

Halo Collective Inc.
Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022, and 2021
Expressed in US dollars
Unaudited

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

Halo Collective Inc.

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Halo Collective Inc.
Condensed Interim Consolidated Statements of Financial Position

Expressed in US dollars

September 30, 2022 December 31, 2021

Assets			
Current			
Cash		1,711,855	1,711,677
Restricted cash	Note 12	-	126,947
Accounts receivable	Note 6	5,168,004	6,073,229
Inventory	Note 7	14,891,935	16,820,432
Biological assets	Note 8	1,582,435	-
Notes receivable	Note 9	2,276,648	7,775,433
Deposits and pre-paid expenses	Note 10	9,259,841	3,208,452
Total current assets		34,890,718	35,716,170
Long-term			
Property, plant and equipment		12,914,690	17,512,938
Intangible assets and goodwill		37,672,629	29,131,934
Notes receivable	Note 9	2,942,216	3,160,745
Investments and deposits	Note 5	22,548,439	19,275,132
Total long-term assets		76,077,974	69,080,749
Total assets		110,968,692	104,796,919
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		12,310,760	11,634,468
Debenture liability	Note 12	-	9,661,212
Other loans	Note 14	3,606,474	6,875,442
Income tax payable		583,010	585,689
Sales & cultivation tax payable		1,934,282	1,530,447
Total current liabilities		18,434,526	30,287,258
Long-term liabilities			
Debenture liability	Note 12	9,434,693	1,286,625
Lease liability		4,795,336	5,665,582
Other loans	Note 14	1,076,136	1,100,975
Total long-term liabilities		15,306,165	8,053,182
Total Liabilities		33,740,691	38,340,440
Shareholders' equity			
Share capital	Note 13	273,080,293	231,683,918
Share capital reserve	Note 13	10,557,561	12,953,614
Convertible debenture equity reserve	Note 12	2,703,997	862,630
Equity reserve	Note 13	6,302,397	6,302,397
Non-controlling interest	Note 18	(2,965,451)	(2,295,905)
Accumulated other comprehensive income		(2,912,635)	214,544
Deficit		(209,538,161)	(183,264,719)
Total shareholders' equity		77,228,001	66,456,479
Total shareholders' equity and liabilities		110,968,692	104,796,919

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

Going concern Note 2

Commitments and contingencies Note 17

Subsequent events Note 19

Approved on behalf of the Board of Directors:

Katie Field
CEO and Director

Marshall Minor
Interim CFO

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

Expressed in US dollars

	<i>For the 3 months ended:</i>		<i>For the 9 months ended:</i>	
	<i>September 30, 2022</i>	<i>September 30, 2021</i>	<i>September 30, 2022</i>	<i>September 30, 2021</i>
Revenue	5,541,144	8,738,964	19,973,252	27,813,954
Cost of finished cannabis inventory sold	3,816,905	6,996,419	14,640,941	21,330,294
Gross profit, excluding fair value items	1,724,239	1,742,545	5,332,311	6,483,660
Unrealized fair value gain on growth of biological assets	-	(891,530)	-	(1,063,491)
Realized fair value loss included in the cost of inventory sold	23,377	994,879	190,130	1,749,707
Gross profit	1,700,862	1,639,196	5,142,181	5,797,444
General and administration	821,681	2,845,483	4,161,912	6,558,321
Salaries	1,944,012	3,738,209	8,591,595	9,139,730
Professional fees	2,578,988	2,862,570	10,759,658	7,240,884
Sales and marketing	789,804	1,316,825	2,818,386	4,269,940
Investor relations	15,910	7,843	247,086	515,596
Gain on settlements and contingencies	28,494	(12,522)	(278,968)	(84,628)
Share based compensation	(6,341)	1,157,203	713,559	4,551,367
Accretion expense	181,499	337,095	1,148,587	967,185
Other expense	844,974	(342,918)	986,224	(342,918)
Share of loss from investment in associates	1,176,547	-	3,345,987	-
Depreciation	503,006	682,790	1,623,474	1,910,838
(Gain) Loss on foreign exchange	(1,914,425)	(1,427,049)	(1,952,176)	(265,142)
Loss on the sale of Land	-	-	867,770	-
Interest expense	510,167	519,776	3,087,181	1,701,140
Loss before income taxes	(5,773,454)	(10,046,109)	(30,978,094)	(30,364,869)
Income tax	43,941	-	57,331	-
Net loss	(5,817,395)	(10,046,109)	(31,035,425)	(30,364,869)
Other comprehensive (income) loss				
Unrealized (gain) loss on foreign currency translation	3,629,248	1,628,761	3,127,179	919,131
Comprehensive loss	(9,446,643)	(11,674,870)	(34,162,604)	(31,284,000)
Net comprehensive loss attributable to:				
Halo Collective Inc.	(5,633,859)	(10,046,109)	(30,365,879)	(30,364,869)
Non-controlling interests	(183,536)	-	(669,546)	-
Net loss per share, basic and diluted:	\$ (0.23)	\$ (806.31)	\$ (2.66)	\$ (2,994.97)
Weighted average number of outstanding common shares, basic and diluted:	25,305,629	12,459	11,662,260	10,139

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

Halo Collective Inc.
Condensed Interim Consolidated Statements of Change in Shareholders' Equity
Expressed in US Dollars

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit Non-controlling interest	Total	
Shareholders' equity, December 31, 2020		706,893	\$ 136,827,655	\$ 3,892,039	\$ 4,415,482	\$ 3,338,204	\$ 653,557	\$ 524,779	\$ (90,032,174)	\$ -	\$ 59,619,542
Share issuance in private placements	Note 13	300,691	31,378,055	954,319	-	-	-	-	-	-	32,332,374
Shares issued for acquisitions	Note 13	358,118	47,785,658	-	-	3,914,612	212,411	-	-	-	51,912,681
Shares issued to retire debt	Note 13	6,250	1,183,319	-	-	-	-	-	-	-	1,183,319
Shares issued as finders' fees	Note 13	24,577	3,398,131	-	-	-	-	-	-	-	3,398,131
Shares issued on conversion of debenture	Note 13	23	23,684	-	-	-	(3,338)	-	-	-	20,346
Share issue costs	Note 13	-	(1,747,479)	-	-	-	-	-	-	-	(1,747,479)
Share-based compensation for services	Note 13	30,418	2,313,097	-	438,672	-	-	-	-	-	2,751,769
Share-based compensation for staff	Note 13	4,567	437,385	4,169,985	-	-	-	-	-	-	4,607,370
Shares issued on exercise of warrants and options	Note 13	2,143	383,239	(135,952)	-	-	-	-	-	-	247,287
Forfeiture warrants and options	Note 13	-	-	(134,308)	(630,517)	-	-	-	764,825	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	(919,131)	(30,364,869)	-	(31,284,000)
Shareholders equity, September 30, 2021		1,433,680	\$ 221,982,744	\$ 8,746,083	\$ 4,223,637	\$ 7,252,816	\$ 862,630	\$ (394,352)	\$ (119,632,218)	\$ -	\$ 123,041,340

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit Non-controlling interest	Total	
Shareholders' equity, December 31, 2021		1,651,278	\$ 231,683,918	\$ 9,275,666	\$ 3,677,948	\$ 6,302,397	\$ 862,630	\$ 214,544	\$ (183,264,719)	\$ (2,295,905)	\$ 66,456,479
Shares issued for acquisitions	Note 13	732,688	8,563,597	-	-	-	-	-	-	-	8,563,597
Shares issued to retire debt	Note 13	5,379	17,197	-	-	-	-	-	-	-	17,197
Shares issued as finders' fees	Note 13	1,465	6,278	-	-	-	-	-	-	-	6,278
Equity reserve for debenture	Note 13	-	-	-	-	-	2,706,453	-	-	-	2,706,453
Shares issued on conversion of debenture	Note 13	15,555,063	18,384,066	-	549,353	-	(865,086)	-	-	-	18,068,333
Share-based compensation for services	Note 13	1,084,635	4,420,336	-	740,983	-	-	-	-	-	5,161,319
Share-based compensation for staff	Note 13	137,480	2,581,024	406,048	-	-	-	-	-	-	2,987,072
Shares issued on conversion of promissory notes	Note 13	32,336,189	7,107,576	-	-	-	-	-	-	-	7,107,576
Restricted stock units issued	Note 13	45,000	316,301	-	-	-	-	-	-	-	316,301
Forfeiture warrants and options	Note 13	-	-	(4,092,437)	-	-	-	-	4,092,437	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	(3,127,179)	(30,365,879)	(669,546)	(34,162,604)
Shareholders equity, September 30, 2022		51,549,177	\$ 273,080,293	\$ 5,589,277	\$ 4,968,284	\$ 6,302,397	\$ 2,703,997	\$ (2,912,635)	\$ (209,538,161)	\$ (2,965,451)	\$ 77,228,001

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

Halo Collective Inc.
Condensed Interim Consolidated Statements of Cash Flow

Expressed in US dollars

For the 9 months ended:

September 30, 2022 September 30, 2021

Cash provided by (used in)

Operating activities:

Net loss	(31,035,425)	(30,364,869)
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Items not involving cash

Depreciation	2,758,170	2,871,493
Accrued interest	Note 12, 14 2,078,563	953,007
Accretion expense	Note 12 1,148,587	967,185
Loss in fair value of biological assets	190,130	686,216
Gain in foreign exchange	(3,852,740)	(933,468)
Gain in early termination of lease	(15,219)	(154,664)
Income tax provision	57,331	-
Gain in modification of convertible debenture terms	(481,431)	-
Loss on factoring	1,574,984	-
Loss on sale of land	867,770	-
Share of loss from investment in associates	Note 5 3,345,987	-
Share-based compensation	Note 13 11,335,030	8,273,354

Changes in working capital items

Accounts receivable	Note 6 905,225	(1,312,396)
Notes receivable	Note 9 (1,430,446)	(1,163,397)
Accounts payable and accrued liabilities	505,782	1,506,749
Tax payable	343,305	1,304,458
Inventory	Note 7, 8 155,932	(10,329,554)
Pre-paid expenses and other	Note 10 (210,156)	(550,634)
Cash used in operating activities	(11,758,621)	(28,246,520)

Investing activities

Acquisitions	(60,000)	2,696,565
Proceeds from sale of land	2,350,000	-
Purchase of property, plant and equipment	(710,039)	(1,384,145)
Cash provided by investing activities	1,579,961	1,312,420

Financing activities

Issuance of common shares & convertible debentures	Note 12, 13 7,905,601	32,579,661
Loans	Note 14 3,569,730	1,965,853
Lease payments	(1,423,440)	(1,025,619)
Share issuance costs	Note 13 -	(1,747,479)
Cash raised in finance activities	10,051,891	31,772,416

Change in cash during the period	(126,769)	4,838,316
Cash beginning of the period	1,838,624	3,679,865
Cash end of the period	1,711,855	8,518,181

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

Halo Collective Inc.
Condensed Interim Consolidated Statements of Cash Flow

Expressed in US dollars

For the 9 months ended:
September 30, 2022 September 30, 2021

Supplemental disclosure of cash flow information:

Cash paid for interest on lease obligations	743,041	664,633
Cash paid for interest on other obligations	286,437	27,219
Cash paid for income taxes	3,846	-

Supplemental disclosure of non-cash investing and financing activities:

Issuance of warrants	1,290,336	438,672
Shares issued in connection with acquisition	8,569,875	51,183,789
Contingent consideration incurred in connection with acquisition	-	3,914,612
Conversion of convertible debt and accrued interest to equity	865,086	3,338

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

1. Nature of operations and background information

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

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

Effective October 8, 2021, the Company consolidated its common shares, with on one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with on one post-consolidation common share for every 20 pre-consolidation common shares. All share figures and references have been retrospectively adjusted.

2. Going concern

These condensed interim consolidated financial statements (“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.

As at September 30, 2022, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

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

In the United States, 37 states, the District of Columbia, and the U.S. territories of Guam and Puerto Rico allow the use of medical cannabis. The District of Columbia and eleven states - Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance that is still illegal at the federal level. There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

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

3. Basis of preparation

3.1 Basis of presentation and statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board and use the same accounting policies as the most recent audited annual consolidated financial statements. These condensed interim consolidated financial statements were authorized for issue by the Audit Committee of the Company's Board of Directors on November 14, 2022. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021. Certain 2021 figures have been reclassified to conform to the current year's presentation.

Acquisitions

1285826 B.C. Ltd. (doing business as H2C Beverages)

On January 25, 2022, the Company has completed the acquisition of 1285826 B.C. Ltd. (dba H2C Beverages) ("H2C"), a company focused on cannabinoids and non-psychoactive mushroom functional beverages. In exchange for the acquisition of all of the issued and outstanding shares of H2C, the Company has issued a total 407,076 common shares for a consideration of \$7,642,782, which include a finders' fee of 30,153 common shares value at \$566,132. Under IFRS, the transaction was not considered the acquisition of a business.

The total consideration of the transaction in the amount of \$7,642,782 was attributed to intangibles assets as the company's sole asset was the recipes.

Purchase price allocation

Intangible assets	7,642,782
Net purchase price	\$ 7,642,782

As at September 30, 2022, the carrying value of intangible assets was \$7,642,782 (December 31, 2021: Nil). No amortization was recorded.

1000116327 Ontario Ltd. (Doing business as Dissolve Medical)

On April 28, 2022, the Company has completed the acquisition of 1000116327 Ontario Ltd. (dba Dissolve Medical) ("Dissolve Medical"), a developer of CBD slits a precise, rapid, discreet and healthier option for cannabis consumption, consisting of strips containing CBD, CBN, or CBG formulations and owns proprietary recipes and all packaging and designs associated with the product. The CBD slits produce an oral delivery system, which are similar to breath strips, that can be used for energy elixirs, herbal remedies, and a smokeless alternative option to medical and recreational users of CBD, CBN, or CBG. The Company has issued a total 250,000 common shares for a consideration of \$885,082. Under IFRS, the transaction was not considered the acquisition of a business.

The total consideration of the transaction in the amount of \$885,082 was attributed to intangibles assets as the company's sole asset was the intellectual property related to the CBD splits.

Purchase price allocation

Intangible assets	885,082
Net purchase price	\$ 885,082

As at September 30, 2022, the carrying value of intangible assets was \$885,082 (December 31, 2021: Nil). No amortization was recorded.

ANM, Inc. (Doing business as Pistil Point)

On September 22, 2022, the Company has completed the acquisition of all of the substantial assets of Decatur One LLC, Bradford Two LLC, and Bradford Three LLC through its wholly-owned subsidiary ANM Inc., doing business as Pistil Point in Oregon which collectively hold multiple cannabis licenses. Pistil Point did not meet the definition of a business under IFRS 3, the transaction was recorded as an asset purchase.

The total consideration of the transaction in the amount of \$746,855 was attributed to intangibles assets as the company's sole asset was the licenses.

Purchase price allocation

Intangible assets	\$	746,855
Net purchase price	\$	746,855

As at September 30, 2022, the carrying value of intangible assets was \$746,855 (December 31, 2021: Nil). No amortization was recorded.

Dispossession

Halo KushBar Retail Inc.

Due to a dispute between Halo and High Tide with respect to certain payments in respect of the Stores, Halo did not perform certain of its obligations under the APA. In determining not to perform certain of its obligations, Halo considered a variety of factors, including (1) that the Stores were not generating the revenue or profits Halo expected them to, (2) the only recourse available to High Tide under the Note was to enforce the Share Pledge, and (3) Halo's desire to focus on its west coast US cannabis operations. Accordingly, Halo allowed High Tide to enforce the Share Pledge and gain control of Kushbar and the Stores. On July 14, 2022, High Tide enforced the Share Pledge and controls the Stores, the Company has no further obligations or liabilities under the convertible promissory note nor the asset purchase agreement with Halo Kushbar Retail Inc.

4. Operating segments

Disclosure by Segment - nine months ending September 30, 2021

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

Disclosure by Segment - nine months ending September 30, 2022

	US	Canada	UK	Lesotho	Total
Revenue	\$ 18,647,683	\$ 1,325,569	\$ -	\$ -	\$ 19,973,252
Cost of Cannabis inventory sold	13,732,696	908,245	-	-	14,640,941
Gross profit excluding FV changes	4,914,987	417,324	-	-	5,332,311
Realized and unrealized (gain) loss on biological assets	190,130	-	-	-	190,130
Gross profit (loss)	4,724,857	417,324	-	-	5,142,181
Net loss	(7,364,945)	(23,670,480)	-	-	(31,035,425)
Total assets	53,386,028	57,582,664	-	-	110,968,692
Long-term financial liabilities	\$ 5,460,377	\$ 9,845,788	\$ -	\$ -	\$ 15,306,165

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

5. Investments and deposits

Investments and deposits

As at:	September 30, 2022	December 31, 2021
Long-term investments	\$ 21,808,439	\$ 18,595,132
Deposits	740,000	680,000
Total	\$ 22,548,439	\$ 19,275,132

Williams Wonder Farms LLC

The Company has entered into an asset purchase agreement effective July 23, 2021, pursuant to which its wholly-owned subsidiary ANM, Inc. will acquire the William's Wonder Farms cannabis cultivation business in Oregon, including all trademarks, light dep flower, licenses issued by the Oregon Liquor Control Commission (the "OLCC") and subject to OLCC approvals, equipment, and related operating assets.

Upon closing of the transaction, ANM Williams Farms LLC will acquire the OLCC licenses and related operating assets from the two entities doing business as William's Farms: William's Wonder Farms LLC and Set Ventures LLC (the "William's Wonder entities"). The consideration payable by Halo for the acquisition of the assets from William's Wonder entities is \$3.8 million, of which \$2.8 million is payable in cash and \$1 million in exchange for 12,906 common shares of Halo. \$500,000 of the purchase price will be placed into escrow to serve as a source for any potential indemnification claims against the selling parties. The closing of the transaction is subject to the approval of the NEO Exchange Inc. and the OLCC, as well as the satisfaction of other customary closing conditions. The closing is expected to occur in latter 2022.

As of September 30, 2022, the Company advanced an additional \$60,000 to William's Wonder entities as a which total \$740,000 (December 31, 2021: \$680,000).

Akanda Corp.

On November 4, 2021, the Company completed its previously announced share purchase transaction with Akanda Corp. ("Akanda"). Contemporaneously, with closing of the transaction, Halo and Akanda entered into an investor rights agreement that provides the Company with certain rights with respect to its Akanda Shares, relating to information rights, board observation rights and the right to nominate a director to the Akanda board of directors in certain circumstances. Halo has also agreed that the investor rights agreement will not provide Halo with any rights of first offer to participate in future equity offerings by Akanda as previously announced. As part of the closing of the Transaction, Akanda issued a secured convertible debenture to Halo in the principal amount of US\$6.6 million in exchange for setting off all outstanding indebtedness owed by Bophelo and Canmart to Halo.

The Company received 13,129,212 common shares of Akanda valued at \$13,129,212 on November 4, 2021 and sold 2,100,000 common shares for consideration of \$2,100,000 on November 12, 2021.

On March 14, 2022, an amount of \$6,559,294 was reclassified from notes receivable (Note 9) to long-term investment upon conversion of Akanda convertible debenture.

For the nine months ended September 30, 2022, the Company has recorded a loss from investment in Akanda of \$3,339,356 (nine months ended September 30, 2021: Nil).

As of September 30, 2022, a long-term investment of \$13,715,620 was recorded (December 31, 2021: \$10,495,682).

6. Accounts receivable

Accounts receivable			
As at:	September 30, 2022	December 31, 2021	
1 - 30 days	497,096	\$	1,958,728
30 - 60 days	388,517		2,869,968
60 - 90 days	1,068,562		227,479
> 90 days	3,213,829		1,017,054
Total	\$ 5,168,004	\$	6,073,229

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

Accounts receivable			
As at:	September 30, 2022	December 31, 2021	
Accounts receivable - trade	\$ 5,778,380	\$	6,484,206
Bad debt provision	(610,376)		(410,977)
Total accounts receivable	\$ 5,168,004	\$	6,073,229

Bad debt expense amounts are included in general and administration expenses. All the Company's trade and other receivables were reviewed for impairment based on expected credit losses. In the nine months ended September 30, 2022, there were no impairments in accounts receivable over 90 days (nine months ended September 30, 2021: \$970,195).

7. Inventory

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

Inventory by class

As at:	<i>September 30, 2022</i>	<i>December 31, 2021</i>
Raw materials	\$ 1,075,301	\$ 2,915,613
Work in progress	2,471,192	2,809,852
Finished goods	11,345,442	11,094,967
Total	\$ 14,891,935	\$ 16,820,432

In the nine months ended September 30, 2022, the amount included in the cost of goods sold was \$9,683,318 (nine months ended September 30, 2021: \$17,523,062). In the nine months ended September 30, 2022, there were no inventory impairments charged to the cost of goods sold (nine months ended September 30, 2021: Nil).

In the nine months ended September 30, 2022, depreciation of \$1,134,696 was recognized as cost of goods sold (nine months ended September 30, 2021: \$960,655) and \$850,212 was recognized as operating expenses in relation to leased assets (nine months ended September 30, 2021: \$586,922).

8. Biological assets

While the Company’s biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach that is similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies and labor used in the growing process.

Biological assets are measured at their fair value less costs to sell (“FVLCS”) in the 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 the growth of biological assets are recorded in a separate line in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Under IFRS 13 Fair Value Measurement, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The measurement of the fair value of the asset must take into the condition of the asset as well as any restrictions on the sale of the asset. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value considers a market participant's ability to use that asset in its highest and best use. The highest and best use considers the use of the asset that is physically possible, legally permissible and financially feasible, either, in combination with other assets or on a standalone basis.

Biological assets - East Evans Creek

Balance December 31, 2021	\$ -
Fair value change due to biological transformation	520,561
Production costs capitalized	1,061,874
Transferred to inventory upon harvest	-
Balance September 30, 2022	\$ 1,582,435

In the nine months ended September 30, 2022, at East Evans Creek, the fair value change due to biological assets transformation in the cannabis plants model is \$520,561 (nine months ended September 30, 2021: \$891,899) and capitalized production costs are \$1,061,874 (nine months ended September 30, 2021: \$1,720,309).

Assumptions utilized in cannabis plant model - East Evans Creek

	Harvest season 2022			Harvest season 2021		
	Flower	Trim	Fresh frozen	Flower	Trim	Fresh frozen
Ratio flower vs. trim	44.0%	56.0%	0.0%	31.0%	49.0%	20.0%
Yield - pounds	5,806	7,464	-	6,396	10,030	4,142
Yield per plant - pounds	0.86	1.11	-	1.74	0.97	1.61
Selling price - \$ per gram	\$ 0.88	\$ 0.08	\$ -	\$ 0.66	\$ 0.06	\$ 0.04
FVLCs - \$ per gram	\$ 0.56	\$ 0.05	\$ -	\$ 0.32	\$ 0.03	\$ 0.02

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks;
- Number of plants harvested 6,714. Dry flower yield is 0.86 pounds, trim yield is 1.11 pounds, fresh frozen yield is Nil pounds;

- Total yield estimate is 13,270 pounds of biomass;
- Ratio of flower, trim and fresh frozen is 44% - 56% - 0%
- Wholesale price per gram is \$0.88 for flower, \$0.08 for trim and \$Nil for fresh frozen, based on historical and expected future sales;
- FVLCS of dry cannabis is \$0.56 per gram for flower, \$0.05 for trim and \$Nil for fresh frozen.

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

Effect of a 10% change in the value of biological assets

Assumption:	Input	10% Change
Expected yields for cannabis plants (average pounds per plant)		
Dry flower	0.88 pounds per plant	\$ 62,160
Trim	1.11 pounds per plant	
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	88%	\$ 62,160
Estimated selling price (per pound)		
Dry flower	\$ 402	\$ 91,885
Trim	\$ 35	
After harvest cost to complete and sell (per pound)		
Dry flower	\$ 131	\$ 29,725
Trim	\$ 11	

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

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

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

9. Notes receivable

Notes receivable		
As at:	September 30, 2022	December 31, 2021
Due from Akanda; note receivable	\$ 159,161	\$ 6,705,767
Due from executives; due on receipt and no interest bearing	-	306,890
Due from suppliers; 5 year term at 2.5% annual interest	1,462,063	1,144,122
Due from Bar X Farms, LLC; unsecured 8% annual interest matures on December 31, 2023	1,266,532	1,243,016
Due from Lake County Nations Health LLC; 15% annual interest, matures on October 1, 2022	1,502,839	649,117
Due from Williams Wonder pending closing of acquisition	370,771	430,771
Due from Pistil Point Distribution pending closing of acquisition	-	398,997
Promissory note secured by Deed of Trust at 2% annual interest, matures on June 30, 2023	400,000	-
Secured credit line; promissory note at 2% annual interest, matures on January 13, 2023	57,498	57,498
Sub-total	5,218,864	10,936,178
Less current portion	(2,276,648)	(7,775,433)
Total	\$ 2,942,216	\$ 3,160,745

Notes receivable as at September 30, 2022, were \$5,218,864 (December 31, 2021: \$10,936,178). They include:

- Note receivable from Akanda including \$159,161 note receivable with no specific payment terms (December 31, 2021: \$146,473). An amount of \$6,559,294 Secured Debenture with terms specified below (December 31, 2021: \$6,559,294) was classified as long-term investment (Note 5) on March 14, 2022;
- \$Nil due from executives of the Company or entities controlled by executives of the Company with varied terms from due on receipt bears no interest to 5 year term with 2.5% annual interest (December 31, 2021: \$306,890);
- an amount of \$1,462,063 due from suppliers with 5 year term and bears 2.5% annual interest (December 31, 2021: \$1,144,122);
- \$1,266,532 due from Bar X Farms, LLC with 8% annual interest and matures on December 31, 2023 (December 31, 2021: \$1,243,016);

- \$1,502,839 due from Lake County National Health LLC non-recourse promissory note that bears 15% annual interest matures on October 1, 2022 (December 31, 2021: \$649,117);
- \$370,771 from the Williams Wonder acquisition pending closure (December 31, 2021: \$430,771);
- \$Nil from the Pistil Point as acquisition completed (December 31, 2021: \$398,997);
- \$400,000 from secured line of credit promissory note that bears 2% annual interest and matures on June 30, 2023 (December 31, 2021: \$Nil); and
- \$57,498 from secured line of credit promissory note that bears 2% annual interest and matures on January 13, 2023 (December 31, 2021: \$57,498).

The \$6,559,294 Secured Debenture issued by Akanda Corp. bears an interest rate of 1% annually, which amount may be paid in the form of Akanda Shares at the applicable conversion price upon a conversion of the debenture. The debenture matures on November 2, 2022 and is secured by all of Akanda's assets. The debenture will be automatically converted into Akanda shares upon certain liquidity events (each, a "triggering event") occurring within six months from the date of the debenture, including an initial public offering of Akanda shares on a stock exchange, an amalgamation, arrangement, merger, reverse takeover, reorganization, or other similar transaction of Akanda with or into any other person, or a sale or conveyance of all or substantially all of the property and assets of Akanda. On March 14, 2022, Akanda's convertible debenture was converted.

10. Deposits and prepaid expenses

Deposits and prepaid expenses

As at:	<i>September 30, 2022</i>	<i>December 31, 2021</i>
Prepaid expenses and other	\$ 9,259,841	\$ 3,208,452

Included in prepaid expenses are advance to various vendors and other prepaids and deposits. As at September 30, 2022, the commitment fee paid in relations to the loan agreement and subscription agreement with Global Tech Opportunities 6 was \$3,217,566.

11. Related party relationships, transactions and balances

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

Compensation key executives

9 months ending:	September 30, 2022	September 30, 2021
Salaries, commissions, bonuses, consulting fees	\$ 2,317,622	\$ 2,695,481
Share-based compensation	611,379	2,911,154
Total	\$ 2,929,001	\$ 5,606,635

The table above lists all share-based compensation received by key executives, which includes shares issued in lieu of salary that are recorded as salaries in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss. Options and warrants were granted on June 21, 2021 to staff, directors and consultants. Options and warrants granted to employees and directors vest over a period of 2 - 4 years. Share-based compensation is recognized on a graded vesting basis and is expensed and included in operations.

In the nine months ended September 30, 2022, remuneration to executives was \$2,317,622 (nine months ended September 30, 2021: \$2,695,481). Share-based compensation was \$611,379 (nine months ended September 30, 2021: \$2,911,154).

Related parties

As at:	September 30, 2022	December 31, 2021
Due from directors, officers and other related parties	\$ -	\$ 306,890
Due to directors, officers and other related parties	4,894	30,181

As of September 30, 2022, due from shareholders and related parties is \$Nil (December 31, 2021: \$306,890) in relation to notes receivable from executives of the Company (Note 9). As of September 30, 2022, due to shareholders and related parties was \$4,894 (December 31, 2021: \$30,181). 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.

12. Convertible debentures

2019 Convertible debenture

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). On Feb 15, 2022, the Debenture holders passed an extraordinary resolution to amend the certificates between the Company and each of the Debenture holders, which will amend the Convertible Debentures to: (i) extend the maturity date of the Convertible Debentures from April 4, 2022 to December 31, 2024; (ii) reduce the interest rate of the Convertible Debentures from 8% to 0.0%; (iii) amend the conversion terms of the Convertible Debentures to make such debentures convertible into units (each, a "Unit"); (iv) lower the conversion price of the Convertible Debentures to C\$20.60 per Unit from C\$1,300 per debenture; and (v) provide the Company with a right to accelerate the conversion of the Convertible Debentures.

Each Unit is comprised of one common share of Halo and one half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to purchase one Common Share at an exercise price of C\$47 per Common Share, subject to adjustment, until February 15, 2024.

Continuity 2019 convertible debenture

Balance December 31, 2021	\$ 9,661,212
Adjustments	(3,187,884)
Liability portion of conversions in the period	(1,574,583)
Interest paid	(82,384)
Accretion of loan discount	571,043
Accrued interest	82,384
Foreign exchange gain (loss)	(456,490)
Balance September 30, 2022	<u>\$ 5,013,298</u>

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

As of September 30, 2022, the amount of convertible debenture outstanding was \$5,013,298 (December 31, 2021: \$9,661,212). As of September 30, 2022, a total of 11,621 debentures were converted into 150,849 common shares of the Company and 9,542 debentures are in issue. Pursuant to the prospectus agreement, the Company is required to hold in escrow, funds sufficient to cover interest payment to maturity of the convertible debenture on April 4, 2022. As of September 30, 2022, \$Nil (December 31, 2021: \$126,947), was recorded as restricted cash on the Condensed Interim Consolidated Statement of Financial Position.

2021 Convertible promissory note

On July 14, 2021, in connection with the closing of the asset purchase agreement with High Tide Inc., the

Company issued a convertible promissory note to the former owner of High Tide Inc. in the principal amount of \$1,438,274 (C\$1,800,000) with a conversion rate of \$255.60 (C\$320) per Halo Share.

As at September 30, 2022, the amount of the 2021 convertible promissory note outstanding was \$1,322,006 (December 31, 2021: \$1,286,625).

Continuity 2021 convertible note

Balance December 31, 2021	\$ 1,286,625
Accretion of loan discount	42,790
Accrued interest	91,924
Foreign exchange gain (loss)	(99,333)
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Balance September 30, 2022	\$ 1,322,006

2022 Unsecured Convertible Debenture

During the period ended on September 30, 2022, the Company entered into a loan agreement and subscription agreement with Global Tech Opportunities 6.

On January 13, 2022, the Company issued a total of \$2,495,296 (C\$3,118,122) convertible debenture to settle \$1,915,876 of the first advance made by Global Tech Opportunities 6 and \$520,166 of commitment fee associated with the loan agreement and the subscription agreement, which will be amortized over the commitment period of 18 months. The convertible debenture bears no interest and matures on January 12, 2024 with conversion price of the lower of: (a) C\$25; and (ii) the closing price of the Common Shares on the NEO on the date immediately preceding the date on which a Conversion Notice is delivered to the Corporation (or, in the event of the automatic conversion of the Outstanding Principal upon the maturity of this Convertible Debenture, the Maturity Date); On March 8, 2022, the convertible debenture issued in connection with repayment of the advance was fully converted to 157,352 common shares at an average conversion price of C\$19.80.

On March 8, 2022, the Company issued \$4,001,280 (C\$5,000,000) convertible debenture for gross receipt of \$1,772,053 and commitment fee payment of \$2,000,640. The commitment fee will be amortized over the commitment period of 36 months. The convertible debenture bears no interest and matures on March 7, 2024 with conversion price of the lower of: (a) C\$20.00; and (ii) the closing price of the Common Shares on the NEO on the date immediately preceding the date on which a Conversion Notice is delivered to the Corporation (or, in the event of the automatic conversion of the Outstanding Principal upon the maturity of this Convertible Debenture, the Maturity Date); On March 31, 2022, the convertible debenture issued was fully converted to 607,551 common shares at an average conversion price of C\$8.20.

During the quarter ended September 30, 2022, the Company issued total \$12,767,199 (C\$17,500,000) convertible debenture for gross cash receipt of \$6,116,350, settle \$3,567,840 of the first advance made by

Global Tech Opportunities 6, and \$920,386 of make-whole amount. The convertible debenture bears no interest and maturity date varies from April 10, 2024 to June 30, 2024. Conversion price is the lower of: (a) C\$20.00; and (ii) the closing price of the Common Shares on the NEO on the date immediately preceding the date on which a Conversion Notice is delivered to the Corporation (or, in the event of the automatic conversion of the Outstanding Principal upon the maturity of this Convertible Debenture, the Maturity Date); As at September 30, 2022, the convertible debenture issued was converted to 14,639,310 common shares at an average conversion price of C\$0.89.

13. Share capital

13.1 Share capital

Authorized shares

The authorized number of common shares is unlimited without par value.

Effective October 8, 2021, the Company has consolidated its common shares on the basis of one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with on one post-consolidation common share for every 20 pre-consolidation common shares. All share figures and references are retrospectively adjusted.

Shares issued in the nine months ended September 30, 2022

- On January 21, 2022, 407,076 shares were issued, valued at \$7,642,782 relating to the 1285826 B.C. Ltd. dba H2C Beverages acquisition, including finder fees consists of 30,153 shares valued at \$566,132 were issued relating to this transaction;
- On April 20, 2022, 9,158 shares were issued, valued at \$39,238, including finders fee of 115 shares valued at \$6,278 relating to ZXC11 acquisition;
- On April 25, 2022, 250,000 shares were issued, valued at \$885,082 relating to the 1000116327 Ontario Ltd. dba Dissolve Medical;
- On September 22, 2022, 67,918 shares were issued, valued at \$2,772 relating to the Pistil Point acquisition;
- During the nine months ended September 30, 2022, a total of 15,555,063 common shares, valued at \$17,776,672, were issued on conversion of debentures;
- During the nine months ended September 30, 2022, a total of 32,336,189 common shares, valued at \$7,107,577, were issued on conversion of promissory notes; and
- During the nine months ended September 30, 2022, 1,222,115 common shares were issued,

valued at \$7,001,360 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration accrued;

- During the nine months ended September 30, 2022, 5,379 common shares, valued at \$17,197, were issued to retire debt.

Costs in relation to share issuances are classified as share issuance costs in the Condensed Interim Consolidated Statement of Change in Shareholders' Equity. In the nine months ended September 30, 2022, share issuance costs included in the Condensed Interim Consolidated Statement of Change in Shareholders' Equity were \$Nil (nine months ended September 30, 2021: recovery of \$1,747,479).

As at September 30, 2022, the Company had 12,454 common shares in escrow (December 31, 2021: 497,309).

Shares issued in the nine months ended September 30, 2021

- On March 2, 2021, 23,690 shares were issued, valued at \$5,628,953 as pre-closing deposits for the acquisitions of SDF11 LLC and ZXC11 LLC;
- On March 2, 2021, 118,650 shares were issued, valued at \$28,191,909 for the acquisitions of Black and Crimson LLC and POI11 LLC;
- On March 2, 2021, 5,898 shares were issued, valued at \$2,114,393 as finders' fee for the acquisitions of Black and Crimson LLC and POI11 LLC;
- On March 9, 2021, 23 shares were issued, valued at \$23,684 on conversion of a convertible debenture;
- On April 20, 2021, 22,023 shares were issued, valued at \$3,121,749 relating to the acquisition of Nature's Best Resources LLC. Finder fees consisting of 989 shares valued at \$149,093 were issued relating to this transaction;
- On June 21, 2021, 64,675 shares were issued, valued at \$6,795,264 relating to the 1307296 BC Ltd. acquisition resulting in investment in Elegance Brands. Finder fees consists of 4,850 shares valued at \$509,645 were issued;
- On September 13, 2021, 129,078 shares were issued, valued at \$8,200,000 relating to the acquisition of Food Concepts LLC. Finder fees consists of 9,838 shares valued at \$625,000 were issued relating to this transaction;
- During the nine months ended September 30, 2021, a total of 297,691 common shares, valued at \$32,332,373 were issued, in relation to overnight marketed and ATM public offerings;

- During the nine months ended September 30, 2021, 6,250 shares were issued, valued at \$1,183,319 in relation to the conversion of the second amended and restated convertible credit facility;
- During the nine months ended September 30, 2021, a total of 2,143 common shares were issued, on exercise of options and warrants for cash proceeds of \$98,439; and
- During the nine months ended September 30, 2021, a total of 34,986 common shares were issued, valued at \$2,750,481 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration accrued.

13.2 Share purchase warrants

The following table summarizes information regarding warrants by term, the number of warrants granted and exercise price for the nine months ended September 30, 2022.

Warrants issued and vested							
		September 30, 2022			December 31, 2021		
Grant date	Expiry date	Number of warrants issued	Number of warrants vested	Exercise price (CAD\$)	Number of warrants issued	Number of warrants vested	Exercise price (CAD\$)
October 11, 2017	October 10, 2027	356	356	\$1,442.20	7,125	7,125	\$72.11
May 13, 2018	May 14, 2023	67	67	\$1,540.00	1,347	1,347	\$77.00
September 28, 2018	September 30, 2023	150	150	\$800.00	3,000	3,000	\$40.00
September 28, 2018	September 27, 2024	313	313	\$800.00	6,250	6,250	\$40.00
September 8, 2020	September 8, 2022	750	750	\$270.00	15,000	15,000	\$13.50
February 2, 2021	August 2, 2023	45,205	45,205	\$250.00	904,107	904,107	\$12.50
February 11, 2021	August 11, 2023	5,415	5,415	\$250.00	108,301	108,301	\$12.50
February 19, 2021	February 9, 2024	32,857	32,857	\$450.00	657,144	657,144	\$22.50
April 7, 2021	April 7, 2022	5,000	5,000	\$220.00	100,000	100,000	\$11.00
May 12, 2017	May 11, 2027	3,122	3,122	\$1,442.20	62,437	62,437	\$72.11
January 6, 2022	January 6, 2027	43,750	43,750	\$32.00	-	-	-
February 23, 2022	February 15, 2024	57,998	57,998	\$47.00	-	-	-
February 24, 2022	February 15, 2024	485	485	\$47.00	-	-	-
February 28, 2022	February 15, 2024	1,675	1,675	\$47.00	-	-	-
March 8, 2022	February 15, 2024	2,306	2,306	\$47.00	-	-	-
March 28, 2022	February 15, 2024	4,005	4,005	\$47.00	-	-	-
March 31, 2022	February 15, 2024	510	510	\$47.00	-	-	-
April 7, 2022	February 15, 2024	121	121	\$47.00	-	-	-
April 8, 2022	February 15, 2024	2,913	2,913	\$47.00	-	-	-
April 19, 2022	February 15, 2024	97	97	\$47.00	-	-	-
April 20, 2022	February 15, 2024	485	485	\$47.00	-	-	-
April 28, 2022	February 15, 2024	728	728	\$47.00	-	-	-
May 27, 2022	February 15, 2024	607	607	\$47.00	-	-	-
July 28, 2022	February 15, 2024	461	9,223	\$47.00	-	-	-
August 8, 2022	February 15, 2024	607	12,135	\$47.00	-	-	-
September 22, 2022	February 15, 2024	2,427	48,453	\$47.00	-	-	-
		212,410	278,726	\$ 185.88	1,864,711	1,864,711	\$ 18.61

Note: Prices in Canadian dollars

The Company recognized \$740,983 share-based payments for services for the nine months ended September 30, 2022 (nine months ended September 30, 2021: \$438,672).

As at September 30, 2022, 212,410 warrants were exercisable (December 31, 2021: 1,864,711). As at that date, the average exercise price of exercisable warrants was C\$185.88 (December 31, 2021: C\$18.61).

Warrants outstanding

	<i>9 months ending September 30, 2022</i>		<i>9 months ending September 30, 2021</i>	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at beginning of	93,236	\$ 372.29	488,798	\$ 38.61
Granted	119,174	\$ 40.12	1,779,562	\$ 12.78
Exercised	-	\$ -	(10,010)	\$ 10.00
Forfeited / cancelled	-	\$ -	(213,639)	\$ 62.25
Outstanding at end of	212,410	\$ 185.88	2,044,711	\$ 13.80

As at September 30, 2022, the weighted average exercise price of each Halo warrant granted and in issue was C\$185.88 (December 31, 2021: C\$18.61). As at date, the weighted average fair market value of each warrant in issue was C\$44.80 using the Black-Scholes Option Pricing Model (December 31, 2021: C\$2.53). As at September 30, 2022, the weighted average remaining contractual life of the warrants is 1.85 years (December 31, 2021: 1.85 years).

The assumptions used for the calculation of the fair value of warrants at grant date during the nine months ended September 30, 2022 and 2021 are:

Black-Scholes assumptions for warrants

	9 months ending September 30,	
	2022	2021
Risk free rate	1.41%	0.26%
Expected life	5.00	1 Year
Volatility	144%	172%
Expected dividend per share	Nil	Nil
Share price	\$24.40	\$200

Note: Prices in Canadian dollars

13.3 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.

The following table summarizes information regarding stock options issued by term, number of options granted and exercise price for the nine months ended September 30, 2022.

Options issued and vested		September 30, 2022			December 31, 2021		
Grant date	Expiry date	Number of options issued	Number of options vested	Exercise price (CAD\$)	Number of options issued	Number of options vested	Exercise price (CAD\$)
May 12, 2017	May 11, 2027	283	283	\$ 1,733.40	13,162	13,162	\$ 86.67
September 28, 2018	September 29, 2024	1,765	1,765	\$ 800.00	49,012	49,012	\$ 40.00
December 19, 2019	December 19, 2024	291	291	\$ 600.00	18,820	18,820	\$ 30.00
May 27, 2020	December 19, 2024	4,459	4,459	\$ 210.00	244,000	240,089	\$ 10.50
September 30, 2020	September 30, 2022	50	50	\$ 200.00	1,000	1,000	\$ 10.00
December 7, 2020	December 7, 2025	13,325	13,325	\$ 110.00	540,250	540,250	\$ 5.50
December 14, 2020	December 14, 2025	100	100	\$ 110.00	7,400	7,400	\$ 5.50
February 2, 2021	August 2, 2023	3,199	3,199	\$ 180.00	63,986	63,986	\$ 9.00
February 11, 2021	August 11, 2023	379	379	\$ 180.00	7,580	7,580	\$ 9.00
February 19, 2021	February 19, 2024	2,300	2,300	\$ 350.00	46,000	46,000	\$ 17.50
June 21, 2021	June 21, 2025	19,725	19,725	\$ 130.00	783,500	460,500	\$ 6.50
		45,876	45,876	\$ 187.86	1,774,710	1,447,799	\$ 9.10

Note: Prices in Canadian dollars

As at September 30, 2022, the weighted average remaining contractual life of each option is 3 years (December 31, 2021: 3 years).

Options outstanding	9 months ending September 30, 2022		9 months ending September 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of	88,736	\$ 181.97	930,878	\$ 7.75
Granted	-	\$ -	1,042,066	\$ 6.11
Exercised	-	\$ -	(32,850)	\$ 4.44
Forfeited / cancelled	(42,860)	\$ 175.70	(144,384)	\$ 8.35
Outstanding at end of	45,876	\$ 187.86	1,795,710	\$ 6.81

Note: Prices in Canadian dollars

The Company recognized share-based compensation related to options granted and vesting during the nine months ended September 30, 2022, in the amount of \$406,048 (nine months ended September 30, 2021: \$4,169,985).

The assumptions used for the calculation of the fair value of options at grant date during the nine months ended September 30, 2022, and 2021 are:

Black-Scholes assumptions for options

	9 months ending September 30,	
	2022	2021
Risk free rate: 5-7 years	-	0.22%-0.85%
Expected life	-	2.5 - 4 years
Volatility	-	139% - 167%
Expected dividend per share	-	Nil
Share price	-	\$130 - \$410

Note: Prices in Canadian dollars

14. Other loans

Other loans		
As at:	September 30, 2022	December 31, 2021
Non-recourse promissory note secured by deed of trust in LCNH LLC; 15% annual interest and matures on October 1, 2022	\$ 2,330,760	\$ 3,205,231
Unsecured loan agreement with Global Tech Opportunities 6; 8% interest, matures within six months of advance	813,105	-
Merchant cash advance; secured and non-interest bearing	778,268	1,963,382
Secured promissory note: 9.5% interest, matures on July 29, 2022	-	1,500,000
Unsecured line of credit agreement in Bar X LLC; 8% interest, matures on December 31, 2023	519,844	519,844
Unsecured loan; 5% interest per month, matures in December 2022	-	460,723
Equipment lease, matures in January 2023	127,424	214,394
Other loans	113,209	112,843
Sub-total	4,682,610	7,976,417
Less current portion	(3,606,474)	(6,875,442)
Total	\$ 1,076,136	\$ 1,100,975

As at September 30, 2022, total loans were \$4,682,610 (December 31, 2021: \$7,976,417). This included:

- A \$2,330,760 balance payable to lenders of LCNH. The loan matures on October 1, 2022 and carries 15% annual interest including accrued interest payable of \$479,415 (December 31, 2021: amount outstanding \$3,205,231);
- A \$813,105 balance payable to Global Tech Opportunities 6, an unsecured loan agreement carries 8% interest and matures in six months of advance (December 31, 2021: Nil);
- A \$778,268 balance pursuant to a secured merchant cash advance agreement with no interest bearing (December 31, 2021: \$1,963,382);
- A \$519,844 loan payable to lenders of Bar X Farms, LLC pursuant to a credit agreement which carries 8% annual interest, and matures on December 31, 2023 (December 31, 2021: amount outstanding \$519,844);
- A \$127,424 balance pursuant to an equipment lease agreement which ends in January 2023 (December 31, 2021: amount outstanding \$214,394);
- Other loans of \$113,209 with no specific payment terms (December 31, 2021: amount outstanding \$112,843).

15. Capital management

The Company's objectives for managing capital are: (i) to maintain a flexible capital structure that optimizes the cost/risk equation; and (ii) to manage capital in a manner that maximizes the interests of shareholders. The Company considers capital as the total equity and debt disclosed on the statement of financial position.

Capital structure

As at:	September 30, 2022	December 31, 2021
Shareholders' equity	\$ 77,228,001	\$ 66,456,479
Long-term loans	10,510,829	2,387,600
Short-term loans	3,606,474	16,536,654

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

Management does not establish quantitative return on capital criteria. However, management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. As at September 30, 2022, the Company is not subject to any externally imposed capital requirements.

16. Financial instruments

16.1 Fair value of financial instruments

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

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

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

As at September 30, 2022, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

16.2 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, 2022 is the carrying value of cash, restricted cash, accounts receivable, and notes receivable. The Company believes that there is limited risk that notes receivables are not settled. The Company takes a provision to allow for accounts receivable not being settled, which it believes is enough.

Liquidity risk

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

Financial liabilities - September 30, 2022

	Accounts payable & accrued liabilities	Loans and Debenture liability	Total
Carrying value	\$ 12,310,760	\$ 14,117,303	\$ 26,428,063
1 - 30 days	5,737,515	827,520	6,565,035
30 - 60 days	954,730	15,457	970,187
60 - 90 days	367,120	26,608	393,728
> 90 days	5,251,395	13,247,718	18,499,113

As at September 30, 2022, the Company had current assets of \$34,890,718 (December 31, 2021: \$35,716,170) and current liabilities of \$18,434,526 (December 31, 2021: \$30,287,258). 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.

17. Commitments and contingencies

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

The Company has commitments under certain leases for its facilities. On January 1, 2019, the Company adopted IFRS 16 and now records a right-of-use asset for each lease commitment that meets the requirements of the policy.

Committed lease obligations	Amount due
2022	902,354
2023	1,885,811
2024	1,899,098
2025	1,913,580
2026	783,875
2027	484,858
2028	545,778
Thereafter	8,847,007

The Company is a party to legal proceedings and other claims in the ordinary course of its operations. Management commitments, litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these Condensed Interim Consolidated Financial Statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

18. Non-Controlling Interests

The non-controlling interests of the Company for each affiliate before intercompany elimination are summarized in the table below:

Non-Controlling Interests

Summarized statement of financial position - as at September 30, 2021

	LKJ11	SDF11	ZXC11	Total
Current assets	\$ -	\$ -	\$ -	\$ -
Current liabilities	(4,246,928)	-	-	(4,246,928)
Current net assets (liabilities)	(4,246,928)	-	-	(4,246,928)
Non-current assets	-	-	-	-
Non-current liabilities	-	-	-	-
Non-current net assets (liabilities)	-	-	-	-
Accumulated NCI	\$ -	\$ -	\$ -	\$ -

Non-Controlling Interests

Summarized statement of financial position - as at September 30, 2022

	LKJ11	SDF11	ZXC11	Total
Current assets	\$ 194,277	\$ -	\$ -	\$ 194,277
Current liabilities	(5,375,924)	(639,220)	(1,298,235)	(7,313,379)
Current net assets (liabilities)	(5,181,647)	(639,220)	(1,298,235)	(7,119,102)
Non-current assets	81,584	158,916	337,296	577,796
Non-current liabilities	-	(1,012,818)	(313,910)	(1,326,728)
Non-current net assets (liabilities)	81,584	(853,902)	23,386	(748,932)
Accumulated NCI	\$ (312,086)	\$ (1,493,122)	\$ (1,160,243)	\$ (2,965,451)

The net change in the non-controlling interests is summarized in the table below:

Net change in the Non-Controlling Interests				
	LKJ11	SDF11	ZXC11	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -
Net loss attributable to NCI	-	-	-	-
Balance, September 30, 2021	\$ -	\$ -	\$ -	\$ -
Balance, December 31, 2021	\$ (57,379)	\$ (1,286,716)	\$ (951,810)	\$ (2,295,905)
Net loss attributable to NCI	(254,707)	(206,406)	(208,433)	(669,546)
Balance, September 30, 2022	\$ (312,086)	\$ (1,493,122)	\$ (1,160,243)	\$ (2,965,451)

19. Subsequent events

Shares consolidation

On October 27, 2022, the Company consolidated its common shares, with one post-consolidation common share for every five pre-consolidation common shares.