

Halo Collective Inc.
Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023, and 2022
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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For the three and six months ended June 30, 2023, and 2022
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Halo Collective Inc.
Condensed Interim Consolidated Statements of Financial Position

Expressed in US dollars

June 30, 2023 December 31, 2022

Assets			
Current			
Cash		1,262,446	944,342
Accounts receivable	Note 6	1,706,635	2,723,858
Inventory	Note 7	10,452,794	11,483,700
Biological assets	Note 8	-	46,409
Notes receivable	Note 9	3,175,366	1,749,872
Other receivable		492,187	555,281
Deposits and pre-paid expenses	Note 10	875,645	1,573,187
Total current assets		17,965,073	19,076,649
Long-term			
Property, plant and equipment		11,722,282	12,973,864
Intangible assets and goodwill		13,735,202	13,823,682
Notes receivable	Note 9	769,075	769,075
Investments	Note 5	-	10,248,237
Total long-term assets		26,226,559	37,814,858
Total assets		44,191,632	56,891,507
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		7,649,391	9,623,601
Lease liability - current portion		1,180,765	1,080,314
Other loans - current portion	Note 14	3,045,285	2,662,496
Income tax payable		239,711	238,944
Sales & cultivation tax payable		86,093	-
Total current liabilities		12,201,245	13,605,355
Long-term liabilities			
Debenture liability - net of current portion	Note 12	7,550,409	8,532,358
Lease liability - net of current portion		3,628,630	4,243,962
Other loans - net of current portion	Note 14	1,076,136	1,076,136
Total long-term liabilities		12,255,175	13,852,456
Total Liabilities		24,456,420	27,457,811
Shareholders' equity			
Share capital	Note 13	280,169,958	277,817,331
Share capital reserve	Note 13	10,404,365	10,399,682
Convertible debenture equity reserve	Note 12	2,483,834	2,483,834
Equity reserve	Note 13	6,302,397	6,302,397
Non-controlling interest	Note 18	(3,237,584)	(3,145,440)
Accumulated other comprehensive income		(511,943)	(1,475,063)
Deficit		(275,875,815)	(262,949,045)
Total shareholders' equity		19,735,212	29,433,696
Total shareholders' equity and liabilities		44,191,632	56,891,507

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 Loss and Comprehensive Loss

Expressed in US dollars

	<i>For the 3 months ended:</i>		<i>For the 6 months ended:</i>	
	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Revenue	3,568,662	6,869,983	8,188,915	14,432,108
Cost of finished cannabis inventory sold	1,736,423	4,675,780	4,656,043	10,824,036
Gross profit, excluding fair value items	1,832,239	2,194,203	3,532,872	3,608,072
Realized fair value loss included in the cost of inventory sold	-	-	4,586	166,753
Gross profit	1,832,239	2,194,203	3,528,286	3,441,319
General and administration	280,945	1,642,927	2,395,379	3,340,231
Salaries	916,183	3,215,777	2,058,006	6,647,583
Professional fees	1,614,668	4,400,603	3,278,070	8,180,670
Sales and marketing	507,611	1,044,818	1,665,398	2,028,582
Investor relations	5,472	128,039	12,455	231,176
(Gain) Loss on settlements and contingencies	1,855	(291,258)	1,855	(307,462)
Share based compensation	-	74,114	-	719,900
Gain on fair value adjustments	3,409,250	-	(683,395)	-
Accretion expense	202,520	672,751	394,397	967,088
Other (income) expense	(91,650)	499,134	(210,621)	141,250
Loss on sale of marketable securities	868,362	-	6,818,139	-
Share of loss from investment in associates	-	1,184,920	-	2,169,440
Depreciation	314,052	558,127	628,309	1,120,468
(Gain) Loss on foreign exchange	420,395	(1,138,202)	(281,746)	(37,751)
Loss on the sale of Land	-	867,770	-	867,770
Interest expense	228,043	754,335	462,396	2,577,014
Loss before income taxes	(6,845,467)	(11,419,652)	(13,010,356)	(25,204,640)
Income tax expense	-	13,390	3,875	13,390
Net loss	(6,845,467)	(11,433,042)	(13,014,231)	(25,218,030)
Other comprehensive loss				
Unrealized gain on foreign currency translation	(278,218)	130,248	(963,120)	(502,069)
Comprehensive loss	(6,567,249)	(11,563,290)	(12,051,111)	(24,715,961)
Net loss attributable to:				
Halo Collective Inc.	(6,850,641)	(11,241,228)	(12,922,087)	(24,732,020)
Non-controlling interests	5,174	(191,814)	(92,144)	(486,010)
Net loss per share, basic and diluted:	\$ (0.05)	\$ (8.18)	\$ (0.10)	\$ (26.65)
Weighted average number of outstanding common shares, basic and diluted:	150,809,659	1,397,401	135,846,038	946,140

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, 2021		345,936	\$ 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	132,954	8,560,825	-	-	-	-	-	-	-	8,560,825
Shares issued to retire debt	Note 13	1,076	17,197	-	-	-	-	-	-	-	17,197
Shares issued as finders' fees	Note 13	293	6,278	-	-	-	-	-	-	-	6,278
Equity reserve for debenture	Note 13	-	-	-	-	-	2,706,453	-	-	-	2,706,453
Shares issued on conversion of debenture	Note 13	1,381,584	16,701,878	-	444,788	-	(828,316)	-	-	-	16,318,350
Share-based compensation for services	Note 13	216,927	4,420,336	-	740,983	-	-	-	-	-	5,161,319
Share-based compensation for staff	Note 13	27,496	2,581,024	406,048	-	-	-	-	-	-	2,987,072
Shares issued on conversion of promissory notes	Note 13	208,474	5,071,501	-	-	-	-	-	-	-	5,071,501
Restricted stock units issued	Note 13	9,000	316,301	-	-	-	-	-	-	-	316,301
Forfeiture warrants and options	Note 13	-	-	(4,075,906)	-	-	-	-	4,075,906	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	502,069	(24,732,020)	(486,010)	(24,715,961)
Shareholders' equity, June 30, 2022		2,323,740	\$ 269,359,258	\$ 5,605,808	\$ 4,863,719	\$ 6,302,397	\$ 2,740,767	\$ 716,613	\$(203,920,833)	\$ (2,781,915)	\$ 82,885,814

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Non-controlling interest	Total
Shareholders' equity, December 31, 2022		49,960,056	277,817,331	5,497,083	4,902,599	6,302,397	2,483,834	(1,475,063)	(262,949,045)	(3,145,440)	\$ 29,433,696
Shares issued on conversion of debenture	Note 13	2,340,000	863,115	-	-	-	-	-	-	-	863,115
Shares issued on conversion of promissory notes	Note 13	98,510,139	1,543,934	-	-	-	-	-	-	-	1,543,934
Shares returned to treasury	Note 13	(625)	(54,422)	-	-	-	-	-	-	-	(54,422)
Forfeiture warrants and options	Note 13	-	-	4,683	-	-	-	-	(4,683)	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	963,120	(12,922,087)	(92,144)	(12,051,111)
Shareholders' equity, June 30, 2023		150,809,570	\$ 280,169,958	\$ 5,501,766	\$ 4,902,599	\$ 6,302,397	\$ 2,483,834	\$ (511,943)	\$(275,875,815)	\$ (3,237,584)	\$ 19,735,212

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 6 months ended:

June 30, 2023 **June 30, 2022**

Cash provided by (used in)

Operating activities:

Net loss	(13,014,231)	(25,218,030)
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Items not involving cash

Depreciation	1,340,062	1,877,615
Accrued interest	Note 12, 14 439,668	1,126,715
Accretion expense	Note 12 394,397	967,088
Loss in fair value of biological assets	Note 8 4,586	166,753
Loss on foreign exchange	1,158,610	357,530
Loss on sale of marketable securities	6,818,139	-
Gain in early termination of lease	-	(15,219)
Gain on fair value adjustments	(683,395)	-
Income tax expense	3,875	13,390
Gain in modification of convertible debenture terms	-	(795,645)
Loss on factoring	-	977,806
Loss on sale of land	-	867,770
Share of loss from investment in associates	Note 5 -	2,169,440
Share-based compensation	Note 13 -	8,464,692

Changes in working capital items

Accounts receivable	Note 6 1,017,223	1,364,027
Notes receivable	Note 9 (1,425,494)	(1,626,308)
Other receivable	63,094	-
Accounts payable and accrued liabilities	(2,028,632)	(1,358,862)
Tax payable	82,985	662,417
Inventory	Note 7, 8 1,072,729	(2,525,581)
Pre-paid expenses and other	Note 10 697,542	423,661

Cash used in operating activities	(4,058,842)	(12,100,741)
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Investing activities

Acquisitions	-	(60,000)
Proceeds from sale of marketable securities	3,430,098	-
Proceeds from sale of land	-	2,350,000
Purchase of property, plant and equipment	-	(680,242)

Cash provided by investing activities	3,430,098	1,609,758
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Financing activities

Issuance of common shares & convertible debentures	Note 12, 13 -	9,683,676
Loans	Note 14 1,864,861	1,507,242
Lease payments	(918,013)	(968,939)

Cash raised in finance activities	946,848	10,221,979
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Change in cash during the period	318,104	(269,004)
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Cash beginning of the period	944,342	1,838,624
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Cash end of the period	1,262,446	1,569,620
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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 6 months ended:

June 30, 2023 June 30, 2022

Supplemental disclosure of cash flow information:

Cash paid for interest on lease obligations	403,132	505,596
Cash paid for interest on other obligations	-	111,262
Cash paid for income taxes	3,875	3,846

Supplemental disclosure of non-cash investing and financing activities:

Issuance of warrants	-	1,185,771
Shares issued in connection with acquisition	-	8,517,603
Conversion of convertible debt and accrued interest to equity	864,553	828,316

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 and California. The Company’s registered corporate office is 20th Floor, 250 Howe Street, Vancouver, British Columbia V6C 3R8.

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 one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 20 pre-consolidation common shares. Effective October 27, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 5 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 June 30, 2023, 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 August 14, 2023. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2022. Certain 2022 figures have been reclassified to conform to the current year's presentation.

Discontinuing the use of the equity method

Investment in Akanda Corp.

As at December 31, 2022, the Company owned approximately 36.59% of the issued and outstanding shares in Akanda Corp. ("Akanda"), the Company accounted for this investment as an associate using the equity method in 2022. During January 2023, the Company has lost significant control over investment in Akanda given its ownership has been decreased below 20% threshold of significant influence, the Company discontinued the use of equity method in 2023 in accounting for the investment in Akanda. Effective January 2023, the Company accounts for the investment in Akanda under IFRS 9, the value of investment in Akanda is adjusted to fair market value at end of the reporting period (Note 5).

4. Operating segments

Disclosure by Segment - six months ending June 30, 2022

	US	Canada	Total
Revenue	\$ 13,106,539	\$ 1,325,569	\$ 14,432,108
Cost of Cannabis inventory sold	9,915,791	908,245	10,824,036
Gross profit excluding FV changes	3,190,748	417,324	3,608,072
Realized and unrealized loss on biological assets	166,753	-	166,753
Gross profit	3,023,995	417,324	3,441,319
Net loss	(6,090,646)	(19,127,384)	(25,218,030)
Total assets	56,254,205	59,961,575	116,215,780
Long-term financial liabilities	\$ 5,769,066	\$ 10,084,368	\$ 15,853,434

Disclosure by Segment - six months ending June 30, 2023

	US	Canada	Total
Revenue	\$ 8,188,915	\$ -	\$ 8,188,915
Cost of Cannabis inventory sold	4,656,043	-	4,656,043
Gross profit excluding FV changes	3,532,872	-	3,532,872
Realized and unrealized loss on biological assets	4,586	-	4,586
Gross profit	3,528,286	-	3,528,286
Net loss	(1,637,851)	(11,376,380)	(13,014,231)
Total assets	33,382,030	10,809,602	44,191,632
Long-term financial liabilities	\$ 4,704,766	\$ 7,550,409	\$ 12,255,175

The operating segments are known as operations by entities incorporated in the US, operations incorporated in Canada and corporate expenses in Canada, 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

Investments

As at:	June 30, 2023	December 31, 2022
Long-term investments	\$ -	\$ 10,248,237
Total	\$ -	\$ 10,248,237

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.

Prior to 2023, the Company accounts the investment in Akanda using the equity method. Starting from January 2023, the Company discontinued the use of equity method, and accounts for the investment in Akanda under IFRS 9, the value of investment in Akanda is adjusted to fair market value.

In the six months ended June 30, 2023, the Company has recorded its share of loss of Akanda of \$Nil (six months ended June 30, 2022: \$2,162,809).

In the six months ended June 30, 2023, the Company has sold all of its investment in Akanda.

As of June 30, 2023, a long-term investment of \$Nil was recorded (December 31, 2022: \$10,248,237).

6. Accounts receivable

Accounts receivable

As at:	<i>June 30, 2023</i>	<i>December 31, 2022</i>
1 - 30 days	655,055	\$ 526,580
30 - 60 days	93,478	453,734
60 - 90 days	163,343	804,254
> 90 days	794,759	939,290
Total	\$ 1,706,635	\$ 2,723,858

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:	<i>June 30, 2023</i>	<i>December 31, 2022</i>
Accounts receivable - trade	\$ 4,754,427	\$ 4,582,554
Bad debt provision	(3,047,792)	(1,858,696)
Total accounts receivable	\$ 1,706,635	\$ 2,723,858

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 six months ended June 30, 2023, the Company wrote off \$1,189,096 of accounts receivable as the amounts were deemed not to be collectible from the customers (six months ended June 30, 2022: \$Nil).

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:	June 30, 2023	December 31, 2022
Raw materials	\$ 1,605,080	\$ 2,114,817
Work in progress	1,712,036	1,649,511
Finished goods	7,135,678	7,719,372
Total	\$ 10,452,794	\$ 11,483,700

In the six months ended June 30, 2023, the amount included in the cost of goods sold was \$3,177,245 (six months ended June 30, 2022: \$6,683,522). In the six months ended June 30, 2023, \$141,127 of inventory impairments were charged to the cost of goods sold (six months ended June 30, 2022: \$Nil).

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 - PDX Indoor Grow

Balance December 31, 2022	\$	46,409
Fair value change due to biological transformation		(4,586)
Transferred to inventory upon harvest		(41,823)
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Balance June 30, 2023	\$	-

In the six months ended June 30, 2023, at PDX Indoor Grow, the fair value change due to biological assets transformation in the cannabis plants model is \$4,586 (six months ended June 30, 2022: \$Nil) and capitalized production costs are 41,823 (six months ended June 30, 2022: \$Nil).

9. Notes receivable

Notes receivable

As at:	<i>June 30, 2023</i>	<i>December 31, 2022</i>
Due from Akanda; note receivable	\$ 1,655,239	\$ 252,725
Due from suppliers; ranging from due on receipt to 5 year term, annual interest at 0% - 2.5%	740,326	740,326
Due from Lake County Nations Health LLC; 15% annual interest, matures on October 1, 2022	1,520,127	1,497,147
Secured credit line; promissory note at 2% annual interest, matures on January 13, 2023	28,749	28,749
Sub-total	3,944,441	2,518,947
Less current portion	(3,175,366)	(1,749,872)
Total	\$ 769,075	\$ 769,075

Notes receivable as at June 30, 2023, were \$3,944,441 (December 31, 2022: \$2,518,947).

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 into 1,645,745 Akanda common shares.

10. Deposits and prepaid expenses

Deposits and prepaid expenses

As at:	<i>June 30, 2023</i>	<i>December 31, 2022</i>
Prepaid expenses and other	\$ 875,645	\$ 1,573,187

Included in prepaid expenses are advance to various vendors and other prepaids and deposits.

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

6 months ending:	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Salaries, commissions, bonuses, consulting fees	\$ 785,982	\$ 1,422,727
Share-based compensation	-	611,379
Total	\$ 785,982	\$ 2,034,106

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 December 19, 2019, May 27, 2020, December 7, 2020, and June 21, 2021, to staff, directors, and consultants. Options and warrants granted to employees and directors vest over a period of 2 - 4 years. Share-based compensation is recognized on a graded vesting basis and is expensed and included in operations.

Related parties

As at:	<i>June 30, 2023</i>	<i>December 31, 2022</i>
Due to directors, officers and other related parties	\$ 625,144	\$ 25,047

As of June 30, 2023, due to shareholders and related parties was \$625,144 (December 31, 2022: \$25,047). 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\$235 per Common Share until February 15, 2024.

Continuity 2019 convertible debenture

Balance December 31, 2022	\$	5,248,450
Accretion of loan discount		394,397
Foreign exchange loss		127,568
Balance, June 30, 2023	\$	5,770,415

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

As at June 30, 2023, the amount of convertible debenture outstanding was \$5,761,613 (December 31, 2022: \$5,284,450). As at June 30, 2023, a total of 11,651 debentures were converted into 30,461 common shares of the Company and 9,512 debentures are in issue.

2022 Unsecured Convertible Debenture

In 2022, the Company entered into a loan agreement and subscription agreement with Global Tech Opportunities 6 ("GTO"). The Subscription Agreement provides for the issuance of up to 24 Convertible Debentures with an aggregate principal amount of up to C\$65.0 million, including the commitment fee. Each Convertible Debenture will be issued for proceeds equal to 92% of the face value of the principal amount. The Convertible Debentures will mature on the date that is 24 months from the date of issuance and are convertible: (i) at any time at the option of the holder; and (ii) automatically at maturity. The conversion price is equal to the lower of: (i) C\$125 to C\$100; and (ii) the closing price of the common shares in the capital of the Company on the NEO Exchange on the date immediately preceding the date on which a conversion

notice is delivered to the Company (or, in the event of the automatic conversion of the outstanding principal upon the maturity of the Convertible Debenture, the maturity date).

All convertible debentures issued in relations to these agreements are designated as fair value through profit or loss financial liabilities and are remeasured to fair value at each period end date with any changes in fair value recognized in the Condensed Interim Consolidated statements of loss and comprehensive loss.

The commitment fee are two instalments of C\$2,500,000 each that will be added to the principal amount of the first two convertible debentures issued.

In the event that the conversion price is greater than the theoretical conversion price, the average of the three lowest daily volume-weighted average prices observed over a period of 15 trading days immediately preceding the date of the relevant conversion notice (or, where no conversion notice is given, the relevant maturity date of the convertible debentures), the Company will be required to pay the Subscriber a make whole amount to compensate the Subscriber for the difference between the actual conversion price and the theoretical conversion price.

On January 13, 2022, the Company issued a total of \$2,495,296 (C\$3,118,122) convertible debenture with a fair value of \$5,258,814 to settle \$1,915,876 of the first advance made by GTO and commitment fee associated with the loan agreement and the subscription agreement valued at \$1,096,245.

On March 8, 2022, the Company issued \$4,001,280 (C\$5,000,000) convertible debenture with a fair value of \$5,772,462 for gross receipt of \$1,772,053 and commitment fee valued at \$3,640,623.

On April 11, 2022, the Company issued \$3,880,180 (C\$5,000,000) convertible debenture with a fair value of \$5,394,162 for gross receipt of \$1,823,949 and commitment fee valued at \$3,341,925.

On May 9, 2022, the Company issued \$3,880,180 (C\$5,000,000) convertible debenture with a fair value of \$4,947,551 for gross receipt of \$1,714,702 and to settle \$1,940,090 of the advance made by GTO.

On June 1, 2022, the Company issued \$3,880,180 (C\$5,000,000) convertible debenture with a fair value of \$4,969,414 for gross receipt of \$1,781,840 and to settle \$1,940,090 of the advance made by GTO.

On June 30, 2022, the Company issued \$1,940,090 (C\$2,500,000) convertible debenture with a fair value of \$3,278,914 for gross receipt of \$795,859 and to settle \$931,243 in make-whole amount.

On September 6, 2022, the Company entered into a termination agreement with GTO to terminate all of the Company's existing and previously announced debt facilities and subscription agreements with GTO and certain amendments to previously issued and outstanding convertible debentures.

On September 9, 2022, upon termination, the Company issued total \$5,371,168 (C\$6,815,971) convertible debentures replacing the Company's previously existing and outstanding debt facilities with GTO. The convertible debenture bears no interest and maturity date varies from May 31, 2025 to July 5, 2025. Conversion price is the lesser of: (i) C\$0.50; and (ii) if the Corporation issues or agrees to issue Common

Shares or Equity Securities convertible into Common Shares prior to the date that is sixty (60) days after the date of this Convertible Debenture, the price at which such Common Shares are issued or issuable, including upon conversion or exchange of the Equity Securities, excluding (i) Common Shares issuable in connection with the terms of convertible instruments and agreements outstanding and disclosed in the Public Record as of the date of this Convertible Debenture, (ii) awards granted under the Corporation's omnibus incentive plan which was appended as Schedule "A" to the management information circular of the Corporation dated May 25, 2021, and (iii) up to \$500,000 of Common Shares at a price not less than a ten percent (10%) discount to the five (5) day volume-weighted average price immediately prior to the announcement or issuance of such securities, in respect of employment, director and consulting fees owed and fees payable in connection with the termination of employees and consultants of the Corporation or its Subsidiaries.

The principal amount outstanding and the fair value of the 2022 unsecured convertible debentures are as follows:

Date Issued	Maturity Date	Principal at Issuance (\$)	June 30, 2023	
			Outstanding Principal (\$)	Fair Value (\$)
September 9, 2022	May 31, 2025	2,009,973	-	-
September 9, 2022	June 29, 2025	2,060,105	56,909	77,567
September 9, 2022	July 5, 2025	1,301,090	1,280,945	1,702,427
			1,337,854	1,779,994

In the six months ended June 30, 2023, the Company recognized fair value gain of \$683,395 (six months ended June 30, 2022 - \$Nil).

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 consolidated its common shares, with one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 20 pre-consolidation common shares. Effective October 27, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 5 pre-consolidation common shares. All share figures and references are retrospectively adjusted.

Shares issued in the six months ended June 30, 2023

- During the six months ended June 30, 2023, a total of 2,340,000 common shares, valued at \$863,115, were issued on conversion of debentures;
- During the six months ended June 30, 2023, a total of 98,510,139 common shares, valued at \$1,543,934, were issued on conversion of promissory notes; and
- During the six months ended June 30, 2023, a total of 625 common shares, valued at \$54,422, were returned to treasury.

As at June 30, 2023, the Company had 2,491 common shares in escrow (December 31, 2022: 2,491).

Shares issued in the six months ended June 30, 2022

- On January 21, 2022, 81,415 shares were issued, valued at \$7,642,782 relating to the 1285826 B.C. Ltd. Dba H2C Beverages acquisition, including finder fees consists of 301 shares valued at \$566,132 were issued relating to this transaction;
- On April 20, 2022, 1,832 shares were issued, valued at \$39,239, including finders fee of 23 shares valued at \$6,278 relating to ZXC11 acquisition;
- On April 25, 2022, 50,000 shares were issued, valued at \$885,082 relating to the 1000116327 Ontario Ltd. dba Dissolve Medical acquisition;
- During the six months ended June 30, 2022, a total of 1,381,584 common shares, valued at \$16,701,878, were issued on conversion of debentures;
- During the six months ended June 30, 2022, a total of 208,474 common shares, valued at

\$5,071,501, were issued on conversion of promissory notes;

- During the six months ended June 30, 2022, 244,423 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 six months ended June 30, 2022, 9,000 common shares were issued, valued at \$316,301 on vesting of restricted stock units; and
- During the six months ended June 30, 2022, 1,076 common shares, valued at \$17,197, were issued to retire debt.

13.2 Share purchase warrants

The following table summarizes information regarding warrants by term, the number of warrants granted and exercise price in the six months ended June 30, 2023.

Warrants issued and vested							
Grant date	Expiry date	June 30, 2023			December 31, 2022		
		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	71	71	\$ 1,103.00	71	71	\$ 1,103.00
May 13, 2018	May 14, 2023	14	14	\$ 7,700.00	14	14	\$ 7,700.00
September 28, 2018	September 30, 2023	31	31	\$ 4,000.00	31	31	\$ 4,000.00
September 28, 2018	September 27, 2024	62	62	\$ 4,000.00	62	62	\$ 4,000.00
February 2, 2021	August 2, 2023	9,041	9,041	\$ 1,250.00	9,041	9,041	\$ 1,250.00
February 11, 2021	August 11, 2023	1,083	1,083	\$ 1,250.00	1,083	1,083	\$ 1,250.00
February 19, 2021	February 9, 2024	6,571	6,571	\$ 2,250.00	6,571	6,571	\$ 2,250.00
May 12, 2017	May 11, 2027	625	625	\$ 8,667.00	625	625	\$ 8,667.00
January 6, 2022	January 6, 2027	8,750	8,750	\$ 160.00	8,750	8,750	\$ 160.00
February 23, 2022	February 15, 2024	1,159,950	1,159,950	\$ 235.00	1,159,950	1,159,950	\$ 235.00
February 24, 2022	February 15, 2024	9,708	9,708	\$ 235.00	9,708	9,708	\$ 235.00
February 28, 2022	February 15, 2024	33,494	33,494	\$ 235.00	33,494	33,494	\$ 235.00
March 8, 2022	February 15, 2024	46,116	46,116	\$ 235.00	46,116	46,116	\$ 235.00
March 28, 2022	February 15, 2024	80,097	80,097	\$ 235.00	80,097	80,097	\$ 235.00
March 31, 2022	February 15, 2024	10,194	10,194	\$ 235.00	10,194	10,194	\$ 235.00
April 7, 2022	February 15, 2024	2,427	2,427	\$ 235.00	2,427	2,427	\$ 235.00
April 8, 2022	February 15, 2024	58,252	58,252	\$ 235.00	58,252	58,252	\$ 235.00
April 19, 2022	February 15, 2024	1,941	1,941	\$ 235.00	1,941	1,941	\$ 235.00
April 20, 2022	February 15, 2024	14,563	14,563	\$ 235.00	14,563	14,563	\$ 235.00
April 28, 2022	February 15, 2024	9,708	9,708	\$ 235.00	9,708	9,708	\$ 235.00
May 27, 2022	February 15, 2024	12,135	12,135	\$ 235.00	12,135	12,135	\$ 235.00
July 28, 2022	February 15, 2024	9,223	9,223	\$ 235.00	9,223	9,223	\$ 235.00
August 8, 2022	February 15, 2024	12,135	12,135	\$ 235.00	12,135	12,135	\$ 235.00
September 22, 2022	February 15, 2024	48,543	48,543	\$ 235.00	48,543	48,543	\$ 235.00
November 29, 2022	February 15, 2024	14,563	14,563	\$ 235.00	14,563	14,563	\$ 235.00
		1,549,297	1,549,297	\$ 253.49	1,549,297	1,549,297	\$ 253.49

Note: Prices in Canadian dollars

The Company recognized no share-based payments for services in the six months ended June 30, 2023

(six months ended June 30, 2022: \$740,983).

As at June 30, 2023, 1,549,297 warrants were exercisable (December 31, 2022: 1,549,297). As at that date, the average exercise price of exercisable warrants was C\$253.49 (December 31, 2022: C\$253.49).

Warrants outstanding

	<i>6 months ending June 30, 2023</i>		<i>6 months ending June 30, 2022</i>	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at beginning of	1,549,297	\$ 253.49	93,236	\$ 372.29
Granted	-	\$ -	115,679	\$ 41.26
Exercised	-	\$ -	-	\$ -
Forfeited / cancelled	-	\$ -	-	\$ -
Outstanding at end of	1,549,297	\$ 253.49	208,915	\$ 188.95

Note: Prices in Canadian dollars

As at June 30, 2023, the weighted average exercise price of each Halo warrant granted and in issue was C\$253.49 (December 31, 2022: C\$253.49). As at that date, the weighted average fair market value of each warrant in issue was C\$3.73 using the Black-Scholes Option Pricing Model (December 31, 2022: C\$3.73). As at June 30, 2023, the weighted average remaining contractual life of the warrants is 0.64 years (December 31, 2022: 1.14 years).

The assumptions used for the calculation of the fair value of warrants at grant date in the six months ended June 30, 2023 and 2022 are:

Black-Scholes assumptions for warrants

	<i>6 months ending June 30,</i>	
	2023	2022
Risk free rate	-	1.41%
Expected life	-	5 years
Volatility	-	144%
Expected dividend per share	Nil	Nil
Share price	-	\$122.00

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 in the six months ended June 30, 2023.

Options issued and vested		June 30, 2023			December 31, 2022		
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	32	32	\$ 8,667.00	52	52	\$ 8,667.00
September 28, 2018	September 29, 2024	142	142	\$ 4,000.00	142	142	\$ 4,000.00
December 19, 2019	December 19, 2024	58	58	\$ 3,000.00	58	58	\$ 3,000.00
May 27, 2020	December 19, 2024	639	639	\$ 1,050.00	639	639	\$ 1,050.00
December 7, 2020	December 7, 2025	2,055	2,055	\$ 550.00	2,055	2,055	\$ 550.00
December 14, 2020	December 14, 2025	20	20	\$ 550.00	20	20	\$ 550.00
February 2, 2021	August 2, 2023	639	639	\$ 900.00	639	639	\$ 900.00
February 11, 2021	August 11, 2023	76	76	\$ 900.00	76	76	\$ 900.00
February 19, 2021	February 19, 2024	460	460	\$ 1,750.00	460	460	\$ 1,750.00
June 21, 2021	June 21, 2025	1,485	1,485	\$ 650.00	1,485	1,485	\$ 650.00
		5,606	5,606	\$ 935.66	5,626	5,626	\$ 963.14

Note: Prices in Canadian dollars

As at June 30, 2023, the weighted average remaining contractual life of each option is 2 years (December 31, 2022: 2 years).

Options outstanding	6 months ending June 30, 2023		6 months ending June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of	5,626	\$ 963.14	88,736	\$ 181.97
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeited / cancelled	(20)	\$ 8,667.00	(39,872)	\$ 174.40
Outstanding at end of	5,606	\$ 935.65	48,864	\$ 188.14

Note: Prices in Canadian dollars

The Company recognized share-based compensation related to options granted and vesting in the six months ended June 30, 2023, in the amount of \$Nil (six months ended June 30, 2022: \$406,047).

14. Other loans

Other loans		
As at:	June 30, 2023	December 31, 2022
Non-recourse promissory note secured by deed of trust in LCNH LLC; 15% annual interest and matures on October 1, 2022	\$ 2,633,733	\$ 2,610,764
Merchant cash advance; secured and non-interest bearing	294,111	294,111
Unsecured line of credit agreement in Bar X LLC; 8% interest, matures on December 31, 2023	519,844	519,844
Unsecured promissory note: 10% interest, matures on November 9, 2023	408,537	50,702
Other loans	265,204	263,211
Sub-total	4,121,429	3,738,632
Less current portion	(3,045,293)	(2,662,496)
Total	\$ 1,076,136	\$ 1,076,136

On November 9, 2022, the Company entered into a promissory note for a principal amount of up to C\$5,000,000. The Promissory Note is for an initial twelve-month term (the "Initial Term") with interest accruing at a rate of 10%.

Pursuant to the terms of the Promissory Note, the Lender may convert the principal amount outstanding under the Promissory Note, from time to time, into common shares in the capital of the Company ("Common Shares") 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. Interest owing under the Promissory Note is payable in cash.

As at June 30, 2023, a total of 123,161,500 common shares of the Company were issued in full satisfaction of the gross loan amount of \$2,896,048. The 123,161,500 common shares of the Company correspond to the amounts contained in the promissory note, but exceed the allowable maximums (in both allowable price discount and maximum percentage) pursuant to the policies and rules of the NEO Exchange, on which the company's securities are listed, and the terms of the convertible loan facility. No further drawdowns or share issuances is permitted by the NEO Exchange under the convertible loan facility.

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:	<i>June 30, 2023</i>	<i>December 31, 2022</i>
Shareholders' equity	\$ 19,735,212	\$ 29,433,696
Long-term loans	8,626,545	9,608,494
Short-term loans	3,045,285	2,662,496

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

Management does not establish quantitative return on capital criteria. However, management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. As at June 30, 2023, the Company is not subject to any externally imposed capital requirements.

16. Financial instruments

16.1 Fair value of financial instruments

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

All financial instruments recognized at fair value in the Condensed Interim Consolidated statement of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 — Inputs that are not based on observable market data.

The Company has designated its cash, restricted cash and investment in marketable securities as Level 1. The fair value of convertible promissory notes at time of issue are determined using Level 3 of the hierarchy. As at June 30, 2023, 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 June 30, 2023 is the carrying value of cash, restricted cash, accounts receivable, and notes receivable. The Company believes that there is limited risk that notes receivables are not settled. The Company takes a provision to allow for accounts receivable not being settled, which it believes is enough.

Liquidity risk

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

Financial liabilities - June 30, 2023

	Accounts payable & accrued liabilities	Loans and Debenture liability	Total
Carrying value	\$ 7,649,391	\$ 11,671,830	\$ 19,321,221
1 - 30 days	2,334,018	3,282	2,337,300
30 - 60 days	54,195	395,988	450,183
60 - 90 days	14,603	423	15,026
> 90 days	5,246,575	11,272,137	16,518,712

As at June 30, 2023, the Company had current assets of \$17,965,073 (December 31, 2022: \$19,076,649) and current liabilities of \$12,201,245 (December 31, 2022: \$13,605,355). 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
2023	1,349,404
2024	1,852,270
2025	1,866,396
2026	667,943
2027	368,926
2028	319,186
Thereafter	539,583

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 June 30, 2022

	LKJ11	SDF11	ZXC11	Total
Current assets	\$ 185,274	\$ -	\$ -	\$ 185,274
Current liabilities	(5,180,511)	(524,782)	(1,272,499)	(6,977,792)
Current net assets (liabilities)	(4,995,237)	(524,782)	(1,272,499)	(6,792,518)
Non-current assets	92,612	158,916	406,416	657,944
Non-current liabilities	-	(1,033,486)	(336,881)	(1,370,367)
Non-current net assets (liabilities)	92,612	(874,570)	69,535	(712,423)
Accumulated NCI	\$ (246,280)	\$ (1,399,352)	\$ (1,136,283)	\$ (2,781,915)

Non-Controlling Interests

Summarized statement of financial position - as at June 30, 2023

	LKJ11	SDF11	ZXC11	Total
Current assets	\$ 35,374	\$ -	\$ -	\$ 35,374
Current liabilities	(5,700,636)	(1,725,394)	(1,648,977)	(9,075,007)
Current net assets (liabilities)	(5,665,262)	(1,725,394)	(1,648,977)	(9,039,633)
Non-current assets	67,688	1,023,151	291,427	1,382,266
Non-current liabilities	-	(975,341)	(238,562)	(1,213,903)
Non-current net assets (liabilities)	67,688	47,810	52,865	168,363
Accumulated NCI	\$ (478,177)	\$ (1,492,087)	\$ (1,267,320)	\$ (3,237,584)

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, 2021	\$ (57,379)	\$ (1,286,716)	\$ (951,810)	\$ (2,295,905)
Net loss attributable to NCI	(188,901)	(112,636)	(184,473)	(486,010)
Balance, June 30, 2022	\$ (246,280)	\$ (1,399,352)	\$ (1,136,283)	\$ (2,781,915)
Balance, December 31, 2022	\$ (431,363)	\$ (1,475,945)	\$ (1,238,132)	\$ (3,145,440)
Net loss attributable to NCI	(46,814)	(16,142)	(29,188)	(92,144)
Balance, June 30, 2023	\$ (478,177)	\$ (1,492,087)	\$ (1,267,320)	\$ (3,237,584)

19. Subsequent events

Management has evaluated subsequent events to determine if events or transactions occurring through the filing date of this report require adjustment to or disclosure in the Company's Condensed Interim Consolidated Financial Statements. There were no events that require adjustment to or disclosure in the Company's Condensed Interim Consolidated Financial Statements.