



**HALO COLLECTIVE INC.**

**ANNUAL INFORMATION FORM**

For the year ended December 31, 2022

Dated August 8, 2023

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## GENERAL MATTERS AND FORWARD-LOOKING STATEMENTS

Reference is made to the audited consolidated financial statements (the "**Financial Statements**"), together with the auditor's report thereon, and management's discussion and analysis (the "**MD&A**") for Halo Collective Inc. ("**Halo**" or the "**Corporation**") for the financial year ended December 31, 2022. Additional financial information is provided in the Financial Statements and MD&A, which are available for review under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Unless otherwise noted herein, information in this annual information form (the "**AIF**") applied to the business activities and operations of the Corporation for the year ended December 31, 2022, as updated to March 31, 2023. Unless otherwise indicated, references to "\$" are to Canadian dollars.

All references to "cannabis" used herein refers to any part of the plant cannabis sativa L., growing or not, with a delta-9 tetrahydrocannabinol concentration of more than 0.3 percent.

All references in this AIF to the Corporation also include references to all subsidiaries of the Corporation as applicable, unless the context requires otherwise.

All references to common shares in the capital of the Corporation (the "**Common Shares**") herein refer to such Common Shares following the share consolidations which occurred: (i) on October 8, 2021 on the basis of one post-consolidation Common Share for every one hundred pre-consolidation Common Shares; (the "**2021 Consolidation**") (ii) on June 22, 2022 on the basis of one post-consolidation Common Share for every twenty pre-consolidation Common Shares (the "**First 2022 Consolidation**"); and (iii) on October 27, 2022 on the basis of one post-consolidation Common Share for every five pre-consolidation Common Shares (the "**Second 2022 Consolidation**" and, together with the 2021 Consolidation and the First 2022 Consolidation, the "**Consolidations**"). Unless otherwise noted, such Common Shares are presented on a post-Consolidation basis.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF, and in the documents incorporated by reference in this AIF, constitute "forward-looking information" and "forward-looking statements" (together, "**forward-looking statements**") within the meaning of applicable Canadian securities laws, may contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the *United States Private Securities Litigation Reform Act of 1995* and are based on assumptions, expectations, estimates and projections as of the date of this AIF. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent Halo's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Halo's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". Forward-looking statements include, without limitation, statements with respect to: future business strategy; competitive strengths; goals, expansion and growth of Halo's business, operations and plans, including new revenue streams, any potential future legalization of adult-use and/or medical cannabis under the federal law of the United States of America (the "**U.S.**"); expansion of Halo's portfolio of genetics and cannabis strains in Oregon; delays in filing audited annual financial statements; anticipation of significant sales increases in Oregon for 2023; new strains and expansion; development of the exclusive membership program of the Budega dispensary chain; initial steps to increase production to max capacity at Halo's Oregon facility; the promissory note with Reef Capital Inc.; early termination of loan and convertible debentures agreements

with Alpha Blue Ocean; filing of Halo Tek Inc. prospectus; The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "projected", "forecasts", "guidance", "outlook", "potential", "prospects", "seek", "aim", "strategy" and "targets" or variations of such words or negative versions thereof and other similar expressions, identify forward-looking statements. Forward-looking statements are based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by the Corporation as of the date of such statements, are, in many cases, outside of the Corporation's control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, a reader should specifically consider various factors, including the risks outlined under the heading "*Risk Factors*", which may cause actual results to differ materially from any forward-looking statements.

The forward-looking statements contained herein reflect management's current expectations and beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. Such assumptions include, but are not limited to, assumptions regarding: the demand for the Corporation's products and services and fluctuations in future revenues; the acquisitions being completed on the current terms and in the current contemplated timeline; development costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; the pricing of various cannabis products; the completion of anticipated construction projects without unexpected costs or delays; the approval by the NEO (as defined herein) and regulatory authorities of the financings and acquisitions being undertaken by the Corporation; the impact of the conflict in Ukraine, and other geopolitical issues, on the Corporation's business; market demand for proposed product and brand launches; the retention of the skills and personnel necessary to develop ongoing software applications; regulatory authorities continuing to act in accordance with prior guidance; equity and debt markets continuing to provide the Corporation with access to capital on terms acceptable to the Corporation; general economic trends and conditions; the expected actions of third parties; the Corporation's future growth prospects and business opportunities; the expected growth in the amount of cannabis sold by the Corporation and the expected timing, size and pricing regarding the recreational market; expectations with respect to future production costs; expectations with respect to the renewal and/or extension of the Corporation's licences and permits; capital cost of expected expansion by the Corporation; the ability of the Corporation to achieve expected production; the competitive conditions of the cannabis industry; the applicable laws, regulations and any amendments thereof; and the grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof. Among others, the key factors that could cause actual results to differ materially from those projected in the forward-looking information and statements are the following: inability of management to successfully integrate the operations of acquired businesses, changes in the consumer market for cannabis products, changes in the expected outcomes of the proposed changes to Halo's operations, delays in obtaining required licenses or approvals necessary for the build-out of Oregon operations, dispensaries or Canadian operations, the proposed spin-out with Halo Tek Inc., delays or unforeseen costs incurred in connection with construction, the ability of competitors to scale operations in Northern California, delays or unforeseen difficulties in connection with the cultivation and harvest of Halo's raw material, changes in general economic, business and political conditions, including changes in the financial markets; and the other risks disclosed in this AIF and other disclosure documents available on the Corporation's profile at [www.sedar.com](http://www.sedar.com). By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives,

strategic goals and priorities will not be achieved. Should one or more of the risks or uncertainties identified herein materialize or should the assumptions underlying the forward-looking statements prove to be incorrect, then actual results may vary materially from those described herein. Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by applicable securities laws, the Corporation does not intend, and does not assume any obligation, to update the forward-looking statements contained herein.

**Non-Solicitation**

This AIF shall not constitute an offer to sell or the solicitation of an offer to buy any of the securities described herein, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

## CORPORATE STRUCTURE

The Corporation was formed as a corporation under the laws of the Province of British Columbia on May 25, 1987 as "Apogee Minerals Ltd." ("**Apogee**"). Apogee was continued under the laws of the Province of Ontario on January 21, 2005. On March 15, 2011, Apogee amended its articles to change its name to "Apogee Silver Ltd.". On September 16, 2016, Apogee amended its articles to change its name to "Apogee Opportunities Inc.". In connection with the Business Combination (as defined below), on September 28, 2018, Apogee amended its articles to create a class of convertible class B restricted voting shares and change its name to "Halo Labs Inc.". On January 22, 2021, the Corporation amended its articles to change its name from "Halo Labs Inc." to "Halo Collective Inc.". On October 8, 2021, the Corporation amended its articles to effect the 2021 Consolidation. On June 22, 2022, the Corporation amended its articles to effect the First 2022 Consolidation. On August 26, 2022, the Corporation updated its administrator information ceasing Andreas Met as Chief Operating Officer, Ryan Kunkel, Peter McRae, and Andrew Turman as Directors. On October 27, 2022, the Corporation amended its articles to effect the Second 2022 Consolidation.

The Corporation's head and registered office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1. The Common Shares are listed for trading on the Neo Exchange Inc. (the "**NEO**") under the symbol "HALO", on the OTCQB Best Market under the symbol "HCANF", and on the Frankfurt Stock Exchange under the symbol "A9KN".

On September 28, 2018, Apogee completed a business combination (the "**Business Combination**") with ANM, Inc. ("**ANM**") and Apogee Opportunities (USA) Inc. ("**Apogee USA**"), pursuant to which the Corporation acquired all of the issued and outstanding shares of common stock of ANM. The Business Combination resulted in a reverse takeover of the Corporation by ANM under applicable securities laws. Following the Business Combination, the Corporation carried on the business of ANM and ANM became a wholly owned subsidiary of the Corporation.

ANM was formed as a corporation under the laws of the State of Oregon on March 18, 2016. ANM's head office is located at 130 West Clark Street, Medford, Oregon 97501, and ANM's registered office is located at 1127 Broadway St. NE Suite 310, Portland, Oregon 97301. Katharyn Field serves as the President and Secretary. Katharyn Field also serves as ANM's director. ANM currently serves as the Corporation's U.S. holding company as well as its Oregon operating company. ANM's assets include 100% ownership interests in PSG Coastal (as defined below), as well as the Corporation's Oregon marijuana licenses issued by the Oregon Liquor Control Commission (the "**OLCC**") and all of the operating assets related to its Oregon operations.

### Intercorporate Relationships

The following table outlines the inter-corporate relationships between the Corporation and its material subsidiaries, including details of the jurisdiction of formation of each material subsidiary:

Subsidiary Name	Ownership Interest by the Corporation (Direct or Indirect)	Jurisdiction of Formation
ANM, Inc.	100%	Oregon
Coastal Harvest, LLC	100%	California
Food Concepts LLC	100%	Oregon

Halo Winberry Holdings, LLC	100%	Oregon
Mendo Distribution and Transportation LLC	100%	California
PSG Coastal Holdings LLC	100%	California
Ukiah Ventures Inc.	100%	British Columbia

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

#### Fiscal 2020 (January 1, 2020 to December 31, 2020)

#### Acquisitions and Dispositions

##### *MDT Acquisition*

On January 9, 2020, the Corporation completed the acquisition of all of the membership interests of Mendo Distribution and Transportation, LLC ("**MDT**"). As consideration for the membership interests of MDT, the Corporation issued 2,091 Common Shares. Upon closing of the transaction, MDT merged with and into the Corporation's merger subsidiary, Northern Harvest, Inc., to become a wholly-owned subsidiary of PSG Coastal Holdings LLC ("**PSG Coastal**").

Based in Ukiah, California, MDT has been operating as a cannabis distributor since June 2018. Located in a two story, approximately 4,500 square foot facility (the "**MDT Facility**"), MDT holds a Type 11 cannabis distribution license issued by the Bureau of Cannabis Control.

##### *OGC Acquisition*

On January 15, 2020, the Corporation announced that it had caused MDT to exercise its option to purchase Outer Galactic Chocolates, LLC ("**OGC**"). On August 4, 2020, the Corporation announced that it had acquired 100% of the membership interests of OGC in exchange for 198 Common Shares. To effectuate the acquisition, OGC Merger Sub, Inc., an indirect wholly-owned subsidiary of the Corporation, merged with and into OGC. OGC remains the surviving entity and is wholly-owned by PSG Coastal, an indirect wholly-owned subsidiary of the Corporation. Upon closing of the acquisition of OGC, the Corporation issued 49 Common Shares (25% of the total consideration) to the owner of OGC. The remainder of the Common Shares payable as consideration are to be paid in twelve equal installments of 12 Common Shares, deliverable on the first day of each of the twelve months immediately following the closing.

##### *Bophelo Acquisition*

On July 17, 2020, the Corporation announced that it had acquired all of the issued and outstanding shares of Bophelo Bioscience & Wellness (Pty) Ltd. ("**Bophelo**"). As consideration for all of the issued and outstanding shares of Bophelo, the Corporation issued an aggregate of 4,371 Common Shares. In addition, in connection with the acquisition of Bophelo, the Corporation issued 204 Common Shares as an arrangement fee. Concurrently and in connection with the announcement of the acquisition of Bophelo, the Corporation announced that it had entered into an agreement pursuant to which it acquired certain debt obligations of Middleton Gardens Ltd. ("**Middleton**"). Pursuant to the terms of the debt

purchase agreement, the Corporation acquired such debt in exchange for the issuance of 2,858 Common Shares.

On November 4, 2021, the Corporation, in connection with the Akanda Transaction (as defined below), disposed of all of its holdings of shares in the capital of Bophelo. See *"General Development of the Business Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Akanda Disposition"*.

#### *Ukiah Acquisition*

On August 19, 2020, the Corporation announced that it had acquired 100% of the issued and outstanding securities of Ukiah Ventures Inc. ("**Ukiah**") pursuant to a share exchange agreement. As consideration for all of the issued and outstanding shares of Ukiah, the Corporation issued an aggregate of 7,188 Common Shares. In addition, the holder of all of the issued and outstanding warrants of Ukiah exchanged such warrants for warrants of the Corporation, exercisable to purchase one Common Share at a price of US\$1,892 per Common Share until July 19, 2021. The Corporation also announced its intention to exercise the option held by a subsidiary of Ukiah to purchase certain processing and distribution licenses held by Origins-Cali, Inc., a licensed entity in California, for purchase consideration of US\$10. Upon the completion of the acquisition of Ukiah, the Corporation also entered into a consulting agreement with Mendo Holdings, LLC to assist with the integration of Ukiah into the Corporation's business operations and to provide services related to design, compliance and material sourcing, pursuant to which such consultant will be paid an annual fee of US\$275,000 to be satisfied through the issuance of Common Shares upon the completion of certain pre-determined milestones. The acquisition of Ukiah is considered a "related party transaction" as Philip van den Berg, Chief Financial Officer of the Corporation, and Andrew Turman, a former director of the Corporation, were shareholders of Ukiah and received 58 Common Shares and 29 Common Shares pursuant to the acquisition, respectively. The Corporation relied on the exemptions from the valuation and minority shareholder approval requirements of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, as the fair market value of the transaction did not exceed 25% of the market capitalization of the Corporation, as determined in accordance with MI 61-101. The transaction was also approved unanimously by all non-interested directors of the Corporation.

#### *Debt Purchase Agreement*

On November 18, 2020, the Corporation announced that, through its indirectly-owned subsidiary, Halo Winberry Holdings, LLC ("**Halo Winberry**"), it had entered into a definitive debt purchase agreement (the "**Debt Purchase Agreement**") with Evolution Trustees Limited, sole trustee of SP1 Credit Fund ("**Evolution**"), Herban Industries OR LLC, ("**Herban OR**" or "**Winberry**"), and Herban Industries, Inc., ("**Herban Delaware**") to purchase certain secured debt of Winberry owed to Evolution totaling approximately US\$18,440,000 of principal and accrued interest (the "**Purchased Debt**"). Pursuant to the Debt Purchase Agreement, the Corporation agreed to issue an aggregate of 1,699 Common Shares in exchange for the Purchased Debt.

On December 18, 2020, the Corporation announced the closing of its acquisition of the Purchased Debt. In connection with the acquisition of the Purchased Debt, the Corporation issued an aggregate of 15,700 Common Shares to Evolution (the "**Issued Common Shares**") and deposited 1,291 Common Shares (the "**Escrowed Common Shares**") into escrow for eighteen months to satisfy any indemnification obligations of Evolution, as well as any purchase price adjustments pursuant to the terms of the Debt Purchase Agreement. The Issued Common Shares and Escrowed Common Shares are subject to volume trading restrictions under which Evolution may not, during any trading day, sell a number of Common Shares that is greater than 10% of the total daily volume of the Common Shares traded on

any exchange during the previous trading day. The Corporation also announced the appointment of Dustin Jessup as the Chief Revenue Officer of the Corporation. Immediately following the closing of the acquisition of the Purchased Debt, Halo Winberry entered into an asset purchase agreement (the "**APA**") pursuant to which it agreed to acquire substantially all of the assets of Herban OR (collectively, the "**Winberry Assets**") in exchange for the cancellation of a portion of the Purchased Debt. The Winberry Assets include, but are not limited to, a turnkey outdoor Tier 2 cannabis production (cultivation) facility; an operational cannabis wholesaler in Eugene, Oregon; the Winberry trademark; and six delivery vehicles. From and after the acquisition of the Purchased Debt and before closing the acquisition of the Winberry Assets under the APA, the Corporation agreed to provide operational services to Winberry to assist with the day-to-day operations of its production facility and distribution facility. The Corporation will also purchase and distribute Winberry's inventory, all pursuant to a services agreement, offtake agreement, and intellectual property licensing agreement. As Winberry's senior secured creditor, Halo Winberry is permitted to operate Winberry's cultivation and distribution facilities located in Eugene, Oregon, under a Temporary Authority to Operate an OLCC producer license and a Temporary Authority to Operate an OLCC wholesaler license, each granted by the OLCC to Halo Winberry. The transaction closed in 2021 and Halo Winberry holds an OLCC producer license and an OLCC wholesaler license.

### **Securities Issuances**

#### *Proposed Private Placement*

On March 13, 2020, the Corporation announced its intention to complete a non-brokered private placement of convertible debentures for aggregate gross proceeds of up to \$3,000,000. The Corporation announced that each convertible debenture was expected to consist of one \$1,000 principal amount unsecured convertible debenture and bear interest at a rate of 11.0% per annum, payable monthly in arrears until maturity. The Corporation determined not to proceed with such non-brokered private placement.

#### *Amended and Restated Promissory Note*

On June 9, 2020, the Corporation announced that it had entered into an amended and restated convertible promissory note (the "**Amended and Restated Promissory Note**") for a principal amount of up to \$10,000,000. The Amended and Restated Promissory Note amends and restates the unsecured debt financing agreement dated September 18, 2019 for a principal amount of up to \$10,000,000 (the "**Loan Agreement**"). In connection with the entering into of the Amended and Restated Promissory Note, the Corporation entered into a warrant cancellation agreement to cancel 50,000 Common Share purchase warrants of the Corporation issued pursuant to the terms of the Loan Agreement.

On August 26, 2020, the Corporation announced that it had entered into a second amended and restated promissory note (the "**Second Amended and Restated Promissory Note**") for a principal amount of up to \$15,000,000. The Second Amended and Restated Promissory Note amends and restates the Amended and Restated Promissory Note. The Second Amended & Restated Promissory Note also contains an additional commitment fee, which was satisfied through the issuance of 29 Common Shares.

On October 21, 2021, the Corporation entered into a third amended and restated promissory note, amending and restating the Second Amended and Restated Promissory Note. See "*General Developments of the Business – Fiscal 2021 (January 1, 2021 – December 31, 2021) – Securities Issuances - Third Amended and Restated Promissory Note*".

### *First ATM Program*

In a press release dated December 14, 2020, the Corporation announced that it had completed its at-the-market equity financing program (the "**First ATM Program**"). Under the First ATM Program, the Corporation sold an aggregate of 13,445 Common Shares between September 17, 2020 and December 14, 2020. The Common Shares were sold at prevailing market prices for aggregate gross proceeds of approximately \$7,000,000.

Distributions of the Common Shares under the First ATM Program were made pursuant to the terms of an equity distribution agreement (the "**Equity Distribution Agreement**") dated September 16, 2020 by and among the Corporation and PI Financial Corp.

### *Additional Securities Issuances*

- On January 21, 2020, in connection with the Corporation's acquisition of MDT, the Corporation issued 2,091 Common Shares. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – MDT Acquisition*".
- On February 14, 2020, in connection with the Corporation's proposed acquisition of High Tide Inc. ("**High Tide**"), the Corporation issued 1,346 Common Shares to High Tide as a deposit under the acquisition agreement for the purchase of: (i) High Tide's "KushBar" retail cannabis brand, (ii) three licensed cannabis retail stores and the rights to five cannabis retail stores across Alberta (which have received development permits) (collectively, the "**Stores**"), and (iv) all associated assets (collectively, the "**High Tide Assets**"). In addition, in connection with the purchase of the High Tide Assets, the Corporation issued an aggregate of 231 Common Shares as a finder fee to certain arm's-length consultants.
- On March 2, 2020, the Corporation issued 959 Common Shares to certain employees and independent contractors of the Corporation in lieu of aggregate cash consideration payable to such employees and independent contractors as compensation.
- On March 26, 2020, the Corporation issued 1,949 Common Shares to certain employees and independent contractors (including related parties) of the Corporation in lieu of aggregate cash consideration payable to such employees and independent contractors as compensation.
- On April 27, 2020, the Corporation issued 1,086 Common Shares to certain independent consultants of the Corporation and a supplier of the Corporation in lieu of cash.
- On June 11, 2020, the Corporation issued 909 Common Shares on the conversion of the outstanding balance under the Amended and Restated Promissory Note. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Amended and Restated Promissory Note*".
- On June 26, 2020, the Corporation issued 1,203 Common Shares to certain independent consultants, related parties, and suppliers of the Corporation in lieu of cash consideration payable to such parties.
- On June 29, 2020, in connection with a merger between PSG Coastal's wholly owned subsidiary, MFT11 Merger Sub, Inc., and MFT11 LLC, whereby MFT11 LLC became the sole surviving entity, the Corporation issued 857 Common Shares. MFT11 holds a 66 2/3%

membership interest in LKJ11. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Project*".

- On July 17, 2020, in connection with the Corporation's acquisition of Bophelo, the Corporation issued 4,371 Common Shares. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Bophelo Acquisition*".
- On July 17, 2020, in connection with the Corporation's acquisition of Bophelo, the Corporation issued 204 Common Shares as an arrangement fee to GMG Financial Services Ltd. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Bophelo Acquisition*".
- On July 24, 2020, in connection with the Corporation's acquisition of Bophelo, the Corporation issued 2,858 Common Shares in exchange for certain debt obligations of Middleton. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Bophelo Acquisition*".
- On July 31, 2020, in connection with the Corporation's acquisition of OGC, the Corporation issued 49 Common Shares to Jeff Stewart. Over the following 12 months, the Corporation issued an aggregate of 49 Common Shares in connection with such acquisition. As at December 31, 2022, **99** Common Shares are remaining to be issued. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – OGC Acquisition*".
- On August 19, 2020, in connection with the Corporation's acquisition of Ukiah, the Corporation issued 7,188 Common Shares. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Ukiah Acquisition*".
- On September 2, 2020, the Corporation issued 29 Common Shares as a commitment fee under the Second Amended and Restated Promissory Note. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Amended and Restated Promissory Note*."
- On September 18, 2020, the Corporation issued 1,557 Common Shares to certain independent consultants, directors, employees and suppliers of the Corporation in lieu of cash consideration.
- On December 18, 2020, in connection to the acquisition of Purchased Debt, the Corporation issued 16,991 Common Shares. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Debt Purchase Agreement*".
- On December 22, 2020, the Corporation issued 2,823 Common Shares to certain independent consultants, related parties, and suppliers of the Corporation in satisfaction of certain fees, payables, and other compensation accrued between April 2020 and August 2020. 807 of such Common Shares were issued to related parties (within the meaning of MI 61-101) and such issuances are considered "related party transactions" for the purposes of MI 61-101.

### **General Developments**

January 2020

- Bophelo signed a strategic alliance and seed purchase agreement with DNA Genetics, which provides Bophelo with exclusive rights to develop new and existing DNA Genetics' strains of medical cannabis in Lesotho for worldwide exportation. The initial period of the strategic alliance is five years, with successive five-year renewal options in place. In addition, Bophelo and DNA Genetics entered into an exclusive seed purchase agreement. This seed purchase agreement will enable Bophelo to commence imports to Lesotho of cannabis seeds for cultivation from DNA Genetics.
- The Corporation announced that it had expanded its offerings on the cannabis marketplace, Eaze, to include the Corporation's Hush™ product line. The Corporation has since removed this product line from Eaze.
- The Corporation announced that Bophelo had formally commenced the certification process to achieve European Good Agricultural and Collection Practices ("**EU GACP**") accreditation for cannabis grown at Bophelo's 200+ hectare cultivation site in Lesotho, Africa.
- The Corporation's wholly-owned subsidiary, Coastal Harvest LLC ("**Coastal Harvest**"), was granted a Type 13 Distributor Transport-Only License by the State of California Bureau of Cannabis Control permitting the Corporation to transport cannabis goods between licensees.

*February 2020*

- The Corporation announced that former Chief Strategy Officer, Katharyn M. Field, was promoted to President of the Corporation.

*March 2020*

- The Corporation announced plans to launch a pilot distillate manufacturing remediation program in California for distillate, live resin, fats and waxes, tails and terpenes and that it is re-opening bulk distillate manufacturing operations in Cathedral City.

*April 2020*

- The Corporation announced that it had started a pilot superfiltration program of live resin, fats and waxes, tails, terpenes and low grade distillate at the Coastal Harvest facility in Cathedral City, California.

*May 2020*

- The Corporation provided an operational update including certain delays experienced by the Corporation as a result of COVID-19.

*June 2020*

- The Corporation announced that it had entered into an exclusive strategic partnership with Terphogz™, LLC (Zkittlez™) to develop and commercialize new and unique cannabis genetics in Oregon.

*July 2020*

- The Corporation announced the appointment of Ms. Louisa Mojela to the Board, as Chairman, and the resignation of Philip van den Berg from the Board.

#### *August 2020*

- The Corporation announced that Bophelo had entered into an offtake agreement with Medcan Ltd. ("**Medcan**"), a company incorporated in the Republic of Malta, for the sale of bulk cannabis biomass, primarily into the European market. The term of the offtake agreement is for a period commencing on August 3, 2020 and ending on the earlier of: (a) the date on which Medcan has purchased the full specified volume of biomass from Bophelo; or (b) the 7<sup>th</sup> anniversary of the effective date.
- The Corporation announced that it had entered into a letter of intent to establish a joint venture and strategic alliance with Terphogz, LLC (doing business as Zkittlez™) to establish and operate a state and locally licensed commercial cannabis cultivation facility in California where the parties intend to produce and manufacture cannabis products, using Zkittlez™ existing proprietary cannabis genetics, under the Corporation's various licenses.

#### *September 2020*

- The Corporation announced the signing of a licensing, manufacturing and distribution agreement with Feel Better LLC for FlowerShop\* branded products.
- The Corporation announced that PSG Coastal together with Green Matter founded Lake County Natural Health LLC ("**Lake County**"), a real estate holding company on August 18, 2020 each with 50% ownership. Lake County completed the purchase of the Bar X Ranch in Lake County, California.
- The Corporation announced that MDT commenced sales in California of its new 10-piece, cannabis-infused gummies line, under the Hush brand.

#### *October 2020*

- The Corporation announced the results of its annual general meeting of shareholders of the Corporation held on October 21, 2020. At the annual general meeting, the shareholders elected Kiran Sidhu, Louisa Mojela, Fred Leigh, Peter McRae, Andreas Met, Andrew Turman and Charles Kie to serve as directors of the Corporation for the ensuing year. At the annual general meeting, the shareholders also approved the appointment of Davidson & Company LLP as the Corporation's auditors for the ensuing year and authorized the Board to fix the auditors' remuneration.

#### *November 2020*

- The Corporation announced the resignation of Fred Leigh from the Board.
- The Corporation announced the appointment of Anmol Sidhu to the Board.
- The Corporation and Red Light Holland Corp. announced the entering into of a non-binding letter of intent for the purposes of creating a joint venture to become a licensed psilocybin manufacturer to supply psilocybin products to licensed service centers in the State of Oregon and to explore other potential business opportunities in this new regulated market.

*December 2020*

- The Corporation announced the results of its special meeting of shareholders of the Corporation held on December 23, 2020. At the special meeting, the shareholders approved a name change and a share consolidation.

**Fiscal 2021 (January 1, 2021 to December 31, 2021)**

**Acquisitions and Dispositions**

*Hollywood Merger*

In a press release dated February 6, 2021, the Corporation announced the signing of four definitive agreements to acquire a majority interest in two Los Angeles dispensary license applicants, SDF11 and ZXC11, and a 100% interest in each applicant's related management company (collectively, the "**LA Dispensary Acquisition**"). Pursuant to an agreement and plan of merger and reorganization dated as of February 5, 2021, the Corporation agreed to acquire a 66<sup>2/3</sup>% interest in a dispensary license applicant located in Hollywood, Los Angeles, California (the "**Hollywood Merger**") in exchange for 3,908 Common Shares. 1,865 of such Common Shares are subject to transfer restrictions contained in a pooling agreement.

In connection with the Hollywood Merger, pursuant to an agreement and plan of merger and reorganization dated as of February 5, 2021, the Corporation also agreed to acquire 100% of the membership interests of the related management company (the "**Hollywood Management Merger**") in exchange for 11,865 Common Shares.

Pursuant to an agreement and plan of merger and reorganization dated as of February 5, 2021, the Corporation agreed to acquire a 66<sup>2/3</sup>% interest in a dispensary license applicant located in Westwood, California (the "**Santa Monica Merger**") in exchange for 3,908 Common Shares.

In connection with the Santa Monica Merger, pursuant to an agreement and plan of merger and reorganization dated as of February 5, 2021, the Corporation also agreed to acquire 100% of the membership interests of the related management company (the "**Santa Monica Management Merger**") in exchange for 11,865 Common Shares.

In connection with the LA Dispensary Acquisition, the Corporation agreed to pay a finder's fee, to an arm's-length finder, equal to 7.5% of the aggregate number of Common Shares issuable by the Corporation in connection with the Hollywood Merger, the Hollywood Management Merger, the Santa Monica Merger and the Santa Monica Management Merger.

In connection with the acquisitions of B&C and POI11, the Company issued an aggregate of 1,779 additional Common Shares to an arm's length party as a finder's fee. Further, the Company issued an aggregate of 4,738 Common Shares as non-refundable deposits relating to the anticipated acquisitions of SDF11 and ZXC11, with 3,370 of such Common Shares subject to a pooling agreement.

On March 2, 2021, the Corporation completed the Hollywood Management Merger and acquired 100% of the membership interests of B&C in exchange for the issuance of 11,865 Common Shares in the capital of the Corporation. B&C is the management company for SDF11, a dispensary license applicant in Hollywood, Los Angeles, California. 1,000 of the Common Shares issued in connection with the acquisition of B&C have been placed into escrow and will be released to the approved designees of the seller upon DCR ownership approval or to Halo upon the earlier of 18 months following the closing date

or SDF11 receiving notice it will not receive a local or state license to operate a cannabis dispensary. 1,865 of the Common Shares issued in connection with the acquisition of B&C are subject to volume transfer restrictions set forth in a pooling agreement.

On March 2, 2021, the Corporation also completed the Santa Monica Management Merger and acquired 100% of the membership interests of POI11 in exchange for the issuance of 11,865 Common Shares in the capital of the Corporation. POI11 is the management company for ZXC11, a dispensary license applicant in Westwood, Los Angeles, California. 1,000 of the Common Shares issued in connection with the acquisition of POI11 have been placed into escrow and will be released to the approved designees of the seller upon DCR ownership approval or to Halo upon the earlier of 18 months following the closing date or SDF11 receiving notice it will not receive a local or state license to operate a cannabis dispensary. 1,865 of the Common Shares issued in connection with the acquisition of POI11 are subject to volume transfer restrictions set forth in a pooling agreement LA Dispensary Acquisition.

#### *Triangle Canna Acquisition*

On February 15, 2021, the Corporation acquired a 44% ownership interest in Triangle Canna Corp. ("**Triangle Canna**"). In addition to the Corporation's 44% interest in Triangle Canna, the other shareholders of Triangle Canna were Green Matter Holding Inc. ("**Green Matter**"), Europa Group USA, LLC and Anil Beri, who owned 44%, 9% and 3% of Triangle Canna, respectively.

As previously announced in September 2020, the Corporation partnered with Green Matter to purchase 1,600 acres of farm property in Lake County, California (the "**Farm**"). The Farm was purchased by Lake County Natural Health LLC ("**LCNH**"), 50% of which is owned by the Corporation's wholly-owned indirect subsidiary, PSG Coastal and the remaining 50% by Green Matter.

In February 2021, LCNH and a wholly-owned subsidiary of Triangle Canna (the "**Farm OpCo**") entered into a commercial lease agreement pursuant to which LCNH leased to the Farm OpCo four separate parcels of property that made up the Farm, as well as certain buildings, structures, and improvements. Farm OpCo was also required to pay success fees to LCNH on achievement of licensing milestones, as well as lease term renewals.

In March 2021, Farm OpCo entered into product purchase agreements with each of Capital City Healthcare LLC, an affiliate of Green Matter, and MDT, each for a term of five years with one five-year renewal option held by the Farm OpCo. Each Product Purchase Agreement provides that the purchaser will purchase a minimum of 25% of all cannabis produced by the Farm OpCo during any growing season during the term of the agreement, at a price per pound of flower equal to the Farm OpCo's cost of production plus 100%, capped at US\$300 per untrimmed pound. Kiran Sidhu, former CEO and Director of the Corporation, and Katharyn Field, CEO of the Corporation, served on the board of directors of Triangle Canna and, in consideration for their service as directors, were each issued stock options to purchase 4,666,667 shares of Class B common stock of Triangle Canna.

As a result of declining cannabis prices, Green Matter has suspended operations in California. Due to the cannabis prices and Green Matter suspending operations, the Corporation has halted its investment into Triangle Canna, Farm OpCo, and LCNH. The Corporation has no current plans to restart its investment or operational activity in these entities.

#### *Nature's Best Resources Acquisition*

On March 26, 2021, the Corporation announced the signing of a definitive agreement and plan of merger (the "**Nature's Best Merger Agreement**") pursuant to which the Corporation agreed to acquire 100% of the membership interests of Nature's Best Resources, LLC ("**Nature's Best**"), a cannabinoid rosin company. Under the Nature's Best Merger Agreement, the Corporation agreed to issue up to 4,405 Common Shares to Nature's Best.

On April 20, 2021, the Corporation announced the completion of the acquisition of 100% of the membership interests of Nature's Best in exchange for the issuance of up to 4,405 Common Shares, 893 Common Shares were released at the closing, while 3,512 of the Common Shares were placed in escrow to be released to the selling member upon the satisfaction of certain predetermined milestones by Nature's Best as follows: (i) 893 Common Shares were issued on or before June 1, 2021 provided that the member of Nature's Best had repaid the member's outstanding promissory note to Nature's Best in the original principal amount of \$250,000; (ii) 1,429 Common Shares were issued on or before October 1, 2021 provided that the member of Nature's Best had delivered certain equipment to Nature's Best, as specified in the Nature's Best Merger Agreement; and (iii) 1,190 Common Shares were issued on or before March 1, 2022 provided that Nature's Best had produced and sold a batch of hash or hash rosin in each of Oregon and California, each measuring at least 100 grams. The parties have signed an amendment extending this date to issue the remaining Common Shares to April 30, 2022. If any milestone was not satisfied by the date specified for its completion, the corresponding number of Common Shares were to be returned to the Corporation. The Common Shares to be issued to Nature's Best are subject to volume transfer restrictions that prohibit the sale of any number of Common Shares through any stock exchange that would exceed ten percent of the prior trading day's total volume of the Common Shares. All shares in escrow has been released in relation to Nature's Best transaction.

In connection with the Nature's Best Merger Agreement, the Corporation entered into a finder's agreement, pursuant to which it has agreed to issue 4% of the aggregate number of Common Shares issued to Nature's Best under the Nature's Best Merger Agreement up to a total of 198 Common Shares.

#### *Elegance Brands Acquisition*

On June 7, 2021, the Corporation announced that it had entered into a strategic partnership and licensing arrangement with Elegance Brands, Inc. ("**Elegance**"), an innovative global beverage company, to expand its product-offering dispensaries to include THC infused beverage products.

On June 21, 2021, the Corporation announced that it had completed its licensing arrangement with Elegance for THC-infused beverage products, and the acquisition of 100% of a subsidiary of Elegance (the "**Acquired Company**") by way of a three cornered amalgamation, in exchange for the issuance of 12,935 Common Shares to a wholly owned subsidiary of Elegance (the "**Elegance Sub**").

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

1,848 of the Common Shares issued to the Elegance Sub on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 11,087 Common Shares issued to the Elegance Sub on closing were subject to contractual restrictions on transfer whereby 1,848 of such Common Shares in the case of the first release and 1,848 Common Shares thereafter were released from such restrictions and became freely-tradeable on the 21st day of each calendar month following closing until all such Common Shares were released.

In connection with the transaction, the Corporation entered into a finder's agreement ("**Finder's Agreement**") with 1306489 B.C. Ltd. ("**1306489 BC**"). Pursuant to the terms of the Finder's Agreement, the Corporation issued 970 Common Shares to 1306489 BC as a finder's fee, being the number of Common Shares equal to 7.5% of the aggregate number of Common Shares issued to the Elegance Sub in connection with the transaction.

#### *KushBar Retail Assets Acquisition*

On July 15, 2021, the Corporation announced that, through its wholly-owned subsidiary Halo KushBar Retail Inc. ("**Halo KushBar**"), it completed the purchase of the High Tide Assets, pursuant to the terms of the and amended and restated purchase agreement with High Tide, dated September 1, 2020, amended the terms of the previously executed asset purchase agreement, dated February 14, 2020 (the "**High Tide Amended Agreement**").

In accordance with the High Tide Amended Agreement, Halo KushBar acquired the High Tide Assets. In consideration for the High Tide Assets, the Corporation previously issued 1,346 Common Shares to High Tide as a deposit, and on closing issued a convertible promissory note (the "**Initial Note**") to High Tide in the principal amount of \$1,800,000 with a conversion rate of \$1,600.00 per Common Share.

Under the terms of the High Tide Amended Agreement, the Corporation also agreed to issue an additional convertible promissory note (the "**Earnout Note**" and, together with the Initial Note, the "**Halo Notes**") in the principal amount of \$400,000 with a conversion rate of \$1,600.00 per Common Share, provided that certain revenue thresholds are met. If the High Tide Assets produce aggregate revenue less than the set threshold for the prior 12 months, then the principal amount of the Earnout Note will be reduced dollar for dollar. Each of the Halo Notes is secured solely by the High Tide Assets.

In addition, concurrently with closing, Halo KushBar and High Tide entered into a retail management agreement under which Halo KushBar will continue to engage High Tide to substantially oversee all aspects of its retail cannabis operations with respect to the High Tide Assets and will pay High Tide ongoing royalties for regulatory advisory services and retail management through blended monthly payments.

In Canada, due to a dispute with High Tide regarding the management and performance of the Canadian dispensaries, the Corporation has elected not to proceed with the partnership with High Tide and allowed High Tide to enforce the Share Pledge and gain control of Halo KushBar and the Stores.

Pursuant to an amended and restated asset purchase agreement dated September 1, 2020 (the "APA"), Halo Kushbar Retail Inc. ("Kushbar"), a wholly-owned subsidiary of Halo, purchased three cannabis stores in Alberta (the "Stores") from High Tide Inc. ("High Tide") on July 15, 2021. The purchase price for the Stores was paid by Halo, on behalf of Kushbar, by way of issuance to High Tide of shares in the capital Halo and a convertible promissory note (the "Note"). The debt owing under the Note was secured by, among other things, a share pledge of Halo in respect of the shares it held in Kushbar (the "Share Pledge").

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, on July 28, 2022 Halo allowed High Tide to enforce the Share Pledge and gain control of Kushbar and the Stores. As High Tide enforced the Share Pledge and now controls the Stores, Halo has no further obligations or liabilities under the Note nor the APA.

#### *William's Wonder Farms Acquisition*

In a news release dated July 24, 2021, the Corporation announced that it had entered into an asset purchase agreement (the "**William's Asset Purchase Agreement**") pursuant to which its wholly-owned subsidiary ANM would acquire the William's Wonder Farms ("**William's**") cannabis cultivation business in Oregon, including all trademarks, light dep flower, licenses issued by the OLCC and subject to OLCC approvals, equipment, and related operating assets (the "**William's Transaction**").

ANM Williams Farm LLC, an indirect wholly-owned subsidiary of the Corporation, acquired three Tier II marijuana production licenses and related operating assets, including vegetative, cloning and other propagation equipment and shipping containers located on leased premises in Grants Pass, Oregon. ANM Williams Farm LLC will have a five-year lease on the underlying properties as well as a right of first refusal to purchase these properties.

Upon signing the William's Asset Purchase Agreement, the Corporation assisted with the day-to-day operations of the William's business under the terms of a services agreement and will purchase 100% of the product cultivated at the premises pursuant to an offtake agreement.

The Corporation has also entered into a consulting services agreement with William Hill, CEO and owner of William's, to provide transition and operational services in connection with the Corporation's acquisition of the business.

Upon closing of the William's Transaction, ANM Williams Farms LLC acquired 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 the Corporation for the acquisition of the assets from William's Wonder Entities is approximately US\$3,800,000, of which US\$1,000,000 was paid in cash. US\$1,000,000 was delivered in the form of a non-negotiable promissory note secured by a fixed charge over assets under the William's Asset Purchase Agreement. The balance was paid in 2,581 Common Shares issued at closing. In addition, half of the Common Shares planned to be issued, 1,291, was placed into escrow to serve as a source for any potential indemnification claims against the selling parties. The closing of the Williams's Transaction was subject to the approval of the NEO and the OLCC, as well as the satisfaction of other customary closing conditions.

#### *Pistil Point Acquisition*

On August 27, 2021, the Corporation announced that it had entered into definitive agreements to acquire Food Concepts LLC, the master tenant of an approximately 55,000 square foot indoor cannabis cultivation, processing, and wholesaling facility in Portland, Oregon operated under the Pistil Point name (the "**FC Acquisition**") and the related licenses issued by the OLCC and other operating assets owned by the entities doing business as Pistil Point (the "**Pistil Point Acquisition**").

#### *Food Concepts LLC acquisition*

On September 1, 2021, the Corporation issued 27,767 Common Shares for a total consideration of USD\$8,200,000 in relation to the closing of the acquisition of Food Concepts LLC, the master tenant of an indoor cannabis cultivation, processing and wholesaling facility in Portland, Oregon. In connection with the transaction, Halo issued 1,968 Common Shares to as a finder's fee valued at USD\$625,000. A press release for the closing was published on September 13, 2021.

Upon closing of the Pistil Point Acquisition, ANM, or a newly formed wholly-owned subsidiaries of ANM, would acquire the OLCC licenses and related operating assets from the three entities doing business as Pistil Point: Decatur One LLC, Bradford Two LLC, and Bradford Three LLC (the "**Pistil Point Entities**"), but excluding the Pistil Point brand. The consideration payable by the Corporation for the acquisition of the assets from the Pistil Point Entities is \$4,000,000, payable in 12,593 Common Shares (the "**Pistil Point Consideration Shares**"), with the number of shares determined using Halo Deemed Share Price. In addition, Halo has also agreed to assume certain liabilities of the Pistil Point Entities, not to exceed \$370,000. \$1,000,000 of the purchase price, payable in 3,148 Common Shares, was issued in escrow to be released to the selling parties upon achievement of production milestones following the completion of the facility improvements described above. Another \$1,000,000 of the purchase price, payable in 3,148 Common Shares, was also held in escrow for one year to serve as a source for any potential indemnification claims against the selling parties. The closing of the Pistil Point Acquisition was subject to the satisfaction or waiver of customary closing conditions, including receipt of OLCC approval.

ANM and the Pistil Point Entities have also entered into a services agreement and an offtake agreement. Under these agreements, from and after the closing of the FC Acquisition, ANM is to assist with the day-to-day operations of the Pistil Point Entities and will purchase 100% of Pistil Point's products manufactured at the facility. In the event the definitive agreement for the Pistil Point Acquisition terminates other than as a result of a breach by the selling parties and provided the services agreement and offtake agreement continue in full force and effect, the selling parties will be entitled to a break fee equivalent to the Pistil Point Consideration Shares.

Two arms-length finders were also entitled to payment in Common Shares in connection with the closings of the transactions. The first is entitled to 7.5% of the purchase price under each of the two transactions, or approximately 2,880 Common Shares. Approximately 1,940 of such Common Shares were issued to this finder in connection with the closing of the FC Acquisition; and approximately 940 of such Common Shares were issuable to this finder upon the closing of the Pistil Point Acquisition.

A second arms-length finder was entitled to approximately 315 Common Shares, 50% of which were issued by the Corporation in addition to the purchase price payable under the transactions, and 50% of which were deducted from the purchase price payable to the sellers. Approximately 63 of such Common Shares were issued to this finder in connection with the closing of the FC Acquisition and approximately 252 of such Common Shares are issuable to this finder in connection with the closing of the Pistil Point Acquisition.

#### *Akanda Disposition*

On September 30, 2021, the Corporation announced that it had entered into an agreement (the "**Akanda Agreement**") with Akanda Corp. ("**Akanda**") in connection with the previously announced sale of its international assets (the "**Akanda Transaction**"). Prior to the Akanda Transaction, the Corporation completed an internal reorganization, pursuant to which each of Bophelo and Canmart became wholly-owned subsidiaries of Cannaealth Limited ("**Cannaealth**"), which at the time was a direct wholly-owned subsidiary of the Corporation (the "**Reorganization**"). In accordance with the terms of the Akanda Agreement, the Corporation exchanged 100% of the issued and outstanding shares of Cannaealth to Akanda in exchange for 131,292 common shares in the capital of Akanda ("**Akanda**

**Shares**"), representing aggregate consideration of US\$13,100,000, which is equal to the Corporation's book value of Bophelo and Canmart.

Bridgemark Management Ltd. prepared a fairness opinion (the "**Fairness Opinion**") in respect of the Akanda Transaction for the Board concluding that, as of the date of the Fairness Opinion, the terms of the Akanda Transaction were fair, from a financial point of view to the shareholders of the Corporation.

On November 4, 2021, the Corporation announced the completion of the Akanda Transaction. Contemporaneously with the closing of the Akanda Transaction, the Corporation and Akanda entered into an investor rights agreement that provides the Corporation 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.

As part of the closing of the Akanda Transaction, Akanda issued a secured convertible debenture (the "**Akanda Debenture**") to the Corporation in the principal amount of US\$6,600,000 in exchange for setting off all outstanding indebtedness owed by Bophelo and Canmart to the Corporation. The Akanda Debenture was converted into 16,457 Akanda Shares on March 14, 2022.

#### *Simply Sweet Gummy*

On November 4, 2021, the Corporation announced that it had entered into a share exchange agreement to acquire all of the issued and outstanding shares of Simply Sweet Gummy Ltd. ("**Simply Sweet**"), a health-conscious, low-sugar cannabis infused alternative confectionery company based in Vancouver, British Columbia.

On November 15, 2021, the Corporation announced, that it had completed the acquisition of all of the issued and outstanding shares of Simply Sweet. In consideration for all of the issued and outstanding shares of Simply Sweet, which holds assets and formulations (including \$1,000,000 in cash), the Corporation issued 27,000 Common Shares to the previous shareholder of Simply Sweet. The Corporation also issued 2,025 Common Shares to an arm's-length finder.

#### **Securities Issuances**

##### *First February Overnight Marketed Public Offering*

On February 2, 2021, the Corporation announced that it had completed an overnight marketed public offering (the "**First February Offering**") of units of the Corporation (the "**First February Units**") for aggregate gross proceeds of \$8,227,061. Under the First February Offering, the Corporation issued an aggregate of 9,141 First February Units at a price of \$900 per First February Unit. The First February Offering was completed pursuant to an underwriting agreement dated January 26, 2021 between the Corporation and Eight Capital, Canaccord Genuity Corp. and PI Financial Corp. (collectively, the "**Underwriters**"). Each First February Unit consists of one Common Share and one Common Share purchase warrant (each, a "**First February Warrant**"). Each First February Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1,250 at any time up to August 2, 2023. The First February Warrants were issued pursuant to, and are governed by, the terms of a warrant indenture dated February 2, 2021 between the Corporation and Odyssey Trust Company ("**Odyssey**"). In connection with the First February Offering, the Corporation also paid a cash commission equal to 7.0% of the gross proceeds raised under the First February Offering and issued an aggregate of 639 compensation options (the "**First February Compensation Options**") to the Underwriters to purchase

up to 639 First February Units at an exercise price of \$900 per First February Unit at any time up to August 2, 2023.

On February 11, 2021, the Corporation announced that the Underwriters had exercised the over-allotment option in connection with the First February Offering. In connection with such exercise, the Corporation issued an additional 1,083 First February Units for additional gross proceeds of \$974,710. The Corporation also paid a cash fee equal to 7.0% of the gross proceeds raised in connection with such exercise and issued an additional 75 First February Compensation Options to the Underwriters.

#### *Second February Overnight Marketed Public Offering*

On February 19, 2021, the Corporation announced it had completed its previously announced overnight marketed public offering (the "**Second February Offering**") of units of the Corporation (the "**Second February Units**") for aggregate gross proceeds of \$11,500,029. Under the Second February Offering, the Corporation issued an aggregate of 6,571 Second February Units for aggregate gross proceeds of \$11,500,029. The Second February Offering was completed pursuant to an underwriting agreement dated February 12, 2021 between the Corporation and the Underwriters. Each unit consists of one Common Share and one Common Share purchase warrant (each, a "**Second February Warrant**"). Each Second February Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$2,250 at any time up to February 19, 2024. The Second February Warrants were issued pursuant to, and are governed by, the terms of a warrant indenture dated February 19, 2021 between the Corporation and Odyssey. In connection with the Second February Offering, the Corporation also paid a cash commission equal to 7.0% of the gross proceeds raised under the Second February Offering and issued an aggregate of 460 compensation options (the "**Second February Compensation Options**") to the Underwriters to purchase up to 460 Second February Units at an exercise price of \$1,750 per Second February Unit at any time up to February 19, 2024.

#### *Second ATM Program*

On May 5, 2021, the Corporation announced it had established an at-the-market equity program (the "**Second ATM Program**") which allowed the Corporation to issue and sell up to \$20,000,000 of Common Shares from treasury to the public, from time to time, at the Corporation's discretion, at the prevailing market prices at the time of each sale. Distributions of the Common Shares under the Second ATM Program were made pursuant to the terms of an equity distribution agreement dated May 4, 2021 by and among the Corporation and PI Financial Corp. The offering of Common Shares under the Second ATM Program is qualified by a prospectus supplement dated May 4, 2021 to the Corporation's final short form base shelf prospectus dated September 2, 2020.

On September 17, 2021, the Corporation announced that it had completed its Second ATM Program. Under the Second ATM Program, the Corporation sold an aggregate of 433 Common Shares between May 4, 2021, and September 17, 2021. The Common Shares were sold at prevailing market prices for aggregate gross proceeds of approximately C\$20,000,000.

#### *Third Amended and Restated Promissory Note*

On October 21, 2021, the Corporation announced that it had entered into a third amended and restated promissory note (the "**Third Amended and Restated Promissory Note**") for a principal amount of up to \$15,000,000.

The Third Amended and Restated Promissory Note amends and restates the Second Amended and Restated Promissory Note.

The Third Amend and Restated Promissory Note extended the maturity date to October 21, 2022, subject to the Corporation's option to further extend such date by up to 12 months. All of the other terms and conditions contained in the Second Amended and Restated Promissory Note remained unchanged.

The Third Amended and Restated Promissory Note bears 9% simple interest for the first year and 13% thereafter on any drawdowns.

#### *Additional Securities Issuances*

- On February 10, 2021, the Corporation issued 417 Common Shares on the conversion of the outstanding balance under the Second Amended and Restated Promissory Note. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Amended and Restated Promissory Note.*"
- On February 19, 2021, the Corporation issued 417 Common Shares on the conversion of the outstanding balance under the Second Amended and Restated Promissory Note. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Amended and Restated Promissory Note.*"
- On February 26, 2021, the Corporation issued 417 Common Shares on the conversion of the outstanding balance under the Second Amended and Restated Promissory Note. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Amended and Restated Promissory Note.*"
- On March 2, 2021, in connection with the Corporation's acquisition of B&C, the Corporation issued 11,865 Common Shares. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger.*"
- On March 2, 2021, in connection with the Corporation's acquisition of POI11, the Corporation issued 11,865 Common Shares. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger.*"
- On March 2, 2021, in connection with the Corporation's acquisitions of B&C and POI11, the Corporation issued 1,780 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger.*"
- On March 2, 2021, in connection with the Corporation's proposed acquisition of ZXC11 and SDF11, the Corporation issued 4,738 Common Shares as non-refundable deposits. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger.*"
- On April 9, 2021, the Corporation issued 1,188 Common Shares to certain independent consultants, related parties, and suppliers, in lieu of cash consideration accrued between October 2020 and February 2021 and 1,000 warrants with an exercise price of \$1,100 to an independent consultant. Certain Common Shares were issued to related parties of the Corporation.
- On April 20, 2021, in connection to the Nature's Best Merger Agreement, the Corporation issued up to 198 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Nature's Best Resources Acquisition.*"

- On April 20, 2021, in connection to the Nature's Best Merger Agreement, the Corporation issued up to 4,405 Common Shares. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Nature's Best Resources Acquisition*".
- On June 21, 2021, in connection to the Elegance acquisition, the Corporation issued 12,935 Common Shares. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Elegance Brands Acquisition*".
- On June 21, 2021, in connection to the Elegance acquisition, the Corporation issued 970 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Elegance Brands Acquisition*".
- On July 20, 2021, the Corporation issued 2,585 Common Shares to certain independent consultants, related parties, and a supplier of the Corporation, in lieu of cash consideration accrued between June 2020 to May 2021, at a price of C\$450 per Common Share. Certain Common Shares were issued to related parties of the Corporation.
- On September 13, 2021, in connection to the FC Acquisition, the Corporation issued 25,815 Common Shares. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Pistil Point Acquisition*".
- On September 13, 2021, in connection to the FC Acquisition, the Corporation issued 1,940 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Pistil Point Acquisition*".
- On September 13, 2021, in connection to the FC Acquisition, the Corporation issued 63 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Pistil Point Acquisition*".
- On September 30, 2021, the Corporation issued 3,225 Common Shares to certain independent consultants, related parties, and a supplier of the Corporation, in lieu of cash consideration accrued between March 2021 and September 2021, at a price of C\$350 per Common Share. Certain Common Shares were issued to related parties of the Corporation. In addition, Green Times Consulting Ltd. received 1,240 Common Shares as part of the issuance. Green Times Consulting Ltd. was compensated for investor relations consulting work primarily in Europe.
- On October 22, 2021, the Corporation issued 6,019 Common Shares to certain independent consultants, related parties, and a supplier of the Corporation, in lieu of cash consideration accrued between June 2021 and October 2021, at a price of \$224 per Common Share. Certain Common Shares were issued to related parties of the Corporation.
- On November 15, 2021, in connection with the Simply Sweet acquisition, the Corporation issued 27,000 Common Shares. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Simply Sweet Acquisition*".
- On November 15, 2021, in connection with the Simply Sweet acquisition, the Corporation issued 2,025 Common Shares as a finder's fee. See "*General Development of the Business –*

*Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Simply Sweet Acquisition".*

- On November 19, 2021, the Corporation issued 1,617 Common Shares on the conversion of the outstanding balance under the Third Amended and Restated Promissory Note. "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Third Amended and Restated Promissory Note*".
- On November 23, 2021, the Corporation issued 3,378 Common Shares on the conversion of the outstanding balance under the Third Amended and Restated Promissory Note. "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Third Amended and Restated Promissory Note*".

### **General Developments**

#### *January 2021*

- The Corporation announced that it had changed its name from "Halo Labs Inc." to "Halo Collective Inc."
- On January 21, 2021, the Corporation announced that it had entered into a commitment letter to obtain up to C\$10,000,000 in unsecured convertible credit from an arm's length lender. The financing is comprised of an unsecured non-revolving line of credit for up to C\$10,000,000 (the "**Credit Facility**"). In connection with the entering into of the Credit Facility, the Corporation originally agreed to issue Common Shares in satisfaction of: (i) a C\$200,000 administrative fee, (ii) a C\$200,000 commitment fee, and (iii) a C\$300,000 corporate advisory fee; however, the Corporation satisfied such fees in cash. The Corporation was provided with an initial advance of C\$500,000 in connection with the execution of the commitment letter. Such amount has been paid back in full and the Corporation no longer expects to proceed with the Credit Facility.

#### *February 2021*

- The Corporation announced that it had entered into a partnership with Nightingale Remedies and PeakBirch Logic Inc. to develop and launch a line of products combining functional, health and wellness attributes of mushrooms, without psychoactive or psychedelic properties.
- The Corporation announced further import of Cannabis-Based Products for Medicinal use to the United Kingdom via the Corporation's wholly-owned subsidiary Canmart.
- The Corporation announced that the First February Warrants had been approved for listing by NEO under the symbol HALO.WT.B. and commenced trading on January 27, 2021.

#### *March 2021*

- The Corporation executed a Sales and Distribution Agreement with NMC Organization ("**Greenstone Distribution**") to provide statewide sales and distribution of the Corporation's products throughout California. Greenstone Distribution will collaborate with the Corporation on brand development, support, and product feedback, while introducing the Corporation's brand to its existing distribution network of 350+ dispensaries.
- The Corporation announced its inclusion as an eligible stock in the FTSE Russel Index.

- The Corporation announced the addition of Ryan Kunkel as a senior advisor to the Corporation.

*April 2021*

- The Corporation announced its intention to pursue a spin-off (the "**Spin-Off Transaction**") of certain of its software, device and intellectual property assets (the "**Tek Assets**") into a standalone company to be named Halo Tek Inc. ("**Halo Tek**"). The Spin-Off Transaction is expected to result in the Tek Assets being spun-off into Halo Tek, which will initially be a wholly-owned subsidiary of the Corporation. As part of the Spin-Off Transaction, the Corporation intends to complete a distribution (the "**Distribution**") of shares of Halo Tek to the shareholders of the Corporation. It is proposed that Halo Tek will file a preliminary prospectus in one or more provinces of Canada in respect of the Distribution. The Spin-Off Transaction remains subject to the satisfaction of several conditions, including the receipt of all required regulatory approvals.
- The Corporation announced the resignation of Andreas Met from the Board and the appointment of Philip van den Berg to the Board.
- The Corporation announced the appointment of Ryan Kunkel as Vice Chairman of the Board.
- The Corporation announced that articles of incorporation had been filed with the Oregon Secretary of State to form Red Light Oregon, Inc., a 50/50 joint venture ("**JV**") between the Corporation and Red Light Holland Corp. ("**Red Light Holland**"). The JV was capitalized with US\$50,000 from each party, and its initial directors would be Todd Shapiro, Red Light Holland Director and CEO, Sarah Hashkes, Red Light Holland Chief Technology and Innovation Officer, Kiran Sidhu, Halo's former CEO and Director, and Katie Field, Halo's former President (currently CEO).

*May 2021*

- The Corporation announced that the Second February Warrants had been approved for listing by NEO under the symbol HALO.WT.C. and commenced trading on May 27, 2021.

*June 2021*

- The Corporation announced the results of its annual general and special meeting of shareholders of the Corporation held on June 23, 2020. At the annual general and special meeting, the shareholders: (i) elected Kiran Sidhu, Peter McRae, Philip van den Berg, Andrew Turman, Louisa Mojela, Charles Kie, Anmol Sidhu and Ryan Kunkel to serve as directors of the Corporation for the ensuing year; (ii) approved the re-appointment of Davidson & Company LLP as the Corporation's auditors for the ensuing year and authorized the Board to fix the auditors' remuneration; (iii) approved one or more amendments to the articles of the Corporation for one or more future consolidations of the Corporation's Common Shares; and (iv) approved the renewal, for a further three years, of all unallocated awards issuable pursuant to the Corporation's omnibus incentive plan.

*July 2021*

- The Corporation announced that it had entered into a brand licensing arrangement with Brezwald Corp. d/b/a "Papa's Herb®" ("**Papa's Herb**"), which enables the Corporation to

produce and market products under Papa's Herb registered trademarks in the Oregon market and exclusively license Papa's Herb trademark images and wordmarks, "PAPA'S HERB" and "COME TO PAPA," and product portfolio to include their signature Papa's THC Distillate Vape Pens, Live Resin Concentrates, and Papa's Infused Pre-Rolls.

- The Corporation announced that it had been awarded a white labeling cartridge filling and packing contract to Mendocino Distribution and Transportation LLC, a subsidiary of the Corporation, to manufacture turnkey THC distillate vape cartridges for the distribution and sale under the Papa's Herb brand.
- The Corporation announced changes to the Board in connection with the previously announced reorganization of its international assets to create Akanda. The Corporation announced the appointments of Ryan Kunkel as Chairman of the Board and Katie Field to the Board, the resignations of Louisa Mojela and Charles Kie from the Board in order to join the board of directors of Akanda and the appointment of Philip van den Berg to the board of directors of Akanda.

#### *August 2021*

- The Corporation announced that its wholly-owned subsidiary Bophelo had secured EU GACP compliance for cannabis grown at Bophelo's initial 14-hectare cultivation site, scalable up to 200-hectares, located in T'sakholo, Mafeteng, which forms part of the first Special Economic Zone in Lesotho, Africa.

#### *September 2021*

- The Corporation announced that it had begun construction of a new retail dispensary in Westwood, Los Angeles, after receiving all necessary local building permits.
- The Corporation announced the official launch of Ztrawberriez and 4 Prophets premium cannabis flower, the first two strains stemming from the Corporation's strategic partnership with DNA Genetics to exclusively develop DNA Genetics brands in the state of Oregon through breeding, growing, phenotyping and processing.
- The Corporation announced that Bophelo signed a processing and distribution agreement with Cantourage GmbH, one of Europe's leading providers of medical cannabis.

#### *October 2021*

- The Corporation announced a series of leadership moves in anticipation of the Akanda Transaction. The leadership changes included the resignation of Andreas Met, co-founder of the Corporation and managing director of Bophelo, and the appointment of multiple local experts to key positions at Akanda in the Kingdom of Lesotho.
- The Corporation effected the 2021 Consolidation.
- The Corporation announced that the Board approved proposed changes to the Corporation's senior officer and director compensation such that 100% of remuneration for all executive officers and directors for the remainder of calendar 2021 was expected to be paid in Common Shares in lieu of cash.

- The Corporation announced Budega™ as the name for its California retail dispensaries and hired John Ford of senior vice president of retail. John Ford has resigned and was replaced by Beau McKeon.

## **Fiscal 2022 (January 1, 2022 to December 31, 2022)**

### **Acquisitions and Dispositions**

#### *H2C Acquisition*

On January 12, 2022, the Corporation announced that it had signed a definitive agreement to acquire 1285826 B.C. Ltd. (dba H2C Beverages) ("**H2C**"), a company focused on cannabinoids and non-psychoactive mushroom functional beverages (the "**H2C Acquisition**").

On January 25, 2022, the Corporation announced that it had completed the acquisition of H2C. In exchange for the acquisition of all of the issued and outstanding shares of H2C, the Corporation issued 75,385 Common Shares. The Corporation also issued an aggregate of 6,031 Common Shares to an arm's length finder in connection with the acquisition.

#### *Closing of ZXC11 Acquisition*

On April 12, 2022, the Corporation announced it had completed the acquisition of all of the issued and outstanding membership interests of MNB11 LLC ("**MNB11**"), which owns 66 ⅔% of ZXC11. A subsidiary of PSG Coastal merged with MNB11 and, as a result, PSG Coastal now owns 100% of MNB11. The other 33 1/3% of ZXC11 continues to be owned by the social equity applicant (which is required under the DCR regulations). The consideration payable by the Corporation in connection with this merger was an aggregate of 3,907 Common Shares, issuable as follows:

- 2,369 Common Shares were issued on March 2, 2021 as a non-refundable pre-closing deposit upon acceptance of the transaction by NEO, of which 1,685 Common Shares will be subject to a pooling agreement; and
- 1,538 Common Shares were issued at the closing of the merger.

The merger agreement includes customary representations and warranties, closing conditions, and indemnification provisions. In addition, upon closing, Halo issued an aggregate of 115 Common Shares to an arm's length party as a finder's fee, and such Common Shares will be subject to a statutory hold period of four months and one day.

#### *Acquisition of Dissolve Medical*

On April 28, 2022, the Corporation announced it had acquired all of the issued and outstanding shares of 1000116327 Ontario Ltd. (dba Dissolve Medical) ("**Dissolve Medical**"). Dissolve Medical is the developer of CBD slits, which are 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 acquisition was completed pursuant to a share exchange agreement among the Corporation and the sole shareholder of Dissolve Medical. In consideration for all of the issued and outstanding shares of Dissolve Medical, the Corporation issued an aggregate of 50,000 Common Shares.

The sole shareholder of Dissolve Medical has previously received Common Shares as a consultant and a finder in connection with previous unrelated transactions.

#### *Closing of Pistil Point Asset Acquisition*

On September 22, 2022, the Corporation announced that it had completed the acquisition of all of the substantial assets of three operating entities doing business as Pistil Point in Oregon which collectively hold multiple cannabis licenses. With this transaction, the Corporation now has full ownership of a range of indoor and outdoor cultivation, manufacturing, and distributions assets, along with an expanded library of genetics that is expected to allow the Corporation to continue to execute its vertically integrated strategy in Oregon with enhanced competitiveness and economics as it penetrates additional retail dispensaries in the state.

Pursuant to the acquisition, Halo has purchased all of the substantial assets of the Pistil Point Entities through its wholly-owned subsidiary ANM. The consideration payable by the Corporation in connection with the acquisition was US\$4,000,000, payable in 9,445 Common Shares. The Common Shares issued were subject to a hold period expiring on the date that is four (4) months and one day from the date of issuance. In connection with the acquisition, the parties have waived the requirement to hold US\$2,000,000 worth of Common Shares in escrow for potential indemnification claims and the achievement of specified milestones. This transaction follows the acquisition of Food Concepts LLC, the master tenant of the approximately 55,000 square foot indoor cannabis cultivation, processing, and wholesaling facility in Portland, Oregon, in 2021, where the Pistil Point Entities operate.

#### **Securities Issuances**

##### *Global Tech Loan Agreement*

On January 6, 2022, the Corporation announced that it had entered into a loan agreement (the "**Global Tech Loan Agreement**") with Global Tech Opportunities 6 ("**Global Tech**"), pursuant to which Global Tech will loan up to \$14,000,000 (the "**Global Tech Loan Amount**") to the Corporation in two tranches of \$7,000,000 each, subject to certain terms and conditions. Amounts advanced under the Global Tech Loan Agreement are expected to be used to support the Corporation's expansion into nutraceutical products (including Hushrooms™), the completion of the Corporation's Budega™ retail stores in North Hollywood, Hollywood, and Westwood, California and for general corporate purposes. The Global Tech Loan Amount is unsecured and will bear interest at 8.0% per annum, and each tranche will be repayable in six equal monthly instalments (of blended principal and interest) of \$1,194,039.62 per instalment (each, a "**Global Tech Payment Instalment**"). In the event that the Corporation elects not make a Global Tech Payment Instalment in cash, the applicable Global Tech Payment Instalment will be made through the issuance of a Global Tech Convertible Debenture (as defined below), pursuant to the Global Tech Subscription Agreement (as defined below).

In connection with the Global Tech Loan Agreement, the Corporation: (i) paid Global Tech a commitment fee of \$350,000; and (ii) issued and committed to issue to Global Tech an aggregate of 26,250 Common Share purchase warrants, each exercisable at a price of \$160 for a period of five years from the date of the Global Tech Loan Agreement.

In addition, concurrently with the execution of the Global Tech Loan Agreement, the Corporation and Global Tech entered into a subscription agreement (the "**Global Tech Subscription Agreement**") that provides for the issuance of convertible debentures (each, a "**Global Tech Convertible Debenture**") to provide additional funding to the Corporation and to satisfy Global Tech Payment Instalments. The Global Tech Subscription Agreement provides for the issuance of up to 15 Global Tech Convertible Debentures each with a principal amount of \$1,230,968.68, subject to certain terms and conditions,

representing an aggregate principal amount of up to approximately \$19,300,000 (including the Global Tech Debenture Commitment Fee (as defined below)). Each Global Tech Convertible Debenture will be issued at 97% of the face value principal amount. The Global Tech 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 of the Global Tech Convertible Debentures (the "**Global Tech Conversion Price**") is equal to the lower of: (i) \$125; 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 the Global Tech Convertible Debenture, the maturity date). The Corporation shall be entitled to force the conversion of a Global Tech Convertible Debenture each time the five-day volume weighted average price of the Common Shares exceeds \$260, subject to the ability of the Corporation to force the conversion of additional Global Tech Convertible Debentures in certain other circumstances.

In the event that the Global Tech Conversion Price is greater than the lowest closing daily volume weighted average price 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 Global Tech Convertible Debentures) (the "**Theoretical Conversion Price**"), the Corporation will be required to pay Global Tech a make whole amount to compensate Global Tech for the difference between the actual conversion price and the Theoretical Conversion Price.

In connection with the Global Tech Subscription Agreement, the Corporation has also paid Global Tech a commitment fee of \$650,000 and has agreed to pay Global Tech an additional \$200,000 in connection with the seventh tranche of Global Tech Convertible Debentures (collectively, the "**Global Tech Debenture Commitment Fee**"). To date, the Corporation has not paid the additional \$200,000.

#### *Amended Global Tech Loan Agreement*

On February 9, 2022, the Corporation announced that it had entered into an amended and restated loan agreement (the "**Amended Global Tech Loan Agreement**") with Global Tech amending and restating the Global Tech Loan Agreement. Pursuant to the terms of the Amended Global Tech Loan Agreement, the Corporation and Global Tech have amended the Global Tech Loan Agreement to provide the parties with additional flexibility to advance the second tranche of \$7,000,000 principal amount (in six separate instalments) prior to the repayment in full of the initial tranche of \$7,000,000 principal amount. No other material amendments were made to the terms of the Global Tech Loan Agreement.

#### *Second Global Tech Subscription Agreement*

On March 8, 2022, the Corporation entered into a second subscription agreement with Global Tech (the "**Second Global Tech Subscription Agreement**" and, together with the Global Tech Subscription agreement, the "**Global Tech Subscription Agreements**"), which provides for the issuance of up to 24 convertible debentures (each, a "**Second Global Tech Convertible Debenture**"), representing an aggregate principal amount of up to \$65,000,000 (including the Second Global Tech Debenture Commitment Fee (as defined below)). Each Second Global Tech Convertible Debenture will be issued at 92% of the face value principal amount. The Second Global Tech 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 of the Second Global Tech Convertible Debentures is equal to the lower of: (i) \$100; 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 the Second Global Tech Convertible Debenture, the maturity date).

In the event that the conversion price is greater than the average of the three lowest daily volume-weighted average prices on the NEO 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 Second Global Tech Convertible Debentures) (the "**Second Global Tech Theoretical Conversion Price**"), the Corporation will be required to pay Global Tech a make whole amount to compensate Global Tech for the difference between the actual conversion price and the Second Global Tech Theoretical Conversion Price.

In connection with the Second Global Tech Subscription Agreement, the Corporation has also paid Global Tech a commitment fee of \$2,500,000 and has paid Global Tech an additional \$2,500,000 in connection with the second tranche of Second Global Tech Convertible Debentures (collectively, the "**Second Global Tech Debenture Commitment Fee**").

Upon the occurrence of certain events of default or a change of control, as set forth in the Second Global Tech Subscription Agreement, the Second Global Tech Convertible Debentures may, at the discretion of Global Tech, be redeemed in cash prior to the maturity at price equal to 105% of the principal amount then outstanding.

The Second Global Tech Subscription Agreement also contains provisions preventing the Corporation from issuing Second Global Tech Convertible Debentures if: (i) the issuance of such Second Global Tech Convertible Debentures would result in Global Tech holding beneficial ownership or control of greater than 19.9% of the Common Shares (on a partially diluted basis); and (ii) the issuance of such Second Global Tech Convertible Debentures would result in Global Tech (and certain affiliates thereof) holding greater than an aggregate of \$10,000,000 principal amount of indebtedness under the Second Global Tech Convertible Debentures and pursuant to the Global Tech Loan Agreement and any convertible debentures issued in connection therewith.

#### *Amendments to the Convertible Debentures*

On February 15, 2022, the holders (the "**Convertible Debenture Holders**") of the Corporation's 8.00% unsecured convertible debentures due April 4, 2022 (the "**Convertible Debentures**") approved amendments to the Convertible Debentures at an extraordinary meeting of the Convertible Debenture Holders (the "**Debenture Meeting**").

At the Debenture Meeting, the Convertible Debenture Holders passed an extraordinary resolution to amend the certificates between the Corporation and each of the Convertible Debenture Holders, which amends the Convertible Debentures to: (i) extend the maturity date of the Convertible Debentures to December 31, 2024; (ii) reduce the interest rate of the Convertible Debentures to 0.0%; (iii) amend the conversion terms of the Convertible Debentures to make such debentures convertible into units (each, a "**Convertible Debenture Unit**"); (iv) lower the conversion price of the Convertible Debentures to C\$103 per Convertible Debenture Unit; and (v) provide the Corporation with a right to accelerate the conversion of the Convertible Debentures. Each Convertible Debenture Unit is comprised of one Common Share and one half of one Common Share purchase warrant (each whole warrant, a "**Convertible Debenture Warrant**"). Each Convertible Debenture Warrant is exercisable to purchase one Common Share at an exercise price of \$235 per Common Share, subject to adjustment, until February 15, 2024. The Convertible Debenture Warrants will be issued pursuant to the terms of a warrant indenture entered into between the Corporation and Odyssey.

#### *Elegance Consulting Services*

On January 12, 2022, the Corporation announced that it had entered into of a distribution and manufacturing agreement (the "**Elegance Distribution Agreement**") with Elegance. Pursuant to the

terms of the Elegance Distribution Agreement, Elegance has agreed to purchase \$30,000,000 of the Corporation's H2C and Hushrooms™ branded products during the 24-month period following the launch of the products (the "**Launch Period**") and to distribute these products to retail outlets in respective legal states across the U.S.

During the period from the effective date of the Elegance Distribution Agreement until the Launch Period Elegance provided certain consulting services to the Corporation including with respect to the development of branding, marketing, and manufacturing best practices, product development, and sales strategies through to launch. Pursuant to the Elegance Distribution Agreement, the Corporation has agreed to issue USD\$2,500,000 of Common Shares to Elegance in consideration for the consulting services to be provided by Elegance in connection with the branding, development, manufacturing, and distribution of the H2C and Hushrooms™ product lines. The Common Shares were issuable in four equal monthly tranches of USD\$625,000 per tranche. The number of Common Shares to be issuable under each tranche will be equal to the quotient of USD\$625,000 (converted into Canadian dollars using the prevailing Bank of Canada exchange rate), divided by the greater of: (i) the volume weighted average price of the Common Shares on the NEO (or such other exchange on which the Common Shares are principally traded) for the 20 trading days prior to the issuance of such Common Shares; and (ii) the minimum price permitted by the NEO.

#### *Additional Securities Issuances*

- On January 25, 2022, the Corporation issued 19,813 Common Shares to certain independent consultants and related parties of the Corporation, in lieu of cash consideration, at a price of \$120 per Common Share.
- On January 25, 2022, in connection with the H2C Acquisition, the Corporation issued 75,385 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – H2C Acquisition*".
- On January 25, 2022, in connection with the H2C Acquisition, the Corporation issued 6,031 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – H2C Acquisition*".
- On January 26, 2022, in connection with the Elegance Distribution Agreement, the Corporation issued 6,746 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Elegance Consulting Services*".
- On February 17, 2022, in connection with the Elegance Distribution Agreement, the Corporation issued 7,001 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Elegance Consulting Services*".
- On March 14, 2022, in connection with Elegance Distribution Agreement, the Corporation issued 11,831 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Elegance Consulting Services*".
- On April 13, 2022, in connection with Elegance Distribution Agreement, the Corporation issued 15,069 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Elegance Consulting Services*".

- On April 21, 2022, in connection with the acquisition of ZXC11, the Corporation issued 1,538 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – Closing of ZXC11 Acquisition*".
- On April 21, 2022, in connection with the acquisition of ZXC11, the Corporation issued 293 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – Closing of ZXC11 Acquisition*".
- On April 25, 2022, in connection with the acquisition of Dissolve Medical, the Corporation issued 50,000 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – Acquisition of Dissolve Medical*".
- On May 3, 2022, the Corporation issued 185,037 Common Shares to certain independent consultants and related parties of the Corporation, in lieu of cash consideration, at a price of \$22.50 per Common Share.
- On September 21, 2022, in connection with the Pistil Point Acquisition, the Corporation issued 12,543 Common Shares. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – Closing of Pistil Point Asset Acquisition*".
- On September 21, 2022, in connection with the Pistil Point Acquisition, the Corporation issued 1,040 Common Shares as a finder's fee. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Acquisitions and Dispositions – Closing of Pistil Point Asset Acquisition*".
- During the year ended December 31, 2022, the Corporation issued 13,472,401 Common Shares on the conversion of the Third and Restated Promissory Note. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Third Amended and Restated Promissory Note*".
- During the year ended December 31, 2022, the Corporation issued 24,651,361 Common Shares on the conversion of Reef Promissory Note. See "*General Development of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Reef Promissory Note*".

#### *Halo Tek Spin-Off*

On May 2, 2022, the Corporation announced that Halo Tek, a wholly owned subsidiary of the Corporation, filed a preliminary long form prospectus (the "**Preliminary Prospectus**") with the securities regulatory authorities in each of the provinces and territories of Canada, other than Québec, for the purpose of qualifying the distribution by the Corporation to holders of the Common Shares of all of the issued and outstanding common shares in the capital of Halo Tek ("**Halo Tek Shares**") as a return of capital (the "**Distribution**").

Prior to the Distribution, Halo intends to reorganize its technology assets so that Halo Tek is the owner of all of the outstanding shares of the following subsidiaries: Halo DispensaryTrack Software Inc. ("**DispensaryTrack**"), Halo AccuDab Holdings Inc., Cannalift, Nasalbinoid, Cannafeels, and 1275111.

In connection with the Distribution, the Corporation completed the First 2022 Consolidation. The First 2022 Consolidation required the approval of the holders of Common Shares. Accordingly, a meeting of the shareholders of Halo was called for June 16, 2022 (the "**Meeting**") for the purpose of conducting the annual business of Halo and considering a special resolution to approve the First 2022 Consolidation. The completion of the Distribution was conditional on at least two-thirds of the votes cast by holders of Common Shares at the Meeting being in favor of the First 2022 Consolidation. The First 2022 Consolidation was approved at the Meeting.

The Preliminary Prospectus contains important information relating to the Halo Tek Shares and is still subject to completion or amendment. A copy of the Preliminary Prospectus is available under Halo Tek's profile on SEDAR at [www.sedar.com](http://www.sedar.com). There will not be any distribution of the Halo Tek Shares until a receipt for the final prospectus has been issued.

#### *Early Termination of Loan and Convertible Debentures Agreements*

On September 7, 2022, the Corporation announced that it has entered into a termination agreement (the "**Termination Agreement**") of the Amended Global Tech Loan Agreement mutually agreed upon with Global Tech pursuant to which, among other things, the Corporation and Global Tech have agreed to effect amendments (the "**Amendments**") to certain previously issued Convertible Debentures in aggregate principal amount of \$7,001,318 (collectively, the "**Amended Convertible Debentures**"). The Amendments to all the non-dilutive and dilutive financings offered by Global Tech will help Halo better manage its dilution by agreeing to issue a maximum number of Common Shares pursuant to the terms of the Amended Convertible Debentures as detailed below. The Amendments and the Termination Agreement are subject to approval by the NEO. The Amendments and the Termination Agreement will become effective automatically within one trading day of the receipt of approval of the transactions by the NEO Exchange (the "**Effective Date**").

Under the Termination Agreement, the parties have agreed to terminate all of Halo's existing and previously announced debt facilities and Subscription Agreements with Global Tech at no extra cost, other than the Amended Convertible Debentures in which the conversion price will now be fixed, effective on the Effective Date. The Termination Agreement also contains provisions preventing Global Tech from holding beneficial ownership or control of greater than 19.9% of the Common Shares outstanding and includes standstill and voting support covenants from Global Tech in favour of the Corporation.

On the Effective Date, the conversion price of the Amended Convertible Debentures will be amended to \$0.50 per Common Share and the maturity date of the Amended Convertible Debentures will be extended by an additional 12 months such that the Amended Convertible Debentures will mature between May 31, 2025 and July 5, 2025.

Subject to certain exceptions, if Halo issues equity securities in the sixty days following the Effective Date at an issuance price that is less than \$0.50 per Common Share, the conversion price of the Convertible Debentures will be automatically adjusted downward to a share price that is equal to the issuance price of such equity securities.

#### *Reef Promissory Note*

On November 9, 2022, the Corporation entered into a promissory note with Reef Capital Inc. ("**Reef Capital**") for a principal amount of up to C\$5,000,000, to be advanced in separate tranches of at least C\$250,000 at the request of the Corporation, with the consent of Reef Capital (the "**Reef Promissory Note**"). The Reef Promissory Note is for an initial twelve-month term (the "**Initial Term**") with interest

accruing at a rate of 10% per annum. The Corporation has the ability to extend the Initial Term for an additional 12 months at an interest rate of 15% per annum following the Initial Term upon 30 days prior written notice.

Pursuant to the terms of the Reef Promissory Note, Reef Capital may convert the principal amount outstanding under the Reef Promissory Note, from time to time, into 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 (or such other primary stock exchange on which the Common Shares are then listed) on the day preceding the date on which Reef Capital delivers a conversion notice to the Corporation; and (ii) \$0.10. Interest owing under the Reef Promissory Note is payable in cash.

The Reef Promissory Note contains language preventing Reef Capital from converting any amount outstanding thereunder if such conversion would result in: (i) Reef Capital and any person acting in combination or in concert with Reef Capital, holding greater than 9.99% of the outstanding Common Shares after giving effect to the conversion and issuance, without Reef Capital having filed and cleared a personal information form with the NEO; or (ii) Reef Capital and any person acting in combination or in concert with Reef Capital, holding greater than 19.99% of the outstanding Common Shares after giving effect to the conversion and issuance.

### **General Developments**

#### *January 2022*

- The Corporation announced the appointment of Sky Pinnick as chief marketing officer.
- The Corporation announced that it had received approval from the Los Angeles Department of Cannabis Regulation to commence adult-use sales at its Budega-branded retail dispensary in the Arts District of North Hollywood.
- The Corporation announced that it had mailed a notice of meeting and management information circular to the Convertible Debenture Holders in connection with an extraordinary meeting of the Convertible Debenture Holders to be held at 11 a.m. (Toronto Time) on February 15, 2022.

#### *February 2022*

- The Corporation announced that the Convertible Debenture Holders had approved amendments to the Convertible Debentures at an extraordinary meeting of the Convertible Debenture Holders held on February 15, 2022.
- The Corporation announced that it had received final approvals from the DCR and DCC to commence adult-use sales at its Budega branded retail dispensary in the Arts District of North Hollywood, California

#### *March 2022*

- The Corporation announced that its North Hollywood Budega dispensary opened on March 18, 2022.
- The Corporation announced the appointments of Avtar Dhaliwal and Quinn Field-Dyde to the Board and the resignations of Peter McRae and Andrew Turman from the Board.

#### *April 2022*

- The Corporation's Westwood Budega dispensary passed the local inspection.
- The Corporation issued 185,038 Common Shares to certain independent consultants and related parties of the Corporation, in lieu of cash consideration, at a price of \$22.50 per Common Share, being the closing price of the Common Shares on April 25, 2022.
- The Corporation announced that it has signed a letter of intent and entered into exclusive negotiations to acquire Phytocann Holdings SA ("**Phytocann**"), one of Europe's leading wellness CBD companies.

#### May 2022

- The Corporation announced that Halo Tek filed a preliminary long form prospectus with the securities regulatory authorities in each of the provinces and territories of Canada, other than Québec, for the purpose of qualifying the distribution by Halo to holders of the Common Shares of all of the issued and outstanding Halo Tek Shares.
- The Corporation announced that Philip van den Berg was resigning as a director and the Chief Financial Officer of Halo, effective April 30, 2022, to join Halo Tek as its Chief Executive Officer. Marshall Minor, positioned as the current Senior Vice President, Finance of Halo, had been appointed to act as Interim Chief Financial Officer, effective April 30, 2022.
- The Corporation announced that its Westwood Budega dispensary opened in May 2022. ZXC11 holds its license.

#### June 2022

- The Corporation held its annual general and special meeting on June 16, 2022. Kiran Sidhu, Katharyn Field, Avtar Dhaliwal, Quinn Field-Dyte, Anmol Sidhu and Ryan Kunkel were elected as directors. The Corporation approved the re-appointment of Davidson & Company LLP as the Corporation's auditors for the ensuing year and authorized the board of directors to fix the auditors' remuneration, one or more amendments to the articles of the Corporation for one or more future consolidations of the Corporation's Common Shares on the basis of consolidation ratios to be selected by the board of directors of the Corporation within a range between 10 pre-consolidation Common Shares for one (1) post-consolidation Common Share and 100 pre-consolidation Common Shares for one (1) post-consolidation Common Share under certain circumstances, and a special resolution was passed authorizing the Corporation to reduce the stated capital of its Common Shares.
- The Corporation announced the First 2022 Consolidation.

#### July 2022

- Kiran Sidhu resigned from the Chief Executive Officer and Director of the Board.
- Katharyn Field was promoted to the position of the Chief Executive Officer.
- Cassidy McCord was appointed as the director of the Board.

- The Corporation announced the expiration of Halo's previously announced letter of intent to acquire PhytoCann in accordance with the terms thereof. The Corporation cited market conditions as the driving factor for not pursuing the proposed acquisition.

#### August 2022

- The Corporation announced a series of initiatives intended to enhance shareholder value, including implementing cost reduction measures over the past two months, revamping the Corporation's sales organization and commission structure in Oregon to align with an aggressive sales goal to regain market share while emphasizing collections and account management, pausing costly capital projects or payback periods that are not near-term and it completed the real property sale of Ukiah, located at 4260 N Street, on June 30, 2022 for \$2,350,000, with a portion of the proceeds used to reduce short-term debt by \$1,500,000 and the balance for general working capital.
- Budega received all regulatory approval for its Budega dispensary in Hollywood (licensed under SDF11).
- Ryan Kunkel resigned from the Board.
- The Corporation appointed Katharyn Field as the Chief Executive Officer and Chairman of the Board.

#### October 2022

- The Corporation announced the Second 2022 Consolidation.

#### November 2022

- The Corporation reports highest selling quarter and continues planned expansion for the Budega retail locations after successful opening of the first two locations and significant progress in opening of the third superstore location.
- The Corporation commences initial steps to increase production to max capacity at its Pistil Point facility in Oregon. The steps include a comprehensive assessment and analysis of the current facility design, operations and workflow complete with a three-phase proposal.

#### December 2022

- The Corporation reports development of exclusive membership program for the Budega retail dispensary chain. The program will include first access to new strains and products, rebates offered based on a percentage of total spend, and gifted products.

## DESCRIPTION OF THE BUSINESS

### GENERAL

#### Summary

The Corporation is a cannabis cultivation, manufacturing, and distribution company. The Corporation has continued to evolve its business through delivering value with its products in key markets in the U.S. The Corporation has already started to focus on verticalization in these key markets. With a consumer-centric focus, the Corporation markets innovative branded and private label products across multiple product categories.

The Corporation's current U.S. cannabis activities include some or all of the following activities pursuant to state and local laws in Oregon and California: (1) cultivation, (2) processing, (3) wholesaling, (4) transportation, and (5) distribution of cannabis and cannabis extracts to licensed retailers and wholesalers. Additionally, Halo opened its first two dispensaries in the first half of 2022. Recreational marijuana licenses have been issued directly to the Corporation, through various subsidiaries, by the OLCC in Oregon and the Department of Cannabis Control and California Department of Cannabis Control in California. Currently, substantially all of the Corporation's revenue is derived from the sale of cannabis products in the States of Oregon and California under each state's regulated cannabis programs.

The charts below summarize the more detailed information about the Corporation's operations set out in the following sections:

Jurisdiction	Entity	Principal Business Activities <sup>(1)</sup>	Licenses <sup>(2)</sup>	Facilities <sup>(3)</sup>
<b>Current Operations</b>				
Oregon	ANM	Cultivation, Manufacturing and Distribution	Two (2) OLCC Processor Licenses (Manufacturing)  Two (2) OLCC Wholesaler License (Distribution)  Five (5) OLCC Producer Licenses (Cultivation)**	12,000 square foot manufacturing and distribution facility with adjacent 7,200 square foot courtyard  Leases approximately 55,000 square feet indoor cannabis cultivation, processing, and wholesaling facility in Portland Oregon
	Halo Winberry	Cultivation and Distribution	OLCC Producer License (Cultivation) *  OLCC Wholesaler License (Distribution) *	Leases approximately 2,575 square feet in Eugene Oregon
	ANM Wholesale 2 LLC	Distribution	OLCC Wholesaler License (Distribution) *	Leases approximately 160 square feet with limited access boundary in Eugene Oregon

	ANM Producer 6 LLC	Cultivation	OLCC Producer License (Cultivation)*	Leases limited space in ANM's facility
California	PSG Coastal	Holding company for California operations	Nil	Nil
	MDT	Distribution	Cannabis Business Facility License Type 11 Distribution License	2,600 square foot distribution facility in Ukiah, California
	OGC	Manufacturing	Cannabis Business Facility License Type 6 Manufacturing License	1,800 square foot manufacturing facility in Ukiah, California
	LKJ11	Retail	DCC and DCR Retailer (Storefront)	1,350 square foot retail store in North Hollywood, Los Angeles, California
	SDF11	Retail	DCC and DCR Retailer (Storefront)	2,900 square foot retail store in Hollywood, Los Angeles, California  (Not yet operational)
	ZXC11	Retail	DCC and DCR Retailer (Storefront)	1,500 square foot retail store in Santa Monica, Los Angeles, California

**Notes:**

- (1) For additional information regarding principal business activities, see "*Description of the Business – Cultivation*", "*Description of the Business – Production (Manufacturing)*", "*Description of the Business – Distribution (Wholesale)*" and "*Description of the Business – Products*".
- (2) For additional information regarding licenses, see "*Description of the Business – Economic Dependence – Licenses*".
- (3) For additional information regarding facilities, see "*Description of the Business – Cultivation*", "*Description of the Business – Production (Manufacturing)*" and "*Description of the Business – Distribution (Wholesale)*".
- (4) Licenses that are inactive and/or have no current activities are followed by the asterisk. Additionally, four of five ANM OLCC Producer Licenses (Cultivation) are inactive, following with two asterisks. See "*Description of the Business – Cultivation*".

**Cultivation**

The Corporation currently cultivates cannabis in Oregon under five OLCC producer licenses for cannabis cultivation held by ANM (the "**Oregon Cultivation Licenses**"). The Corporation intends to cultivate cannabis only in jurisdictions where it believes its own cultivation activities are necessary to ensure adequate and cost-effective supply of raw cannabis materials to produce cannabis oil and concentrates, as well as the sale of flower and pre-rolls.

To December 31, 2022, ANM's four tier 2 Oregon Outdoor Cultivation Licenses allow for outdoor cannabis cultivation on approximately four acres of farmland and another tier 2 license allows for indoor cannabis cultivation with approximately 9,860 square foot canopy. In the first half of 2022, the Corporation also managed outdoor cannabis cultivation on two additional adjacent acres under third-party production licenses whereby the raw material produced through its third-party management relationship is contracted to the Corporation. To date, due to a recent dispute with the landlord in Rogue River, four of ANM's Oregon Outdoor Cultivation Licenses have been placed on hold until the Corporation reaches a resolution with the landlord. The Corporation has no plans to resume outdoor cultivation in 2023. In 2022, the Corporation put two OLCC producer licenses on temporarily shut down, which are held and maintained by the Corporation's indirectly-owned subsidiaries, ANM Producer 6 LLC and Halo Winberry Holdings LLC. The Corporation's Oregon cultivation sites help ensure a consistent supply of high-quality cannabis material for the manufacturing of various product lines. The Corporation maintains its cultivation operations in Oregon as a hedge against price volatility for raw cannabis materials and to preserve cost leadership in the market.

As the market has shifted and the price of raw material has declined, the Corporation has put on hold cultivation operations in California until such time that the market experiences recovery, or vertical margins can be realized through Halo's "Budega" retail dispensaries.

### **Processing (Manufacturing)**

The Corporation's core competency is the production (also referred to as manufacturing and extraction) of manufactured cannabis products for sale to retail businesses and wholesale distributors as finished consumer-packaged goods.

The Corporation currently operates numerous extraction platforms (or methods) including hydrocarbon and mechanical extraction. The Corporation manufactures and sells a variety of products in the following categories: (i) concentrates – shatter, sauce, live resin, badder, "diamonds" (THC-A crystals); and (ii) oils – both in raw and distilled form in a variety of strains and flavors, as well as strain specific cannabinoid ratios and blends. The Corporation packages and sells concentrate "pucks", shatter, live resin vapor cartridges, cannabis derived terpene distillate vapor cartridges, botanical terpene cartridges, live resin cartridges. The Corporation also manufactures various edible products including various cannabis-infused gummies (Hush) and syrup-based drinks (Hush Sizzurp) in the state of Oregon and in the state of California.

The Corporation's Oregon manufacturing facility is located in Medford, Oregon. The facility has approximately 12,000 square feet of indoor manufacturing space, as well as an enclosed courtyard of approximately 7,200 square feet. Within the 12,000 square foot indoor facility, approximately 1,400 square feet is a segregated C1D1 extraction space. The Corporation has utilized all of the extraction platforms noted above at its Medford facility. The Medford facility also serves as a cross dock location for its statewide distribution, now centralized in Portland, Oregon.

In November 2018, the Corporation commenced manufacturing activities in California. One facility was held through Coastal Harvest and occupied approximately 1,600 square feet with approximately 500 square feet dedicated for volatile extraction (hydrocarbon) (the "**Coastal Harvest Facility**"). The Coastal Harvest facility is currently being shut down and vacated. On September 7, 2022, the Corporation surrendered its DCC type 7 volatile solvent extraction license.

A second facility (the "**ICL9 Facility**"), subleased by Industrial Court L9, LLC, a wholly owned subsidiary of the Corporation ("**ICL9**"), was located within 400 yards from the Coastal Harvest Facility and the licensed cannabis square footage encompassed 7,800 square feet with room to expand into a 6,120 square foot premises subleased by Industrial Court L13, LLC, a subsidiary of the Corporation ("**ICL13**"),

which is adjacent to the ICL9 facility (the "**ICL13 Facility**"), for approximately 13,900 square feet in total. In 2019, the Corporation was awarded permanent licenses by the State of California for Type 11 Distribution and Type 7 Volatile Manufacturing at the ICL9 Facility. Due to market conditions and local tax structure, the Corporation elected to exit the ICL9 Facility and ICL13 Facility. The ICL9 Facility and the ICL13 Facility were both surrendered and vacated. On June 25, 2022, the Corporation's DCC type 7 volatile solvent extraction license expired.

A further California facility is held by OGC and is a Type 6 manufacturer in the State of California (the "**OGC Facility**"), occupying 1,800 square feet of space adjacent to the MDT Facility. The OGC Facility manufactures vape cartridges, edibles, pre rolls, and provides final assembly/packaging for Halo's owned brands in the state of California.

### **Distribution (Wholesale)**

The Corporation currently operates a licensed distribution (wholesale) business headquartered in Portland, Oregon. The Corporation has a wholesale license in Medford (ANM) and a wholesale license in Portland (ANM) as cross dock sites serving Central/Eastern Oregon and Southern Oregon respectively. This distribution network provides faster and more efficient delivery throughout the State of Oregon. In the second half of 2022, the Corporation put two wholesale licenses through its wholly-owned subsidiaries (ANM Wholesales 2 LLC and Halo Winberry) on temporary shut down.

Further, the Corporation terminated a Sales and Distribution agreement with NMC (aka "Greenstone Distribution") in California to manage all of Halo's delivery and sales to retail customers. Instead, the Corporation decided to continue utilize Greenstone Distribution for sales services and moved forward with Dry Aged Denim LLC (aka "Alkemist") for distribution. In the second half of 2022, Corporation further decided to switch to Rukli Inc. for the sales and distribution services. MDT, the Corporation's wholly owned distribution company in Ukiah, California serves as an internal and white label distribution company, moving products between Halo's California businesses and to white label customers.

The Corporation's distribution (wholesale) business in Oregon includes wholesaling the corporation's owned products and 3<sup>rd</sup> party branded products. The Corporation currently employs 8 salespeople in California and 6 salespeople in Oregon that actively do business with approximately 359 cannabis retailers in the state and utilizes a fleet of 12 vehicles to cover the vast distribution network.

### **Retail Activities**

Through the Corporation's acquisitions of ZXC11 and SDF11, as well as its previous acquisition of LKJ11 LLC ("**LKJ11**"), the Corporation opened two dispensaries in Los Angeles, California and plans to open the third one in 2023. The two Budega stores are located in North Hollywood and Westwood adjacent to Beverly Hills. The third location in Hollywood currently is under construction and applying for the local permits. These stores will increase distribution of Halo products in California, as well as help market the Corporation's products.

In Canada, due to a dispute with High Tide regarding the management and performance of the Canadian dispensaries, the Corporation has elected not to proceed with the partnership with High Tide and allowed High Tide to enforce the Share Pledge and gain control of Halo KushBar and the Stores.

Pursuant to an amended and restated asset purchase agreement dated September 1, 2020 (the "APA"), Halo Kushbar Retail Inc. ("Kushbar"), a wholly-owned subsidiary of Halo, purchased three cannabis stores in Alberta (the "Stores") from High Tide Inc. ("High Tide") on July 15, 2021. The purchase price for the Stores was paid by Halo, on behalf of Kushbar, by way of issuance to High Tide of shares in the capital Halo and a convertible promissory note (the "Note"). The debt owing under the Note was secured

by, among other things, a share pledge of Halo in respect of the shares it held in Kushbar (the "Share Pledge").

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, on July 28, 2022 Halo allowed High Tide to enforce the Share Pledge and gain control of Kushbar and the Stores. As High Tide enforced the Share Pledge and now controls the Stores, Halo has no further obligations or liabilities under the Note nor the APA.

## **Competitive Conditions**

### *Oregon*

The Corporation believes that its primary competition in the Oregon market is Cura Partners ("**Cura**"), under its 'Select' Brand, Buddies Cannabis ("**Buddies**"), Willamette Valley Alchemy ("**WVA**") and White Label Extracts ("**White Label**"). Aside from these companies, the competitive landscape of the Oregon market is characterized by a significant number of smaller companies occupying specific product categories. In addition, the Oregon market is saturated with products. The Corporation's strategy is to grow its market share in Oregon by going head-to-head with Cura, Buddies, WVA, and White Label in the distillate and live resin vaporizer cartridge market segments, as well as other packaged concentrate companies producing products such as shatter, live resin, rosin, and diamonds. The Corporation also now sells flower, pre-rolls, infused pre-rolls and edibles in Oregon. The Corporation intends to continue to be an industry cost-leader, producing products at the lowest cost possible assuring competitive pricing and healthy profit margins.

### *California*

The competitive landscape in California is highly fragmented. The Corporation's competitors in California include but are not limited to Heavy Hitters, Stiiizy, Select, Big Chief, Jetty Extracts, Raw Garden, Absolute Xtracts, Loudpack, and Bloom Farms. The California market is characterized by a significant number of suppliers for raw materials (flower, trim, crude oil, bulk distillate, and bulk live resin) and a significant number of dispensaries and various distributors. The primary distinguisher between suppliers in California is product quality and brand partnerships. With respect to California, in the longer term the Corporation intends to build market share and establish cost-leadership by focusing on stabilization of the supply chain and selective vertical integration. The Corporation also will target tuck in brand acquisitions or licensing agreements to increase value of the product offering. The Corporation expects that leveraging the relationships of the Greenstone Distribution sales force to secure shelf space and demonstrate its brand promise of quality product at a value price point will grow revenue in the packaged goods segment. The Corporation will look to expand the menu by targeting unsaturated areas such as value live resin products or premium solventless concentrates, like hash and rosin. The Corporation also intends to add flower categories such as pre-rolls. In the shorter term, the Corporation will also focus on business-to-business sales, supplying partners with bulk products, including distillate, live resin and live resin sauce formulations for carts.

## **Products**

A breakdown of the Corporation's cannabis product offerings by state is provided in the table below:

Brand	Product	Package Type
HUSH	1.0g Flavored Distillate Cartridge	Glass Cartridge
HUSH	1.0g Cannabis Derived Terpenes Distillate Cartridge	Glass Cartridge
HUSH	1.0g Shatter	Mylar
HUSH*	100mg Gummies (Edible)	Mylar
HUSH	1.3g Saucy J Pre-Roll	Tube
HUSH	0.55g Pre-Rolls (Dry Flower)	Various Packaging
HUSH	1.10g Pre-Rolls (Dry Flower)	Various Packaging
HUSH	0.80g Infused Pre-Rolls	Tubes
HUSH	Sun Grown Flower (1/2 lbs and lbs)	Mylar
HUSH	1.0g Distillate	Syringe
HUSH	0.8g infused pre-roll	2 Pack
HUSH	1.0 gram live resin cartridge	Glass Cartridge
WINBERRY FARMS	2.34 gram infused pre-roll	3 Pack
WINBERRY FARMS	1 gram pre-roll	Various Packaging
WINBERRY FARMS	1.0g Distillate Botanical Terpenes	Glass Cartridge
WINBERRY FARMS	0.65g Pre-Rolls (Dry Flower)	10 Pack
WINBERRY FARMS	0.5g Infused Pre-Roll (Distillate Infused)	5 Pack

### Strategic Focus

The Corporation's strategy in the near term is to roll out its business model of manufacturing oil and concentrates as finished products for sale to dispensaries and large wholesalers using either private-label or branded products. The Corporation currently markets multiple different products and has historically used an opening price point strategy across its product range. In the near term, the Corporation's geographic focus is in California and Oregon. The Corporation was approached by international operators outside North America to license its technology and provide cannabis manufacturing and low-cost cultivation expertise for manufacturing. This resulted in the Corporation announcing its strategic partnership with Lesotho-based Bophelo in December 2018 and, subsequently, the execution of the Bophelo Agreement. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Bophelo Acquisition Agreement*". Throughout all jurisdictions in which it currently operates, the Corporation intends to verticalize where possible to secure its supply chain through production of cannabis and to add selective retail.

#### Oregon

In 2023, the Corporation anticipates undertaking the following activities in an effort to grow the Corporation's business in Oregon:

- bring production of certain SKUs in-house to lower the wholesale price and maintain profit margin;
- Complete a re-brand of the Hush product line, drawing a new consumer base to an already popular brand
- launch a new brand to service a higher-end consumer base focused on terpenes, including rosin, hash, live resin, pre-rolls, cannagars, vape and flower;
- expand new SKUs of Hush flavored distillate cartridges;
- improve and expand SKUs of Hush sizzurp product line;
- launch updated Hush one piece gummy;
- expand the offering of 3<sup>rd</sup> party brands to the Corporation's dispensary customer base;
- partner with new suppliers in order to grow supply chain to support projected sales growth; and
- increase production efficiencies through automation and implementation of new technology, thereby reducing labor costs and increasing production output.

#### *California*

- In 2023, the Corporation anticipates undertaking the following activities in an effort to grow the Corporation's business in California: expand Distribution footprint and where possible increase sales to current customers;
- launch Hush Live resin and cannabis terpene cartridges;
- improve Hush pre-rolls, infused pre-rolls and launch Saucy J's;
- expand new SKUs of Hush flavored distillate cartridges;
- launch Budega branded pre-rolls, flower and vape products;
- partner with new suppliers in order to grow supply chain to support projected sales growth;
- increase production efficiencies through automation and implementation of new technology, thereby reducing labor costs and increasing production output; and
- evaluate opportunities to reduce costs through outsourcing of non-core production activities.

#### **Value Added Services**

##### *Dispensary Software*

In 2019, the Corporation acquired Cannpos Services Corp. ("**Cannpos**"), a software company that was developing an application to alleviate customer flow constraints currently experienced by dispensaries, which became DispensaryTrack on October 11, 2019. DispensaryTrack is a software company that continues to develop an application to alleviate customer flow constraints currently experienced by dispensaries. Subject to state and local regulations, once fully functional, the application will enable customers to electronically interact with dispensaries, thereby reducing wait times and improving

customer experience. Dispensaries will also be able to use the application to display in-store specials, advertise specific products and track customers' purchasing patterns. The application's tracking capabilities will enable dispensaries to gather business intelligence on end customers, in compliance with privacy laws. The application is being designed to be used on a smartphone or tablet and is expected to be available on the Apple and Android app stores for an ongoing monthly service fee.

DispensaryTrack is currently at the pre-revenue stage. The software is fully developed and ready for commercial use. Prior to the acquisition by Halo, research, and development ("R&D") was conducted by Cannpos. All software coding was transferred to DispensaryTrack as part of the acquisition and can be developed further using the services of third parties.

The Corporation intends to spin-off this entity to Halo Tek in connection with the Spin-Off Transaction.

#### *Delivery Application*

In March 2020, the Corporation acquired Cannalift, a software company that was developing a delivery application to be used on a smart phone or tablet and a web-based platform.

Halo Cannalift Delivery Inc. was formed under the laws of the Province of British Columbia on March 10, 2020, upon the amalgamation of 1242899 B.C. Ltd. and Cannalift.

Halo Cannalift Delivery Inc. has developed a web-based delivery application that, once developed, will provide consumers with a convenient method of obtaining cannabis products from their local dispensaries. Subject to local regulations, the application will enable customers to electronically interact with dispensaries, thereby reducing wait times and improving customer experience. The application is being designed to be used on a smartphone or tablet. Halo Cannalift Delivery Inc. will not stock any cannabis supply, but rather act as a delivery service between dispensaries and consumers. The application is expected to offer up-to-date supply inventory from partnering dispensaries, allowing customers to accurately find their desired products.

Once consumers are registered on the Halo Cannalift Delivery Inc. application, they will be able to search for dispensaries or look for and purchase specific products that are only available at certain dispensaries. Once the purchase is complete, delivery will be made.

Halo Cannalift Delivery Inc. is currently at the pre-revenue stage. The software is fully developed and ready for commercial use. Prior to the acquisition by the Corporation, R&D was conducted by Cannalift. All software coding was transferred to Halo Cannalift Delivery Inc. as part of the acquisition and can be developed further using the services of third parties.

The Corporation intends to spin-off this entity to Halo Tek in connection with the Spin-Off Transaction.

#### *Strain Research Application*

In September 2020, the Corporation acquired Cannafeels, a software company developing an online application to provide consumers with relevant, web-sourced and curated information about cannabis strains.

The Cannafeels application is an online database that will help cannabis consumers discover new strains and track their purchasing history to aid both new and previous users in selecting the right strain for their intended use. Cannafeels' mission is to demystify cannabis for users. The Cannafeels application will gather consumer data to connect consumers with effective options for their individual needs. The Cannafeels application will help users navigate through CBD, THC, terpene, and cannabinoid profiles and whether they require a recreational or medicinal benefit to provide three

recommended strain options. Additionally, the application is expected to provide subcategories which allow for further choices such as energy, relaxation, pain, or nausea. The Cannafeels application will suggest the most effective strain, administration method, and dose. Cannafeels collects and uses consumer selection habits and strain profiles and helps make tailored recommendations based on consumer needs. Cannafeels will help users discover different strains offered by licensed producers and, in the future, may allow targeted strain advertising based on user selection. Cannafeels will allow users to track their sessions to determine the effect of the particular strain, whether there are any noticeable benefits, and how they are feeling. The user can register, allowing the application to collect and store user data; alternatively, a session may be started without registration. Consumer data is recorded in order to better understand user experience with particular strains, producing insights that can be sold back to licensed producers and educational institutes. The strain database will be based on data provided by licensed producers and users will have the option to add strains themselves when not available on the platform.

Cannafeels is currently at the pre-revenue stage. The software is fully developed and ready for commercial use. Prior to the acquisition by the Corporation, R&D was conducted by Cannafeels. All of Cannafeels; intellectual property can be developed further using the services of third parties.

The Corporation intends to spin-off this entity to Halo Tek in connection with the Spin-Off Transaction.

### **Components**

See "*Description of Business – General – Cultivation*", "*Description of Business – General – Production (Manufacturing)*", "*Description of Business – General – Competitive Conditions*", and "*Description of Business – General – Products*".

The Corporation sources products for sales in Oregon and California utilizing a centralized purchasing group for commodities and sundry items. Biomass (also known as trim, flower, or processing material) is the chief manufacturing component. The Corporation sources biomass through established partnerships with large farms, distributors or strategic partners and cultivates it in Oregon as well. Most suppliers enter into material supply agreements with the Corporation. Processing logs / Dashboards are maintained to track key metrics and are made available to the Corporation's partners to maintain transparency and allow for product and process improvement.

In Oregon, the Corporation has licenses to produce a total of four acres of biomass. The Corporation has management agreements in place in Oregon to grow an additional two acres of canopy, and a license to cultivate approximately 10,000 square feet of indoor canopy. Production was previously geared towards growing plants for the purposes of extraction only; however, throughout 2021 and 2022, the Corporation has shifted this methodology with the increase in sales of flower and pre-roll products and the ability to source biomass from the open market at low prices.

### **Intangible Properties**

The Corporation relies on non-disclosure and confidentiality agreements to protect its intellectual property rights. Additionally, as of the date hereof, the Corporation has registered and/or applied for the following trademarks:

Type	Serial/Registration No.	Mark	Goods/Services	Filing Date	Owner
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California Trademark Registration	Registration no. 02000157	GILT	Marijuana goods, including concentrates and extracts	April 16, 2019	ANM, Inc.
Nevada Trademark Registration	Registration no. E0173532019-6	GILT	Marijuana goods, including concentrates and extracts	April 12, 2019	ANM, Inc.
Oregon Trademark Registration	Registration no. 50404	GILT	Marijuana goods, including concentrates and extracts	April 12, 2019	ANM, Inc.
Oregon Trademark Registration	Registration no. 47473	MOJAVE	Processing and extraction; cannabis processing and extraction; cannabis oils, extracts, and concentrates	August 15, 2018	ANM, Inc.
Oregon Trademark Registration	Registration no. 47477	EXHALE	Processing and extraction; cannabis processing and extraction; cannabis oils, extracts, and concentrates	August 15, 2018	ANM, Inc.
Oregon Trademark Registration	Registration no. 46232	Hush	Marijuana items, including concentrates and extracts, apparel, hats	December 16, 2016	ANM, Inc.
Oregon Trademark Registration	Registration no. 46233	HUSH alongside a design of a four-leaf clover	Marijuana items, including concentrates and extracts, apparel, hats	December 16, 2016	ANM, Inc.
California Trademark Registration	Registration no. 02015682	HUSH	Marijuana goods, including edibles, pre-rolls and tinctures	August 26, 2021	ANM, Inc.
U.S. Federal Trademark Registrations	Registration nos. 5909147, 5909148, 5958588	Winberry Farms  W	Class 025 "Beanies; caps being headwear; coats; hats; hoodies; jackets; stocking caps; sweatshirts; T-shirts"  Class 034 "Oral vaporizers for smoking purposes; electronic cigarette lanyards"	April 15, 2018	Herban Industries OR, LLC (assignment in process)

California Trademark Application	Application Serial no. 02019429	Budega	Insulating sleeve holder for beverage cups; insulating sleeve holder for bottles; insulating sleeve holders for beverage cans; insulating sleeve holders made of neoprene or foam for jars, bottles, or cans Hats	March 31, 2022	ANM, Inc.
California Trademark Application	Application Serial no. 02021971	Weed Love To Meet You	Retail stores featuring the sale of cannabis, cannabis-based or cannabinoid infused products, cannabis accessories and apparel	July 11, 2022	Halo IP Holdings, Inc.
U.S. Federal Trademark Application	Application Serial no. 90510705 (under review)	Hushrooms	Class 005 "Nutritional Supplements"	February 4, 2021	Halo IP Holdings, Inc.
U.S. Federal Trademark Application	Registration nos. 7069648	BUDEGA	Class 035 "Promoting the goods and services of others; Retail store services featuring a wide variety of consumer goods of others"	September 22, 2021	ANM, Inc.

*Licenses*

ANM holds and operates the following Oregon cannabis licenses for its manufacturing and distribution facility in Medford, Oregon: an OLCC processor license and an OLCC wholesaler license. ANM holds four OLCC producer licenses for its outdoor cannabis cultivation operations in Rogue River, Oregon.

ANM holds and operates the following Oregon cannabis licenses for its cultivation, manufacturing and distribution facility in Portland, Oregon: OLCC producer license for its indoor cannabis cultivation, an OLCC processor license and an OLCC wholesaler license.

Halo Winberry holds an OLCC indoor micro tier 1 license in Eugene.

Halo Winberry operated and now holds a distribution facility in Eugene, Oregon under an OLCC wholesaler license granted by the OLCC.

ANM Wholesale 2 LLC holds an OLCC wholesaler license in Eugene.

ANM Producer 6 LLC holds an OLCC indoor micro tier 1 license in Medford.

MDT holds the following cannabis licenses for its facility in Ukiah, California: (i) a Mendocino County Cannabis Business Facility License, and (ii) a Type 11 Distribution License from the Department of Cannabis Control.

OGC holds the following cannabis licenses for its facility in Ukiah, California: (i) a Mendocino County Cannabis Business Facility License, and (ii) a Type 6 Manufacturing License from the Department of Cannabis Control.

LKJ11 holds the following cannabis licenses for its dispensary in North Hollywood, CA: (i) a City of Los Angeles temporary approval license and (ii) a Type 10 Retail Storefront license from the Department of Cannabis Control.

ZXC11 holds the following cannabis licenses for its dispensary in Westwood, CA: (i) a City of Los Angeles temporary approval license and (ii) a Type 10 Retail Storefront license from the Department of Cannabis Control.

SDF11 holds the following cannabis licenses for its dispensary in Hollywood, CA: (i) a City of Los Angeles temporary approval license and (ii) a Type 10 Retail Storefront license from the Department of Cannabis Control.

## **Employees**

As of December 31, 2022, the Corporation had approximately 114 employees. As at the date hereof, the Corporation has approximately 75 employees.

## **Foreign Operations**

The Corporation is heavily dependent on its operations in the U.S. See "*Description of the Business.*"

## **REGULATORY OVERVIEW**

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352")*, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Corporation is currently directly involved through its subsidiaries. The Corporation's subsidiaries are engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the States of Oregon and California. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance citations or notices of violation which may have an impact on the Corporation's license, business activities or operations will be promptly disclosed by the Corporation.

### **United States Federal Overview**

In the U.S., 36 states and the U.S. territories of the U.S. Virgin Islands, and Puerto Rico have comprehensive medical cannabis programs. 18 states and the U.S. territories of Guam and the Northern Mariana Islands have legalized adult-use cannabis cultivation and sales. The District of Columbia and Vermont have legalized adult-use of recreational cannabis but do not allow the sale of recreational

cannabis. As of April 24, 2023, 38 states, three U.S. territories of the U.S. Virgin Islands, and the District of Columbia allow the medical use of cannabis products. As of June 1, 2023, 23 states, two U.S. territories, and the District of Columbia have enacted measures to regulate cannabis for non-medical use.

On December 20, 2018, then President Trump signed into law the Agricultural Improvement Act of 2018 (the "**2018 Farm Bill**") which removed industrial hemp from the Federal CSA, allows for the production and sale of industrial hemp in the U.S., and removed the word "industrial" from the term "hemp." Under the 2018 Farm Bill, hemp is defined as "the plant *cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis" ("**Hemp**"). The U.S. Department of Agriculture ("**USDA**") is tasked with promulgating regulations for Hemp and must approve any state or tribal regulation plans. On October 31, 2019, the USDA released its Interim Final Rule regarding hemp regulation (the "**IFR**"), which provided interim standard for state/tribal and USDA Hemp plans. The final rule became effective on March 22, 2021. As of March 17, 2021, USDA has approved 23 state Hemp plans and 41 tribal plans. Three states have plans currently under USDA review, including California. Other states, including Oregon, continue to operate under 2014 Farm Bill Hemp regulations, which they may do until January 1, 2022.

At the federal level, however, cannabis 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 and a lack of accepted safety for use under medical supervision. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. The Corporation's U.S. cannabis operations are illegal under U.S. federal law and the enforcement of relevant federal laws remains a significant risk.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws in legal cannabis states trends toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**U.S. DOJ**") issued a memorandum known as the "**2013 Cole Memorandum**". The 2013 Cole Memorandum directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses who comply with state cannabis regulations that track eight listed federal enforcement priorities. The 2013 Cole Memorandum, while not legally binding, largely resolved the tension between state and federal cannabis laws.

#### *Rescission of the 2013 Cole Memorandum*

On January 4, 2018, then U.S. Attorney General Jeff Sessions rescinded the 2013 Cole Memorandum, replacing it with the "**Sessions Memorandum**". The stated rationale of the U.S. DOJ in doing so was that the 2013 Cole Memorandum was unnecessary due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the 2013 Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General", the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution" and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum is not law itself and therefore does not change U.S. federal law, it does add to the uncertainty of U.S. federal enforcement of the Federal CSA in states where cannabis is legal under state law. The Sessions Memorandum returned prosecutorial discretion to individual U.S. Attorneys whose districts include states with legal cannabis regimes. While the Sessions Memorandum emphasized that cannabis is a Schedule I controlled substance and reiterated the statutory view that

cannabis is a "dangerous drug and marijuana activity is a serious crime", it does not otherwise confirm for U.S. Attorneys that prosecution of cannabis-related offenses is now a U.S. DOJ priority. Further, most states that have legalized cannabis continue to craft their regulations pursuant to the 2013 Cole Memorandum and federal enforcement agencies have taken little or no action against state-compliant cannabis businesses.

Although the 2013 Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place. The U.S. Congress has historically used a rider provision in the fiscal year budgets known as the Leahy Amendment to prevent the U.S. federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local laws. On December 27, 2020, then President Donald Trump signed the Consolidated Appropriations Act of 2021 which included the Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. The Consolidated Appropriations Act of 2021 makes appropriations for the fiscal year ending September 30, 2021. There can be no assurances that the Blumenauer Amendment will be included in future appropriations bills or budget resolutions.

In response to the rescission of the 2013 Cole Memorandum, then U.S. Attorney for the District of Oregon, Billy J. Williams, issued a public statement and enforcement memorandum stating that his office would continue working with state, local, and tribal authorities, as well as federal officials, to "pursue shared public safety objectives" in line with those prioritized under the 2013 Cole Memorandum. Oregon Governor, Kate Brown, has expressed her support for the industry: "Voters in Oregon were clear when they chose for Oregon to legalize the sale of cannabis and the federal government should not stand in the way of the will of Oregonians. My staff and state agencies are working to evaluate reports of Attorney General Sessions' decision and will fight to continue Oregon's commitment to a safe and prosperous recreational marijuana market." Oregon Attorney General Ellen Rosenblum has stated that "at the Oregon Department of Justice we will continue to make sure Oregon's marijuana industry thrives under carefully considered state regulatory requirements," and that she will do everything within her legal authority to protect an industry that Oregonians have chosen. Billy J. Williams submitted a resignation as the U.S. Attorney for the District of Oregon effective February 28, 2021. Scott Erik Asphaug was named Acting U.S. Attorney for the District of Oregon on February 28, 2021 and will serve as the District of Oregon's chief federal law enforcement officer until a presidentially appointed U.S. Attorney is confirmed in the Senate. It is unclear what impact, if any, a new U.S. Attorney for the District of Oregon will have on the enforcement policy of cannabis in Oregon.

Jeff Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as the next U.S. Attorney General. Mr. Barr is a former U.S. Attorney General under George H.W. Bush's administration and previously had an anti-drug stance during that tenure. During his most recent Senate confirmation hearing, Mr. Barr stated that he did not support cannabis legalization but would not prosecute cannabis businesses that comply with state laws. On December 14, 2020, then President Trump announced that Mr. Barr would be resigning from his post as Attorney General, effective December 23, 2020. President Joseph Biden nominated Merrick Garland to succeed Mr. Barr as the U.S. Attorney General. Mr. Garland was confirmed by the U.S. Senate as the U.S. Attorney General on March 10, 2021. During his Senate confirmation hearing, Mr. Garland took the position that he would not prosecute cannabis business that comply with state laws. It is unclear what impact, if any, the new administration will have on the U.S. federal government's enforcement policy on cannabis. The U.S. DOJ may change its enforcement policies at any time, with or without advance notice.

In California, then Southern District of California U.S. Attorney Adam Braverman made comments indicating a desire to enforce the CSA, stating that the Sessions Memorandum and the rescission of the 2013 Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA.

These and other so-called "enforcement hawks" in California or elsewhere may choose to enforce the CSA in accordance with federal policies prior to the issuance of the 2013 Cole Memorandum.

The Corporation has obtained legal advice from U.S. legal counsel regarding: (a) compliance with applicable U.S. state regulatory frameworks; and (b) potential exposure and implications arising from U.S. federal law. The Corporation receives such advice on an ongoing basis but does not have a formal legal opinion on such matters.

For further information, please see the discussion of the enforcement priorities of U.S. Attorneys in various U.S. states in which the Corporation operates or intends to operate set forth in subsequent sections including "*Risk Factors*".

## **Regulation of the Cannabis Market at State and Local Levels**

The following sections present overviews of cannabis regulations in the states in which the Corporation currently operates, namely Oregon and California. Strict compliance with state laws does not relieve the Corporation of potential liability under U.S. federal law, nor does it provide a defense to any federal proceeding brought against the Corporation.

### Summary of Oregon Regulatory Framework

Oregon has both medical and adult-use cannabis programs. In 1998, Oregon voters passed a limited non-commercial medical marijuana law that designated the Oregon Health Authority (the "**OHA**") to regulate an Oregon Medical Marijuana Program (the "**OMMP**"). Under the OMMP, patients who, through a licensed physician, could demonstrate the existence of one or more qualifying conditions, could possess and grow marijuana. Under the OMMP, a patient could also designate a grower to grow marijuana for the patient and/or designate a caregiver to possess and deliver medical marijuana to the patient. In 2013, the legislature passed, and the governor signed, House Bill 3460 that modified the OMMP to create a regulatory structure for existing unlicensed medical marijuana dispensaries. However, the original regulations created by the OHA after the passage of House Bill 3460 were minimal and left medical marijuana growers and dispensaries in a largely underregulated system. Additionally, the OHA did not provide for the inclusion of medical marijuana processors in the OMMP system.

In November 2014, Oregon voters passed Measure 91, eventually known as the "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act," which created an adult-use regulatory system for individuals 21 years of age or older to purchase cannabis for personal use from licensed cannabis businesses (the "**Adult-Use Cannabis Program**"). In June 2015, Oregon Governor Kate Brown signed House Bill 3400 into law, which modified Measure 91 and improved the existing regulatory structure for medical cannabis businesses, in part by creating a registration process for medical growers and processors. The OHA registers and regulates OMMP participants while the OLCC licenses and regulates the Adult-Use Cannabis Program. Since the implementation of Measure 91, however, the number of medical cannabis businesses has precipitously decreased. As of January 2021 there is one (1) registered medical marijuana dispensary, zero (0) medical marijuana processing sites, and 6,895 medical grow sites. Under the Adult-Use Cannabis Program, the OLCC issues six (6) distinct license types: producer (cultivation), processor (manufacture), wholesaler, retailer (dispensary), laboratory (testing), and research.

The laws and rules that govern the Adult-Use Cannabis Program do not impose a limit on the number of licenses an entity can hold, though a single entity may not own more than one licensed producer on the same tax lot. Local governments may regulate cannabis businesses through reasonable time, place, and manner restrictions – or, under certain conditions, wholly prohibit the establishment of medical dispensaries or processing sites or any adult-use cannabis business within their borders. There are currently no residency requirements for medical registrations or adult-use licenses in Oregon.

Until recently, Oregon did not limit the number of adult-use licenses. That changed with the passage of SB 218 in 2019. SB 218 immediately prohibited the issuance of producer licenses for new applications submitted after June 15, 2018. SB 218 sunset on January 2, 2022. Also, in late May 2018, the OLCC announced a moratorium on the processing of new applications for all license types submitted after June 15, 2018 – purportedly until the OLCC fully processed the backlog of applications submitted up to and on June 15, 2018 – although it continued to accept new applications (except for producers pursuant to SB 218). License renewals, changes of license ownership, and changes in business structure for licensees remained unaffected by SB 218 or the moratorium. On March 2, 2022 the Oregon Senate passed HB 4016, which required OLCC to inactivate license applications submitted after January 1, 2022, retroactively. HB 4016 also gives OLCC discretion to refuse to process license applications until March 31, 2024. As of March 23, 2022, the bill was awaiting Governor Brown's signature, but seemed all but certain to become law.

On August 20, 2020, Oregon's Vaping Public Health Workgroup presented recommendations for proposed actions related to both tobacco and cannabis vaping products to Oregon Governor Kate Brown. Furthermore, the OLCC adopted permanent rule amendments which impose additional restrictions and requirements on cannabis vaping products containing non-cannabis derived additives, including non-cannabis derived terpenes. The rule amendments went into effect on December 22, 2020 and affect subject vaping products beginning April 1, 2021. Additionally, the OLCC formally banned certain additives from cannabis vaping products, including squalene, vitamin E acetate, triglycerides (including, but not limited to Medium-Chain Triglycerides (MCT) Oil), and propylene glycol.

### *Licenses and Regulations*

In Oregon, the OHA registers and regulates medical cannabis businesses through the OMMP and the OLCC licenses and regulates adult-use cannabis businesses, with some overlap between the two agencies. The Oregon Department of Agriculture regulates food safety, pesticide use, and weights and measures as they relate to Oregon cannabis businesses. There are six (6) distinct license types available for adult-use businesses: producer (cultivation), processor (manufacturing), wholesaler (distribution), retailer (dispensary), laboratory (testing), and research. For medical cannabis businesses, there are three (3) registration types available: grower, processor, and dispensary. OLCC retailers may also sell cannabis or cannabinoid products (including "medical grade" products) to OMMP patients tax-free and at a discount or for no cost. Oregon law permits, but does not require, vertical integration of all commercial license types.

Oregon law permits cannabis possession and home cultivation by adults at least 21 years old within certain limits. Public sales of cannabis and cannabis products may occur only through OLCC-licensed retailers or OHA-registered dispensaries. The OLCC may disqualify adult-use cannabis license applicants for various reasons, including, but not limited to, lack of good moral character, insufficient financial resources or responsibility, convictions of certain crimes, and using cannabis, alcohol, or drugs "to excess."

Under its producer licenses, the Corporation may cultivate usable cannabis (dried leaves and flower), which the producer may transfer to any OLCC licensed processor, wholesaler, or retailer for further processing, packaging, or distribution. Producer licensees may apply for additional privileges such as propagation endorsements to grow additional immature canopy or medical canopy registration to dedicate additional canopy space for supply to OMMP patients free of charge.

Under its processor license, the Corporation may procure cannabis from OLCC licensed producers, industrial hemp from certain Oregon Department of Agriculture registered growers and handlers, or cannabinoid or hemp concentrates or extracts from other processors, for processing hemp and cannabis extracts and concentrates. The processor may then transfer finished products to any OLCC

licensed processor (with the appropriate product endorsement(s)), wholesaler, retailer, non-profit dispensary, or research certificate holder. Presently, the Corporation's processor license carries extract, concentrate, and hemp endorsements.

Under its wholesaler license, the Corporation may procure cannabis from any OLCC licensed producer, as well as cannabinoid extract, concentrate, or other product from any OLCC licensed processor or wholesaler. The Corporation may also obtain hemp and hemp items from OLCC-certified Oregon Department of Agriculture hemp growers or handlers. The wholesaler license includes authorization to package – including cartridge filling – and label products for retail sale. The wholesaler license also provides for distribution of products to any OLCC licensed wholesaler, processor, or retailer.

#### *Regulatory Framework*

Oregon Revised Statutes Chapter 475B provides the regulatory framework for both the adult-use and medical cannabis industries in Oregon. OHA medical cannabis regulations are in Oregon Administrative Rules ("**OAR**") Chapter 333, Division 7 and 8, and OAR Chapter 333, Division 64 governs the accreditation of laboratories for testing medical and adult-use cannabis products. The OLCC regulates adult-use cannabis through OAR Chapter 845, Division 25.

Both the OLCC and OHA rules include licensing requirements and license denial and approval criteria.

#### *Licensing Requirements*

Among other things, OLCC license applicants and licensees must be able to demonstrate that: (i) they are registered with the Oregon Secretary of State to do business in Oregon, (ii) they have an appropriate operating plan, (iii) they have the legal right to occupy the premises necessary to operate the licensed business, (iv) they track all cannabis and cannabinoid products and waste via the state mandated seed-to-sale tracking system, (v) they have sufficient start-up capital, (vi) all applicable owners and certain other individuals have passed background screening, and (vii) the licensed premises is not prohibited for the use under local regulations.

Licensees must renew OLCC licenses annually. The OLCC may conduct announced and unannounced inspections of any licensed facilities to assess compliance with laws and rules. The OLCC may also inspect a licensed premises upon receiving a complaint alleging that the licensee violated one or more rules. The OLCC may also conduct an annual license renewal inspection prior to approval. Inspections may cover the entire physical premises, business records, personnel, equipment, security, and operational procedures.

#### *Recordkeeping and Reporting Requirements*

The Corporation has a comprehensive compliance program which tracks all aspects of operations including transactions entered in the online seed-to-sale tracking system, "METRC", and compliance with all state and federal employment and safety regulations.

#### *Security Requirements*

OLCC licensees must always maintain fully operational alarm and video monitoring systems. Every external door or gate requires commercial grade, non-residential door locks. The alarm system must cover all entry points and must include motion detectors and pressure activated panic alarms. The 24-hour video surveillance system must record in an OLCC-approved format and maintain coverage over prescribed areas. The surveillance system must back up video footage pursuant to OLCC requirements. Additionally, the surveillance system must include the ability to print still shots upon request. The general public may only access certain areas of a retailer premises, and only authorized personnel may

access areas of any licensed premises where cannabis may be present. Any vendors or contractors present on site must check in through a visitor log and must always be accompanied by a licensee representative.

#### *Transportation and Storage Requirements*

With certain exceptions for retailers, licensees must store recreational and medical cannabis and cannabis products in a secured, locked room, vault, or safe during non-operating hours. Vaults that are large enough to allow a person to walk in must have cameras inside ensuring there are no blind spots. Smaller safes must be securely anchored to a permanent structure of an enclosed area. Printed METRC manifests must accompany any product transfer between licensees. The receiving licensee must verify the identity of the product(s) and ensure that the weight or number of units comports with the manifest. OLCC licensees must maintain all records for at least three (3) years. During transport, the transporter must keep products in a locked receptacle within the vehicle and may not make any unnecessary stops.

#### *Activities in Oregon*

The Corporation, through its wholly-owned subsidiary ANM, ANM Wholesale 2 LLC, ANM Producer 6 LLC and Halo Winberry, holds OLCC processor, producer, and wholesaler licenses.

In Oregon, CannXperts is in charge of monitoring compliance on behalf of the Corporation's subsidiary, ANM. The Corporation follows a compliance program that tracks all aspects of operations through METRC.

In addition to the above software-based control system, the Corporation has implemented a system of policies and procedures that ensure compliance with Oregon laws and regulations that govern the state's recreational cannabis program, which include: (i) a daily meeting of the Medford facility's senior leadership regarding compliance matters; (ii) daily comparison of ANM's physical inventory to ANM's METRC inventory, and resolution of any discrepancies between those numbers; (iii) review of every incoming and outgoing manifest to ensure accuracy; (iv) daily review of other production tracking documents (e.g., pesticide tracking log, delivery schedule) for discrepancies and anomalies; (v) ensuring a mandatory hold is placed on every outgoing product for 24 hours, and such product is placed under camera surveillance during this time, until after it is counted and properly recorded in METRC; (vi) ensuring that only authorized personnel transfer cannabis from the licensed facility under the same security cameras, and at the same time every day; (vii) daily random checks of inventory conducted by the Medford facility's senior leadership; (viii) monitoring of security cameras for suspicious activity by security staff; and (ix) a once-weekly review of all METRC entries by the Medford facility's senior leadership.

In addition to addressing ongoing regulatory compliance, these policies and procedures address building security, cash management, security monitoring systems, security of information, and general security and safety. Managers and employees are also empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

The Corporation's Oregon facilities utilize security systems designed to prevent and detect diversion, theft or loss of cannabis, and to comply with state and local regulatory requirements.

**Inventory Procedures:** The Corporation utilizes policies and procedures and employs METRC to track inventory and ensure strict regulatory compliance, including:

- wholesale transfer;
- inventory intake;

- inventory management; and
- sales data tracking and reporting.

The Corporation's standard operating procedures and protocols include responsibility for management, inventory counts and reviews, facility reporting, cannabis inventory receipts, and waste disposal.

These procedures exist to ensure that each of the Corporation's Oregon facilities tracks its cumulative inventory of cannabis goods. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system that adequately documents the flow of materials through the manufacturing and distribution processes;
- establish procedures that reconcile the raw material used in the finished products on the basis of each job; and
- seek to sufficiently limit variances between system outputs and physical inventory counts.

For all cannabis goods received at or sold by a facility, the inventory control systems are designed to document:

- the name and type of the cannabis goods;
- the unique identifier of the cannabis goods;
- the amount of the cannabis goods, by weight or count, and total wholesale cost;
- the date and time at which the cannabis goods were received; and
- the name and license number of other licensees involved in the transaction.

In addition, for the Corporation's Oregon cultivation facilities, the inventory control systems are also designed to document:

- the strain of the cannabis seeds or cannabis cuttings planted;
- the number of cannabis seeds or cannabis cuttings planted;
- the date on which the cannabis seeds or cuttings were planted;
- material safety data for all agricultural chemicals used in the cultivation of cannabis;
- the number of cannabis plants grown to maturity;
- harvest information, including:
  - the date of harvest; and
  - the final yield weight of processed usable cannabis.

All invoices and delivery documents must be systematically filed and maintained for a period of five years from date of delivery and must show a legible and complete statement of terms and conditions for each purchase.

Transportation records must be compliant with policies and procedures according to applicable documented plans, state laws, and regulations, and must include regulatory authority reporting and internal tracking purposes in addition to shipping manifests:

- the name, license number, and licensed premises address of the originating licensee;
- the name, license number, and licensed premises address of the licensee transporting the cannabis goods;
- the name, license number, and licensed premises address of the destination licensee receiving the cannabis goods into inventory or storage;
- arrival date and estimated time of arrival at each licensed premises;
- the date and time of departure from the licensed premises and approximate date and time of departure from each subsequent licensed premises, if any; and
- driver license number of the personnel transporting the cannabis goods, and the make, model, and license plate number of the vehicle used for transport.

**Cannabis Waste Management:** All cannabis waste, including waste composed of or containing cannabis products, must be stored, secured, managed and disposed of in accordance with applicable state and local statutes, ordinances, and regulations. Cannabis goods, including whole plants greater than 24 inches tall, intended for disposal are retained on the licensed premises and stored separately from other cannabis goods in a restricted area under camera coverage for at least three days, after which, it is rendered into cannabis waste. Before being rendered as cannabis waste, cannabis goods are first destroyed, including being removed or separated from any packaging, and rendered unrecognizable and unusable. All disposed waste is recorded in the relevant inventory control system, including:

- the name of the employee performing the destruction or disposal;
- the reason for destruction and disposal;
- the exact time and method of destruction; and
- the entity disposing of the cannabis waste.

Only authorized personnel can destroy cannabis goods. The destroyed weight and the reason for destruction are recorded. The inventory control systems can generate reports on destroyed material at any point in the destruction process.

In addition to controls over inventory, state regulatory frameworks specify requirements regarding security.

**Security Procedures:** Security requirements include:

- requiring background checks for current/new employees;
- requiring all employees to carry valid Marijuana Worker Permits;
- requiring all employees to wear employee badges for ease of identification;

- recording and maintaining video surveillance of the licensed premises;
- maintaining logs of authorized visitors including vendors and contractors;
- providing for and maintaining secure perimeters of the licensed premises, including an alarm system;
- ensuring the facility's entrances and exits are secured with non-residential commercial-grade locks;
- requiring employees to watch for suspicious activities;
- maintaining all access system credentials, access codes, access cards, passwords, etc., in a manner designed to be secure and accessible only to specifically authorized personnel;
- retrieving keys and employment identification cards from an employee and changing computer access passwords, including METRC login information, when their employment ends;
- arranging for prompt and safe disposal of materials;
- all employees being required to be trained on emergency procedures; and
- posting emergency response numbers, including fire, law enforcement, and executive team in several locations in each facility.

**Cash Management:** The Corporation utilizes standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols include, without limitation:

- insertion of all cash into a secure vault at the end of each day;
- recording of daily cash intake by supervisors and daily reconciliation of such values against daily sales reports and the prior day's recording of total cash on-hand; and
- daily audits of total cash on-hand and investigations in respect of any noted variances.

The Corporation also works with external advisors to help develop and implement measures designed to ensure compliance with applicable state laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

In Oregon, facility managers Cristian Segundo and Thomas Avants II are responsible for monitoring day-to-day activities, ensuring that the established standard operating procedures are being adhered to, identifying any compliance matters and putting into place necessary modifications to ensure compliance. The Corporation is also advised by outside attorneys about the requirements for compliance with Oregon law.

ANM received written notice from the OLCC on November 28, 2017 regarding alleged regulatory violations that carried significant penalties, including the potential loss of ANM's OLCC licenses. As part of the OLCC's investigation into potential non-compliance by ANM, OLCC representatives inspected ANM's extraction facility in Medford, Oregon on a number of occasions. As a result of its investigation, on March 13, 2018, the OLCC issued to ANM a Notice of Proposed Civil Liability detailing four instances of regulatory violations, including (i) improper placement of security cameras, (ii) inadequate camera coverage, (iii) failure to obtain required pre-approval prior to making alterations to its licensed premises, and (iv) failure to properly report a transaction in METRC. The OLCC imposed a fine of US\$6,930 as a consequence of such violations. On March 20, 2018, ANM paid the fine and reiterated to the OLCC ANM's commitment to ongoing regulatory compliance.

ANM received notice from the Oregon Occupational Safety and Health Administration ("**OSHA**") on July 16, 2019 regarding alleged regulatory violations that carried monetary penalties. As part of OSHA's investigation into potential non-compliance, OSHA representatives inspected ANM's extraction facility in Medford, Oregon on a number of occasions. As a result of its investigations, OSHA issued a Citation and Notification of Penalty detailing 11 instances of regulatory violations relating to the safety of certain electrical equipment, grounding of storage equipment and the implementation of a safety committee. OSHA imposed a total fine of US\$4,200 as a consequence of such violations. On September 26, 2019, ANM paid the fine.

The Corporation maintains compliance with Oregon state law and its related licensing framework. The Corporation works closely with its legal counsel, operating partners and regulatory officials to maintain compliance with applicable state and local regulatory requirements. The Corporation will continue to do so to develop and improve its internal compliance programs to ensure ongoing regulatory compliance.

While the Corporation's Oregon operations are compliant with state and local cannabis laws, its cannabis-related activities remain illegal under U.S. federal law. See "*Risk Factors*".

#### Summary of California Regulatory Framework

In 1996, California voters passed a medical marijuana law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act", to create a licensing system for commercial medical cannabis businesses. In 2016, California voters passed the "Control, Regulate, and Tax Adult Use of Marijuana Act", which legalized adult-use cannabis for adults 21 years of age and older and expanded the licensing system to include adult-use commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combined California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators; (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, issues licenses to cannabis manufacturers; and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control, issues licenses to cannabis distributors, testing laboratories, retailers, event organizers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system. All three agencies began issuing licenses, effective January 1, 2018. Each agency submitted proposed regular regulations (3 CCR § 8000 et seq., 16 CCR § 5000 et seq., 17 CCR § 40100 et seq.) to the California Office of Administrative Law (the "**OAL**"), and the OAL approved all three agencies' regulations in January 2019.

On July 12, 2021, Governor Newsome signed AB-141 into law which established the Department of Cannabis Control ("**DCC**") within the Bureau of Business, Consumer Services, and Housing Agency. DCC consolidated the three state cannabis programs and regulatory agencies – Bureau of Cannabis Control, CDFA's CalCannabis division, and CDPH's Manufactured Cannabis Safety Branch into a single, new state department. The creation of a standalone cannabis department is part of a larger effort to improve access to licensure and streamline the regulations applicable to commercial cannabis businesses. On July 16, 2021, the OAL approved DCC's action to consolidate the Cannabis Regulations into one title in the California Code of Regulations (CCR). The consolidated regulations can be found at CCR, title 4, division 19, sections 15000 through 17999. On September 15, 2021, DCC filed proposed emergency regulations to consolidate, clarify, and make consistent cannabis regulations to the OAL. On September 29, 2021, the OAL approved DCC's consolidated emergency regulations ("**Emergency Regulations**"). The Emergency Regulations created consistent standards for cannabis licensees across all license types, by aligning application requirements, unifying terminology, and clarifying ownership and financial interest requirements. The Emergency Regulations further established rules for trade samples between businesses.

On March 4, 2022, DCC published a Notice of Proposed Rulemaking ("**NPRM**") proposing to make comprehensive changes to the regulatory framework to streamline and simplify the cannabis regulations, enhance consumer protections and make permanent changes that are currently in effect as emergency regulations. The public comment period began on March 4, 2022, and shall last for 45 days, until 5:00pm on April 19, 2022. After the comment period, DCC shall review all feedback it receives from stakeholders and determine if changes to the regulations are needed, and depending on the changes, if an additional public comment period is required. It is anticipated that the proposed regulations will become effective in the Fall of 2022, if approved. While the rulemaking process is underway, DCC filed an action with the OAL to readopt the Emergency Regulations.

On June 30, 2022, Governor Newsom signed a \$308 billion state budget and implementing legislation including AB195, that contains, among other things, important changes relating to taxation of commercial cannabis businesses, enforcement, and delivery.

On November 7, 2022, DCC permanently adopted a consolidated regulatory package ("**Permanent Regulations**") that streamlines and simplifies medicinal and adult-use commercial cannabis regulations and state licensing requirements. The Permanent Regulations maintain several provisions from the Emergency Regulations, as well as reflect critical changes that incorporate feedback from stakeholders in response to the original proposed version published on March 4, 2022. The Permanent Regulations went into effect immediately upon adoption.

To operate legally under state law, cannabis operators must obtain local approval and a state license. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a testing laboratory license. There are also no residency requirements for ownership under MAUCRSA.

Below is an overview of some of the principal license types issued in California:

- Type P: authorized only to package or repackage cannabis products or label or relabel cannabis product containers.
- Type N: authorized to manufacture cannabis products (other than extracts or concentrates) using infusion processes but does not authorize extractions.

- Type 6: authorized to manufacture cannabis products using mechanical and non-volatile solvent extractions.
- Type 7: authorized to manufacture cannabis products using volatile solvent extractions.
- "Type S," for manufacturers that conduct commercial cannabis manufacturing activities at a registered shared-use facility
- Type 8: authorized to test the chemical composition of cannabis and cannabis products.
- Type 9: authorized to conduct retail cannabis sales exclusively by delivery.
- Type 10: authorized to sell cannabis goods to customers.
- Type 11: authorized to transport and store cannabis goods purchased from other licensed entities, and sell them to licensed retailers, and is responsible for arranging laboratory testing and quality assurance to ensure packaging and labeling compliance.
- Type 12: authorizes a licensee to engage in at least three (3) of the following commercial cannabis activities: cultivation, manufacturing, distribution, and retail sale.
- Type 13: authorized only to transport cannabis goods between licensed cultivators, manufacturers, and distributors.

#### *CEQA Compliance*

Annual state cannabis licenses are subject to compliance with the California Environmental Quality Act ("**CEQA**"), which, among other things, aims to identify significant environmental impacts and avoid or reduce environmental damage. The local government typically acts as the lead agency, and DCC acts as the responsible agency for purposes of CEQA review. The lead agency has primary responsibility and discretionary authority for approving a project. This includes identifying required documents, ensuring they meet CEQA criteria and overseeing the completion and submission of documents. The responsible agency has some discretionary authority over a part of the project.

Local governments have specific requirements for demonstrating CEQA compliance. This may involve project-specific CEQA documentation, such as Notices of Exemption, Initial Studies, or Environmental Impact Reports. CEQA documents are usually prepared during the local permitting process, especially if the local process is discretionary. In the event the local permitting process is ministerial and exempt from the preparation of a CEQA document, DCC will act as the lead agency.

#### *Zoning and Land Use Requirements*

Operators are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

#### *Recordkeeping and Continuous Reporting Requirements*

California's state license application process additionally requires comprehensive criminal history, DOJ and FBI *background check*, regulatory history, and financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are

granted licenses and that licensees continue to operate in compliance with the state regulatory program. *Labor Peace Agreement Requirements.*

Commercial cannabis licensees with 20 or more employees must enter into, and abide by, Labor Peace Agreements (LPA) with a bona fide labor organization. In that LPA, the licensee must make certain commitments that protect the labor organization's ability to communicate with—and attempt to organize and represent—the licensee's employees.

The passage of AB195 has strengthened and expanded these requirements. Among other things, these requirements will apply to all licensees with 10 or more employees beginning July 1, 2024. Additionally, DCC has the authority to suspend, revoke, place on probation with terms and conditions, or otherwise discipline the license and fine the licensee, if DCC determines the licensee has not complied with the LPA requirements.

#### *Operating Procedure Requirements*

Upon DCC's request, applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State of California's seed-to-sale tracking requirements, transport cannabis, control quality, and manage waste, as applicable to the license sought. Each local jurisdiction has its own license application and comprehensive standard operating procedures requirements. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other licensed businesses.

#### *Transition from Provisional Licenses to Annual Licenses*

To prevent gaps in licensure while DCC continues to review applications for annual state licenses, DCC began issuing provisional licenses to qualified license holders. Licensees issued a provisional license are expected to be diligently working toward completing all annual license requirements in order to maintain a provisional license. This includes compliance with CEQA (described in more detail hereinabove). Once an applicant demonstrates CEQA compliance, DCC will transition an existing provisional license to an annual license.

The Corporation's retail subsidiaries LKJ11, SDF11, and ZXC11 are still waiting for the City of Los Angeles Department of Cannabis Regulation ("**DCR**") to complete the CEQA documents and administer its own local, annual licensing process. There have been several ordinance amendments to date to improve DCR's annual licensing process and several additional regulatory changes pending that are expected to go into effect in the next 30-60 days. Once the City of Los Angeles adopts the last set of ordinance changes, DCR will start administering its annual licensing process, which includes preparing the CEQA documents. Upon receiving an annual license from DCR, the Corporation's retail subsidiaries will be able to transition to an annual license on the state level.

#### *Cannabis Tax Changes*

Beginning January 1, 2023, the responsibility for collecting and paying the cannabis excise tax to the California Department of Tax and Fee Administration ("**CDTFA**") shifts from distributors to cannabis retailers. Distributors and microbusinesses authorized to distribute cannabis or cannabis products will stop collecting the 15 percent cannabis excise tax from cannabis retailers, and no longer be required to hold a cannabis tax account with CDTFA. Distributor cannabis tax accounts will automatically be closed out. Additional information will be sent to affected account holders in the fall. Cannabis retailers will need a cannabis retailer excise tax permit from CDTFA. Retailers, including microbusiness retailers, that are licensed with DCC will be automatically registered, and be responsible for collecting the 15 percent cannabis excise tax from their customers based on the gross receipts from the retail sale of

cannabis or cannabis products. Gross receipts include the selling price of cannabis or cannabis products (after discount), and all charges related to the sale, such as a delivery fee and any local cannabis taxes listed separately on the invoice or receipt. The retailers also need to file cannabis retailer excise tax returns online with CDTFA and pay the cannabis excise tax due, claim a credit on the return for any excise tax paid to a distributor for cannabis or cannabis products purchased before January 1, 2023, for cannabis or cannabis products sold at retail on or after January 1, 2023. If already approved for a license fee waiver with the DCC as a qualified equity applicant, licensees can apply to CDTFA to retain Vendor Compensation equal to 20 percent of cannabis excise tax due until December 31, 2025. Additional information will be provided on how a cannabis retailer can apply for Vendor Compensation and how to retain 20 percent of the cannabis excise tax due.

### *Activities in California*

Through its indirectly-owned subsidiary, MDT, the Corporation holds a Mendocino County cannabis business facility license and a Type 11 Distributor License issued by DCC.

Through its indirectly-owned subsidiary, OGC, the Corporation holds a Mendocino County cannabis business facility license and a Type 6 Manufacturing License issued by DCC.

Through its indirectly-owned subsidiary, LKJ11, the Corporation holds a Temporary Approval for commercial cannabis retail activity issued by the Los Angeles Department of Cannabis Regulation ("**DCR**") and a Type 10 storefront-retailer license issued by DCC.

Through its indirectly-owned subsidiary, ZXC11, the Corporation holds a Temporary Approval for commercial cannabis retail activity issued by the Los Angeles Department of Cannabis Regulation ("**DCR**") and a Type 10 storefront-retailer license issued by DCC.

Through its indirectly-owned subsidiary, SDF11, LLC, the Corporation holds a Temporary Approval for commercial cannabis retail activity issued by the Los Angeles DCR and a Type 10 storefront-retailer license issued by DCC.

### *California Regulatory Compliance*

#### Non-Retailer (Manufacturing and Distribution) Licenses

In California, Cody Price and Justin Greene are in charge of monitoring compliance on behalf of the Corporation's non-retailer subsidiaries, MDT, and OGC. The Corporation follows a compliance program that tracks all aspects of operations through the METRC program, an online software tool mandated by the State of California that tracks seed-to-sale purchases.

In addition to this software-based control system, the Corporation has implemented systems of policies and procedures that are used to ensure compliance with California laws and regulations that govern the state's medicinal adult-use cannabis program and local laws and regulations that govern the local jurisdiction's medicinal and adult-use cannabis program, which include the following measures: (i) daily meetings of each facility's senior leadership regarding compliance matters; (ii) daily comparison of each facility's physical inventory to the inventory in METRC, and the reconciliation of any discrepancies between these numbers; (iii) review of every incoming and outgoing shipping manifest to ensure accuracy, and the transmittal to the State of California of all manifests; (iv) daily review of other production-tracking documents (e.g., batch sampling log, delivery schedule) for discrepancies and anomalies; (v) ensuring that all incoming cannabis goods are received under camera surveillance and properly recorded in METRC; (vi) ensuring that only authorized personnel remove cannabis from the licensed facility under the same security cameras; (vii) daily random check of inventory conducted by

each facility's senior leadership; (viii) monitoring of security cameras for suspicious activity by security staff; and (ix) a once-weekly review of all METRC entries by each facility's senior leadership.

In addition to addressing ongoing regulatory compliance, these policies and procedures are also designed to address building security, cash management, security monitoring systems, security of information, and general security and safety. Managers and employees are also empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

The Corporation's California facilities utilize security systems designed to prevent and detect diversion, theft, or loss of cannabis, utilizing commercial-grade security and surveillance equipment in compliance with state and local regulatory requirements.

**Inventory Procedures:** The Corporation utilizes policies and procedures and employs industry-specific software to track inventory and ensure strict regulatory compliance, including:

- wholesale transfer;
- inventory intake;
- inventory management; and
- sales data tracking and reporting.

Standard operating procedures and protocols include responsibility for management, inventory counts and reviews, facility reporting, cannabis inventory receipts, and waste disposal.

These procedures exist to ensure that each facility tracks its cumulative inventory of cannabis goods. Generally, these inventory control systems are designed to:

- establish and maintain a perpetual inventory system that adequately documents the flow of materials through the manufacturing and distribution processes;
- establish procedures that reconcile the raw material used in the finished products on the basis of each job; and
- seek to sufficiently limit variances between system outputs and physical inventory counts.

For all cannabis goods received at or sold by a facility, the inventory control systems are designed to document:

- the name and type of the cannabis goods;
- the unique identifier of the cannabis goods;
- the amount of the cannabis goods, by weight or count, and total wholesale cost;
- the date and time at which the cannabis goods were received or sold; and
- the name and license number of other licensees involved in the transaction.

All invoices and delivery documents must be systematically filed and maintained for a period of seven years from date of delivery and must be securely stored and protected from debris, moisture, contamination, hazardous waste, fire, and theft.

For transporting cannabis goods; transportation records must be compliant with policies and procedures according to applicable documented plans, state laws, and regulations, and for regulatory authority reporting and internal tracking purposes must include, in addition to the shipping manifest:

- the name, license number, and licensed premises address of the originating licensee;
- the name, license number, and licensed premises address of the licensee transporting the cannabis goods;
- the name, license number, and licensed premises address of the destination licensee receiving the cannabis goods into inventory or storage;
- arrival date and estimated time of arrival at each licensed premises;
- the date and time of departure from the licensed premises and approximate date and time of departure from each subsequent licensed premises, if any; and
- driver license number of the personnel transporting the cannabis goods, and the make, model, and license plate number of the vehicle used for transport.

**Cannabis Waste Management:** All cannabis waste, including waste composed of or containing cannabis products, must be stored, secured, managed, and disposed of in accordance with applicable state and local statutes, ordinances, and regulations. Cannabis goods intended for disposal are retained on the licensed premises and stored separately from other cannabis goods in a restricted area until being rendered into cannabis waste. For cannabis and/or cannabis products that are being disposed of because the batch failed internal quality control testing, quality assurance review, or regulatory compliance testing, all cannabis or cannabis products in the batch shall be rendered unrecognizable and unusable prior to disposal. Rendering of the cannabis or cannabis products unrecognizable and unusable shall be done under video surveillance and the reason for disposal shall be recorded in the relevant inventory control system, including:

- the name of the employee performing the destruction or disposal;
- the reason for destruction and disposal; and
- the entity disposing of the cannabis waste.

Only authorized personnel can destroy cannabis goods. The destroyed weight and the reason for destruction are recorded. The inventory control systems can generate reports on destroyed material at any point in the destruction process.

In addition to controls over inventory, state and local regulatory frameworks specify requirements regarding security.

**Security Procedures:** Security requirements include:

- background checks for current/new employees;
- requiring all employees to wear employee badges for ease of identification;

- recording and maintaining video surveillance of the licensed premises;
- maintaining logs of authorized visitors including vendors and contractors;
- providing for and maintaining secure perimeters of the licensed premises, including an alarm system;
- ensuring the facility's entrances and exits are secured with commercial-grade locks;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to authorized personnel;
- retrieving keys and employee identification cards from an employee and changing computer access passwords, including METRC login information, when their employment ends;
- arranging for safe disposal of materials; and
- all employees being required to be trained on emergency response procedures,

**Cash Management:** The Corporation utilizes standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols include, without limitation:

- insertion of all cash into a secure vault at the end of each day;
- recording of daily cash intake by supervisors and daily reconciliation of such values against daily sales reports and the prior day's recording of total cash on-hand; and
- daily audits of total cash on-hand and investigations in respect of any noted variances.

**Transportation Procedures:** Transportation requirements will include:

- the transporting entity will own or lease all vehicles used for transporting cannabis goods, and each vehicle will have a motor carrier permit;
- only employees of the transporting entity will conduct transportation of cannabis goods on its behalf;
- transportation will only commence once a written invoice has been completed;
- only cannabis goods listed on the invoice will be transported;
- the invoice will not be altered or changed once transport begins;
- cannabis goods will only be transported inside a vehicle, and will not be visible from outside the vehicle;
- cannabis goods will be locked in a fully enclosed container secured to the inside of the vehicle;
- the transport vehicle will be locked while it is left unattended;
- the vehicle will not be left with cannabis goods inside in a residential area overnight;

- transport vehicles will have an alarm system;
- cannabis goods containers will not be opened or otherwise tampered with during transport;
- during transport, the vehicle will only travel between licensees' premises, except for necessary rest, fuel, or vehicle repair stops; and
- other than cannabis accessories and licensees' branded merchandise and promotional materials, non-cannabis goods will not be transported with cannabis goods.

The Corporation also works with external advisors to help develop and implement measures designed to ensure compliance with applicable state and local laws on an ongoing basis, including:

- correspondence and updates with regulators;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management; and
- appropriate employee training for all standard operating procedures.

Justin Green is responsible for monitoring day-to-day non-retailer activities, ensuring that the established standard operating procedures are adhered to, identifying any non-compliance matters, and putting into place necessary modifications to ensure compliance. The Corporation is also advised by outside attorneys about the requirements for compliance with California law.

The Corporation has not experienced any non-compliance, citations, or notices of violation which would impact the Corporation's licenses, business activities, or operations in California. The Corporation is in compliance with California state law and its related licensing framework. The Corporation works closely with its legal counsel, operating partners and regulatory officials to maintain compliance with applicable state and local regulatory requirements. The Corporation will continue to do so to develop and improve its internal compliance programs to help ensure ongoing regulatory compliance.

While the Corporation's California operations are compliant with state and local cannabis laws, its cannabis-related activities remain illegal under U.S. federal law. See "*Risk Factors*".

#### Retailer Licenses

In California, Victoria Bayter is in charge of monitoring compliance on behalf of the Corporation's licensed retailer subsidiaries LKJ11, ZXC11, SDF11 and management companies POI11, Crimson & Black LLC ("**Crimson & Black**"), and B&C. The Corporation follows a compliance program that tracks all aspects of operations and movement of cannabis and cannabis products through its electronic point of sale software Leaflogix ("**POS**"), which transmits the information to the METRC, an online software tool mandated by the State of California that tracks seed-to-sale purchases.

In addition to this software-based control system, the Corporation has implemented systems of policies and procedures that are used to ensure compliance with California laws and regulations that govern the state's medicinal adult-use cannabis program and local laws and regulations that govern the local jurisdiction's medicinal and adult-use cannabis program, which include the following measures: (i) daily meetings of each facility's senior leadership regarding compliance matters; (ii) daily comparison of each facility's physical inventory to the inventory in POS and in METRC, and the reconciliation of any discrepancies between these numbers; (iii) review of every incoming and outgoing shipping manifest and Certificates of Analysis to ensure accuracy; (iv) inspection of shipments of inventory to ensure the cannabis and/or cannabis products comply with the applicable packaging and labeling requirements;

(v) check and verify license numbers of licensed distributors; (vi) ensure that all required information in connection with movement of cannabis or cannabis products is input into the POS; (vii) ensure that no persons under 21 years old are employed by any facility and/or permitted to access the licensed premises of any facility, provided that persons who are at least 18 years old and have a valid physician's recommendation for medicinal cannabis shall be allowed to access a facility with an M-designation; (viii) ensuring that all incoming cannabis goods are received under camera surveillance and properly recorded in POS and METRC; (ix) daily random check of inventory conducted by each facility's senior leadership; (x) monitoring of security cameras for suspicious activity by security staff; and (ix) a once-weekly review of all POS and METRC entries by each facility's senior leadership.

In addition to addressing ongoing regulatory compliance, these policies and procedures are also designed to address building security, age verification, cash management, security monitoring systems, security of information, and general security and safety. Managers and employees are also empowered to identify key business processes that should be formally documented to assure safety and regulatory compliance.

The Corporation's California facilities utilize security systems designed to prevent and detect diversion, theft, or loss of cannabis, utilizing commercial-grade security and surveillance equipment in compliance with state and local regulatory requirements.

**Inventory Procedures:** The Corporation utilizes policies and procedures and employs industry-specific software to track inventory and ensure strict regulatory compliance, including:

- inventory intake;
- Inventory inspection and quality control;
- inventory management;
- sales data tracking and reporting; and
- Complying with daily limits requirements.

Standard operating procedures and protocols include responsibility for management, shipment intake and inspection, shipment manifest and Certificate of Analysis review and inspection, inventory counts and reviews, product storage, facility reporting, maintenance of inventory records, including customer retail sales and delivery transactions, and waste disposal. These procedures exist to ensure that each facility tracks all movement of cannabis and cannabis products.

An Inventory Compliance Manager responsible for receiving and inspecting shipments from licensed distributors must adhere to the following protocols:

- Check and verify the license number of the licensed distributor;
- Provide a temporary access badge to the distributor for access to the limited access area;
- Have the distributor sign in on the limited access area log, if the distributor is entering a limited access area;
- Request to see the Certificate of Analysis to ensure that the cannabis purchased meets the testing requirements for regulatory compliance, and keep a record on file;
- Inquire about the safe handling and storage of the cannabis goods prior to shipment;

- Count the units delivered and inspect the units for any defects;
- Make sure the pre-packaged cannabis goods comport and are in compliance with the local and state requirements.
- Receive a receipt/invoice from the licensed distributor;
- Input the items into its POS, which shall transmit the information to METRC.

The following information shall be entered into POS by the Inventory Compliance Manager upon receipt of shipment of cannabis goods:

- Product description;
- Quantity of the items delivered;
- Date and time of receipt;
- Sell by or expiration date provided on the package of cannabis goods (if any);
- Price paid for the goods, including taxes, delivery costs, and any other costs;
- The unique identifiers associated with the cannabis goods received;
- Name, license number, and premises address of originating licensee;
- Driver's license number of the distributor's employee transporting the cannabis goods.

All invoices and delivery documents must be systematically filed and maintained for a period of seven years from date of delivery and must be securely stored and protected from debris, moisture, contamination, hazardous waste, fire, and theft. The following data shall be entered into the Corporation's POS upon any movement of cannabis or cannabis products, including without limitation the sale, receipt of shipments, and/or destruction or disposal of cannabis or cannabis products.

For each cannabis sale, a record of the following information shall be entered by an employee into the POS:

- First name and employee number of the employee who processed the sale;
- The first name of the customer and a retailer-assigned customer number for the person who made the purchase;
- The date and time of the purchase transaction;
- A list of all cannabis goods purchased, including the quantity purchased; and
- The total amount paid for the sale including the individual prices paid for each cannabis good purchase and a breakdown of any amounts paid for taxes.

For each delivery of cannabis goods, a record of the following information shall be entered into the POS:

- First name and employee number of the delivery employee who delivered the order;

- First name and employee number of the employee who prepared the order for delivery;
- Date and time delivery request was made;
- Name of the customer and a retailer-assigned customer number for the person who made the purchase;
- Delivery address;
- Detailed description of all cannabis goods requested for delivery, including weight or accurate measure of the amount of cannabis goods;
- Total amount paid for delivery, including any taxes or fees the cost of the cannabis goods, and any other charges related to the delivery;
- Upon delivery, the date and time delivery was made and signed receipt of the customer who received the delivery;
- The date and time of the purchase transaction;
- A list of all cannabis goods purchased, including the quantity purchased; and
- The total amount paid for the sale including the individual prices paid for each unit purchase and a breakdown of any amounts paid for taxes.

**Cannabis Waste Management:** All cannabis waste, including waste composed of or containing cannabis products, must be stored, secured, managed, and disposed of in accordance with applicable state and local statutes, ordinances, and regulations. Cannabis and/or cannabis products intended for disposal are retained on the licensed premises and stored separately from other cannabis and/or cannabis products in a restricted area until being rendered into cannabis waste. A record of the following information shall be entered into the POS in the event of destruction or disposal of cannabis and/or cannabis products:

- The name of the employee performing the destruction or disposal;
- The reason for destruction or disposal; and
- The entity being used to collect and process the cannabis waste.

In addition to controls over inventory, state and local regulatory frameworks specify requirements regarding security and age verification.

**Age Verification Procedures:**

Adult Use. An employee shall verify a customer's age and identity by utilizing an electronic age verification software provided by the POS. The POS utilizes iPADS that are equipped with scanners to scan the barcode of the customer's government issued identification, upload a photo of the customer's identification into the POS, and electronically verify the validity of the identification and that the customer is at least 21 years of age. The POS software will immediately alert the applicant's employee if the provided form of identification is expired or if the customer is under 21 years of age. In the event that the applicant loses connectivity to the POS, the applicant will use a handheld age verification ID scanner as a backup form of customer age verification.

Medicinal Use. In case of a medicinal cannabis patient, in addition to verifying that the patient is at least 18 years of age, an employee shall verify the validity of the medicinal cannabis patient's physician's recommendation by (a) inspecting the recommendation for signature of the physician, an expiration date, (b) by confirming that the patient's name on the recommendation matches the name on the government issued ID, and (c) by using a verification website or by calling the prescribing physician's office if electronic verification is not available. A medicinal cannabis patient shall only be granted access to the licensed premises after an employee verifies that the medicinal cannabis patient is at least 18 years of age and that the patient's physician's recommendation is valid.

#### Security Protocols for All Licenses

In addition to controls over inventory, state and local regulatory frameworks specify requirements regarding security.

**Security Procedures:** Security requirements include:

- background checks for current/new employees;
- requiring all employees to wear employee badges;
- recording and maintaining video surveillance of the licensed premises for at least 90 calendar days;
- maintaining logs of authorized visitors including vendors and contractors;
- providing for and maintaining secure perimeters of the licensed premises, including an alarm system
- ensuring the facility's entrances and exits are secured with commercial-grade locks;
- keeping all access system credentials, access codes, access cards, passwords, etc., in a way that is designed to be secure and accessible only to authorized personnel;
- retrieving keys and employee identification cards from an employee and changing computer access passwords, including METRC login information, when their employment ends;
- hire or contract security personnel who are at least 21 years of age to provide on-site security services for the licensed retail subsidiaries;
- arranging for safe disposal of materials; and
- all employees being required to be trained on emergency response procedures,

**Cash Management:** The Corporation utilizes standard operating procedures and protocols for cash management, including internal controls and cash security procedures. Examples of such standard operating procedures and protocols include, without limitation:

- insertion of all cash into a secure vault at the end of each day;
- recording of daily cash intake by supervisors and daily reconciliation of such values against daily sales reports and the prior day's recording of total cash on-hand; and

- daily audits of total cash on-hand and investigations in respect of any noted variances.

The Corporation has not experienced any non-compliance, citations, or notices of violation which would impact the Corporation's licenses, business activities, or operations in California. The Corporation is in compliance with California state law and its related licensing framework. The Corporation works closely with its legal counsel, operating partners and regulatory officials to maintain compliance with applicable state and local regulatory requirements. The Corporation will continue to do so to develop and improve its internal compliance programs to help ensure ongoing regulatory compliance. While the Corporation's California operations are compliant with state and local cannabis laws, its cannabis-related activities remain illegal under U.S. federal law. See "*Risk Factors*".

### **Canadian Federal Overview**

The provincial and territorial regulatory frameworks relating to cannabis are complex and rapidly evolving. Provincial and territorial governments in Canada have taken different approaches to regulate the distribution and sale of adult-use cannabis. Quebec, New Brunswick, Nova Scotia and Prince Edward Island have chosen publicly operated retail and online sales. Manitoba and Saskatchewan have opted for private sector retail and online sales. Ontario, Alberta, British Columbia and Newfoundland & Labrador have implemented hybrid approaches of public online sales and private retail sales (in addition to some public retail sales in British Columbia). We continue to monitor these regulatory changes and related announcements, and their impact on our business and operations, including plans for further expansion of adult-use retail locations.

#### *Legislation Governing the Corporation's Activities*

Prior to October 17, 2018, the Corporation's activities were limited to corporate and administrative activities related to pursuing and developing opportunities to commence cannabis retail and wholesale activities once permitted to do so. The Corporation's corporate and administrative activities included promotional activities relating to our pursuit of such opportunities, which were subject to laws applicable to cannabis under the *Controlled Drugs and Substances Act* (Canada) and its regulations including the *Narcotic Control Regulation*.

The *Cannabis Act* (Canada) (the "**Cannabis Act**") came into force on October 17, 2018. The Cannabis Act outlines the framework for the legalization of adult-use cannabis in Canada. Under the Cannabis Act, every licence issued under the *Access to Cannabis for Medical Purposes Regulations* that was in force immediately before the implementation of the Cannabis Act is deemed to be a licence issued under the Cannabis Act for purposes of cultivation, production and sale of cannabis in the Canadian adult-use market. Relevant aspects of the Cannabis Act and the cannabis regulations (the "**Cannabis Regulations**") under the Cannabis Act are summarized below.

Pursuant to the Cannabis Act, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis extracts, edible cannabis, cannabis topicals and cannabis plants or seeds and are able to possess 30 grams of dried cannabis, or the equivalent thereof. The Cannabis Act also permits households to grow a maximum of four plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption of cannabis.

The Cannabis Regulations provide for the issuance of cultivation licences for standard cultivation, micro-cultivation, and nursery cultivation, licences for standard processing and micro-processing, as well as sales licences for medical or non-medical use, with licences to sell for non-medical being

limited to provinces where local distribution models have not been implemented. Further, all cannabis products must be packaged in a tamper-evident and child-resistant manner, and product labels must contain specified product information, such as the name of the party who packaged the products, product lot number and the THC/CBD content. The Cannabis Act also prohibits testimonials, lifestyle branding and packaging that is appealing to youth.

In addition, the Cannabis Regulations include packaging and labeling restrictions for cannabis products, aimed to minimize the appeal to children and youth, protect against accidental consumption and ensure consumers are informed of the potential risks and harms of cannabis. Specifically, labeling and branding restrictions require: (i) plain packaging, including a standardized cannabis symbol on every label; (ii) mandatory health warning messages (including specifics regarding size, placement and appearance); (iii) a limit of only one brand element aside from the brand name with no other image or graphic; (iv) backgrounds need to be a single, uniform colour; (v) no use of fluorescent or metallic colours; (vi) labels and packaging to not have any coating or embossing; and (vii) no inserts to be included.

### ***Regulations Governing Cybersecurity and the Protection of Data and Privacy***

The Corporation's retail stores use platforms to collect, store and use personal or identifying information regarding their employees and customers. In addition, we store personal information and other confidential information of our partners, customers and their consumers and employees, and may also store credit card information of our customers. Accordingly, we may be subject to federal, state, provincial and foreign laws regarding cybersecurity and the protection of data and privacy, including the *Personal Information Protection and Electronic Documents Act* (Canada) and the European General Data Protection Regulations. Further, some jurisdictions have enacted laws requiring companies to notify governmental authorities and/or individuals of certain security breaches, such as those involving certain types of personal data or those giving rise to significant risk of harm to an individual. The Corporation's agreements with certain customers require the Corporation to notify them in the event of a security incident. Additionally, some jurisdictions, as well as the Corporation's contracts with certain customers, require the Corporation to use industry-standard or reasonable measures to safeguard personal or confidential information. The Corporation's privacy policy and terms of service is posted on the Corporation's website and describes the way the Corporation processes customer data and data relating to their employees and consumers.

In Canada, the regulatory authority responsible for enforcement of Canada's Anti-Spam Legislation ("**CASL**") has issued a bulletin that signals broad potential liability for electronic intermediaries (such as hosting providers, SaaS providers and payment processors) for failing to take sufficient steps to stop third parties from using intermediary services and facilities that violate CASL, including prohibitions on sending electronic marketing messages or installing computer programs without consent.

The regulatory framework in Canada, the United States, Europe and in many other jurisdictions in respect of cybersecurity and the protection of data and privacy is constantly evolving and is likely to remain uncertain for the foreseeable future. Certain aspects of the interpretation and application of such laws and regulations are also ambiguous. The Corporation is subject to risks relating to cybersecurity and the protection of data and privacy.

### **The Alberta Approach to Regulating Private Cannabis Retail**

The Province of Alberta has passed two bills pertaining to the authorization and regulation of cannabis activities: (i) Bill 26, *An Act to Control and Regulate Cannabis* ("**Bill 26**") which received Royal Assent on December 15, 2017; and (ii) and Bill 6, *Gaming and Liquor Statutes Amendment Act, 2018* ("**Bill 6**") which received Royal Assent on June 11, 2018. Bill 26 and Bill 6 both amend the *Gaming and Liquor Act*, now re-named the *Gaming, Liquor and Cannabis Act* (the "**GLCA**"). Bill 26 and Bill 6 were

substantially proclaimed into force effective July 14, 2018. The remaining provisions came into force effective October 17, 2018, concurrent with the Cannabis Act and Cannabis Regulations. Alberta Regulation 13/2018 ("**AR 13/2018**") was published on February 16, 2018 and also came into force effective July 14, 2018. AR 13/2018 amended the Gaming and Liquor Regulation, Alta Reg. 143/96, now re-named the Gaming, Liquor and Cannabis Regulation (the "**GLCR**").

The AGLC (re-named the Alberta Gaming, Liquor and Cannabis Commission, but retaining the same acronym) is responsible for managing provincial oversight of the private retail adult-use cannabis industry. The AGLC is exclusively authorized to purchase adult-use cannabis products from Licensed Producers, which it then: (i) distributes to licensed private retailers for sale from licensed premises; or (ii) sells directly through an AGLC-operated online platform. The AGLC is also responsible for issuing licences to private retailers authorizing the sale of adult-use cannabis products in accordance with the GLCA, the GLCR and the AGLC's policies and conditions. The GLCA authorizes the AGLC to establish policies, including in respect to the advertising and promoting of cannabis and cannabis retail licences. The AGLC has published its Retail Cannabis Store Handbook (the "**AGLC Handbook**") which sets out the AGLC's policies and guidelines related to cannabis retail licences.

The GLCA prohibits: (i) online sales of cannabis products by anyone other than the AGLC; (ii) agreements between cannabis licensees and suppliers to sell or promote the sale of the supplier's cannabis, except as provided by the GLCR; (iii) individuals under the age of 18 from entering licensed premises or from purchasing or attempting to purchase, obtain or possess cannabis; (iv) the sale of adult-use cannabis products to an intoxicated person; and (v) the use of a term commonly associated with medicine, health or pharmaceuticals including "pharmacy", "dispensary", "apothecary", "drug store", "medicine", "medicinal", "health", "therapeutic", or "clinic" in any signage for a licensed premises or the name of a licensee. The GLCA also prohibits issuance of a cannabis retail licence unless the sale of cannabis will be conducted as a separate business from any other activities of the applicant and in a location where only cannabis products, cannabis accessories (as defined in the Cannabis Act) or other prescribed items are sold.

As of the date of this AIF, Alberta's only legal, non-medical online cannabis store is operated through a website run by the AGLC. In late 2021, the Legislative Assembly of Alberta passed legislation which will allow licensed cannabis retailers in Alberta to offer online sales and delivery of cannabis products which came into effect on March 8, 2022. Licensed cannabis retailers are required to apply to the AGLC to have their licences expanded to allow for online sales and must have their website approved by AGLC inspectors.

The GLCR sets out detailed rules regarding: (i) the ownership and operation of licensed cannabis retail stores; (ii) where such stores may be located; (iii) staffing, security and safety requirements for licensed stores; and (iv) the process for review and approval of applications for cannabis retail store licences. The GLCR prohibits a licensed cannabis retail store from being located within 100 metres of a provincial health care facility, a school, or land designated as a school reserve or municipal and school reserve; however, municipalities may expressly vary such restrictions on the location of cannabis retail stores in their land use by-laws.

The AGLC Handbook requires that only cannabis accessories that promote the responsible and legal storage and consumption of cannabis be sold at cannabis retail stores, and that the majority of sales of a retail cannabis store must be cannabis. Accessories that may not be sold at cannabis retail stores include consumable products other than cannabis, products intended to be mixed, applied or consumed with cannabis, organic solvents and products or promotional material related to the medical use of cannabis. The AGLC has published a list of cannabis accessories it considers to be approved for sale in licensed cannabis retail stores.

The GLCR initially prohibited the issuance of a licence if it would result in more than fifteen percent (15%) of the total number of issued retail cannabis licences in Alberta being held by one person or a group of persons having common control. However, that prohibition was lifted on October 17, 2020 and there is no longer a limitation on the number of cannabis licences that may be held by one person or a group of persons having common control. As of the date hereof, the AGLC has issued 756 retail licences.

Each municipality in Alberta is responsible for establishing its own land use and business licensing by-laws governing the issuance of development permits, building permits and business licences to prospective cannabis retail store licensees. Some municipalities have implemented a random selection process for determining the order and priority of review of initial cannabis retail store applications; others have adopted a first-come, first-served approach.

Most municipalities have adopted additional separation requirements beyond the GLCR requirements including separation requirements between competing cannabis retail stores, and between a cannabis retail store and other sensitive uses such as schools, hospitals, treatment centres, public parks and/or payday loan or pawn stores. Variances from the prescribed separation distances may, in some cases, be granted by the duly appointed development officer, or by the Subdivision and Development Appeal Board pursuant to the *Municipal Government Act*.

## **RISK FACTORS**

The following are the specific and general risks that could affect the Corporation and its business. Additional risks and uncertainties not presently known to the Corporation or that the Corporation does not currently anticipate will be material, may impair the Corporation's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition. Readers should additionally refer to the risk factors set out in the Corporation's most recent annual management discussion and analysis, which, together with the risk factors below, do not necessarily constitute an exhaustive list.

These risks and uncertainties discussed below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or currently deemed immaterial by the Corporation, may also impair the operations of the Corporation. If any such risks actually occur, shareholders of the Corporation could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Corporation could be materially adversely affected and the ability of the Corporation to implement its growth plans could be adversely affected.

The acquisition of any of the securities of the Corporation is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Corporation should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. The investor should evaluate carefully the following risk factors associated with the Corporation's securities, along with the risk factors described elsewhere in this AIF.

## **Risks Related to Illegality of Cannabis Under U.S. Law**

*The Corporation is subject to anti-money laundering laws, banking regulations and lacks potential bankruptcy protection*

Under U.S. federal law, it may be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance under the Federal CSA. Canadian banks are likewise hesitant to deal with cannabis companies due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the U.S., could be prosecuted and possibly convicted of money laundering for providing services to businesses with operations or a connection to cannabis. Despite these laws, in February 2014, the Federal Crimes Enforcement Network of the U.S. Department of the Treasury ("**FinCEN**") issued the FinCEN Memorandum outlining the pathways for financial institutions to provide banking services to state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the 2013 Cole Memorandum.

Under the FinCEN Memorandum, financial institutions must submit a suspicious activity report ("**SAR**") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories, being cannabis limited, cannabis priority and cannabis terminated, which are based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law or where the banking relationship has been terminated, respectively.

On the same day the FinCEN Memorandum was published, the U.S. DOJ issued a memorandum (the "**2014 Cole Memorandum**") directing prosecutors to apply the enforcement priorities of the 2013 Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum was rescinded by the Sessions Memorandum as of January 4, 2018, along with the 2013 Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a U.S. DOJ priority. For further information, please see the discussion of the 2013 Cole Memorandum under the section heading "*Regulatory Overview – United States Federal Overview.*"

However, former U.S. Attorney General Jeff Sessions' rescission of the 2013 Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum as issued by a separate branch of government and appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the 2013 Cole Memorandum. As such, the FinCEN Memorandum remains intact.

While the FinCEN Memorandum has not been rescinded by the U.S. Department of the Treasury at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the U.S. DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct, and the U.S. DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the U.S. or the U.S. Attorney General. A change in the U.S. DOJ's enforcement priorities could result in the U.S. DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of dependable banking and financial services presents unique and significant challenges to businesses operating in and ancillary to the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the lack of traditional banking and financial services available to businesses operating in or ancillary to the cannabis industry.

Additionally, the Corporation would not have protection, if needed, under U.S. bankruptcy laws. U.S. bankruptcy laws were adopted to protect financially troubled businesses and to provide for orderly distributions to business creditors. All bankruptcy cases are handled in U.S. federal courts, and the U.S. DOJ has stated that it is the United States Trustee Program's ("USTP") position that no assets associated with the cannabis industry can be liquidated or restricted following bankruptcy without violating the Federal CSA. In addition, the Director of the USTP issued a letter to 1,100 trustees who administer bankruptcy cases urging the trustees to monitor and report to the U.S. DOJ cannabis companies looking to declare bankruptcy.

If any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. are found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends and could affect other distributions, including the Corporation's ability to transfer funds into Canada. Furthermore, while the Corporation has no current intentions to declare or pay dividends in the foreseeable future, if a determination was made that the Corporation's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Corporation may decide, or be required, to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

*The Corporation faces the significant risk of enforcement of U.S. federal laws*

Enforcement of U.S. federal law is a significant risk to cannabis businesses operating in the U.S., including the Corporation. The rescission of the 2013 Cole Memorandum and 2014 Cole Memorandum increased the uncertainty and risk associated with the enforcement of U.S. federal laws regarding the production, manufacture, processing, possession, distribution, sale and use of cannabis. There is no certainty as to how the U.S. DOJ, the U.S. Federal Bureau of Investigation and other government agencies will handle cannabis matters now that the 2013 Cole Memorandum is no longer in effect.

There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses, including those of the Corporation, notwithstanding compliance with state law. Such proceedings could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition, as well as the Corporation's reputation and ability to raise capital.

Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its ability to list its securities on stock exchanges, its financial position, its operating results, its profitability or liquidity or the value of its securities. In addition, the time of management and advisors of the Corporation and

resources that would be needed for the investigation of any such matters or their final resolution could be substantial

To the Corporation's knowledge, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California.

*The Leahy Amendment may not protect the Corporation*

Although the 2013 Cole Memorandum and 2014 Cole Memorandum have been rescinded, one legislative safeguard for the medical cannabis industry remains in place. The U.S. Congress has historically used a rider provision in the fiscal year budgets known as the Leahy Amendment to prevent the U.S. federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local laws. On December 27, 2020, then President Donald Trump signed the Consolidated Appropriations Act of 2021, which included the Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. The Consolidated Appropriations Act of 2021 makes appropriations for the fiscal year ending September 30, 2021. There can be no assurances that the Blumenauer Amendment will be included in future appropriations bills or budget resolutions. Also, as the Leahy Amendment protects only state medical cannabis actors, there can be no assurance that U.S. federal prosecutors will not use U.S. DOJ funds to interfere with state adult-use cannabis actors.

*The Corporation has limited ability to access public and private capital*

While the Corporation is not able to obtain bank financing in the U.S. or financing from other federally regulated entities, the Corporation's executive team and the Board have relationships with potential sources of private capital (such as funds and high net worth individuals).

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. While there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to participants in the U.S. cannabis industry. Although the Corporation has successfully completed private and public offerings in the past, there can be no assurance that additional financing will be available to the Corporation when needed or on acceptable terms. The Corporation's inability to raise financing to fund its ongoing operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability and operations.

*The Corporation's U.S. cannabis operations are illegal under U.S. federal law*

Under the Federal CSA, cannabis is classified as a Schedule I drug. Even in those states in which the use of cannabis has been legalized under state law, its production, manufacture, processing, possession, distribution, sale and use remain a federal crime. Because U.S. federal law criminalizing cannabis pre-empts state laws that legalize it, strict enforcement of U.S. federal law regarding cannabis would result in the Corporation's inability to proceed with the Corporation's business plan. There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis-related businesses, including the business of the Corporation. Companies and individuals involved with or in the Corporation's business, including investors, may be exposed to criminal liability, and any real or personal property used in connection with its business could be subject to seizure and forfeiture to the U.S. federal government or its agencies.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding the legality of cannabis, cannabis-related businesses in the U.S. are subject to inconsistent legislation, regulation and enforcement. Unless and until the U.S. Congress amends the Federal CSA with respect

to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that U.S. federal authorities may enforce current U.S. federal law, which would adversely affect the Corporation. As a result of the inconsistency between state and federal law, there are a number of risks associated with the Corporation's existing and proposed operations in the U.S. Compliance with state and local laws does not absolve the Corporation of its liability under U.S. federal law.

*Enforcement of cannabis laws may be subject to change*

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the 2013 Cole Memorandum addressed to all U.S. Attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several states have enacted laws relating to cannabis for medical purposes.

The 2013 Cole Memorandum outlined certain priorities for the U.S. DOJ relating to the prosecution of cannabis offenses. In particular, the 2013 Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the U.S. DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the 2013 Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the 2013 Cole Memorandum concluded that the U.S. DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the 2013 Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively and, on January 4, 2018, then Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the 2013 Cole Memorandum and the 2014 Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of U.S. Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the USAM and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and therefore it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. While dozens of U.S. Attorneys from across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurances that such views are universally held or will continue in the near future. As such, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Jeff Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as the next U.S. Attorney General. Mr. Barr is a former U.S. Attorney General under George H.W. Bush's administration and previously had an anti-drug stance during that tenure. During his most recent Senate confirmation hearing, Mr. Barr stated that he did not support cannabis legalization but would not prosecute cannabis businesses that comply with state laws. On December 14, 2020, then President Trump announced that Mr. Barr would be resigning from his post as Attorney General, effective December 23, 2020. President Joseph Biden nominated Merrick Garland to succeed William Barr as the U.S. Attorney General. Mr. Garland was confirmed by the U.S. Senate as the U.S. Attorney General on March 10, 2021. During his Senate confirmation hearing, Mr. Garland took the position that he would not prosecute cannabis business that comply with state laws. Most states that have legalized cannabis continue to craft their regulations pursuant to the 2013 Cole Memorandum and federal enforcement agencies have taken little or no action against state-compliant cannabis businesses. It is unclear what impact, if any, the new administration will have on the U.S. federal government's enforcement policy on cannabis. However, the U.S. DOJ may change its enforcement policies at any time, with or without advance notice.

Such potential proceedings could involve significant restrictions imposed upon the Corporation or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Corporation, as well as the Corporation's reputation, even if such proceedings were concluded successfully in favor of the Corporation. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Corporation or the seizure of corporate assets; however as of the date hereof, the Corporation believes that proceedings of this nature are remote.

There is no certainty as to how the U.S. DOJ, Federal Bureau of Investigation and other U.S. federal government agencies will handle cannabis matters in the future. There can be no assurances that the Biden administration will not change the current enforcement policy and decide to strongly enforce the federal laws. The Corporation regularly monitors the activities of the current administration in this regard. For further information, please see the discussion of the U.S. regulatory framework under the section heading "*Regulatory Overview – United States Federal Overview*".

### **Risks Related to the Corporation's Business**

*The Corporation's business is highly regulated and evolving rapidly*

The Corporation operates in a new industry that is highly regulated and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

*The Corporation will incur ongoing costs and obligations related to regulatory compliance*

Failure to comply with applicable regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations or increased compliance costs, or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

*The Corporation's ability to expand its business in California, Oregon, Canada and other jurisdictions is uncertain*

The Corporation intends to continue expanding its operations in California, Oregon, Canada and other jurisdictions. The ability of the Corporation to do so, from both an operational and regulatory perspective, is subject to significant uncertainty and risks. The Corporation will need to obtain and

maintain licenses, permits and other authorizations to operate a business involving cannabis in these jurisdictions, and the Corporation cannot guarantee it will be able to do so successfully, or with the amount of time and resources that will be required to do so. In addition to regulatory uncertainty, the Corporation expects the cannabis markets in California, Oregon and Canada to be highly competitive. The Corporation cannot provide any assurances that it will be able to successfully expand its business in these or other jurisdictions.

For further information, please see the discussion of the Oregon and California regulatory frameworks under the section heading "*Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels*".

*The Corporation may acquire businesses or enter into strategic partnerships*

As part of the Corporation's business strategy, the Corporation may pursue strategic partnerships or acquire businesses that are complementary to the Corporation's current business operations. Such partnerships or acquisitions may expose the Corporation to particular risks, including risks associated with: (i) integrating new operations, services and personnel; (ii) unknown or undisclosed liabilities; (iii) diverting resources from existing business operations; (iv) potential inability to generate sufficient revenue to offset costs; (v) acquisition expenses; and (vi) potential loss of or harm to existing relationships with employees, consultants, vendors, suppliers, contractors, and other parties from the integration of new businesses. Furthermore, any proposed acquisitions or partnerships may require regulatory approval. Issues arising from such partnerships or acquisitions could have a material adverse effect on the Corporation's business, financial condition or results of operations.

*Downturn in cannabis market due to oversupply*

The cannabis market is highly volatile and subject to rapid shifts in supply and demand. The Corporation may face a risk of oversupply in certain markets, which could lead to a downturn in the cannabis market. This could result in a decrease in revenue and profitability for the Corporation, which could have a material adverse effect on its business, results of operations, and financial condition.

*Lack of customer demand caused by inflationary pressure.*

The Corporation's success depends on customer demand for its products, which may be affected by various factors, including inflationary pressure. Inflationary pressures could lead to a decrease in disposable income, which may result in a decrease in demand for the Corporation's products. A decline in customer demand could have a material adverse effect on the Corporation's business, results of operations, and financial condition.

*California Excise Tax Shifted on Retailers*

California shifts the excise taxes on the retailer in 2023, causing a higher retail price than the illicit market: The Corporation operates in California, where the state has recently shifted the excise taxes on cannabis from the distributor to the retailer, resulting in a higher retail price than the illicit market. This shift may cause customers to seek cheaper options in the illicit market, which could result in a decline in sales and revenue for the Corporation. The Corporation may also face additional costs associated with compliance and tax reporting requirements. These risks could have a material adverse effect on the Corporation's business, results of operations, and financial condition. See "*Regulatory Overview - Regulation of the Cannabis Market at State and Local Levels - Summary of California Regulatory Framework - Cannabis Tax Changes.*"

*Negative Outcomes in Pending and Threatened Litigation*

The Corporation and its subsidiaries have previously defended lawsuits and may be threatened with others. The Corporation or its subsidiaries may be materially adversely affected if any lawsuits are resolved adversely to the Corporation or its subsidiaries, or if additional litigation is filed or threatened against the Corporation and resolved adversely to the Corporation. Even if the Corporation is involved in litigation and wins, litigation can drain significant resources of the Corporation and may create a negative perception of the Corporation's brand. See "*Legal Proceedings and Regulatory Actions*".

### ***Outstanding Cultivation Taxes***

The Corporation may be subject to penalties or fees as a result of late filings or payments including those relating to taxes. The Corporation is currently in arrears on the remittance of California state cannabis cultivation taxes for Q1, Q2, and Q3 of 2020. The unpaid taxes due and owing as of November 16, 2020 was US\$546,583.04 which amount includes penalties and late fees. On November 16, 2020, the California Department of Tax and Fee Administration approved a payment plan with the Corporation pursuant to which the Corporation must pay US\$45,549 per month. As of August 8, 2023, the total remaining balance owed is US\$49,497.61.

### ***Corporation may be Subject to Additional Regulatory Investigations***

ANM received written notice from the OLCC on November 28, 2017 regarding alleged regulatory violations that carried significant penalties, including the potential loss of ANM's OLCC licenses. As part of the OLCC's investigation into potential non-compliance by ANM, OLCC representatives inspected ANM's extraction facility in Medford, Oregon on a number of occasions. As a result of its investigation, on March 13, 2018, the OLCC issued to ANM a Notice of Proposed Civil Liability detailing four instances of regulatory violations, including: (i) improper placement of security cameras, (ii) inadequate camera coverage, (iii) failure to obtain required pre-approval prior to making changes to its licensed premises, and (iv) failure to properly report a transaction in METRC. The OLCC imposed a fine of US\$6,930 as a consequence of such violations. On March 20, 2018, ANM accepted responsibility to pay the fine and reiterated to the OLCC ANM's commitment to ongoing regulatory compliance.

ANM received notice from the OSHA on July 16, 2019 regarding alleged regulatory violations that carried monetary penalties. As part of OSHA's investigation into potential non-compliance, OSHA representatives inspected ANM's extraction facility in Medford, Oregon on a number of occasions. As a result of its investigations, OSHA issued a Citation and Notification of Penalty detailing 11 instances of regulatory violations relating to the safety of certain electrical equipment, grounding of storage equipment and the implementation of a safety committee. OSHA imposed a total fine of US\$4,200 as a consequence of such violations. On September 26, 2019, ANM accepted responsibility to pay the fine.

While the investigations are now concluded and ANM has remedied the violations identified by the OLCC and OSHA, the Corporation may be subject to additional regulatory investigations in the future. Any future instances or allegations of regulatory non-compliance could lead to more significant fines or sanctions, including potential loss of licenses, particularly considering the previous findings of non-compliance by the OLCC and OSHA.

For further information, please see the discussion of the Oregon regulatory framework under the section heading "*Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels – Summary of Oregon Regulatory Framework*".

*Laws will continue to change rapidly for the foreseeable future and local laws and ordinances could restrict the Corporation's business operations*

Local, state and federal laws and enforcement policies concerning cannabis-related conduct are changing rapidly and will continue to do so for the foreseeable future. There can be no assurance that existing state laws that legalize and regulate the production, sale and use of cannabis will not be repealed, amended or overturned. In addition, local governments have the ability to limit, restrict and ban cannabis-related businesses from operating within their jurisdictions. Land use, zoning, local ordinances and similar laws could be adopted or changed in a manner that makes it extremely difficult or impossible to transact business in certain jurisdictions. These potential changes in state and local laws are unpredictable and could have a material adverse effect on the Corporation's business.

*The Corporation's success depends on its ability to obtain and maintain required government licenses and permits*

Government licenses and permits are currently, and may in the future, be required in connection with the Corporation's operations. The Corporation's success depends on its ability to maintain and renew its licenses and permits. To the extent such licenses and permits are required and are not obtained or lapse, the Corporation may be curtailed or prohibited from its proposed expansion into cannabis retail operations, including in Los Angeles, California, as well as its ongoing and planned production, manufacturing and sale of medical and adult-use cannabis.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or other remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed on it for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical and adult-use cannabis, or a more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenses, capital expenditures or production costs, could cause a reduction in levels of production or could require abandonment or delays in development. Additionally, the Corporation's success is contingent upon many variables not in its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority.

While the Corporation's compliance controls have been developed to mitigate the risk of any material violations of any license, permit, or certificate the Corporation holds, there is no guarantee that the Corporation's licenses, permits, or certificates will be renewed with the applicable regulatory authority in a timely manner. Any unexpected delays or costs associated with the permitting and licensing process may impede the Corporation's operations and have a material adverse effect on the Corporation's business, financial condition and results of operations or prospects.

For further information, please see the discussion of the various U.S. states regulatory frameworks under the section heading "*Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels*".

*The Corporation may be subject to heightened scrutiny by Canadian, U.S., and other regulatory authorities*

For the reasons set forth herein, the Corporation's existing investments and operations in the U.S., and any future investments and operations, may become the subject of heightened scrutiny by regulators,

stock exchanges, third party service providers, financial institutions, depositories and other authorities in Canada, the U.S. or other jurisdictions. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to operate in U.S., Canada and other jurisdictions.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a memorandum of understanding ("**MOU**") with the NEO, the Canadian Securities Exchange, the Toronto Stock Exchange and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the stock exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a recognized Canadian stock exchange, it would have a material adverse effect on the ability of holders of the Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid until an alternative was implemented, and investors would have no ability to affect a trade of the Common Shares through the facilities of the applicable stock exchange.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the 2013 Cole Memorandum, on February 8, 2018 the Canadian Securities Administrators published Staff Notice 51-352 setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. For these reasons, the Corporation's operations in the U.S. cannabis market may subject the Corporation to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian and U.S. authorities.

#### *Border crossing for non-U.S. residents may create additional challenges*

Although cannabis use and sale is legal and regulated in numerous U.S. states, individuals who are not U.S. residents and are employed or involved with licensed cannabis companies could be denied entry or face lifetime bans from the U.S. for their involvement with such companies. There has been increasing anecdotal evidence of non-U.S. residents who are involved in the cannabis industry being denied entry at the U.S. border or facing lifetime bans from the U.S. after disclosing to U.S. border officials the nature of their involvement. The Board is made up of both U.S. and non-U.S. residents, so there is no guarantee that certain members of the Board would not be subject to such denials or bans. Should a director be prevented from entering the U.S., either in one instance or permanently, their ability to serve the Corporation as a board member could be hindered. This could equally impact any other non-U.S. resident involved with the Corporation, including, but not limited to, both investors and employees.

#### *Legalization of Hemp under the 2018 Farm Bill may affect the cannabis market*

On December 20, 2018, the President Trump signed into law the 2018 Farm Bill which removed industrial hemp from the Federal CSA and allows for the production and sale of industrial hemp in the U.S. and removed the word "industrial" from the term "hemp." Under the 2018 Farm Bill, hemp is defined as "the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all

derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis" ("**Hemp**"). The U.S. Department of Agriculture ("**USDA**") is tasked with promulgating regulations for Hemp and must approve any state or tribal regulation plans. On October 31, 2019, the USDA released its Interim Final Rule regarding hemp regulation (the "**IFR**"), which provided interim standard for state/tribal and USDA Hemp plans. The final rule becomes effective on March 22, 2021. As of March 17, 2021, USDA has approved 23 state Hemp plans and 41 tribal plans. Three states have plans currently under USDA review, including California and Nevada. Other states, including Oregon, continue to operate under 2014 Farm Bill Hemp regulations, which they may do until January 1, 2022.

Despite the re-categorization of Hemp, cannabis remains a Schedule I drug under the Federal CSA. If cannabis is re-categorized as a Schedule II or lower controlled substance, the enforcement policies across many U.S. federal agencies may materially alter the cannabis industry. Further, since the legalization of Hemp, the U.S. has seen a proliferation of hemp-derived CBD products available to the general public. The availability of such products may negatively impact the market for cannabis-derived CBD products. If cannabis is re-categorized under the Federal CSA, the potential for multi-agency enforcement of the cannabis industry or a decline in the market for cannabis-derived CBD products as a result of the legalization of Hemp may have a material adverse effect on the Corporation's business, operating results and financial condition.

#### *Akanda operates in emerging markets*

Akanda, of which the Corporation is a significant shareholder, has operations in various emerging markets and may have operations in additional emerging markets in the future. Such operations expose Akanda and, indirectly, the Corporation to the socio-economic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks associated with conducting foreign operations include the following: high rates of inflation; extreme fluctuations in currency exchange rates; military repression; war or civil war; social and labour unrest; organized crime; hostage taking; violent crime; terrorism; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits, or contracts; changes in taxation; restrictions on foreign repatriation; and changing political norms, banking, and currency controls.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policy and regulation. Changes in the cannabis industry in the countries in which Akanda operates may adversely affect Akanda's operations or financial condition. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Furthermore, property disputes over title ownership of real property are frequent in emerging markets, and as a result, there is a risk that errors, fraud or challenges could adversely affect Akanda's ability to operate in such jurisdictions.

High levels of inflation, in particular, have adversely affected emerging economies and financial markets, and the ability of governments to create conditions that stimulate or maintain economic growth. The emerging markets in which Akanda operates or may operate may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence and lead to further government intervention.

While Akanda monitors developments and policies in the emerging markets in which it operates, such developments cannot be accurately predicted and could result in a material adverse effect on its business, financial condition, or results of operations.

#### *The Corporation will require additional financing*

The Corporation will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Corporation's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Common Shares.

Depending on the availability of traditional banking services to the Corporation, the Corporation may enter into one or more credit facilities with one or more lenders in order to finance the acquisition of the Corporation's investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of the Corporation to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; or (viii) engage in certain transactions with affiliates, and otherwise restrict activities of the Corporation (including its ability to acquire additional investments, businesses or assets, certain changes of control and asset sale transactions) without the consent of the lenders. In addition, such a credit facility would likely require the Corporation to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. Such restrictions may limit the Corporation's ability to meet targeted returns and reduce the amount of cash available for investment. Moreover, the Corporation may incur indebtedness under credit facilities that bear interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for the Corporation's purposes.

*The Corporation has limited operating history and faces the risks associated with any new business operating in a competitive industry*

The Corporation's primary business was formed in 2016 and has a limited operating history. The Corporation faces the general risks associated with any new business operating in a competitive industry, including the ability to fund its operations from unpredictable cash flow and capital-raising transactions. The likelihood of the Corporation's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of a new strategy and the competitive environment in which the Corporation operates. There can be no assurance that the Corporation will achieve its anticipated investment objectives or operate profitably.

*Any financial projections and business plans reflect the Corporation's intentions and estimates, but they may not be realized and are subject to change in all respects*

Any financial projections and business plans that the Corporation has performed are based on a variety of estimates and assumptions, which may not be realized and are inherently subject to significant business, economic, legal, regulatory and competitive uncertainties, many of which are beyond the Corporation's control. There can be no assurance that any such projections and plans will be realized, and actual results may materially differ from such projections and plans.

*Customers for the Corporation's U.S. cannabis business are limited*

The customers of the Corporation's U.S. cannabis business are limited to other licensed cannabis businesses within the states in which it operates. The sale of cannabis and cannabis-related products across state lines in the U.S. is not permitted. Consequently, the Corporation has a limited customer base.

*The Corporation's business is highly competitive*

The regulated cannabis market is intense, rapidly evolving and competitive. There can be no assurance that the Corporation's competitors, some of which have longer operating histories and more resources than the Corporation, will not develop products and services that achieve greater market share than the Corporation's products and services. Such competitive forces could have a material adverse impact on the Corporation's business, financial condition and results of operations.

*The Corporation will not be able to deduct many normal business expenses for U.S. federal income tax purposes*

Under Section 280E of the U.S. Internal Revenue Code ("**Section 280E**"), many normal business expenses incurred in the production and sale of cannabis and its derivatives are not deductible in calculating U.S. federal income tax liability. As a result, businesses that are subject to Section 280E have significantly higher tax expenses than non-Section 280E businesses and often owe federal income taxes even if the business is not profitable. The application of Section 280E likely will have a material adverse effect on the Corporation's U.S. federal income tax obligations.

*The Corporation is a U.S. domestic corporation for U.S. federal income tax purposes*

Although the Corporation is and will continue to be a Canadian corporation, the Corporation is classified as a U.S. corporation for U.S. federal income tax purposes under Section 7874(b) of the U.S. Internal Revenue Code. As a result, the Corporation will be subject to U.S. income tax on its worldwide income. Furthermore, the Corporation will be subject to Canadian income tax on its worldwide income. Consequently, it is anticipated that the Corporation may be liable for both U.S. and Canadian income tax, which could have a material adverse effect on its financial condition and results of operations.

*Third-party service providers could suspend or withdraw services as a result of the Corporation's cannabis business*

As a result of any adverse change to the approach in enforcement of U.S. cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse changes in public perception in respect of the consumption of cannabis or otherwise, third-party service providers to the Corporation could suspend or withdraw their services, which may have a material adverse effect on the Corporation's business, revenues, operating results, financial condition or prospects.

*Courts may not enforce the Corporation's contracts*

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal in the U.S. at the federal level, judges in multiple U.S. states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate U.S. federal law, even if there was no violation of state law. There remains doubt and uncertainty that the Corporation will be able to legally enforce contracts it enters into, if necessary. The Corporation cannot be assured that it will have a remedy for breach of contract, which could have a material adverse effect on the Corporation.

*The Corporation faces possible competition from synthetic cannabis production and technological advances*

The pharmaceutical industry may attempt to enter the cannabis industry, and in particular, the medical cannabis industry, through the development and distribution of synthetic products that emulate the effects of and treatment provided by naturally-occurring cannabis. If synthetic cannabis products are widely adopted, the widespread popularity of such synthetic cannabis products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Corporation to secure long-term profitability and success through the sustainable and profitable operation of its business.

*There are risks inherent in an agricultural business*

Cannabis is an agricultural product. There are risks inherent in the agricultural business, such as damage to crops caused by insects, plant diseases, pesticide contamination and similar agricultural risks. There can be no assurance that such elements will not have a material adverse effect on the production of the Corporation's products.

*Some of the Corporation's supply of cannabis source material are acquired from third parties*

The Corporation does not cultivate sufficient cannabis to supply itself with enough cannabis source material to operate its manufacturing business. Currently, the Corporation acquires some of its cannabis source material from third parties. There can be no assurance that there will continue to be a sufficient amount of cannabis source material available to the Corporation to continue operating its manufacturing business. Specifically, the impact of the current conflict in Ukraine may adversely impact the Corporation's third-party suppliers, resulting in an insufficient supply of cannabis source material. Additionally, the price of cannabis source material may rise which would increase the Corporation's cost of goods. If the Corporation became unable to acquire cannabis source material or if the price of cannabis source material increased, it could have a material adverse impact on the business of the Corporation, its financial condition and results from operations.

*The Corporation faces risks related to bans on cannabis vaping products*

On August 20, 2020, Oregon's Vaping Public Health Workgroup presented recommendations for proposed actions related to both tobacco and cannabis vaping products to Oregon Governor Kate Brown. Furthermore, the OLCC adopted permanent rule amendments which impose additional restrictions and requirements on cannabis vaping products containing non-cannabis derived additives, including non-cannabis derived terpenes. The rule amendments went into effect on December 22, 2020 and affect subject vaping products as of April 1, 2021. Additionally, the OLCC formally banned certain additives from cannabis vaping products, including squalene, vitamin E acetate, triglycerides (including, but not limited to Medium-Chain Triglycerides (MCT) Oil), and propylene glycol. Any additional prohibitions on cannabis vaping products could have a material adverse impact on the business of the Corporation, its financial condition and results from operations.

*The Corporation's success depends on the skills and expertise of its officers, key employees and advisors*

The Corporation's success substantially depends on the skills, talents, abilities and continued services of its officers, key employees and advisors. There is no guarantee that the Corporation's officers and employees will manage its business successfully.

*The Corporation's success depends on its ability to hire and retain additional qualified individuals*

The Corporation's success substantially depends on its ability to hire and retain individuals to implement its business plan. There is no assurance that the Corporation will be able to hire or retain qualified individuals, or that the individuals hired will be able to successfully implement its business plan.

*The Corporation may be subject to negative outcomes in pending and threatened litigation*

ANM has previously defended lawsuits and may be threatened with others. The Corporation may be materially adversely affected if any lawsuits are resolved adversely to ANM, the Corporation or any other subsidiary of the Corporation, or if additional litigation is filed or threatened against the Corporation and resolved adversely to the Corporation. Even if the Corporation is involved in litigation and wins, litigation can drain significant resources of the Corporation and may create a negative perception of the Corporation's brand.

*The Corporation is expanding into foreign jurisdictions*

Akanda, of which the Corporation is a significant shareholder, is expanding into jurisdictions outside of Canada, including Lesotho and the United Kingdom, Portugal and is subject to risks. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for Akanda's products will develop. Additionally, Akanda may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit Akanda's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on Akanda's business, financial condition and results of operations, which may have a material adverse effect on the Corporation's financial condition.

*Corruption and fraud in certain emerging markets relating to ownership of real property may adversely affect Akanda's business*

There are uncertainties, corruption and fraud relating to title ownership of real property in certain emerging markets in which Akanda, of which the Corporation is a significant shareholder, may operate. Property disputes over title ownership are frequent in emerging markets, and, as a result, there is a risk that errors, fraud or challenges could adversely affect Akanda's ability to operate in such jurisdictions, which may have a material adverse effect on the Corporation's financial condition.

*Inflation in emerging markets, along with governmental measures to combat inflation, may have a significant negative effect on local economies and also on Akanda's financial condition and results of operations*

In the past, high levels of inflation have adversely affected emerging economies and financial markets, and the ability of government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty. The emerging markets in which Akanda, of which the Corporation is a significant shareholder, intends to operate or may operate in the future may experience high levels of inflation. Inflationary pressures may weaken investor confidence in such countries and lead to further government intervention in the economy. If countries in which Akanda operates experience high levels of inflation in the future and/or price controls are imposed, Akanda may not be able to adjust the rates it charges its customers to fully offset the impact of inflation on Akanda's cost structures, which could adversely affect Akanda's results of operations or financial condition, which may have a material adverse effect on the Corporation's financial condition.

*Akanda's operations may be impaired as a result of restrictions on the acquisition or use of properties by foreign investors or local companies under foreign control*

Non-resident individuals and non-domiciled foreign legal entities may be subject to restrictions on the acquisition or lease of properties in certain emerging markets. Limitations also apply to legal entities domiciled in such countries which are controlled by foreign investors, such as the entities through which Akanda, of which the Corporation is a significant shareholder, intends to operate in certain countries. Accordingly, Akanda's future operations may be impaired as a result of such restrictions on the acquisition or use of property, and Akanda's ownership or access rights in respect of any property it owns or leases in such jurisdictions may be subject to legal challenges, all of which could result in a material adverse effect on Akanda's business, results of operations, financial condition and cash flows, which may have a material adverse effect on the Corporation's financial condition.

*Environmental risk and regulation could adversely affect the Corporation's operations*

The Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's business, revenues, operating results, financial condition or prospects.

*The Corporation operates its business in leased premises*

The Corporation currently operates its business in leased premises. The Corporation cannot provide any assurance that it will be able to renew its leases or lease other premises on favorable terms, if at all. The Corporation's inability to continue leasing suitable real property on reasonable terms will result in a material adverse effect on the Corporation.

*Public opinion, consumer perception or unfavorable publicity could influence the regulation of the cannabis industry*

Public opinion may also significantly influence the regulation of the cannabis industry in Canada, the U.S. or elsewhere. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and has varied from jurisdiction to jurisdiction. A negative shift in the public's perception of cannabis in the U.S., Canada or any other applicable jurisdiction could affect future legislation or regulation of cannabis. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new jurisdictions into which the Corporation could expand. A shift in public opinion or consumer perception may have a material adverse effect on the Corporation. Additionally, unfavorable publicity concerning the safety, efficacy or quality of cannabis could affect public opinion or consumer perception even if a consumer experienced negative or harmful effects from cannabis products due to the consumer's failure to use such products appropriately. Any such negative perception may have a material adverse effect on the Corporation's business, financial condition or results of operations.

*The Corporation may face product liability claims*

As a producer and manufacturer of products designed for ingestion by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if the products

are alleged to have caused significant injury or loss. Additionally, the manufacture and sale of cannabis involves risk of injury to consumers due to tampering by unauthorized third parties or by product contamination. Previously unknown adverse reactions resulting from human consumption of products sold or marketed by the Corporation, alone or in combination with other medications and substances, could occur. The Corporation may also be subject to product liability claims alleging that the cannabis product that caused injury or illness included inadequate instructions for the use of the product, or included inadequate warnings concerning possible side effects of or interactions with other substances. A product liability claim or regulatory action against the Corporation could adversely affect the Corporation's reputation with its clients and consumers generally, and could result in a material adverse effect on the business, results of operations or prospects of the Corporation. There can be no assurance that the Corporation will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims may have a material adverse effect on the Corporation.

*Product recalls could adversely affect the Corporation's operations*

Manufacturers of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls can cause unexpected expenses, legal proceedings and the loss of a significant amount of sales. Additionally, a product recall may require significant management attention, and the reputation of the recalled product's brand and thus, the Corporation could be harmed. Furthermore, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

*Results of future clinical research could influence the regulation of the cannabis industry and may have an adverse effect on the Corporation's business*

The Corporation believes the medical and adult-use cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis industry or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity may not be favorable to the cannabis industry or any particular product and may be inconsistent with publicity which could result in a material impact on the demand for cannabis and thus, on the business, results of operations, financial condition, cash flows or prospects of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of medical and adult-use cannabis with illness or other negative effects or events, could have a material adverse effect on the business, financial condition or results of operations of the Corporation.

*The Corporation is reliant on key inputs to manufacture its products, and changes in the availability or pricing of such key inputs could adversely affect the Corporation's operations*

The Corporation's cannabis business is dependent on a number of key inputs, including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the

Corporation. For instance, the current coronavirus disease (COVID-19) pandemic may adversely impact the Corporation's supply chain for key inputs. Some of these inputs may be available from only a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Corporation might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Corporation in the future. Any inability to secure required supplies and services or to do so on reasonable terms could have a material adverse effect on the business, financial condition, results of operations or prospects of the Corporation.

*The Corporation may not be able to adequately protect its intellectual property*

The Corporation has certain proprietary intellectual property, including, but not limited to, brands, trademarks, trade names, trade secrets and proprietary processes. The Corporation relies on this intellectual property, know-how and other proprietary information, and requires employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Corporation may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary intellectual property, or may otherwise gain access to the Corporation's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Corporation's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Federal CSA, the benefit of certain U.S. federal laws and protections which may be available to most businesses, such as federal trademark and patent protection for the intellectual property of a business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal or state level. While many states do offer trademark protection independent of the federal government, patent protection is wholly unavailable on the state level, and state-registered trademarks provide a lower degree of protection than federally registered marks.

*The Corporation's insurance coverage may not sufficiently cover claims against the Corporation*

Although the Corporation maintains insurance to protect against certain risks in amounts that it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the Corporation's operations are not generally available on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

*The Corporation's directors and officers may have a conflict of interest due to their involvement in other businesses*

Certain of the Corporation's directors and officers are involved with other business ventures that may be competitive with the Corporation's business. Situations may arise where the personal interests of these directors and officers conflict with or diverge from the Corporation's interests. In accordance with

applicable corporate law, directors who have a material interest in or who are parties to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such contracts. In addition, directors and officers are required to act honestly with a view to the Corporation's best interests. However, in conflict of interest situations, the Corporation's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Corporation. Circumstances (including future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Corporation.

*The Corporation faces risks associated with potential acquisitions*

As part of the Corporation's overall business strategy, the Corporation intends to pursue select strategic acquisitions, which would provide additional product offerings, vertical integrations, additional industry expertise and a stronger industry presence in both existing and new jurisdictions. The success of any such acquisitions will depend, in part, on the ability of the Corporation to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Corporation. Future acquisitions may expose the Corporation to potential risks, including risks associated with: (i) the integration of new operations, services and personnel, (ii) unforeseen or hidden liabilities, (iii) the diversion of resources from the Corporation's existing business and technology, (iv) potential inability to generate sufficient revenue to offset new costs, (v) the expense of acquisitions, and (vi) the potential loss of or harm to relationships with both employees and existing customers resulting from its integration of new businesses. In addition, any proposed or ongoing acquisitions will be subject to the satisfaction of certain closing conditions, including any necessary regulatory approvals. There can be no assurance that such closing conditions will be satisfied or that such ongoing or proposed acquisitions will be completed.

While the Corporation intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Corporation is not sufficiently indemnified. Any such unknown or undisclosed risks of liability could materially and adversely affect the Corporation's financial performance and result of operations. The Corporation could encounter additional transaction and integration related costs or other factors such as failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Corporation's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Common Shares.

The Corporation may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such strategic acquisition with its existing operations. If integration is not managed successfully by the Corporation's management, the Corporation may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

*The Corporation faces risks associated with legal, regulatory or political change*

The success of the business strategy of the Corporation depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To the Corporation's knowledge, as of April 24, 2023, 38 states, 3 US territories US Virgin Islands and Puerto Rico and the District of Columbia that have comprehensive medical cannabis programs. To the Corporation's knowledge, As of June 1, 2023, 23 states, 2 US territories and the District of Columbia have enacted measures to regulate cannabis for adult non-medical use. The U.S. territories of Guam and the Northern Mariana Islands have legalized adult-use

cannabis cultivation and sales. The District of Columbia and Vermont have legalized adult-use of recreational cannabis but do not allow the sale of recreational cannabis. However, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Corporation's business, results of operations, financial condition or prospects. Delays in enactment of new state or federal regulations could restrict the ability of the Corporation to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Corporation is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Corporation, and thus, the effect on the return of investor capital, could be detrimental. The Corporation is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Corporation and its business, results of operations, financial condition and prospects.

The Corporation is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Corporation's business, results of operations, financial condition or prospects.

The commercial medical and adult-use cannabis industry is in its infancy and the Corporation anticipates that such regulations will be subject to change as the jurisdictions in which the Corporation does business matures. Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Corporation to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

#### *The Corporation faces risks related to co-investment*

The Corporation may co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of the Corporation, although it is the general intent of the Corporation to retain superior rights associated with its investments. Although it is the Corporation's intent to retain control and other superior rights over the Corporation's investments, under certain circumstances it may be possible that the Corporation relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when the Corporation does maintain a control position with respect to its investments, the Corporation's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Corporation, or may be in a position to take (or block) action in a manner contrary to the Corporation's objectives. The Corporation may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-

investments by third parties may or may not be on substantially the same terms and conditions as the Corporation, and such different terms may be disadvantageous to the Corporation.

*The Corporation faces difficulty in forecasting sales*

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Corporation.

*Reliable data on the medical and adult-use cannabis industry is not available*

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Corporation of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Corporation's management team as of the date of this AIF.

*The Corporation faces constraints on marketing products*

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and results of operations could be adversely affected.

*The Corporation may be exposed to fraudulent or illegal activity by its employees, contractors and consultants*

The Corporation is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Corporation that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Corporation's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

*The Corporation's information technology systems may be subject to cyber-attacks*

The Corporation's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

The Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

*The Corporation faces a risk of security breaches*

Given the nature of the Corporation's product and its lack of legal availability outside of channels approved by the government of the U.S., as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches, and may deter potential customers from choosing the Corporation's products.

In addition, the Corporation collects and stores personal information about its customers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly customer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

*The Corporation may face high fees associated with bonding and insurance coverage*

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the cannabis industry to post a bond or significant fees when applying for example for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Corporation is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Corporation's business.

*New well-capitalized entrants may develop large-scale operations*

Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the

potential for financial success through investment in this industry could strategically purchase or assume control of larger dispensaries and cultivation facilities. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the trend in most state laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk.

*The economic environment may negatively impact the Corporation's operations*

The Corporation's operations could be affected by the economic context should unemployment, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Corporation's sales and profitability. Specifically, the global economy is facing a period of economic uncertainty as a result of the potential impact of the coronavirus disease (COVID-19) pandemic and the Corporation cannot reasonably predict the impact the pandemic may have on sales and profitability.

*The Corporation faces risks associated with leverage*

The Corporation anticipates utilizing leverage in connection with the Corporation's investments in the form of secured or unsecured indebtedness. Although the Corporation will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Corporation defaults on secured indebtedness, the lender may foreclose and the Corporation could lose its entire investment in the security of such loan. If the Corporation defaults on unsecured indebtedness, the terms of the loan may require the Corporation to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Corporation may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Corporation could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Corporation's investments, the Corporation may borrow funds in its own name for various purposes, and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Corporation. If investments fail to cover the cost of such borrowings, the value of the investments held by the Corporation would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Corporation could be subordinated to such leverage, which will compound any such adverse consequences.

*The Corporation faces a going concern risk*

The Financial Statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Corporation's primary sources of capital resources are anticipated to be comprised of cash and cash equivalents and the issuance of equity and debt securities. The Corporation will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt as necessary. The Corporation's ability to continue as a going concern in the short-term is expected to be dependent on obtaining additional financing to settle its liabilities. In the long-term, the Corporation's ability to continue as a going concern is expected to be dependent on maintaining profitable operations. While the Corporation has been successful in securing

both equity and debt financing from the private capital markets to date, there are no guarantees that the Corporation will be able to secure any such private or public equity or debt financing in the future on terms acceptable to the Corporation, if at all, or be able to achieve profitability. This could in turn have a material adverse effect on the Corporation's business, financial condition, results of operations, cash flows or prospects.

*Management of growth may present issues for the Corporation*

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

*The Corporation is faced with increased costs as a result of being a public company*

As a public issuer, the Corporation is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Corporation's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Corporation's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

*The Corporation may suffer reduced profitability if it loses foreign private issuer status in the U.S.*

If, as of the last business day of the Corporation's second fiscal quarter for any year, more than 50% of the Corporation's outstanding voting securities (as defined in the *United States Securities Act of 1933*, as amended) are directly or indirectly held of record by residents of the U.S., the Corporation will no longer meet the definition of a "Foreign Private Issuer" under the rules of the U.S. Securities and Exchange Commission. If the Corporation fails to qualify for Foreign Private Issuer status, it will remain unqualified unless it meets the test as of the last business day of its second fiscal quarter. This change in status could have a significant effect on the Corporation as it would significantly complicate the raising of capital through the offer and sales of securities and reporting requirements, resulting in increased audit, legal and administration costs. The ability of the Corporation to be profitable could be significantly affected.

*Certain remedies available to the Corporation may be limited*

The Corporation's governing documents may provide that the liability of the Board and its officers is eliminated to the fullest extent permitted under the laws of the Province of Ontario. Thus, the Corporation and the shareholders of the Corporation may be prevented from recovering damages for alleged errors or omissions made by the members of the Board and its officers. The Corporation's governing documents may also provide that the Corporation will, to the fullest extent permitted by law, indemnify members of the Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Corporation.

*The Corporation may face difficulty in enforcing judgments and effecting service of process on directors and officers*

Some of the directors and officers of the Corporation reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for the Corporation's shareholders to collect or to enforce judgments obtained in Canadian courts predicated

upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for the Corporation's shareholders to effect service of process within Canada upon such persons.

*The location of the Corporation's assets may make it difficult to enforce judgments*

Substantially all of the Corporation's assets are located outside of Canada, and therefore investors may have difficulty collecting from the Corporation any judgments obtained in Canadian courts and predicated on the civil liability provisions of applicable securities legislation. Furthermore, the Corporation may be subject to legal proceedings and judgments in foreign jurisdictions.

*The Corporation's past performance is not indicative of future results*

The prior investment and operational performance of the Corporation is not indicative of the future operating results of the Corporation. There can be no assurance that the historical operating results achieved by Corporation or its affiliates will be achieved by the Corporation, and the Corporation's future performance may be materially different.

*The Corporation's financial projections may prove materially inaccurate or incorrect*

Any of the Corporation's financial estimates, projections and other forward-looking information or statements included in this AIF were prepared by the Corporation without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this AIF. A reader should inquire of the Corporation and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, the occurrence of unforeseen or catastrophic events, including but not limited to the emergence of a public health crises, and unanticipated competition. Accordingly, a reader should not rely on any projections to indicate the actual results the Corporation might achieve.

*The Corporation faces risks associated with market price volatility*

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Corporation, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Corporation, general economic conditions, including volatile economic conditions in response to geopolitical uncertainty and, in particular, increased volatility relating to the conflict in Ukraine, legislative changes, and other events and factors outside of the Corporation's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

*Existing shareholders may sell a substantial number of Common Shares of the Corporation*

Sales of a substantial number of Common Shares in the public market could occur at any time by existing holders of Common Shares. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the

Common Shares. If this occurs and continues, it could impair the Corporation's ability to raise additional capital through the sale of securities.

*The Corporation does not anticipate paying any dividends*

The Corporation has no earnings or dividend record and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Corporation would be subject to tax and, potentially, withholdings.

*The Corporation could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events*

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, the conflict in Ukraine and other political instability; negative global climate patterns; or other catastrophic events, such as fires or other disasters occurring at the Corporation's facilities or the Corporation's suppliers' facilities could disrupt the Corporation's operations. In particular, these types of events could impact the Corporation's supply chain from or to the impacted region and could impact the Corporation's ability to operate its business.

Furthermore, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally. To the extent any of these events occur, it could have a material adverse impact on the business of the Corporation, its financial condition and results from operations.

*The Corporation is exposed to currency fluctuations*

Due to the Corporation's present operations in the U.S., and its intentions to continue operating outside Canada, the Corporation is exposed to currency fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Corporation's business, financial condition and operating results and prospects.

*Global financial conditions expose the Corporation to significant risks*

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability.

Moreover, the occurrence of unforeseen or catastrophic events, including but not limited to the emergence of a pandemic, or other widespread health emergencies, could result in economic and financial disruptions akin to those witnessed during the global financial crisis of 2008.

Global financial conditions could suddenly and rapidly destabilize in response future economic shocks, as government authorities may have limited resources to respond to future crises. Current or future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Corporation's ability to obtain equity or debt financing in the future on terms favourable to the Corporation. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Corporation's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Corporation's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy, including escalating developments to the conflict in Ukraine, could have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

## **DIVIDENDS AND DISTRIBUTIONS**

The Corporation has not paid dividends in any of the three most recently completed financial years. There is no restriction that would prevent the Corporation from paying dividends in the future, however, the Corporation currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, it is not contemplated that dividends will be paid on the Common Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends, and any other factors that the Board deems relevant.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of convertible class B restricted voting shares of the Corporation (the "**Restricted Voting Shares**"). The following is a summary of the rights, privileges, restrictions and conditions attached to the Common Shares and the Restricted Voting Shares.

### **Common Shares**

Holders of the Common Shares are entitled to notice of and to attend at any meeting of the shareholders of the Corporation, except a meeting of which only holders of another particular class or series of shares of the Corporation have the right to vote. At each such meeting holders of the Common Shares are entitled to one vote in respect of each Common Share held. Holders of Common Shares are entitled to receive, as and when declared by the directors of the Corporation, dividends in cash or property of the Corporation. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of Common Shares are, subject to the prior rights of the holders of any shares of the Corporation ranking in priority to the Common Shares, entitled to participate rateably along with all other holders of Common Shares.

### **Restricted Voting Shares**

The holders of Restricted Voting Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Corporation and each holder of Restricted Voting Shares has the right to one vote for each Restricted Voting Share in person or by proxy at all meetings of the shareholders of the Corporation, except for the purpose of electing directors of the Corporation, in which case the holders of the Restricted Voting Shares are not entitled to vote.

The holders of the Restricted Voting Shares are entitled to receive such dividends as may be granted to holders of the Common Shares in any financial year as the Board may by resolution determine. All dividends which the Board may declare on the Common Shares and the Restricted Voting Shares shall be declared and paid in equal amounts per share on all Common Shares and Restricted Voting Shares at the time outstanding.

In the event of a liquidation event, the holders of the Restricted Voting Shares are entitled to participate ratably in equal amounts per share as the holders of the Common Shares, without preference or distinction, in the remaining property and assets of the Corporation.

Subject to certain exceptions set out in the articles of the Corporation, in the event an offer is made to all or substantially all of the holders of Common Shares to purchase Common Shares, the holder of each Restricted Voting Share may require the Corporation to redeem their Restricted Voting Shares at the applicable redemption price, which shall be the price at which the offer is made to the holders of the Common Shares.

In addition, subject to certain restrictions, each of the Restricted Voting Shares is convertible into one Common Share, without the payment of any additional consideration, at the option of the holder of the Restricted Voting Shares at any time after the three year anniversary of the date of issuance of such Restricted Voting Share, or in certain other circumstances, including the Corporation determining that it has ceased to be a Foreign Private Issuer as such term is defined under the rules of the U.S. Securities and Exchange Commission.

## MARKET FOR SECURITIES

### Common Shares

The outstanding Common Shares are traded on the NEO under the trading symbol "HALO" and prior to September 28, 2018, traded under symbol "APE". Prior to June 20, 2018, the Common Shares traded on the TSX Venture Exchange. The following table sets forth the reported trading prices and monthly trading volumes of the Common Shares for the Corporation's financial year ended December 31, 2022 as well as the periods up to March 31, 2023:

Period	High Trading Price	Low Trading Price	Volume
January 2022	\$1.84	\$1.00	4,222,387
February 2022	\$1.15	\$0.75	5,246,963
March 2022	\$1.02	\$0.35	29,514,872
April 2022	\$0.37	\$0.075	15,811,868
May 2022	\$0.24	\$0.06	45,706,273
June 2022	\$0.70	\$0.03	36,564,707
July 2022	\$0.445	\$0.19	5,351,095
August 2022	\$0.27	\$0.10	14,254,886
September 2022	\$0.11	\$0.045	23,782,286
October 2022	\$0.37	\$0.015	55,826,211
November 2022	\$0.30	\$0.08	11,649,852
December 2022	\$0.105	\$0.035	27,133,448
January 2023	\$0.055	\$0.02	76,128,681
February 2023	\$0.04	\$0.015	70,986,489
March 2023	\$0.04	\$0.015	28,272,221

### First February Warrants

The First February Warrants are traded on the NEO under the trading symbol "HALO.WT.B". The First February Warrants began trading on the NEO on February 17, 2021. The following table sets forth the reported trading prices and monthly trading volumes of the First February Warrants for the periods up to March 31, 2023:

Period	High Trading Price	Low Trading Price	Volume
January 2022	\$0.01	\$0.005	89,000
February 2022	Nil	Nil	Nil
March 2022	\$0.005	\$0.005	240,602
April 2022	\$0.005	\$0.005	Nil
May 2022	\$0.005	\$0.005	Nil
June 2022	\$0.005	\$0.005	Nil
July 2022	\$0.005	\$0.005	Nil
August 2022	\$0.005	\$0.005	Nil
September 2022	\$0.005	\$0.005	Nil
October 2022	\$0.005	\$0.005	Nil
November 2022	\$0.005	\$0.005	Nil
December 2022	\$0.005	\$0.005	Nil
January 2023	\$0.005	\$0.005	100,000
February 2023	\$0.005	\$0.005	Nil
March 2023	\$0.005	\$0.005	Nil

### Second February Warrants

The Second February Warrants are traded on the NEO under the trading symbol "HALO.WT.C". The Second February Warrants began trading on the NEO on May 27, 2021. The following table sets forth the reported trading prices and monthly trading volumes of the Second February Warrants for the periods up to March 31, 2023:

Period	High Trading Price	Low Trading Price	Volume
January 2022	\$0.015	\$0.005	70,000
February 2022	\$0.005	\$0.005	Nil
March 2022	\$0.01	\$0.005	110,002
April 2022	\$0.005	\$0.005	43,500
May 2022	\$0.005	\$0.005	Nil
June 2022	\$0.005	\$0.005	Nil
July 2022	\$0.005	\$0.005	Nil
August 2022	\$0.005	\$0.005	Nil
September 2022	\$0.005	\$0.005	Nil
October 2022	\$0.005	\$0.005	Nil
November 2022	\$0.005	\$0.005	Nil
December 2022	\$0.005	\$0.005	Nil
January 2023	\$0.005	\$0.005	Nil
February 2023	\$0.005	\$0.005	Nil
March 2023	\$0.005	\$0.005	Nil

#### PRIOR SALES

The following table summarizes the securities of the Corporation that are not listed or quoted for trading on a market place that have been issued during the financial year ended December 31, 2022 as well as the periods up to March 31, 2023.

Date	Type of Security	Issue/Exercise/Conversion Price	Number of Securities
February 2, 2021	February Compensation Options <sup>(1)</sup>	\$900	639
February 2, 2021	Warrants <sup>(1)</sup>	\$1,250	9,141
February 11, 2021	February Compensation Options <sup>(1)</sup>	\$900	75
February 11, 2021	Warrants <sup>(1)</sup>	\$1,250	1,083
February 19, 2021	Warrants <sup>(2)</sup>	\$2,250	6,571
February 19, 2021	Second February Compensation Options <sup>(2)</sup>	\$1,750	460
March 28, 2021	Stock Options <sup>(3)</sup>	\$1,050	1,200
April 9, 2021	Warrants <sup>(5)</sup>	\$1,100	1,000

Date	Type of Security	Issue/Exercise/Conversion Price	Number of Securities
June 21, 2021	Stock Options <sup>(3)</sup>	\$650	8,045
October 21, 2021	Third Amended and Restated Promissory Note <sup>(4)</sup>	N/A	Up to \$15,000,000 principal amount
November 16, 2021	Restricted Stock Units <sup>(3)</sup>	NA	3,500
January 6, 2022	Global Tech Loan Agreement	N/A	Up to \$14,000,000 principal amount
January 6, 2022	Warrants <sup>(6)</sup>	\$160	8,750
January 13, 2022	Global Tech Convertible Debentures <sup>(7)</sup>	NA	\$1,887,154.25 principal amount
January 13, 2022	Global Tech Convertible Debentures <sup>(7)</sup>	NA	\$1,230,968.68 principal amount
February 9, 2022	Amended and Restated Loan Agreement <sup>(4)</sup>	N/A	Up to \$14,000,000 principal amount
February 15, 2022	Convertible Debentures <sup>(8)</sup>	\$103	\$12,649,000 principal amount
March 8, 2022	Second Global Tech Convertible Debentures <sup>(9)</sup>	NA	\$5,000,000 principal amount
March 7, 2022	Restricted Stock Units <sup>(3)</sup>	NA	9,000
April 7, 2022	Second Global Tech Convertible Debentures <sup>(9)</sup>	NA	\$5,000,000 principal amount
May 9, 2022	Second Global Tech Convertible Debentures <sup>(9)</sup>	NA	\$5,000,000 principal amount
June 1, 2022	Second Global Tech Convertible Debentures <sup>(9)</sup>	NA	\$5,000,000 principal amount
June 30, 2022	Second Global Tech Convertible Debentures <sup>(9)</sup>	NA	\$2,500,000 principal amount
September 9, 2022	Third Global Tech Convertible Debentures <sup>(10)</sup>	NA	\$2,620,000 principal amount
September 9, 2022	Third Global Tech Convertible Debentures <sup>(10)</sup>	NA	\$2,685,347 principal amount

Date	Type of Security	Issue/Exercise/Conversion Price	Number of Securities
September 9, 2022	Third Global Tech Convertible Debentures <sup>(10)</sup>	NA	\$1,695,971 principal amount
November 9, 2022	Reef Promissory Note <sup>(11)</sup>	NA	Up to C\$5,000,000 principal amount

**Notes:**

- (1) Issued in connection with the First February Offering. See *General Developments of the Business – Fiscal 2021 (January 1, 2021 – December 31, 2021) – Securities Issuances – First February Overnight Marketed Public Offering*.
- (2) Issued in connection with the Second February Offering. See *General Developments of the Business – Fiscal 2021 (January 1, 2021 – December 31, 2021) – Securities Issuances – Second February Overnight Marketed Public Offering*.
- (3) Granted under the Corporation's omnibus incentive plan.
- (4) Issued to amend and rested the Second Amended and Restated Promissory Note. See *General Developments of the Business – Fiscal 2021 (January 1, 2021 – December 31, 2021) – Securities Issuances – Third Amended and Restated Promissory Note*.
- (5) See *General Developments of the Business – Fiscal 2021 (January 1, 2021 – December 31, 2021) – Securities Issuances – Additional Securities Issuances*.
- (6) Issued in connection with the Global Tech Loan Agreement. See *General Developments of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Global Tech Loan Agreement*.
- (7) Issued in connection with the Global Tech Subscription Agreement. See *General Developments of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Global Tech Loan Agreement*. The Global Tech Conversion Price is equal to the lower of: (i) \$125; 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 the Global Tech Convertible Debenture, the maturity date).
- (8) Issued in connection with amendments to Convertible Debentures. See *General Developments of the Business – Recent Developments (January 1, 2022 – December 31, 2022) – Securities Issuances – Amendments to the Convertible Debentures*.
- (9) Issued in connection with the Global Tech Loan Agreement. See *General Developments of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Second Global Tech Subscription Agreement*. The conversion price of the Second Global Tech Convertible Debentures is equal to the lower of: (i) \$100; 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 the Second Global Tech Convertible Debenture, the maturity date).
- (10) Issued in connection with the Termination Agreement. See *General Developments of the Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Early Termination of Loan and Convertible Debentures Agreements*. The conversion price of the Third Global Tech Convertible Debentures is equal to the lower of: (i) \$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 (including the third amended and restated promissory note dated September 18, 2021 issued by the Corporation in favour of Yaakov Levtov), (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.
- (11) See *General Developments of the Business – Fiscal 2022 (January 1, 2022 – December 31, 2022) – Securities Issuances – Reef Promissory Note*.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

As at December 31, 2022, 2,491 Common Shares were subject to escrow or contractual restrictions on transfer. The following table describes the number of securities of each class of the Corporation held, to the Corporation's knowledge, in escrow or that were subject to a contractual restriction on transfer

and the percentage that number represents of the outstanding securities of that class as at December 31, 2022.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Common Shares	2,491 <sup>(1)(2)(3)(4)</sup>	0.00005%

**Notes:**

- (1) In connection with the acquisition of MDT, 1,246 Common Shares were deposited into escrow pursuant to the terms of an escrow agreement dated January 9, 2020 (the "**MDT Escrow Agreement**") among the Corporation, Odyssey and certain securityholders of the Corporation. Pursuant to the terms of the MDT Escrow Agreement: (i) 823 Common Shares were to be released in twelve (12) equal monthly installments, and (ii) 422 Common Shares were to be released on January 9, 2021 (subject to the Corporation's right to claw back shares for undisclosed liabilities or other indemnification obligations of the seller). [490 Common Shares currently remain in escrow under the MDT Escrow Agreement.]
- (2) In connection with the acquisition of B&C, 1,000 Common Shares were deposited into escrow pursuant to the terms of an escrow agreement dated March 2, 2021 (the "**B&C Escrow Agreement**") among the Corporation, Odyssey, and 7PG Pasadena, and certain approved designees. Pursuant to the terms of the B&C Escrow Agreement, the securities subject to the B&C Escrow Agreement will be released to the approved designees upon the achievement of certain pre-determined milestones. All 1,000 Common Shares remain in escrow. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Hollywood Merger*".
- (3) In connection with the acquisition of POI11, 1,000 Common Shares were deposited into escrow pursuant to the terms of an escrow agreement dated March 2, 2021 (the "**POI11 Escrow Agreement**") among the Corporation, Odyssey, and 7PG1, and certain approved designees. Pursuant to the terms of the POI11 Escrow Agreement, the securities subject to the POI11 Escrow Agreement will be released to the approved designees upon the achievement of certain pre-determined milestones. All 1,000 Common Shares remain in escrow. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Hollywood Merger*".
- (4) In addition to the above, a total of 10,177 Common Shares are subject to the terms of voluntary escrow pooling agreements or provisions among the Corporation and the holders of such shares, whereby such holders who are party to a particular pooling agreement have agreed to not, during any trading day during the term of the applicable pooling agreement, sell on a Canadian stock exchange such aggregate number of Common Shares that would exceed 10% or 15% of the prior trading day's total volume of sale orders in Common Shares based on various conditions. Given that these pooling agreements and contractual provisions do not include pre-determined release dates or events and the holders of Common Shares thereunder may have completed dispositions in compliance with such pooling agreements or contractual provisions the Corporation is unable to determine the exact number of Common Shares that remain subject to such pooling agreements and contractual provisions as of the date hereof.

**DIRECTORS AND OFFICERS**

The following table sets out, for each of the Corporation's directors and executive officers, the person's name, age, state and country of residence, position with the Corporation, principal occupation(s) during the last five years and, if a director, the period(s) such director has served as a director. The Corporation's directors are expected to hold office until its next annual general meeting of shareholders unless they resign prior thereto or are removed by the shareholders of the Corporation. The Corporation's directors will be elected annually and, unless re-elected, will retire from office at the end of the next annual general meeting of shareholders.

Under National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), an independent director is one who is free from any direct or indirect relationship that could, in the view of the Board, be reasonably expected to interfere with a director's exercise of independent judgment. Four directors of the Corporation are not considered independent and two are considered independent.

Name and State and Country of Residence	Age	Position(s) with the Corporation	Director Since	Principal Occupation(s)
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Katharyn Field	40	CEO, Director, and Chairperson	July 2021	Former Executive Vice President – Corporate Development at Marimed Advisors Inc.; Former Director of Business Operations at Costa Farms
Alson Niu <sup>(1) (2) (3)</sup>	25	Director	May 2023	Director of Plantfuel Life Inc. And CEO and Director of Peakbirech Commerce Inc.
Avtar Dhaliwal <sup>(1) (2) (3)</sup> British Columbia, Canada	28	Director	March 2022	CEO of Modern Plant Based Foods Inc.; CEO of Pontus Protein Ltd.
Quinn Field-Dyde <sup>(1) (2) (3)</sup> British Columbia, Canada	53	Director	March 2022	CFO of Goldseek Resources Inc.
Cassidy McCord	25	Director	July 2022	Former Director of Modern Plant Based Foods Inc.; Former Director of The Yummy Candy Company Inc.
Marshall Minor	45	Interim Chief Financial Officer	N/A	Chief Financial Officer
Shailesh Bhushan	54	Chief Accounting Officer	N/A	Chief Accounting Officer

**Notes:**

- (1) Member of the audit committee.
- (2) Member of the compensation committee.
- (3) Member of the nomination and corporate governance committee.

As at the date of this AIF, the directors or executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, Nil Common Shares, representing 0.00% of the total number of Common Shares outstanding before giving effect to the exercise of convertible securities held by such directors and executive officers. The statements as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Corporation as a group are based upon information furnished by the directors and executive officers.

**Board Committees**

The Corporation currently has an audit committee, a compensation committee and a nomination & corporate governance committee. A brief description of the compensation committee and nomination and corporate governance committee is set out below. For a description of the audit committee, see "Audit Committee Disclosure" below.

### **Compensation Committee**

The compensation committee's principal responsibilities include assisting the Board in carrying out its oversight responsibility for the Corporation's human resources and compensation policies and processes.

### **Nomination & Corporate Governance Committee**

The nomination & corporate governance committee's principal responsibilities include developing and recommending to the directors a code of business conduct and ethics and a set of corporate governance guidelines and overseeing the evaluation of the directors, its committees and management.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

### **Cease Trade Orders**

Except as disclosed below, none of the Corporation's directors or executive officers is, as at the date of this AIF, or was within 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the Corporation access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

On April 3, 2023, the Ontario Securities Commission (the "**OSC**") issued a management cease trade order (the "**MCTO**"), which precluded Katharyn Field and Marshall Minor from trading in the securities of the Corporation until such time as the MCTO was not longer in effect. The MCTO was sought by the Corporation as it would be unable to file its audited financial statements for the year ended December 31, 2023, and the related management discussion and analysis, annual information form and applicable officer certifications by the required filing deadline due to delays associated with a change of auditor of the Corporation and the additional steps required for to obtain third-party valuations required for audit purposes. On June 19, 2023, the MCTO was revoked and the OSC issued a failure to file cease trade order (the "**CTO**") against the Corporation pursuant to Multilateral Instrument 11-102 – *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*.

Katharyn Field served a director and the CEO, and Marshall Minor served as the CFO, of the Corporation when the CTO was issued. Cassidy McCord, Avtar Dhaliwal, Quinn Field-Dyte and Alson Niu made up the remainder of the board of directors at the time of the CTO. The CTO was issued against the Corporation for its failure to file, prior to the required filing deadline: (i) its audited financial statements for the year ended December 31, 2023 and the related management discussion and analysis; (ii) its interim financial statements for the period ended March 31, 2023 and the related management discussion and analysis; (iii) its annual information form for the year ended December 31, 2023; and (iv) the applicable officer certifications for the foregoing filings as required by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. The CTO is still in effect as of the date hereof.

### **Corporate Bankruptcies**

None of the Corporation's directors, executive officers, or shareholders holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, as at the date of this AIF, or has been within the 10 years prior to the date of this AIF, a director or executive officer of any

company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to acting that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Corporation's directors, executive officers, or shareholders holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### **Penalties or Sanctions**

No director or executive officer of the Corporation nor any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **CONFLICTS OF INTEREST**

To the best of the Corporation's knowledge, there are no known existing or potential material conflicts of interest among the Corporation or a subsidiary of the Corporation and any director or officer of the Corporation or a subsidiary of the Corporation as a result of their outside business interests except that certain of the Corporation's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Corporation and their duties as a director or officer of such other companies.

### **AUDIT COMMITTEE DISCLOSURE**

#### **Audit Committee Charter**

The Board has adopted a written charter for the audit committee of the Board (the "**Audit Committee**"), in the form set out under Schedule "A" to this AIF, which sets out the Audit Committee's responsibilities. The Audit Committee's principal duties and responsibilities include assisting the Board in discharging the oversight of: (i) the integrity of the financial statements and accounting and financial processes and the audits of the financial statements; (ii) compliance with legal and regulatory requirements; (iii) external auditors' qualifications and independence; (iv) the work and performance of financial management and external auditors; and (v) system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Board. The Audit Committee has access to all books, records, facilities and personnel and may request any information about the Corporation as it may deem appropriate. The Audit Committee also has the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee.

## Composition of the Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The Audit Committee reviews the financial reports and other financial information provided by the Corporation to regulatory authorities and its shareholders and reviews the Corporation's system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes.

As of the date of this AIF, the following are the members of the Audit Committee:

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Alson Niu	Yes	Yes
Avtar Dhaliwal	Yes	Yes
Quinn Field-Dyde	Yes	Yes

### Notes:

- (1) A member of the audit committee is independent if he or she has no direct or indirect "material relationship" with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Corporation, such as the President or Secretary, is deemed to have a material relationship with the Corporation.
- (2) A member of the audit committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

## Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

### Avtar Dhaliwal

Avtar Dhaliwal is CEO of Modern Plant Based Foods Inc. as well as interim CEO of Pontus Protein Ltd. Mr. Dhaliwal graduated with a Bachelor of Science degree majoring in biology in 2019 from the University of British Columbia Okanagan. Mr. Dhaliwal is a third-generation farmer that has managed over 1,000 acres of land and overseen the growth and cultivation of a wide variety of cash crops for retail and wholesale across Canada. Recently, Mr. Dhaliwal was instrumental in navigating companies through compliance and regulatory hurdles of listing products and large-scale distribution. His experience will be an asset to Halo from seed to sale, including cultivation, extraction, manufacturing, distribution and quality control of cannabis flower, oils, and concentrates. Mr. Dhaliwal has been appointed as Chair of Halo's Compensation Committee.

### Quinn Field-Dyde

Mr. Field-Dyde co-founded and served as QA Manager with the gaming company, Embassy Interactive Inc., and has experience in multiple mergers and acquisitions within the public company sphere. Mr. Field-Dyde was an investment advisor for five years and has served as Chief Executive Officer of Winston Resources Inc. and Vantex Resources Ltd. He currently holds the positions of President and Director of GGX Gold Corp. Chief Financial Officer and Director of Quantum Battery Metals Corp. and CFO and Director of Vantex Resources Ltd., as well as a director of PlantX Life Inc. and The Yumy Candy Company Inc. Presently serving as CFO of Vantex Resources Ltd., Quantum Battery Metals Corp., and chairing the audit committees of Intact Gold Corp. and PlantX Life Inc.

### Alson Niu

Mr. Niu is multidisciplinary business professional with experience in the private equity and investment sectors. As the managing partner of Conquest Capital, he has led successful companies that have resulted in increased efficiency and productivity. His expertise can help guide companies in their financial planning and growth strategies, resulting in overall brand growth and increased market share. Mr. Niu also serves as an adviser for Evolve Branding, specializing in branding and on-line marketing.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to "*De Minimus Non-Audit Services*", "*Initial Public Offerings*", "*Events Outside Control of Member*", "*Death, Disability or Resignation of Audit Committee Member*" or any exemption provided by Part 8 of NI 52-110.

### **Reliance on the Exemption in Subsection 3.3(2) or Section 3.6**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions contained in Sections 3.3(2) or 3.6 of NI 52-110.

### **Reliance on Section 3.8**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on an exemption in relation to "*Acquisition of Financial Literacy*".

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Pre-Approval Policies and Procedures**

Pursuant to the terms of the charter of the Audit Committee, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

### **External Auditor Service Fees**

The following table sets out the audit and audit-related fees billed by the Corporation's auditors for the years ended December 31, 2022 and 2021:

<b>Service</b>	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
Audit Fees <sup>(1)</sup>	<b>\$541,760</b>	<b>\$855,367</b>
Audit-Related Fees <sup>(2)</sup>	<b>\$35,427</b>	<b>\$169,098</b>
Tax Fees <sup>(3)</sup>	<b>\$Nil</b>	<b>\$Nil</b>

Other Fees <sup>(4)</sup>	<b>\$5,000</b>	<b>\$177,043</b>
<b>Total:</b>	<b>\$582,187</b>	<b>\$1,201,508</b>

**Notes:**

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit related fees are fees for assurance and related services related to the performance of the audit or review of the annual financial statements that are not reported under "Audit Fees".
- (3) Tax fees are fees for tax compliance, tax advice and tax planning.
- (4) All other fees include the aggregate fees billed for products and services provided by the Corporation's external auditor, other than "Audit fees", "Audit related fees" and "Tax fees" above.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Except as set out below, to the Corporation's knowledge, there are no legal proceedings or regulatory actions material to the Corporation to which it is a party, or was a party to, or that any of its property is the subject matter of, or was the subject matter of, in the previous financial year, and no such proceedings or actions are known by Corporation to be contemplated.

*GREENSPOON MARDER, LLP v CRIMSON & BLACK, LLC, The Superior Court of California County of Los Angeles 22SMCV00423.* On March 24, 2022, Greenspoon Marder LLP ("**Greenspoon**") filed a civil action in the Superior Court of California County of Los Angeles against Crimson & Black, a subsidiary of the Corporation, for failure to pay legal fees and costs in relation to a transaction whereby the Corporation purchased Crimson & Black, among other entities, from Francisco Turner, Marlin Smith and Theodore Ray (the "**Sellers**"), which closed in June 2020 (the "**Transaction**"). Greenspoon acted as counsel to the Sellers in relation to the Transaction and all legal fees and costs claimed by Greenspoon were borne by the Sellers. On November 8, 2022, Crimson & Black filed a cross complaint against the Sellers for payment of the legal fees and costs associated with the Transaction. On January 26, 2023, the Sellers filed a cross-complaint against Crimson & Black and certain other subsidiaries and management of the Corporation, alleging: (i) that the Corporation is a fraudulent scheme built on inflated revenue, and misrepresentation and omission of financial capacity; and (ii) that the Sellers' failure to pay its legal fees incurred from the Transaction was due to the breach of Transaction documents resulting from their allegations (the "**Claim**"). The amount sought by the Sellers pursuant to the Claim is USD\$1,000,000 for compensatory damages and rescission of the Merger Agreements. The Corporation filed its demurrer on March 24, 2023. The Sellers filed an amended cross-complaint on April 12, 2023. On July 13, 2023, the Court dismissed the sellers' claim for securities fraud, but granted leave to amend, and the sellers filed a Second Amended Cross-Complaint ("SACC") on July 20, 2023. The Company's response to the SACC is due on August 28, 2023. In the meantime, Greenspoon moved for summary judgment on its Complaint seeking the unpaid legal fees, costs and interest. On July 13, 2023, Greenspoon's motion was denied. The Company believes that the Greenspoon claims and the crossclaims brought by the sellers lack merit, and it intends to vigorously defend against the claims. Potential damages are not ascertainable at this time.

The Corporation, after having consulted with its legal counsel, is of the view that the Claim is frivolous and vexatious in nature. The Corporation does not view the Claim as presenting any possible exposure, other than non-material costs associated with defending the claim. Therefore, no provision, no contingent liabilities and no disclosures included in the year ended December 31, 2022 for the Corporation and as of the reporting date of this AIF.

*ANM, Inc. v William's Wonder Farms, LLC, William Earl Hill, II Circuit Court of the State of Oregon for the County of Multnomah Case No. 22CV14424.* On April 29, 2022, the Corporation's subsidiary ANM

brought a lawsuit against William's Wonder Farms, LLC ("**WWF**") and its principal William Earl Hill ("**Hill**"), claiming that WWF and Hill had unjustifiably sought to terminate an asset purchase agreement for WWF's assets, and related claims. Prompt action was taken to protect these three licenses, which were moved to other of the Corporation's Oregon locations, pending the outcome of the dispute with WWF. WWF has brought counterclaims against the Corporation as well. The dispute prevented access to WWF's three acres of production for the 2022 season. ANM claimed damages totaled **USD\$5,922,822** against the defendants; and the defendants cross-claimed damages totaled **USD\$4,150,000**. The case is at the early stage of discovery. Though both parties filed documents and sent a written discovery request, it is uncertain if the damage the Corporation was seeking is probable and the amount of inflow of economic benefits will arise. It was disclosed in the previous financial statements and Management Discussion and Analysis reports.

*Halo Collective, Inc., ANM, Inc., Halo Winberry Holdings, LLC, HLO Peripherals, LLC v Decibel Farms, Inc., Shawn Bishop, Colby Huling (Decibel Farms)* Circuit Court of the State of Oregon for the County of Lane Case No. 22CV19232. On June 10, 2022, Halo and its subsidiaries brought a lawsuit against its former business partner Decibel Farms, Inc., its president and a former employee for breach of business contracts by soliciting the Corporation's employees and violating non-compete respectively. The lawsuit is pending in the court and ordered to be solved by arbitration. The Corporation is expected to file the arbitration claims in Oregon. ANM claimed damages totaling USD\$5,150,000. This claim is still in an early stage of the process and obligation. The results are still uncertain at this point and is also at the end of the reporting period. The Corporation assessed that it is more likely that no present obligation exists at the end of the reporting period, the possibility of an outflow of resources embodying economic benefits is remote and uncertain, and no reliable estimate can be made. Therefore, no provision, no contingent liabilities and no disclosures included in the year ended December 31, 2022 for the Corporation and as of the reporting date of this AIF.

*CK Construction Group, Inc. v Halo Collective., Coastal Harvest, PSG Coastal, LCNH, Bar X, et al.* Superior Court of California County of Lake Case No. CV423584. On December 6, 2022, CK Construction Group, Inc. ("**CK**") claimed breach of contract and alter ego against the Corporation and certain of its subsidiaries (Coastal Harvest, PSG Coastal, LCNH, and Bar X) and its current officer Ms. Katharyn Field and previous officer, Mr. Sidhu as individual defendants, for services provided by CK on non-Corporation related properties. Mr. Ashton Watkins, esq. filed a general denial answer for all listed defendants in black font above. CK claimed damages totaling USD\$704,960. No written contract exists between and among CK, and the Corporation's subsidiaries. This claim is still in an early stage of the process. The results are still uncertain at this point and is also at the end of the reporting period. The Corporation assessed that: (i) it is likely that no present obligation exists at the end of the reporting period; (ii) the possibility of an outflow of resources embodying economic benefits is remote and uncertain; and (iii) no reliable estimate can be as to the potential exposure. Therefore, no provision, no contingent liabilities and no disclosures included in the year ended December 31, 2022 for the Corporation and as of the reporting date of this AIF.

#### Matters Related to Triangle Canna

- *Hobbs Holdings, LLC v. Capital City Healthcare LLC, Jedediah Morris, Josiah Spohn, Dam-Tam LLC, Badlands LLC, Capital Hemp Inc., Green Matter Global Inc., Green Matter Usa Inc., Green Matter Holding, Inc., Triangle Canna Corp., Lake County Land Restoration LLC, Bar X Farms LLC, Bartlett Springs LLC, Titan Valley Land Company LLC, Great Kinds Farms LLC, Titan Valley Building Company LLC* Superior Court of California County of Sacramento Case No. 34-2023-00332693. On January 10, 2023, Hobbs Holdings, LLC ("**Hobbs**") alleged that the defendant, Capital City Healthcare LLC, failed to pay rent and sued Bar X Farms LLC ("**Bar X**") and Triangle Canna for alter ego, claiming these are shell companies of defendant, Mr. Jedediah Morris who is the CEO of Triangle Canna. Mr. Ashton Watkins filed an answer of

general denial for Triangle and BarX. Hobbs claimed damages totaling USD\$3,120,760.88. No written contract exists between and among Hobbs, Triangle Canna and the Corporation's subsidiaries. This claim is still in an early stage. The results are still uncertain at this point and is also at the end of reporting period. The Corporation assessed that: (i) it is likely that no present obligation exists at the end of the reporting period; (ii) the possibility of an outflow of resources embodying economic benefits is remote and uncertain; and (iii) no reliable estimate can be made as to potential exposure. Therefore, no provision, no contingent liabilities and no disclosures included in the year ended December 31, 2022 for the Corporation and as of the reporting date of this AIF.

*Arbitration before American Arbitration Association.* On November 14, 2022, a confidential party filed an arbitration against the Corporation and claimed unpaid wages. The claimant resigned without "good notice" and before the probationary period in their contract had elapsed. The arbitrator circulated the tribunal calendar with dates starting in November 2023 and culminating in March 2024. The claimant claimed damages totaling USD\$1,789,647.77 including unpaid wages, late fees, etc. The claimant was compensated in line with his employment agreement and according to federal and state laws. This claim is still in an early stage of the process. The results are still uncertain at this point and is also at the end of the reporting period. The Corporation assessed that: (i) it is likely that no present obligations exist at the end of the reporting period; (ii) the possibility of an outflow of resources embodying economic benefits is remote and uncertain; and (iii) no reliable estimate can be made as to the potential exposure. Therefore, no provision, no contingent liabilities and no disclosures included in the year ended December 31, 2022 for the Corporation and as of the reporting date of this AIF.

Except as set out above, during the Corporation's most recently completed financial year, there have been no penalties or sanctions imposed against the Corporation by a court or regulatory authority, and the Corporation has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any security regulatory authority.

#### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed below and elsewhere in this AIF no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years before the date of this AIF which has materially affected or is reasonably expected to materially affect the Corporation or a subsidiary of the Corporation.

On July 17, 2020, the Corporation announced that it had acquired all of the issued and outstanding shares of Bophelo (the "**Bophelo Transaction**"). Following the acquisition, the Corporation owned 100% of the issued and outstanding shares of Bophelo. As consideration for all of the issued and outstanding shares of Bophelo, the Corporation issued an aggregate of 4,371 Common Shares. Concurrently and in connection with the announcement of the acquisition of Bophelo, the Corporation announced that it had entered into an agreement pursuant to which it acquired certain debt obligations of Middleton. Pursuant to the terms of the debt purchase agreement, the Corporation acquired such debt in exchange for the issuance of 2,858 Common Shares. Louisa Mojela, who, at the time, would be considered an informed person of the Corporation, had a material interest in the acquisition of Bophelo due to her position as a shareholder of Boiketlo Biomed (Pty) Ltd. (which was a shareholder of Bophelo). In connection with the Bophelo Transaction, Ms. Mojela received an aggregate of 1,503 Common Shares, which are held indirectly through Boiketlo Biomed (Pty) Ltd. Further information about the acquisition of Bophelo can be found in the Corporation's press release dated July 17, 2020 and the

Corporation's final short form base shelf prospectus dated September 2, 2020, copies of which have been filed under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and which will be provided free of charge to a securityholder of the Corporation upon request.

On August 19, 2020, the Corporation announced that it had acquired all of the issued and outstanding shares in the capital of Ukiah that it did not already own for aggregate consideration of 7,188 Common Shares (the "**Ukiah Transaction**"), as further described and pursuant to a share exchange agreement, dated August 5, 2020, among the Corporation, Ukiah, the shareholders of Ukiah, the holder of the outstanding warrants of Ukiah and Origins-Cali, Inc. Philip van den Berg, former Chief Financial Officer of the Corporation, and Andrew Turman, a former director of the Corporation, were shareholders of Ukiah and received 58 Common Shares and 28 Common Shares pursuant to the Ukiah Transaction, respectively. Further information about the Ukiah Transaction can be found in the Corporation's press release dated August 19, 2020, the Corporation's material change report dated August 19, 2020 and the Corporation's final short form base shelf prospectus dated September 2, 2020, copies of which have been filed under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and which will be provided free of charge to a securityholder of the Corporation upon request.

On February 19, 2021, the Corporation announced the closing of the Second February Offering. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – Second February Overnight Marketed Public Offering*". Peter McRae, a former director of the Corporation, subscribed for 9 Second February Units in connection with the Second February Offering. Further information about the Second February Offering can be found in the Corporation's press releases dated February 12, 2021 and February 19, 2021 and the Corporation's material change report dated February 22, 2021, copies of which have been filed under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and which will be provided free of charge to a securityholder of the Corporation upon request.

#### **TRANSFER AGENT AND REGISTRAR**

The Corporation's transfer agent and registrar for the Common Shares is Odyssey at its principal offices in Calgary, Alberta.

#### **MATERIAL CONTRACTS**

Except for material contracts entered into in the ordinary course of business, set out below are material contracts in respect of which the Corporation or any of its subsidiaries is a party:

Promissory note dated January 26, 2023 between the Corporation and Akanda in the amount up to USD\$328,000, with an interest at the rate of 7% per annum and such promissory note shall mature on June 25, 2023.

Reef Promissory Note dated November 9, 2022 in the amount up to C\$5,000,000 between the Corporation and Reef Capital. See "*General Development of The Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances - Reef Promissory Note.*"

Termination Agreement dated September 7, 2022 between the Corporation and Global Tech. See "*General Development of The Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Early Termination of Loan and Convertible Debentures Agreements.*"

Separation agreement dated June 30, 2022 between the Corporation and Kiran Sidhu, and Amendment to Separation agreement dated March 3, 2023. Pursuant to the separation agreement, the Corporation has agreed to pay Mr. Sidhu an aggregate amount of US\$2,077,209, including US\$1,557,906.75 as legal settlement for release of claims and US\$519,302.25 as severance payment.

Share exchange agreement dated January 11, 2022 between the Corporation, 1337617 B.C. Ltd., 1253540 B.C. Ltd., NKG Investments Ltd., and a confidential party.

Second Global Tech Subscription Agreement dated March 8, 2022 between the Corporation and Global Tech. See "*General Development of The Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances - Second Global Tech Subscription Agreement.*"

Global Tech Loan Amount dated January 6, 2022 between the Corporation and Global Tech as amended and restated on February 8, 2022. See "*General Development of The Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Global Tech Loan Agreement.*"

Global Tech Subscription Agreement dated January 6, 2022 issued by the Corporation to Global Tech in the amount of up to \$18,310,594.30. See "*General Development of The Business – Fiscal 2022 (January 1, 2022 to December 31, 2022) – Securities Issuances – Global Tech Loan Agreement.*"

Third Amended and Restated Promissory Note dated October 21, 2021 issued by the Corporation to a confidential holder in the amount of up to \$15,000,000. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – Third Amended and Restated Promissory Note*";

Agreement and plan of merger for the FC Acquisition dated August 26, 2021 among the Corporation, FC Merger Sub LLC, Food Concepts LLC, Siddarth Gupta, and Josh Schmidt. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Pistil Point Acquisition*";

Asset purchase agreement for the Pistil Point Acquisition dated August 26, 2021 among the Corporation, and the Pistil Point Entities. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Pistil Point Acquisition*";

Equity distribution agreement dated May 4, 2021 among the Corporation and PI Financial Corp. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – Second ATM Program*";

Underwriting agreement dated February 12, 2021 among the Corporation and the Underwriters with respect to the Second February Offering. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – Second February Overnight Marketed Public Offering*";

Warrant indenture dated February 19, 2021 between the Corporation and Odyssey in respect of the Second February Offering. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – Second February Overnight Marketed Public Offering*";

Agreement and plan of merger and reorganization dated February 5, 2021 between Halo and 7Pass Global Opportunity Fund, LLC with respect to the Corporation's acquisition of ZXC11. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger*";

Pooling agreement dated February 17, 2021 among the Corporation and FAT Ventures LLC, J. Francisco A. Turner, SWL Nevada Management LLC, TIJS Corporation, TPMP Ventures LLC, Kim Pappaterra, Cornerstone Ventures LLC, Julio Ramirez, Elizabeth Beery, Scott Canalichio, David Cho,

Daja Holdings LLC with respect to the Corporation's acquisition of ZXC11, POI11, SDF11, and Hollywood Management Merger.

Agreement and plan of merger and reorganization dated February 5, 2021 between Halo and 7Pass Global Opportunity Fund II NPT, LLC with respect to the Corporation's acquisition of SDF11 LLC. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger*";

Agreement and plan of merger and reorganization dated February 5, 2021 between Halo and 7PG Pasadena LLC with respect to the Corporation's acquisition of B&C. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger*";

Agreement and plan of merger and reorganization dated February 5, 2021 between Halo and 7PG1 LLC with respect to the Corporation's acquisition of POI11. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Acquisitions and Dispositions – Hollywood Merger*";

Warrant indenture dated February 2, 2021 between the Corporation and Odyssey in respect of the First February Offering. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – First February Overnight Marketed Public Offering*";

Underwriting agreement dated January 26, 2021 among the Corporation and the Underwriters with respect to the First February Offering. See "*General Development of the Business – Fiscal 2021 (January 1, 2021 to December 31, 2021) – Securities Issuances – First February Overnight Marketed Offering*";

Share exchange agreement dated December 22, 2020 among the Corporation, 1275111 and the registered holders of 1275111 shares with respect to the Corporation's acquisition of 1275111;

Debt Purchase Agreement dated November 18, 2020 among the Corporation, Halo Winberry, Evolution, Herban OR, and Herban Delaware with respect to the Debt Purchase Agreement. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Debt Purchase Agreement*";

Amending agreement dated October 30, 2020 among Halo, David Keith Dean and Darren William Quinn with respect to the Corporation's acquisition of Canmart;

Share purchase agreement dated October 1, 2020 among Halo, David Keith Dean and Darren William Quinn with respect to the Corporation's acquisition of Canmart;

Share exchange agreement dated September 22, 2020 among Halo, Cannafeels and the registered holders of the common shares in the capital of Cannafeels with respect to the Corporation's acquisition of Cannafeels;

Second Amended and Restated Promissory Note dated August 26, 2020 issued by the Corporation to a confidential holder in the amount of \$15,000,000. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Securities Issuances – Amended and Restated Promissory Note*";

Share exchange agreement dated August 5, 2020 among Halo, Ukiah, shareholders of Ukiah, 11412701 Canada Inc. and Origins – Cali, Inc. with respect to the Corporation's acquisition of Ukiah.

See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – Ukiah Acquisition*";

Pooling agreement dated June 28, 2020 among the Corporation and FAT Ventures LLC, SWL Nevada Management LLC, TIJS Corporation, TPMP Ventures LLC, Daja Holdings LLC, Normandy Advisory Corp, J. Francisco A. Turner, Elizabeth Beery, Theodore Ray, Julio Ramitez, Scott Canalichio, David Cho, with respect to the Corporation's acquisition of LKJ1.1

Pooling agreement dated June 28, 2020 among the Corporation and J. Francisco A. Turner, Marlin B. Smith, and Theodore Ray, with respect to the Corporation's acquisition of Crimson & Black;

Agreement and plan of merger and reorganization dated February 28, 2020 by and among the Corporation, MFT11 Merger Sub, Inc, and HJK11 LLC with respect to the Corporation's acquisition of LKJ11. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Acquisitions and Dispositions – North Hollywood Merger*";

Agreement and plan of merger and reorganization dated March 5, 2020 by and among the Corporation, C&B Merger Sub, Inc., and ASD11 LLC with respect to the Corporation's acquisition of Crimson & Black.

Amended and Restated Promissory Note dated June 8, 2020 issued by Halo to a confidential holder in the amount of \$10,000,000. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Securities Issuances – Amended and Restated Promissory Note*";

Equity Distribution Agreement dated September 16, 2020 between Halo and PI Financial Corp. See "*General Development of the Business – Fiscal 2020 (January 1, 2020 to December 31, 2020) – Securities Issuances – First ATM Program*";

Membership Interest Contribution Agreement dated February 7, 2019, among Halo, ANM, PSG Coastal, Elemental Concepts, LLC and Compass Point, LLC, whereby PSG Coastal acquired 100% of the issued and outstanding membership interests of Industrial Court L13, LLC ("ICL13") from the ICL Vendors in exchange for 732 Common Shares. The Purchase of the membership interests of ICL13 was completed on March 5, 2019.

Warrant indenture dated June 29, 2018, among Apogee, Apogee USA and Odyssey.

The agency agreement dated March 29, 2019 between the Corporation, Canaccord Genuity Corp., Gravitas Securities Inc., Clarus Securities Inc., Cormark Securities Inc. and PI Financial Corp.;

Amendment to agency agreement dated April 3, 2019 between the Corporation, Canaccord Genuity Corp., Gravitas Securities Inc., Clarus Securities Inc., Cormark Securities Inc. and PI Financial Corp.;

Warrant indenture dated April 4, 2019 between the Corporation and Odyssey;

Escrow agreement dated April 4, 2019 between the Corporation and Odyssey; and

Purchase and sale agreement dated November 27, 2019 among the Corporation, Louisa Maliako Mojela, Moira Granny Seape, Boiketlo Biomed (Pty) Ltd., GMG Financial Services Ltd., 1942 Capital Partners (Pty) Ltd. and Seedy Lette.

## INTERESTS OF EXPERTS

On August 25, 2022, Davidson & Company LLP ("**D&C**") resigned as the auditor of the Corporation, effective August 25, 2022. Pursuant to section 149(3) of the *Business Corporations Act* (Ontario), the Board may fill any casual vacancy in the office of auditor and determined that it was advisable and in the best interests of the Corporation to appoint Macias Gini & O'Connell, LLP ("**MGO**") as the auditor of the Corporation to fill the vacancy created by the resignation of D&C.

On June 22, 2023, MGO resigned as the auditor of the Corporation, effective June 22, 2023. Pursuant to section 149(3) of the *Business Corporations Act* (Ontario), the Board may fill any casual vacancy in the office of auditor and determined that it was advisable and in the best interests of the Corporation to appoint GreenGrowth CPAs ("**GG**") as the auditor of the Corporation to fill the vacancy created by the resignation of MGO. On June 22, 2023, MGO and GG filed the notices of change of auditor on SEDAR.

GG is our auditor. As such, they have provided the audit report filed with our fiscal 2022 annual audited consolidated financial statements, which are filed on SEDAR+. In connection with the audit of the Corporation's annual consolidation financial statements for fiscal 2022, the auditors confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant bodies in Canada and any applicable legislation or regulation.

#### **ADDITIONAL INFORMATION**

Additional information regarding the Corporation may be found under the Corporation's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Corporation's website at [www.haloco.com](http://www.haloco.com).

Additional information, including the remuneration and indebtedness of the directors and executive officers of the Corporation, principal holders of the Corporation's securities and the securities authorized for issuance under equity compensation plans, is contained in the management information circular of the Corporation dated March 6, 2023.

Additional financial information relating to the Corporation is provided in the financial statements and the MD&A.

## Schedule "A"

### CHARTER OF THE AUDIT COMMITTEE OF HALO COLLECTIVE INC.

#### SECTION 1 - PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board**") of Halo Collective Inc. (the "**Corporation**"). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

- (a) recommending to the Board the appointment and compensation of the Corporation's external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;
- (d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;
- (e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and
- (g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis ("**MD&A**") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

#### SECTION 2 - LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present

fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

### **SECTION 3 - COMPOSITION AND MEETINGS**

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of NI 52-110 – *Audit Committees ("52-110")* of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee, unless an exemption from such independence requirement is available to the Corporation under 52-110. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period

may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting. This Charter is subject in all respects to the Corporation's articles of incorporation and by-laws from time to time.

#### **SECTION 4 - ROLE**

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

- (1) Determine any desired agenda items.
- (2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time.
- (3) Review the public disclosure regarding the Audit Committee required by 52-110.
- (4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional.
- (5) Summarize in the Corporation's annual information form the Audit Committee's composition and activities, as required.
- (6) Submit the minutes of all meetings of the Audit Committee to the Board upon request.

#### **Documents / Reports Review**

- (7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require.
- (8) Review other financial information provided to any governmental body or the public as they see fit.
- (9) Review, recommend and approve any of the Corporation's press releases that contain financial information.
- (10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures.

#### **External Auditor**

- (11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.
- (12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow.
- (13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

- (14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- (15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence.
- (16) Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.
- (17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.
- (20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation.

#### **Audit Process**

- (21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

#### **Financial Reporting Processes**

- (25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.
- (26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

- (27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.
- (29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.
- (30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.
- (31) Periodically consider the need for an internal audit function, if not present.

### **Risk Management**

- (32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

### **General**

- (33) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.
- (34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.
- (35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.
- (36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:
  - (i) the Charter of the Audit Committee;
  - (ii) the composition of the Audit Committee;
  - (iii) the relevant education and experience of each member of the Audit Committee;
  - (iv) the external auditor services and fees; and
  - (v) such other matters as the Corporation is required to disclose concerning the Audit Committee.
- (37) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any.
- (38) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet committee reporting obligations under 52-110.

## **SECTION 5 - AUDIT COMMITTEE COMPLAINT PROCEDURES**

### **Submitting a Complaint**

- (39) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

### **Procedures**

- (40) The Chair will be responsible for the receipt and administration of employee complaints.
- (41) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

### **Investigation**

- (42) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

### **Confidentiality**

- (43) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

### **Records and Report**

- (44) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.