1,609,444
Gross profit (loss)		**4,585,453**	2,903,770	**5,440,148**	6,601,800
General and administration		**901,195**	1,642,480	**2,012,695**	3,438,445
Salaries		**1,176,942**	1,227,678	**3,265,287**	3,408,663
Professional fees		**789,372**	2,901,064	**5,714,179**	3,955,472
Sales and marketing		**908,368**	774,647	**2,606,710**	1,961,570
Investor relations		**(366,862)**	59,094	**904,241**	1,284,805
Loss on settlements and contigencies	Note 15, 20	**(56,431)**	1,220,709	**216,357**	1,220,709
Share based compensation	Note 15	**333,233**	98,462	**1,170,211**	1,417,134
Income (loss) before undernoted items		**899,636**	(5,020,364)	**(10,449,532)**	(10,084,998)
Accretion expense		**305,220**	323,933	**895,920**	551,130
Loss on intangibles	Note 12	**2,876,849**	-	**4,630,615**	-
(Gain) loss on sale of investments	Note 5	**-**	(127,785)	**-**	(67,467)
Depreciation	Note 11, 12	**152,557**	60,732	**661,556**	601,133
(Gain) loss on foreign exchange		**412,217**	270,452	**162,737**	(160,568)
Interest expense	Note 14, 16	**319,848**	303,074	**949,865**	808,116
Loss before income taxes		**(3,167,055)**	(5,850,770)	**(17,750,225)**	(11,817,342)
Income tax expense (recovery)	Note 19	**-**	37,002	**295,000**	1,166,100
Net loss		**(3,167,055)**	(5,887,772)	**(18,045,225)**	(12,983,442)
Other comprehensive income					
Unrealized (gain) / loss on foreign currency translation		**(526,370)**	421,917	**(230,709)**	159,433
Comprehensive loss		**(2,640,685)**	(6,309,689)	**(17,814,516)**	(13,142,875)
Net loss per share, basic and diluted:		**$ (0.01)**	$ (0.03)	**$ (0.04)**	$ (0.08)
Weighted average number of outstanding common shares, basic and diluted:		**565,337,479**	191,194,200	**438,344,858**	155,030,836

Unaudited, expressed in US Dollars

		Common shares	Common shares $	Options $	Warrants $	Equity Reserve $	Convertible conversion option $	Accumulated OCI $	Deficit $	Total $
Shareholders' equity, December 31, 2018		**157,500,202**	**31,696,972**	**1,539,332**	**3,707,431**	**-**	**-**	**72,419**	**(22,260,031)**	**14,756,123**
Adjustment of retained earnings on implemetation of IFRS 16	Note 3, 4	-	-	-	-	-	-	-	(109,373)	**(109,373)**
Share issuance in private placements	Note 14	558,246	295,787	-	-	-	-	-	-	**295,787**
Shares issued to acquire licenses	Note 14	7,324,816	2,459,826	-	-	-	-	-	-	**2,459,826**
Shares issued to retire debt	Note 13	8,408,417	3,045,126	-	-	-	-	-	-	**3,045,126**
Equity reserve for debenture	Note 13	-	2,238,204	-	-	-	-	-	-	**2,238,204**
Change in equity reserve	Note 13	-	(840,903)	-	-	-	-	-	-	**(840,903)**
Shares issued on conversion of debenture	Note 14	13,013,769	6,327,933	-	-	-	-	-	-	**6,327,933**
Share issue costs	Note 14	-	(369,389)	-	-	-	-	-	-	**(369,389)**
Share-based compensation for services	Note 15	15,125,550	5,244,278	-	119,900	-	-	-	-	**5,364,178**
Share-based compensation for staff	Note 15	2,856,580	1,118,341	698,346	-	-	-	-	(126)	**1,816,561**
Shares issued on exercise of warrants and options	Note 15	4,896,145	2,174,252	(63,947)	(491,730)	-	-	-	-	**1,618,575**
Shares issued on conversion of broker warrants	Note 15	973,753	335,899	-	344,747	-	-	-	-	**680,646**
Forfeiture warrants and options	Note 15	-	-	(330,103)	-	-	-	-	330,103	**-**
Net loss and other comprehensive loss		-	-	-	-	-	-	(159,433)	(12,983,441)	**(13,142,874)**
Shareholders equity, September 30, 2019		**210,657,478**	**53,726,326**	**1,843,628**	**3,680,348**	**-**	**-**	**(87,014)**	**(35,022,868)**	**24,140,420**

These notes are an integral part of the consolidated financial statements

		Common shares	Common shares $	Options $	Warrants $	Equity Reserve $	Convertible conversion option $	Accumulated OCI $	Deficit $	Total $
Shareholders' equity, December 31, 2019		**280,271,315**	**67,909,461**	**1,649,617**	**3,802,395**	**-**	**655,090**	**(589,124)**	**(49,135,109)**	**24,292,331**
Share issuance in private placements	Note15	10,227,272	711,231	-	-	-	-	-	-	**711,231**
Share issuance from ATM offering	Note15	9,750,000	531,442	-	-	-	-	-	-	**531,442**
Shares issued for acquisitions	Note15	361,193,814	32,396,289	3,368	58,496	-	-	-	-	**32,458,153**
Shares issued to retire debt	Note15	9,382,575	920,091	-	-	-	-	-	-	**920,091**
Shares issued as finders' fees	Note15	15,162,692	1,178,165	-	-	-	-	-	-	**1,178,165**
Shares issued on conversion of debenture	Note15	23,076	10,601	-	-	-	(1,533)	-	-	**9,068**
Share issue costs	Note15	2,039,334	(218,226)	-	-	-	-	-	-	**(218,226)**
Share-based compensation for services	Note15	59,976,783	5,374,312	-	142,762	-	-	-	-	**5,517,074**
Share-based compensation for staff	Note15	7,578,207	623,071	1,164,062	-	-	-	-	-	**1,787,133**
Shares issued on exercise of warrants and options	Note15	1,000,000	119,409	-	(51,030)	-	-	-	-	**68,379**
Shares issued on conversion of broker warrants	Note15	-	-	-	-	-	-	-	-	**-**
Obligation to issue shares	Note15	-	-	-	-	121,834	-	-	-	**121,834**
Reserve for earn-out payments	Note15	-	-	-	-	3,610,686	-	-	-	**3,610,686**
Forfeiture warrants and options	Note15	-	-	(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		**756,605,068**	**109,555,846**	**2,604,199**	**3,878,765**	**3,732,520**	**653,557**	**(358,415)**	**(66,893,627)**	**53,172,845**

These notes are an integral part of the consolidated financial statements

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

		For the 9 months ending:	
		September 30, 2020	*September 30, 2019*
Cash provided by (used in)			
Operating activities:			
Net loss		**(18,045,225)**	(12,983,442)
Items not involving cash			
Depreciation	Note 11	**1,415,629**	995,387
Accrued interest	Note 14, 16	**949,865**	808,116
Accretion expense	Note 14	**895,920**	551,130
(Gain) loss in fair value of biological assets	Note 9	**(2,017,002)**	(1,609,444)
(Gain) loss in foreign exchange		**162,737**	(160,567)
Income tax provision	Note 19	**295,000**	1,166,100
Loss on intangibles	Note 12	**4,630,615**	-
Loss on settlements and contigencies		**(230,709)**	-
Share-based compensation	Note 15	**7,304,207**	6,969,801
Changes in working capital items			
Accounts receivable	Note 7	**1,302,872**	(5,934,950)
Notes receivable	Note 10	**850,877**	168,713
Accounts payable and accrued liabilities		**(1,700,146)**	1,558,971
Income tax payable	Note 19	**17,105**	346,194
Other liabilities		**-**	-
Inventory	Note 8, 9	**1,439,290**	(1,242,869)
Pre-paid expenses and other	Note 11	**(657,673)**	(2,904,083)
Cash used in operating activities		**(3,386,638)**	(12,270,943)
Investing activities			
Intangibles	Note 12	**-**	(35,000)
Purchase of property, plant and equipment	Note 11	**(271,084)**	(1,234,667)
Sale of marketable securities		**-**	166,962
Cash used in investing activities		**(271,084)**	(1,102,705)
Financing activities			
Issuance of common shares & convertible debentures	Note 14, 15	**1,242,673**	18,938,459
Loans	Note 16	**621,913**	-
Lease payments	Note 6, 20	**(566,013)**	-
Share issuance costs	Note 15	**(131,500)**	(492,294)
Cash and convertible debt raised in finance activities		**1,167,073**	18,446,165
Change in cash in during the period		**(2,490,649)**	5,072,517
Cash, beginning of the period		**6,068,414**	722,649
Cash end of the period		**3,577,765**	5,795,166

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

1. Nature of operations and background information

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

These Condensed Interim Consolidated Financial Statements present the financial position of the resulting issuer, Halo Labs at September 30, 2020 and have been prepared in accordance with International Accounting Standards ("IAS") Interim Financial Reporting. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the Company's December 31, 2019 audited financial statements. Unless otherwise stated, all amounts in these financial statements have been presented in US dollars.

2. Going concern

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

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

- On March 29, 2019, the Company filed a short form prospectus in connection with a best effort offering of convertible debenture units of the Company at a price of $1,000 per initial unit. The Company raised $15,842,620 (C$21,163,000), and after fees, proceeds were $13,229,175 (C$18,188,293). As at September 30, 2020, $1,684,283 remains held in escrow at the transfer agent for future interest payments on the debenture (Note 14);

- On September 18, 2019, the Company entered into an unsecured debt financing agreement with a private lender for a principal amount of up to C$10,000,000. The agreement is for an initial twelve months term with interest accruing at a rate of 9%. As at September 30, 2020, the balance owing on the debt financing was C$1,000,000 excluding accrued interest. On June 9, 2020, the Company entered into an amended and restated promissory note (the "A&R promissory note") for a principal amount of up to C$10,000,000. The A&R promissory note amends and restates the unsecured debt financing agreement that the Company entered into with a private arm's-length lender. Pursuant to the terms of the A&R promissory note, the lender may convert the principal amount outstanding under the A&R promissory note into common shares in the capital of the Company at a conversion price equal to the greater of: (i) 80% of the closing market price of the common shares on the Neo exchange on the day preceding the date on which the lender delivers a conversion notice to the Company; and (ii) $0.10. On August 26, 2020, the Company entered into a second amended and restated promissory note for a principal amount of up to C$15,000,000. The second A&R promissory note increases the committed funds available to the Company from C$10,000,000 to C$15,000,000. To date, the Company has drawn down an aggregate of $1,000,000 of this committed amount. The second A&R promissory note also contains an additional commitment fee of C$35,000, to be satisfied through the issuance of 291,666 common shares in the capital of the Company. All of the other terms and conditions contained in the original A&R promissory note remain unchanged (Note 16).;

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

- On March 10, 2020, the Company closed a private placement concurrent with the acquisition of Cannalift Delivery Inc., raising total gross proceeds of $510,856 (C$700,000) (Note 15);

- On April 17, 2020, the Company closed a private placement concurrent with the acquisition of Nasalbinoid Natural Devices Corp., raising total gross proceeds of $301,070 (C$425,000) (Note 15).

- On September 16, 2020, the Company announced that it 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. The volume and timing of distributions under the ATM Program, if any, will be determined in the Company's sole discretion. The ATM Program is designed to provide the Company with additional financing flexibility should it be required in the future. The Company intends to use the net proceeds from the ATM Program, if any, for general corporate purposes, working capital needs and capital expenditures, including the repayment of indebtedness. As Common Shares distributed under the ATM Program will be issued and sold at the prevailing market prices at the time of each sale, prices may vary among purchasers during the period of the ATM Program.

  Between September 17, 2020 and September 30, 2020, the Company issued 9,750,000 shares at an average price of C$0.07. Gross proceeds were C$709,050 and net proceeds were C$694,689. Commissions paid were C$14,361.

As at September 30, 2020, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

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

In the United States, 33 states, the District of Columbia, and the U.S. territories of Guam and Puerto Rico allow the use of medical cannabis. The District of Columbia and eleven states - Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

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

3. Basis of preparation

3.1 Basis of presentation and statement of compliance

The accounting standard IAS 34 sets out the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period. IAS 34 Interim Financial Reporting applies when an entity prepares an interim financial report, without mandating when an entity should prepare such a report. Permitting less information to be reported than in annual financial statements (based on 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 13, 2020.

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

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

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

Subsidiaries of Halo Labs Inc.

	September 30, 2020	***December 31, 2019***
ANM, Inc.	**100.0%**	100.0%
Coastal Harvest, LLC	**100.0%**	100.0%
Halo AccuDab Holdings Inc.	**100.0%**	100.0%
Halo DispensaryTrack Software Inc.	**100.0%**	100.0%
HLO Peripherals LLC	**100.0%**	100.0%
HLO Ventures (NV), LLC	**100.0%**	100.0%
PSG Coastal Holdings, LLC	**100.0%**	100.0%
Coastal Harvest LLC	**100.0%**	100.0%
Industrial Court L9, LLC	**100.0%**	100.0%
Industrial Court L13, LLC	**100.0%**	100.0%
Halo Labs (USA) holdings Inc.	**100.0%**	100.0%
Mendo Distribution & Transportation, LLC	**100.0%**	0.0%
Cannalift Delivery Inc.	**100.0%**	0.0%
Nasalbinoid Natural Devices Corp.	**100.0%**	0.0%
Bophelo Bioscience and Wellness Pty. Ltd.	**100.0%**	0.0%
LKJ11, LLC	**66.7%**	0.0%
Crimson & Black, LLC	**100.0%**	0.0%
Outer Galactic Chocolates, LLC	**100.0%**	0.0%
Ukiah Ventures Inc.	**100.0%**	0.0%
1265292 B.C. Ltd. Dba Cannafeels	**100.0%**	0.0%
Lake County Natural Health LLC	**50.0%**	0.0%

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

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

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 charge

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

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant 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 19).

Share-based payment transactions and warrants

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

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

Fair value of financial instruments

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

Intangible assets and goodwill

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

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

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

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

Biological assets and inventory

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

Useful lives of property, plant and equipment

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

Assessment of transactions as asset acquisitions or business combinations

Management has to apply 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 in order to reach a conclusion. Management took this approach with the recent acquisitions of Industrial Court L13, LLC, CannPos Services Corp., Precisa Medical Instruments Inc., Mendo Distribution and Transport LLC, Cannalift Delivery Inc., Nasalbinoid Natural Devices Corp., LKJ11 LLC., Crimson & Black LLC., Bophelo Bioscience & Wellness Pty. Ltd., Outer Galactic Chocolates, LLC., Ukiah Ventures Inc., 1265292 B.C. Ltd. doing business as Cannafeels and Lake County Natural Health LLC.

Determination of purchase price allocations and intangible assets

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

Contingencies

Refer to Notes 2 and 20.

3.3 New standards adopted and changes in accounting policies

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

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

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

The Company has evaluated the impact of IAS 1 on the Company's financial statements and determined there is no impact.

4. Summary of significant accounting policies

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

5. Investments

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

On December 9, 2019, the Company completed its investment in Ukiah Ventures Inc. ("Ukiah"). Pursuant to the transaction, (i) Halo and Ukiah entered into a share purchase agreement in which Halo acquired 1,333,333 common shares in the capital of Ukiah in exchange for 5,940,000 common shares of Halo. The Ukiah shares acquired by Halo represent a 17.5% interest in Ukiah. The Halo shares issued pursuant to the transaction were issued at a fair value of $1,570,657 (C$2,079,000). At December 31, 2019, the investment was revalued at the year-end exchange rate of 1.2988 to $1,600,709. Transaction costs of $9,548 (C$12,402) were also included in the cost of the investment. Certain directors of Halo own an aggregate of 45,303 Ukiah shares, representing approximately 0.6% of the issued and outstanding Ukiah shares following completion of the transaction.

On August 6, 2020, the Company entered into an agreement to acquire 100% of the outstanding shares of Ukiah Ventures Inc. (Note 12).

On September 7, 2020, the Company acquired 25% of the total outstanding membership interests of Feel Better LLC, doing business as FlowerShop in exchange for 15,447,992 Halo common shares. The total consideration was $1,211,766, including the purchase price at a fair market value of $1,059,129 and closing costs in the amount of $152,637. The investment was recorded as an asset purchase and under IAS 28, closing costs were capitalized.

In connection with the license agreement, Halo issued 1,500,000 common share purchase warrants to FlowerShop* exercisable at a price of CDN$0.135. The warrants will vest quarterly over twelve months and expire two years from the issue date. The value of the warrants was included in the closing costs. Assumptions used for the calculation of the grant date and fair value of the warrants granted can be found in Note 15.2.

6. Leases

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

During the nine months ended September 30, 2020, an amount of $1,971,159 was added to lease liabilities:

- In the three months ended March 31, 2020, lease liabilities in the amount of $133,224 were added on consolidation of Mendo Distribution and Transportation LLC;
- In the three months ended June 30, 2020, there was a $79,256 adjustment for the lease at East Post Road, Nevada (Note 11);
- In the three months ended September 30, 2020, lease liabilities in the amount of $1,837,935 were added on consolidation of LKJ11 LLC, Outer Galactic Chocolates LLC and Bophelo Bioscience & Wellness Pty Ltd. An adjustment of $3,960 was added to East Post Road, Nevada.

During the nine months ended September 30, 2020, an amount of $1,916,252 was added to the right of use;

- In the three months ended March 31, 2020, an amount of $117,363 was added to the right of use on consolidation of Mendo Dstribution and Transportation LLC.
- In the three months ended September 30, 2020, an amount of $1,798,889 was added to the right of use on consolidation of LKJ11 LLC, Outer Galactic Chocolates LLC and Bophelo Bioscience & Wellness Pty Ltd.

In the nine months ended September 30, 2020, an amount of $59,772 related to variable lease payments is not included in lease liabilities.

Expressed in US dollars

Lease liabilities		
Balance as at December 31, 2019	$	1,964,054
Additions		1,971,159
Payments		(592,356)
Interest expense		277,371
Post Road adjustment		(83,216)
Balance September 30, 2020	$	3,537,012
Current portion		442,019
Long-term portion		3,094,993

Right of use of assets		
Balance as at December 31, 2019	$	2,434,493
Additions		1,916,252
Post Road adjustment		(41,062)
Amortization		(445,266)
Balance September 30, 2020	$	3,864,417

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

7. Accounts receivable

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

Accounts receivable

As at:		***September 30, 2020***		***December 31, 2019***
1 - 30 days	**$**	**1,871,846**	$	1,640,290
30 - 60 days		**123,376**		493,010
60 - 90 days		**219,975**		46,348
> 90 days		**153,888**		3,417,751
Total	**$**	**2,369,085**	$	5,597,399

Bad debt expense amounts are included in general and administration expenses. All the Company's trade and other receivables have been reviewed for indicators of impairment. In the nine months ending September 30, 2020, there were no impairments included in accounts receivable over 90 days (nine months ending September 30, 2019: $Nil).

Expressed in US dollars

Accounts receivable

As at:	***September 30, 2020***	***December 31, 2019***
Accounts receivable - trade	**$ 2,741,022**	$ 6,209,268
Bad debt provision	**(371,937)**	(611,869)
Total accounts receivable	**$ 2,369,085**	$ 5,597,399

8. Inventory

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

Inventory by class

As at:	***September 30, 2020***	***December 31, 2019***
Raw materials	**$ 2,037,006**	$ 2,218,084
Work in progress	**1,778,333**	2,465,084
Finished goods	**3,891,265**	2,052,300
Biological assets	**1,653,326**	515,308
Total	**$ 9,359,930**	$ 7,250,776

The Company allocates various production and overhead costs and expenses to inventory items. As such, the cost of inventory is recognized as an expense, and included in cost of goods sold and valued at cost. For the nine months ended September 30, 2020, the amount included in the cost of goods sold was $7,656,403 (nine months ended September 30, 2019: $16,770,024). Direct product costs are valued on a weighted average basis and major production cost such as labor and testing are allocated to inventory. In the three months ended September 30, 2020, inventory at Coastal Harvest was impaired in the amount of $284,000.

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

Expressed in US dollars

9. Biological assets

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach that 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 in the Condensed Interim Consolidated Statement of Financial Position. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of finished cannabis inventory sold' on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Biological assets		
Balance at December 31, 2019	$	-
Fair value change due to biological transformation	$	2,531,510
Production costs capitalized	$	1,407,456
Transferred to investory upon harvest	$	(21,211)
Balance at September 30, 2020	**$**	**3,917,755**

All material harvested during the year ended December 31, 2019 was transferred to the Company and used for processing and direct sales of flower to third parties.

As at December 31, 2019, the Company did not carry any value of biological assets. The fair value change due to biological assets transformation in the cannabis plants model is $2,531,510 and capitalized production costs are $1,386,245 at East Evans Creek. Transferred to inventory is $21,211 at East Evans Creek. As at September 30, 2020, there were no biological assets at Bophelo. The change in the fair value due to the transformation of biological assets was a negative $41,981 at Bophelo. Capitalized production costs were $41,981 at Bophelo.

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

Expressed in US dollars

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks at East Evans Creek and Bophelo based on historical results;
- Wholesale selling price of premium flower is $1.98 per gram and $1.38 per gram for flower based on historical and expected future sales at East Evans Creek and $3.00 at Bophelo. Wholesale prices of trim and fresh frozen are $0.15 per gram and $0.09 per pound at east Evans creek;
- Harvest yield of flower is 0.80 pounds per plant at East Evans Creek and 0.45 pounds per plant at Bophelo, net of wastage, based on historical results;
- Harvest yield of premium flower is 0.26 pounds per plant;
- Harvest yields of trim and fresh frozen per plant at East Evans Creek are 0.32 pounds and 1.38 pounds per plant. Bophelo does not harvest trim;
- Costs to complete and sell are $0.63 for premium flower, $0.50 per gram for flower, $0.05 for trim and $0.03 for fresh frozen at East Evans Creek and $0.04 per gram for flower at Bophelo.

The table below shows the assumptions used in the biological assets model and estimates of what has been achieved based on what was processed as at September 30, 2020.

Assumptions utilized in cannabis plant model

	Year ended December 31, 2020			
	Premium	**Bud**	**Trim**	**Fresh frozen**
East Evans Creek				
Ratio flower vs. trim	7.2%	22.5%	31.7%	38.6%
Yield - pounds	1,816	5,676	7,991	9,742
Yield per plant - pounds	0.26	0.80	0.32	1.38
Selling price per gram	$ 1.98	$ 1.38	$ 0.15	$ 0.09
Total costs to complete and sell	$ 0.63	$ 0.50	$ 0.05	$ 0.03
FVLCS - $ per gram	$ 1.35	$ 0.88	$ 0.10	$ 0.06
Bophelo				
Ratio flower vs. trim	-	59.9%	40.1%	-
Selling price per gram	-	$ 3.00	$ 3.00	-
Total costs to complete and sell	-	$ 0.33	$ 0.33	-
FVLCS - $ per gram	-	$ 2.67	$ 2.67	-

Expressed in US dollars

The estimated FVLCS of dry cannabis used in the biological assets model is $1.35 per gram for premium flower, $0.88 for bud, $0.10 for trim and $0.06 for fresh frozen at East Evans Creek The estimated FVLCS of flower at Bophelo is $2.96 per gram. The estimated total yield for the year ending December 31, 2020 is 25,225 pounds of biomass (2019: 15,910 pounds) at East Evans Creek and 496 pounds at Bophelo (2019: Nil). The ratio premium - flower – trim – fresh frozen is 7.2% - 22.5% - 31.7% - 38.6% (2019: flower – trim 16% - 84%). Bophelo harvests 59.9% flower and 40.1% trim (2019: Nil).

The harvest from East Evans Creek is transferred to the Medford facility, tested and packaged and thereafter sold to dispensaries in Oregon. On August 7, 2020, Bophelo entered into a C$30,000,000 offtake agreement with Medcan Ltd. in Malta for the sale of bulk cannabis biomass, primarily into the European market.

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

Effect on the fair value of biological assets - September 30, 2020

Sensitivity	**+ 10%**	**- 10%**
Change in expected yield for cannabis plants	$ 673,846	$ (673,846)
Change in FVLCS	453,932	(453,932)

10. Prepaid expenses and other

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

On February 14, 2020, the Company announced that it had completed an asset purchase agreement with High Tide Inc. ("High Tide") for purchase of three licensed retail cannabis stores, five development permits to build new cannabis stores in Alberta, and a number of trademarks, copyrights and digital assets. On February 18, 2020, the Company issued 13,461,538 common shares as a deposit per the terms of the agreement. The Company also issued a total of 2,307,692 shares as finders' fees valued at 5% of the total deal value. The deposit of shares and the finders' fee have been classified as long-term investment in the amount of $1,687,089 in relation to the pending acquisition of High Tide and an amount of $289,215 in related finders' fees.

On September 1, 2020, the Company and High Tide entered into an amended and restated asset purchase agreement to amend the terms. Under the amended agreement, High Tide will sell its three operating KushBar retail cannabis stores to Halo, payable in the form of: (a) a deposit, which has already been paid to High Tide by way of the issuance of 13,461,538 Halo common shares to High Tide; (b) a convertible promissory note to be issued by Halo on closing in the principal amount of C$1.8 million with a conversion rate of C$0.16 per Halo common share; and (c) a convertible promissory note to be issued by Halo on the 12-month anniversary of closing in the principal amount of C$400,000 with a conversion rate of C$0.16 per Halo common share, provided that certain revenue thresholds are met. If the portfolio has produced aggregate revenue of less than the set threshold during the prior 12 months, then the principal amount of the earnout note will be reduced dollar for dollar. As at September 30, 2020, the asset purchase agreement has not closed.

Expressed in US dollars

Prepaid expenses and other

As at:		*September 30, 2020*		*December 31, 2019*
Prepaid expenses and other	**$**	**4,158,162**	$	1,692,123
Notes receivable		**1,210,389**		1,914,993
Total	**$**	**5,368,551**	$	3,607,116

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

Change in carrying value of Aftermath convertible promissory note

Additions November 2, 2019		1,212,658
Payments received		(384,971)
Fair value gain/(loss) on conversion feature		335,849
Balance at December 31, 2019	$	1,163,536
Payments received upon conversion		(715,343)
Fair value gain/(loss) on conversion feature		(374,786)
Foreign Exchange gain (loss)		(73,407)
Balance June 30, 2020	$	-

The debenture agreement provides the following payment schedule:

- $250,000 at the closing;
- $250,000 on or before six months following the closing;
- $525,000 on or before the first anniversary of the closing; and

Expressed in US dollars

- $550,000 on or before 18 months following the closing.

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

Black-Scholes assumptions for Aftermath convertible

	30-Jun-20	31-Dec-19	02-Nov-19
Risk free rate:	-	1.66%	1.66%
Expected life	-	1.5 years	1.3 years
Expected volatility	-	155%	155%
Expected dividend per share	Nil	Nil	Nil
Share price	$ -	$ 0.23	$ 0.40
Liquidity discount	-	64%	64%

On May 26, 2020, the promissory note was repaid and the balance as at September 30, 2020 was Nil. The fair value loss on the conversion feature was $374,786 and the loss on foreign exchange translation was $73,407.

Notes receivable as at September 30, 2020 were $1,211,765 (as at December 31, 2019: $1,914,993). Notes receivable includes amounts due from executives of the Company in the amount of $303,748 (as at December 31, 2019: $126,546) and from a supplier to the Company in the amount of $370,313 (as at December 31, 2019: $624,911). Notes receivable also includes an amount of $537,704 due at Lake County National Health LLC. Notes receivable due from executives of the Company are unsecured, interest-bearing and require repayment in 2020. The note receivable from the supplier is non-interest bearing, unsecured and due on demand.

Expressed in US dollars

11. Property, plant and equipment

Property, plant and equipment

	Production equipment	Land & Building	Leasehold improvements	Office equipment	Leased assets	Vehicles	Total
Cost:							
Balance as at December 31, 2019	3,793,332	-	2,058,016	97,652	2,937,930	-	**8,886,930**
Additions	1,005,946	6,595,739	2,326,378	8,602	1,916,251	34,418	**11,887,334**
Reclassify	(43,468)	-	43,468	-	(41,062)	-	**(41,062)**
Balance as at September 30, 2020	4,755,810	6,595,739	4,427,862	106,254	4,813,119	34,418	**20,733,202**
Accumulated depreciation:							
Balance as at December 31, 2019	(1,306,273)	-	(382,080)	(39,424)	(503,436)	-	**(2,231,213)**
Depreciation	(525,334)	(27,277)	(184,397)	(15,633)	(445,266)	(1,433)	**(1,199,340)**
Balance as at September 30, 2020	(1,831,607)	(27,277)	(566,477)	(55,057)	(948,702)	(1,433)	**(3,430,553)**
Net book value:							
Net book value December 31, 2019	2,487,059	-	1,675,936	58,228	2,434,494	-	**6,655,717**
Net book value September 30, 2020	$ 2,924,204	$ 6,568,462	$ 3,861,385	$ 51,198	$ 3,864,417	$ 32,985	**$ 17,302,649**

The addition to leased assets in the amount of $1,916,250 relates to Mendo Distribution and Transportation LLC, Bophelo Bioscience Wellness Pty. Ltd. and Ukiah Ventures Inc. (as at December 31, 2019: $Nil). There was a reclassification at HLO Ventures in relation to the amendment of the right of use of assets in the lease agreement, in the amount of $41,062 (December 31, 2019: $Nil).

The increase in land and buildings relates to the partial consolidation of the 50 percent share in Lake County National Health LLC (Note 16) and the consolidation of Ukiah Ventures Inc. Both were added in the three months ended September 30, 2020.

Total depreciation expense for the nine months ended September 30, 2020 was $1,199,340 (nine months ended September 30, 2019: $1,006,288). An amount of $754,075 was recognized as cost of goods sold (nine months ended September 30, 2019: $629,845) and $445,265 was recognized as operating expenses in relation to leased assets (nine months ended September 30, 2019: $376,444).

Expressed in US dollars

12. Intangible assets and goodwill

Intangibles

	Licenses and facility option	Brand names	Software	Intellectual property	Goodwill	Total
Cost:						
Balance as at December 31, 2019	7,531,014	8,654	2,113,958	2,260,972	-	**11,914,598**
Additions	4,988,978	-	128,401	10,726,109	16,116,197	**31,959,685**
Impairment	-	-	-	(3,847,879)	-	**(3,847,879)**
Balance as at September 30, 2020	12,519,992	8,654	2,242,359	9,139,202	16,116,197	**40,026,404**
Accumulated amortization:						
Balance as at December 31, 2019	(712,955)	(2,797)	-	-	-	**(715,752)**
Amortization	(355,840)	(1,298)	-	-	-	**(357,138)**
Balance as at September 30, 2020	(1,068,795)	(4,095)	-	-	-	**(1,072,890)**
Net book value:						
Net book value December 31, 2019	6,818,059	5,857	2,113,958	2,260,972	-	**11,198,846**
Net book value September 30, 2020	$ 11,451,197	$ 4,559	$ 2,242,359	$ 9,139,202	$ 16,116,197	**$ 38,953,514**

Total amortization expense for the nine months ended September 30, 2020 of $357,138 (nine months ended September 30, 2019: $365,542) was recognized in operating expenses. Goodwill in the amount of $16,116,197 was added in relation to the acquisitions of Mendo Distribution and Transportation LLC (page 26), Bophelo Bioscience Wellness Pty. Ltd. (page 29) and Ukiah Ventures Inc. (page 30). Impairments in the amount of $3,847,879 related to the acquisitions of Nasalbinoid Natural Devices Corp. (page 27) and 1265292 B.C. Ltd. doing business as Cannafeels (page 30). The impairment is included in the fair value loss on derivatives in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Medford, Oregon

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

Cathedral City, California

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

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

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

Las Vegas, Nevada

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

Halo DispensaryTrack Software Inc.

On October 11, 2019, the Company, through its newly created wholly owned subsidiary, Halo DispensaryTrack Software Inc., acquired CannPos Services Corp. (“CannPos”). The consideration for the acquisition was $4,229,394, consisting of 18,785,714 common shares at the fair market value of $0.20 (C$0.26) and closing costs of $530,573. Closing costs include 1,250,000 performance share units at a fair market value of $0.10 (C$0.15). The transaction was recorded as an asset acquisition. The Company granted the vendors 1,250,000 performance share units, each exercisable into one common share if the holders develop and make available a software application on or before October 11, 2020. The value of these performance share units was recorded on satisfaction of the performance condition.

Because the intangible asset was not available for use as at December 31, 2019, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. An impairment loss of $2,115,436 was recorded as at December 31, 2019.

In the nine months ended September 30, 2020, 1,250,000 shares were issued at a value of $128,402. This was in relation to 1,250,000 performance share units issued at the time of acquisition at no extra consideration if certain milestones are achieved on or before October 11, 2020. This amount was added to intangibles.

Halo AccuDab Holdings Inc.

On December 31, 2019, the Company, through its newly created wholly owned subsidiary, Halo AccuDab Holdings Inc., acquired Precisa Medical Instruments Corp. (“Precisa”). The consideration for the acquisition was $3,280,402 consisting of 13,392,857 common shares at a fair market value of $0.20 (C$0.28) and closing costs of $393,121. Under IAS16 closing costs are capitalized when the acquisition is recorded as an asset purchase. The transaction was recorded as an asset purchase. The total value of the transaction of $3,673,523 was attributed to intangible assets as the Company’s sole asset was the intellectual property related to the Accu-Dab THC and CBD oil oral delivery device under development. At December 31, 2019, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. An impairment loss of $1,019,431 was recorded for the year ended December 31, 2019.

Cannalift Delivery Inc.

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

The total value of the transaction of $2,682,888 was attributed to intangible assets as the Company’s sole asset was the intellectual property related to the development of the delivery application under development. Because the intangible asset was not available for use as at September 30, 2020, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. No impairment was necessary.

Mendo Distribution and Transportation LLC.

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

Expressed in US dollars

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

Purchase price allocation as at January 9, 2020

		Fair value
Accounts receivable	$	42,446
Inventory		3,795,872
Fixed assets		15,770
Goodwill		6,713,753
Accounts Payable		(4,715,656)
Other liabilities		(1,208,197)
Net purchase price	$	4,643,988

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

Nasalbinoid Natural Devices Corp.

On April 20, 2020, the Company completed the acquisition of all the common shares of Nasalbinoid Natural Devices Corp. (“Nasalbinoid”).

The total consideration for the acquisition was $2,939,786, consisting of 34,000,000 common shares at a fair market value of $0.08 (C$0.11) and closing costs of $298,916. The transaction was recorded as an asset purchase. Closing costs were capitalized.

The total value of the transaction of $2,939,786 was attributed to intangible assets as Nasalbinoid’s sole asset was the intellectual property related to the delivery application under development. Because the intangible asset was not available for use as at September 30, 2020, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. An impairment loss of $1,377,626 was recorded for the nine months ended September 30, 2020 and included in the fair value loss on derivatives in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

LKJ11 LLC.

On July 6, 2020, the Company acquired a company holding of 66 2/3% interest in LKJ11 LLC. (“LKJ11”) in exchange for 42,881,646 Halo common shares at a fair market value of $0.09 (C$0.12). The acquisition 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 remains the surviving entity is wholly owned by PSG Coastal Holdings LLC (“PSG”), an indirect wholly owned subsidiary of Halo. Upon closing, the Company issued 8,576,329 common shares to the vendors. 34,305,317 shares of the total consideration have not yet been issued and are included in the equity reserve (Note 15) as reserve for earn-out payments. The Company shares will be issued as follows:

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

Crimson & Black LLC.

On July 6, 2020, the Company acquired 100% of the outstanding membership interest in Crimson & Black LLC. (“C&B”) in exchange for 6,432,247 Halo common shares at a fair market value of $0.09 (C$0.12). The acquisition was recorded as an asset purchase and closing costs in the amount of $99,830 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. They are included in the equity reserve (Note 15) as a reserve for earn-out payments. They will be issued as follows:

- 3,216,124 Halo shares when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and
- 3,216,123 Halo shares when LKJ11 is granted a lease extension for an aggregate of 5 years or a new location lease for a term of at least 5 years from the closing date.

Bophelo Bioscience & Wellness Pty. Ltd.

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

Expressed in US dollars

Purchase price allocation		
Fixed assets		2,980,547
Intangibles		361,795
Goodwill		5,139,421
Right of use assets		1,596,982
AR		97,980
Cash		29,613
AP		(627,195)
Lease liability		(1,610,218)
Debt		(1,028,859)
Net purchase price	$	6,940,066

The total consideration for the acquisition was $6,940,066 at a fair value of $0.10 (C$0.13) per share and includes the conversion of $2,400,000 million of debt into Halo shares. The transaction was recorded as a business combination. Under IFRS3, closing costs of $401,929 were expensed. Goodwill results from the acquisition of Bophelo and is initially measured at the excess of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is not amortized but goodwill is subject to impairment tests at least annually. The transaction included goodwill of $5,139,421. The transaction also included intangible assets in the amount of $361,795.

Outer Galactic Chocolates, LLC

On July 31, 2020, the Company closed its acquisition of Outer Galactic Chocolates, LLC (“OGC”), holder of a Type N manufacturing license in Mendocino County in exchange for 1,981,825 Halo common shares at a fair market value of $0.09 (C$0.12) per share. The acquisition gives the Company a license to produce infused and edible cannabis products adjacent to the Mendo Distribution and Transportation LLC (“MDT”) facility in Ukiah, California. Upon closing, the Company issued 495,457 Halo shares (25% of the total consideration) to OGC’s owner. The remainder of the Halo shares will be paid in twelve equal installments of 123,864 Halo shares, deliverable on the first day of each of the twelve months immediately following the closing.

The consideration of the transaction was $210,835 at a fair market value of $0.09 (C$0.12). Closing costs were $33,603. 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 $8,442 were acquired. Although the intangible asset was available for use as at September 30, 2020, the acquisition did not constitute a business combination at the time and was recorded as an asset purchase. Closing costs of $33,603 were capitalized.

Ukiah Ventures Inc.

On August 19, 2020, the Company completed the acquisition of all the issued and outstanding shares of Ukiah Ventures Inc. (“Ukiah”) in exchange for securities of the Company. Prior to the transaction, the

Expressed in US dollars

Company held a 17.5% equity stake in Ukiah as a result of the Company's initial investment in Ukiah in December 2019 (Note 5). The Company acquired the remaining issued and outstanding 7,725,007 Ukiah shares for a total consideration of 71,881,607 shares in the Company at a fair market value of $0.09 (C$0.12) as described and pursuant to a share exchange agreement dated August 5, 2020, and therefore owns 100% of the total outstanding 9,058,340 Ukiah shares,

In addition, the Company acquired all the outstanding warrants of Ukiah by issuing 50,000 warrants of the Company in exchange for the outstanding 50,000 warrants of Ukiah. Each warrant will entitle the holder thereof to acquire one share of the Issuer $0.25 per share until July 19, 2021. The value of the warrants is included in the consideration.

In connection with the share exchange agreement, the Company entered into an escrow agreement with Odyssey Trust Company and certain shareholders of Ukiah pursuant to which 20 per cent of the payment shares are held in escrow for 12 months subject to the terms of the escrow agreement.

The consideration for the acquisition was $7,644,163 at a fair value of $0.09 (C$0.12) per share. The consideration of 100% of the shares in Ukiah Ventures Inc. includes an impairment of $448,383 which is explained by the difference between the fair market value of the initial 17.5% share in the capital of Ukiah at $0.26 (C$0.35) and the fair market value at the time the Company acquired the remaining shares it did not already own.

Purchase price allocation		
Fixed assets		3,576,211
Goodwill		4,263,024
Receivables		1,156,164
Cash		208,602
Accounts payable		(79,546)
Debt		(1,500,000)
Net purchase price	$	7,624,455

The transaction was recorded as a business combination. Closing costs in the amount of $19,707 were expensed.

Goodwill results from the acquisition of Ukiah Ventures Inc. and is initially measured at the excess of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is not amortized but goodwill is subject to impairment tests at least annually. The transaction included goodwill of $4,263,024.

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, pursuant to which the Company acquired all the issued and outstanding shares of Cannafeels in exchange for common shares of Halo. Pursuant to the terms of the share exchange agreement, Halo acquired 100% of Cannafeels' outstanding common shares from the shareholders by the issuance of 93,000,000 Halo common shares. The shares were issued on September 30 at a fair market value of $0.06 (C$0.08). The common shares issued by Halo in conjunction with the Acquisition will be 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 closing of the acquisition, sell on a Canadian stock exchange (i) such aggregate number of common shares of the Company that would exceed the larger of 15% of the prior trading day's total volume of sale orders in common shares of the Company, and (ii) 350,000 common shares of the Company.

Expressed in US dollars

In connection with the acquisition, Halo also issued an aggregate of 6,975,000 common shares as a transaction fee to an arm's length consultant of the Company.

The consideration for the acquisition was $6,022,952, consisting of 93,000,000 common shares at a fair market value of $0.06 (C$0.08), 6,975,000 common shares at a fair market value of $0.06 (C$0.08) as finder's fee, a value of $3,368 attached to the option grant to the vendor and closing costs of $11,261. The transaction was recorded as an asset purchase and the finders' fee and closing costs were capitalized.

The total value of the transaction was attributed to intangible assets, cash and accounts payable. The Company's main asset is the intellectual property related to the development of the Cannafeels App, which is under development. Because the intangible asset was not available for use as at September 30, 2020, the carrying value was compared to the recoverable amount and tested for impairment. This test was based on a depreciated replacement cost model using level 3 inputs. An impairment of $2,470,253 was recorded for the nine months ended September 30, 2020 and intangibles recorded were $2,665,342.

On September 24, 2020, the Company granted the vendor options to purchase 100,000 common shares of the Company at an exercise price of C$0.10 per share for a period of two years, subject to the commercial launch of the Cannafeels App. Assumptions used for the calculation of the grant date and fair value of options can be found in Note 15.3.

13. Related party relationships, transactions and balances

Key employees include the Company's directors, senior officers and any employees with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. In the nine months ended September 30, 2020, remuneration to executives including share-based compensation was $1,961,446 (nine months ended September 30, 2019: $1,850,716).

Compensation key executives

9 months ending:		**30-Sep-20**		**30-Sep-19**
Salaries, commissions, bonuses, consulting fees	**$**	**1,056,389**	$	476,218
Share-based compensation		**905,057**		1,374,498
Total	**$**	**1,961,446**	$	1,850,716

Expressed in US dollars

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

Related parties

As at:		30-Sep-20		31-Dec-19
Due from directors, officers and other related parties	**$**	**303,748**	$	126,546
Due to directors, officers and other related parties		**1,569,396**		375,941
Accounts payable and accrued liabilities due to related parties		**385,943**		5,047

As at September 30, 2020, due from shareholders and related parties is $303,748 (December 31, 2019: $126,546) in relation to notes receivable from executives of the Company (see Note 10). As at September 30, 2020, due to shareholders and related parties was $1,955,339 (December 31, 2019: $380,988). 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 2019, the Company issued promissory notes in the aggregate principal amount of $1,700,000 bearing interest at a rate of 15% per annum and maturing on December 31, 2019. Certain promissory notes were issued to related parties.

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

14. Convertible debentures

2019 Debentures

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

Expressed in US dollars

Continuity 2019 convertible debenture		
Convertible debenture - April 4, 2019		15,842,620
Brokers fees		(1,060,034)
Legal and other fees		(1,553,411)
Convertible debenture after fees		13,229,175
Value of the equity component at issue		(1,867,273)
Liability portion of conversions in the period		(5,488,967)
Interest paid		(612,785)
Accretion of loan discount		862,849
Accrued interest		633,140
Foreign exchange gain (loss)		196,466
Balance December 31 , 2019		6,952,605
Liability portion of conversions in the period		(9,527)
Interest paid		(336,444)
Accretion of loan discount		895,855
Accrued interest		572,599
Foreign exchange gain (loss)		(148,557)
Balance September 30, 2020	$	7,926,531

Each convertible debenture is convertible into common shares of the Company at a price of C$0.65 per debenture share at the option of the holder at any time prior to the earlier of either the last business day immediately preceding the maturity date or the business day immediately preceding the date specified for redemption of the convertible debentures upon a change of control, subject to acceleration in certain events. Beginning on the date that is four months and one day following the closing date, the Company may force the conversion of the principal amount of the then outstanding convertible debentures at the conversion price on not less than 30 day notice should the daily volume-weighted average trading price of the Company's outstanding common shares on the NEO Aequitas Exchange be equal to or greater than C$1.35 per common share for the preceding 10 consecutive trading days.

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

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

As at September 30, 2020, 8,484 debentures were converted into 13,052,230 common shares of the Company and 12,679 debentures were in issue. Pursuant to the prospectus agreement, the Company is required to hold in escrow, funds sufficient to cover interest payment to December 31, 2020. These funds are recorded as restricted cash on the Condensed Interim Consolidated Statement of Financial Position. At September 30, 2020, the Company had sufficient funds in escrow for these interest payments.

15. Share capital

15.1 Share capital

Authorized shares

The authorized number of common shares is unlimited without par value. During the year ended December 31, 2018, as part of a merger and plan of reorganization, the Company's capital was affected by an exchange ratio which resulted in an increase in the number of securities at a rate of 1.35 to one. Unless otherwise stated, all share and per-share amounts have been restated to reflect the effects of this exchange ratio.

Fiscal 2020

- On January 21, 2020, 20,907,553 shares were issued at the fair market value of $0.21 (C$0.27) in relation to the acquisition of Mendo Distribution and Transportation LLC. 12,460,568 shares were escrowed (Note 12);

- On February 18, 2020, 13,461,538 shares were issued at the fair market value of $0.13 (C$0.17) to High Tide Inc. as deposit in relation to the acquisition of High Tide. In addition, 2,307,692 shares were issued as finders' fees at the fair market value of $0.13 (C$0.17). Both issuances were recorded under investments;

- On February 18, 2020, 8,840,892 shares were issued as payment for services at $0.12 (C$0.16). On February 18, 2020, the Company also issued 750,415 shares at $0.12 (C$0.16) to staff;

- On March 10, 2020, 31,000,000 shares were issued at a fair market value of $0.08 (C$0.11) in relation to the acquisition of Cannalift Delivery Inc. In addition, 2,480,000 shares were issued at $0.08 (C$0.12) as finders' fees;

- On March 10, 2020, 6,363,636 shares were issued at $0.08 (C$0.11) in a private placement;

- On March 26, 2020, 17,765,411 shares were issued at $0.10 (C$0.145) as payment for services. In addition, 1,728,057 shares were issued at $0.10 (C$0.145) to staff on that date;

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

- On April 17, 2020, the Company issued 34,000,000 shares at a fair market value of $0.08 (C$0.11) for the acquisition of Nasalbinoid Natural Devices Corp.;

- On April 17, 2020, the Company issued 3,863,636 shares in a private placement at $0.08 (C$0.11);

- On April 17, 2020, 3,400,000 shares were issued at $0.08 (C$0.11) as finders' fee in relation to the acquisition of Nasalbinoid;
- On April 27, 2020, 2,083,742 shares were issued at $0.08 (C$0.115) in relation to payment to staff;
- On April 27, 2020, 8,776,471 shares were issued at $0.08 (C$0.115) in relation to payment for services;
- On June 11, 2020, 9,090,909 shares were issued at $0.10 (C$0.135) in relation to the conversion of a loan of C$1,000,000;
- On June 26, 2020, 12,043,924 shares were issued at $0.09 (C$0.12) in relation to payment for services;
- On June 29, 2020, 8,576,329 shares were issued at $0.08 (C$0.105) in relation to the acquisition of LKJ11, LLC. which closed on July 6, 2020;
- On July 16, 2020, the Company issued 43,712,667 shares in relation to the acquisition of Bophelo Bioscience Science & Wellness Pty. Ltd. In addition, 2,039,334 shares were issued at as arrangement fee. The shares were issued at the fair market value of $0.10 (C$0.13);
- On July 24, 2020, the Company issued 28,586,807 shares to convert the debt acquired with the acquisition of Bophelo into Halo shares at a fair market value of $0.10 (C$0.13);
- On July 31, 2020, the Company issued 495,457 shares in relation the acquisition of Outer Galactic Chocolate, LLC at the fair market value of $0.09 (C$0.12);
- On August 19, 2020, the Company issued 71,881,607 shares at fair market value of $0.09 (C$0.12) in relation to the acquisition of Ukiah Ventures Inc.;
- On September 9, 2020, the Company issued 15,447,992 shares at the fair market value of $0.07 (C$0.09) in relation to the acquisition of Feel Better LLC;
- On September 18, 2020, the Company issued 15,566,078 common shares of the Company to certain independent consultants, director, employees and suppliers of the Company, in lieu of cash consideration, at a price of C$0.10 per compensation share, being the closing price of the common shares of the Company on September 18, 2020;
- On September 30, 2020, the Company issued 93,000,000 shares in relation to the acquisition of Cannafeels. In addition, 6.975,000 shares were issued as finders' fee. The shares were issued at the fair market value of $0.06 (C$0.084);
- Between September 17, 2020 and September 30, 2020, the Company issued 9,750,000 shares

in relation to proceeds from the ATM at an average price of C$0.07. Gross proceeds were C$709,050 and net proceeds were C$694,689.

Costs in relation to share issuances are classified as share issuance costs in the Statement of Change in Equity. In the nine months ending September 30, 2020, share issuance costs included in the Statement of Change in Equity were $218,226, (nine months ended September 30, 2019: $Nil). Share issuance costs classified as settlements and contingencies in the amount of $20,089 were expensed.

- In the three months ending March 31, 2020, share issuance costs included in the Statement of Change in Equity were $11,688;

- In the three months ending June 30, 2020, share issuance costs included in the Statement of change in Equity were Nil;

- In the three months ending September 30, 2020, share issuance costs included in the Statement of Change in Equity were $206,538;

As at September 30, 2020, the Company had 756,605,068 shares in issue and as at September 30, 2020, there were 21,345,505 shares in escrow (December 31, 2019: 12,301,308).

Fiscal 2019

- 13,029,153 common shares were issued following conversion of the 2019 convertible debenture (Note 14);

- 4,896,145 common shares were issued for proceeds of $1,618,450 as a result of warrant and option exercises. A loss of $471,023 was recorded on 1,250,000 shares issued on the exercise of warrants in which funds were not received as at December 31, 2019. While the Company believes it will receive these funds, there is no certainty to the amount or timing of any payment (Note 20);

- 973,753 shares were issued for proceeds of $335,900 on exercise of broker warrants;

- 28,298,209 common shares were issued in relation to services provided to the Company by contractors valued at $8,574,616, included in the statement of change in equity;

- 8,408,417 common shares valued at $3,045,126 were issued for repayment of debt of $2,238,169 resulting in a loss on settlement of $806,957;

- 3,698,142 common shares valued at $1,298,307 were issued to staff in lieu of salaries. Of these, 1,380,077 common shares valued at $721,547 were included in share-based compensation and 2,318,065 valued at $576,760 were included in salaries expense;

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

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

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

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

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

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

15.2 Share purchase warrants

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

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

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

During the nine months ended September 30, 2020, 4,560,312 warrants were issued (nine months ended September 30, 2019: 31,603,528):

- During the three months ended March 31, 2020, 10,312 warrants with exercise price $0.62 (C$0.80) were issued to brokers;

Expressed in US dollars

- During the three months ended June 30, 2020, 1,000,000 warrants with exercise price $0.07 (C$0.10) were issued as payment for services;

- On August 19, 2020, 50,000 warrants with exercise price $0.19 (C$0.25) were issued;

- On August 27, 2020, 2,000,000 warrants with exercise price of $0.08 (C$0.10) were issued to independent consultants. The warrants have an expiry of 1 year;

- On September 8, 2020, 1,500,000 warrants with exercise price $0.10 (C$0.14) were issued.

Warrants issued and outstanding as at September 30, 2020

Expiry date	Term - years	Warrants granted	Warrants vested	Exercise price US$	Description
31-Dec-20	2.00	1,687,766	1,687,766	$0.31	Broker warrants
31-Dec-20	2.00	86,631,179	86,631,179	$0.62	Warrant
31-Dec-20	2.00	963,441	963,441	$0.62	Broker warrants
31-Dec-20	2.00	10,312	10,312	$0.62	Broker warrants
04-Apr-21	2.00	1,891,938	1,891,938	$0.50	Broker warrants
04-Apr-21	2.00	16,295,010	16,295,010	$0.69	Warrant
14-May-21	3.00	405,000	405,000	$0.17	Warrant
19-Jul-21	0.92	50,000	50,000	$0.19	Warrant
26-Aug-21	1.00	2,000,000	2,000,000	$0.08	Warrant
30-Sep-21	3.00	625,000	625,000	$0.38	Warrant
30-Sep-21	3.00	100,000	100,000	$0.62	Warrant
08-Sep-22	2.00	1,500,000	-	$0.10	Warrant
14-May-23	5.00	135,000	135,000	$0.59	Warrant
30-Sep-23	5.00	300,000	300,000	$0.31	Warrant
27-Sep-24	6.00	625,000	625,000	$0.31	Warrant
10-Oct-27	10.00	712,500	712,500	$0.08	Warrant
11-May-27	10.00	6,243,750	6,243,750	$0.67	Warrant
Total	2-10 years	120,175,896	118,675,896	$0.48	

Note: 10,312 $0.80 warrants expiring April 4, 2021 were granted in 2019 and were not previously included

During the nine months ended September 30, 2020, 34,538,797 warrants were cancelled (nine months ended September 30, 2019: 1,595,579):

- On May 30, 2020, 28,922,297 warrants with exercise price $0.35 (C$0.50), issued in relation to the 2019 convertible debenture, were cancelled as they expired on May 30, 2020;

Expressed in US dollars

- On June 18, 2020, 5,000,000 warrants with exercise price $0.23 (C$0.30) were cancelled in relation to the restructuring of a credit line available to the Company. At September 30, 2020, 1,000,000 warrants had vested, and Nil were exercised;

- On September 28, 2020, 616,500 warrants with exercise price $0.31 (C$.40) were cancelled as they expired.

Warrants outstanding

	9 months ended Sept. 30, 2020			***9 months ended Sept. 30, 2019***		
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Outstanding, beginning of period	151,154,381	$	0.51	129,852,707	$	0.55
Granted	4,560,312	$	0.09	31,613,840	$	0.54
Exercised	(1,000,000)	$	0.08	(5,519,274)	$	0.33
Forfeited	(34,538,797)	$	0.34	(1,595,579)	$	0.65
Outstanding, end of period	120,175,896	$	0.54	154,351,694	$	0.55

The Company recognized no share-based compensation in warrants during the nine months ended September 30, 2020 (nine months ended September 30, 2019: $Nil) and $142,762 share-based payments issued for services for the nine months ended September 30, 2020 (nine months ended September 30, 2019: $119,900).

- In the three months ended March 31, 2020, the Company recognized no share-based compensation in warrants (three months ended March 31, 2019: $Nil). Share-based compensation for services was $5,153 (three months ended March 31, 2019: $35,625);

- In the three months ended June 30, 2020, the Company recognized no share-based compensation in warrants in the amount of (three months ended June 30, 2019: $Nil). Share-based compensation for services was $52,698 (three months ended June 30, 2019: $16,335);

- In the three months ended September 30, 2020, the Company recognized no share-based compensation in warrants (three months ended September 30, 2019: $Nil). Share-based compensation for services was $84,911 (three months ended September 30, 2019: $67,940).

As at September 30, 2020, 118,675,896 warrants were exercisable (as at September 30, 2019: 147,208,193).

During the nine months ending September 30, 2020, 1,000,000 warrants with exercise price $0.08 (C$0.10) were exercised (nine months ended September 30, 2019: 5,519,274).

Expressed in US dollars

As at September 30, 2020, the weighted average exercise price of each Halo Labs warrant granted is $0.54 (C$0.71). The weighted average fair market value of each warrant in issue is $0.03 (C$0.04) using the Black-Scholes Option Pricing Model.

As at September 30, 2020, the weighted average remaining contractual life of the warrants is 0.97 years (as at September 30, 2019: 1.49 years).

Assumptions used for the calculation of the grant date fair value of warrants granted during the nine months ended September 30, 2020 and 2019 are:

Black-Scholes assumptions for warrants

	9 months ended September 30,	
	2020	***2019***
Risk free rate:	0.24% - 0.31%	1.51% - 2.62%
Expected life	0.92 - 2 years	0.75 - 2 years
Volatility	100% - 146%	70% - 100%
Expected dividend per share	Nil	Nil
Share price	$0.09 - $0.12	$0.23 - $0.61

15.3 Options

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

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

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

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

Expressed in US dollars

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

During the nine months ended September 30, 2020, 1,033,672 options were forfeited as employees 6left the Company (nine months ended September 30, 2019: 3,150,210).

The Company recognized share-based compensation related to options vesting during the nine months ended September 30, 2020, in the amount of $1,164,062 (nine months ended September 30, 2019: $698,346). The difference between share-based compensation included in the Statement of Change in Equity and share-based compensation expensed in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss is explained by forfeitures. They are added back to the deficit.

- In the three months ended March 31, 2020, the Company recognized share-based compensation in the amount of $125,672 (three months ended March 31, 2019; $439,665);
- In the three months ended June 30, 2020, the Company recognized share-based compensation in the amount of $706,237 (three months ended June 30, 2019: $182,365);
- In the three months ended September 30, 2020, the Company recognized share-based compensation in the amount of $333,233 (three months ended September 30, 2019: $76,316).

Options outstanding

	9 months ended Sept. 30, 2020			*9 months ended Sept. 30, 2019*		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Outstanding, beginning of period	9,272,309	$	0.35	12,170,251	$	0.37
Granted	25,500,000	$	0.08	-	$	-
Exercised	-	$	-	(350,625)	$	0.30
Forfeited / cancelled	(1,033,672)	$	0.35	(3,150,210)	$	0.35
Outstanding, end of period	33,738,637	$	0.15	8,669,416	$	0.36

As at September 30, 2020, 17,157,887 options vested and are exercisable (as at September 30, 2019: 5,085,357).

During the nine months ending September 30, 2020, no options were exercised (nine months ended September 30, 2019: 350,625).

As at September 30, 2020, the weighted average exercise price of each Halo Labs option granted is $0.15 (C$0.19). The weighted average fair market value of each option in issue is $0.07 (C$0.10) using the Black-Scholes Option Pricing Model.

Expressed in US dollars

As at September 30, 2020, the weighted average remaining contractual life of each option is 4.28 years (as at September 30, 2019: 5.47 years).

The following table summarizes information regarding stock options outstanding by exercise price and number of options exercisable as at September 30, 2020.

Options outstanding by exercise price - September 30, 2020

Grant Date	Exercise price		Issued & Outstanding	Exerciseable
May 12, 2017	$	0.67	1,329,750	1,329,750
September 28, 2018	$	0.31	5,026,887	5,026,887
December 19, 2019	$	0.23	1,882,000	1,176,250
May 27, 2020	$	0.08	25,400,000	9,525,000
September 30, 2020	$	0.08	100,000	100,000
Total			33,738,637	17,157,887
Weighted average life (years)			4.3	
Weighted average exercise price			$ 0.15	

The assumptions used for the calculation of the fair value of options at grant date during the nine months ended September 30, 2020 and 2019, are:

Black-Scholes assumptions for options

	9 months ended September 30, 2020	*2019*
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	$0.08 - $0.10	$ -

Performance share units

On October 11, 2019, the Company granted the vendors of CannPos 1,250,000 performance share units. Each performance share unit is exercisable into one common share for no additional consideration if the holders develop a software application and make it available to the Company on or before October 11, 2020. The shares were issued during the nine months ended September 30, 2020.

Expressed in US dollars

16. Other loans

Other loans – 2019

Continuity other loans

		Short-term		Long-term		Total
Balance December 31, 2019	$	1,299,372	$	338,439	$	1,637,811
Additions		120,480		6,117,200		6,237,680
Interest payable and accrued interest		11,558		-		11,558
Repayments		(1,082,799)		(120,481)		(1,203,280)
Balance September 30, 2020	$	348,611	$	6,335,158	$	6,683,769

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

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

On November 25, 2019, the Company executed the sale and leaseback of production equipment at its California subsidiary, Coastal Harvest, LLC. The lease term is three years with buyback options after 18 months and at the end of the lease. Total cash received was $600,000. Transaction costs incurred were $23,000. Due to the buyback options provided to the Company in the contract, the sale and leaseback did not meet the definition of a sale per IFRS 15. As such, the agreement was classified as a financing arrangement and the lease payments were recorded as a financial liability.

As at December 31, 2019, the Company owed $1,031,649 in new loans received during the year, including $769,941 drawn from the Company's C$10,000,000 line of credit. Interest on the line of credit is 9% per year and is paid monthly in arears.

On June 9, 2020, the Company entered into an amended and restated promissory note (the "A&R Promissory Note") for a principal amount of up to C$10,000,000. The A&R Promissory Note amends and restates the unsecured debt financing agreement (the "Original Loan Agreement") that the Company entered into with a private arm's-length lender (the "Lender"). Pursuant to the terms of the A&R Promissory Note, the Lender may convert the principal amount outstanding under the A&R Promissory Note into common shares in the capital of the Company at a conversion price equal to the greater of: (i) 80% of the closing market price of the Common Shares on the Neo Exchange Inc. (or such other primary stock exchange on which the Common Shares are then listed) on the day preceding the date on which the Lender delivers a conversion notice to the Company; and (ii) C$0.10. The A&R Promissory Note includes a commitment of the Lender to advance up to the full C$10,000,000 principal amount upon the request of the Company. As of the date hereof, the Company has taken an initial draw of $733,353 (C$1,000,000) which the Lender elected to convert into an aggregate of 9,090,909 Common Shares immediately following the entering into of the A&R Promissory Note.

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

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

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

- A mortgage of $1,050,000 from a real estate fund. The general terms of this loan include interest only at an annual rate of 8.75%, a 36-month term, and a first deed of trust as collateral; and,

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

In the nine months ended September 30, 2020, an amount of $135,000 of other short-term loans was repaid to iKanik Farms. An amount of $120,481 of long-term loans payable to Xtraction Services Inc. was reclassified as short-term loan, an amount of $133,351 of short-term loans was repaid to Xtraction Services Inc. and accrued interest in the amount of $130,650 was paid to Xtraction Services Inc. As at September 30, 2020, total short-term loans were $348,611 and included amounts of $210,346 payable to Xtraction Services Inc., $126,707 payable to iKanik Farms and $11,558 in accrued interest..

As at September 30, 2020, long-term loans were $6,335,158, and included amounts of $217,958 owed to Xtraction Services Inc., $174,078 of deferred pay-roll tax, the secured promissory note in the amount of

Expressed in US dollars

$1,500,000, and $1,118,122 of long-term loans acquired on acquisition of Bophelo which was completed on July 16, 2020. In the three months ended September 30, 2020, $3,325,000 was added to long-term loans payable by Lake County National Health LLC. This represents the Company's 50% on partial consolidation.

17. Capital management

Capital structure

As at:	*September 30, 2020*	*December 31, 2019*
Shareholders' equity	**$ 53,172,845**	$ 24,292,330
Long-term loans	**14,261,689**	6,952,605
Short-term loans	**348,611**	1,299,372

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

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

Management does not establish quantitative return on capital criteria. However, management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. At September 30, 2020, the Company is not subject to any externally imposed capital requirements.

18. Financial instruments

18.1 Fair value of financial instruments

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

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

Expressed in US dollars

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

At September 30, 2020, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

18.2 Financial instruments risk exposures

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash, restricted cash, accounts receivable and notes receivable. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment. The Company does not have significant exposure to any individual customer. The Company’s maximum exposure to credit risk as at September 30, 2020 is the carrying value of cash, restricted cash, accounts receivable, and notes receivable. The Company believes that there is limited risk that notes receivables are not settled. The Company takes a provision to allow for accounts receivable not being settled, which it believes is enough.

Liquidity risk

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

Financial liabilities - September 30, 2020

	Accounts payable & accrued liabilities	Loans	Total
Carrying value	$ 7,460,396	$ 14,610,301	**$ 22,070,697**
1 - 30 days	3,173,640	451,044	**3,624,684**
30 - 60 days	1,265,884	32,000	**1,297,884**
60 - 90 days	434,390	224,485	**658,875**
> 90 days	2,586,482	13,902,772	**16,489,254**

As at September 30, 2020, the Company had current assets of $22,939,761 (as at December 31, 2019: $24,133,962) and current liabilities of $9,878,162 (as at December 31, 2019: $8,850,559). Current assets as at December 31, 2019 includes investments and marketable securities. As at

September 30, 2020, the Company no longer holds marketable securities. All current liabilities are due within one year.

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Other price risk

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

19. Taxation

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

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

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

Expressed in US dollars

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

20. Commitments and contingencies

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

Committed lease obligations

	Amount due
2020	$ 578,807
2021	1,159,221
2022	927,920
2023	662,341
2024	697,743
2025	736,482
2026	778,887
2027	953,995
2028	824,103

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Management commitments, litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these Condensed Interim 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).

21. Subsequent events

Canmart Ltd

On November 10, 2020, the Company closed the acquisition of Canmart Ltd. The Company issued an aggregate of 135,416,666 common shares to the holders of all of the issued and outstanding common shares in the capital of Canmart. Of the total number of shares issued, 83,333,332 shares were escrowed and will be released upon achieving certain milestones within two years from the closing of the acquisition. In connection with the closing of the acquisition, Halo also issued an aggregate of 10,156,250 common shares as a transaction fee to Anmoho LLC an arm's length consultant of the Company. 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.

ATM program

Between October 1, 2020 and November 3, 2020, the Company issued 77,765,000 shares at an average price of C$0.05 under the ATM Program. Gross proceeds were C$3,795,179 and net proceeds were C$3,718,836. Commissions paid were C$76,344.