

**Halo Collective Inc.**  
**Consolidated Financial Statements**

For the years ended December 31, 2022, and 2021  
Expressed in US dollars

# Halo Collective Inc.

Consolidated Financial Statements

For the years ended December 31, 2022, and 2021

Expressed in US dollars

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders and the board of directors of Halo Collective Inc.

### **Opinion**

We have audited the accompanying consolidated statement of financial position of Halo Collective Inc. (the "Company"), as of December 31, 2022, the related consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flow for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's significant operating losses and accumulated deficit raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

### **Other Matter**

The 2021 consolidated financial statements of the Company were audited by other auditors, whose report dated March 31, 2022, included an explanatory paragraph related to the Company's ability to continue as a going concern.

## **Other Information**

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated\

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

GreenGrowthCPAs

August 8, 2023

Marko Glisic  
Green Growth CPAs  
10250 Constellation Blvd.  
Los Angeles, CA 90067

**Halo Collective Inc.**  
**Consolidated Statements of Financial Position**

*Expressed in US dollars*

**December 31, 2022    December 31, 2021**

<b>Assets</b>			
<b>Current</b>			
Cash		<b>944,342</b>	1,711,677
Restricted cash	Note 16	-	126,947
Accounts receivable	Note 8	<b>2,723,858</b>	6,073,229
Inventories, net	Note 9	<b>11,483,700</b>	16,820,432
Biological assets	Note 10	<b>46,409</b>	-
Notes receivable	Note 11	<b>1,749,872</b>	7,775,433
Other receivable		<b>555,281</b>	-
Deposits and pre-paid expenses	Note 12	<b>1,573,187</b>	3,208,452
<b>Total current assets</b>		<b>19,076,649</b>	35,716,170
<b>Long-term</b>			
Property, plant and equipment, net	Note 13	<b>12,973,864</b>	17,512,938
Intangible assets, net and goodwill	Note 14	<b>13,823,682</b>	29,131,934
Notes receivable	Note 11	<b>769,075</b>	3,160,745
Investments and deposits	Note 6	<b>10,248,237</b>	19,275,132
<b>Total long-term assets</b>		<b>37,814,858</b>	69,080,749
<b>Total assets</b>		<b>56,891,507</b>	104,796,919
<b>Liabilities</b>			
<b>Short-term liabilities</b>			
Accounts payable and accrued liabilities		<b>9,623,601</b>	11,634,468
Debenture liability - current portion	Note 16	-	9,661,212
Lease liability - current portion	Note 7	<b>1,080,314</b>	-
Other loans - current portion	Note 18	<b>2,662,496</b>	6,875,442
Income tax payable	Note 21	<b>238,944</b>	585,689
Sales & cultivation tax payable	Note 21	-	1,530,447
<b>Total current liabilities</b>		<b>13,605,355</b>	30,287,258
<b>Long-term liabilities</b>			
Debenture liability - net of current portion	Note 16	<b>8,532,358</b>	1,286,625
Lease liability - net of current portion	Note 7	<b>4,243,962</b>	5,665,582
Other loans - net of current portion	Note 18	<b>1,076,136</b>	1,100,975
<b>Total long-term liabilities</b>		<b>13,852,456</b>	8,053,182
<b>Total Liabilities</b>		<b>27,457,811</b>	38,340,440
<b>Shareholders' equity</b>			
Share capital	Note 17	<b>277,817,331</b>	231,683,918
Share capital reserve	Note 17	<b>10,399,682</b>	12,953,614
Convertible debenture equity reserve	Note 16	<b>2,483,834</b>	862,630
Equity reserve	Note 17	<b>6,302,397</b>	6,302,397
Non-controlling interest	Note 24	<b>(3,145,440)</b>	(2,295,905)
Accumulated other comprehensive income		<b>(1,475,063)</b>	214,544
Deficit		<b>(262,949,045)</b>	(183,264,719)
<b>Total shareholders' equity</b>		<b>29,433,696</b>	66,456,479
<b>Total shareholders' equity and liabilities</b>		<b>56,891,507</b>	104,796,919

These notes are an integral part of the Consolidated Financial Statements

Going concern Note 2

Commitments and contingencies Note 22

Subsequent events Note 25

**Approved on behalf of the Board of Directors:**

Katie Field  
CEO and Director

Marshall Minor  
Interim CFO

**Halo Collective Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**

*Expressed in US dollars*

*For the year ended:*

**December 31, 2022    December 31, 2021**

Revenue		<b>24,538,853</b>	36,179,930
Cost of finished cannabis inventory sold	Note 9, 10	<b>18,645,296</b>	30,860,228
<b>Gross profit, excluding fair value items</b>		<b>5,893,557</b>	5,319,702
Unrealized fair value gain on growth of biological assets	Note 10	-	(1,062,874)
Realized fair value loss included in the cost of inventory sold	Note 10	<b>706,140</b>	1,930,915
<b>Gross profit</b>		<b>5,187,417</b>	4,451,661
General and administration		<b>6,222,645</b>	8,840,841
Salaries		<b>11,093,876</b>	12,751,919
Professional fees		<b>13,926,856</b>	10,284,828
Sales and marketing		<b>4,436,218</b>	5,398,514
Investor relations		<b>241,643</b>	766,085
Gain on settlements and contingencies	Note 17, 22	<b>(369,264)</b>	(69,388)
Share based compensation	Note 17	<b>728,254</b>	5,146,605
Gain on fair value adjustments		<b>(722,939)</b>	-
Loss on changes in fair value of convertible loan		<b>6,937,975</b>	-
Accretion expense	Note 16	<b>1,494,078</b>	1,307,438
Impairment loss	Note 6, 13, 14	<b>31,998,894</b>	60,349,562
Other expense		<b>1,664,905</b>	192,824
Loss (Gain) on disposal of a segment	Note 23	<b>1,584,851</b>	(9,181,510)
Share of loss from investment in associates	Note 6	<b>6,813,369</b>	645,846
Depreciation	Note 13, 14	<b>1,934,650</b>	2,276,412
Gain on foreign exchange		<b>(1,645,137)</b>	(44,967)
Loss on the sale of Land		<b>867,770</b>	-
Interest expense	Note 16, 18	<b>3,140,364</b>	2,638,799
<b>Loss before income taxes</b>		<b>(85,161,591)</b>	(96,852,147)
Deferred income tax	Note 21	-	-
Income tax (recovery) expense	Note 21	<b>(443,099)</b>	56,413
<b>Net loss</b>		<b>(84,718,492)</b>	(96,908,560)
<b>Other comprehensive loss</b>			
Unrealized loss on foreign currency translation		<b>1,689,607</b>	310,235
<b>Comprehensive loss</b>		<b>(86,408,099)</b>	(97,218,795)
<b>Net loss attributable to:</b>			
Halo Collective Inc.		<b>(83,868,957)</b>	(94,612,655)
Non-controlling interests	Note 24	<b>(849,535)</b>	(2,295,905)
Net loss per share, basic and diluted:		<b>\$ (10.66)</b>	\$ (42,182.18)
Weighted average number of outstanding common shares, basic and diluted:		<b>7,948,763</b>	2,297

These notes are an integral part of the Consolidated Financial Statements

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

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Non-controlling interest	Total
<b>Shareholders' equity, December 31, 2020</b>		<b>141,293</b>	<b>\$ 136,827,655</b>	<b>\$ 3,892,039</b>	<b>\$ 4,415,482</b>	<b>\$ 3,338,204</b>	<b>\$ 653,557</b>	<b>\$ 524,779</b>	<b>\$ (90,032,174)</b>	<b>\$ -</b>	<b>\$ 59,619,542</b>
Share issuance in private placements	Note 17	60,138	31,378,055	954,319	-	-	-	-	-	-	32,332,374
Shares issued for acquisitions	Note 17	98,623	54,263,632	-	-	2,964,193	-	-	-	-	57,227,825
Shares issued to retire debt	Note 17	1,250	1,183,319	-	-	-	-	-	-	-	1,183,319
Shares issued as finders' fees	Note 17	6,940	3,883,979	-	-	-	-	-	-	-	3,883,979
Equity reserve for debenture	Note 17	-	-	-	-	-	212,411	-	-	-	212,411
Shares issued on conversion of debenture	Note 17	4	23,684	-	-	-	(3,338)	-	-	-	20,346
Share issue costs	Note 17	-	(1,747,479)	-	-	-	-	-	-	-	(1,747,479)
Share-based compensation for services	Note 17	10,141	3,218,123	-	438,671	-	-	-	-	-	3,656,794
Share-based compensation for staff	Note 17	6,374	1,476,834	4,769,165	-	-	-	-	-	-	6,245,999
Shares issued on exercise of warrants and options	Note 17	428	383,239	(135,952)	-	-	-	-	-	-	247,287
Shares issued on conversion of promissory notes	Note 17	4,995	792,877	-	-	-	-	-	-	-	792,877
Forfeiture warrants and options	Note 17	-	-	(203,905)	(1,176,205)	-	-	-	1,380,110	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	(310,235)	(94,612,655)	(2,295,905)	(97,218,795)
<b>Shareholders equity, December 31, 2021</b>		<b>330,186</b>	<b>\$ 231,683,918</b>	<b>\$ 9,275,666</b>	<b>\$ 3,677,948</b>	<b>\$ 6,302,397</b>	<b>\$ 862,630</b>	<b>\$ 214,544</b>	<b>\$ (183,264,719)</b>	<b>\$ (2,295,905)</b>	<b>\$ 66,456,479</b>

		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Non-controlling interest	Total
<b>Shareholders' equity, December 31, 2021</b>		<b>330,186</b>	<b>\$ 231,683,918</b>	<b>\$ 9,275,666</b>	<b>\$ 3,677,948</b>	<b>\$ 6,302,397</b>	<b>\$ 862,630</b>	<b>\$ 214,544</b>	<b>\$ (183,264,719)</b>	<b>\$ (2,295,905)</b>	<b>\$ 66,456,479</b>
Shares issued for acquisitions	Note 17	146,538	8,563,597	-	-	-	-	-	-	-	8,563,597
Shares issued to retire debt	Note 17	1,076	17,197	-	-	-	-	-	-	-	17,197
Shares issued as finders' fees	Note 17	293	6,278	-	-	-	-	-	-	-	6,278
Equity reserve for debenture	Note 17	-	-	-	-	-	2,494,042	-	-	-	2,494,042
Shares issued on conversion of debenture	Note 17	10,171,304	20,977,712	-	571,484	-	(872,838)	-	-	-	20,676,358
Share-based compensation for services	Note 17	348,513	4,439,507	-	653,167	-	-	-	-	-	5,092,674
Share-based compensation for staff	Note 17	829,642	2,697,955	406,048	-	-	-	-	-	-	3,104,003
Shares issued on conversion of promissory notes	Note 17	38,123,504	9,114,866	-	-	-	-	-	-	-	9,114,866
Restricted stock units issued	Note 17	9,000	316,301	-	-	-	-	-	-	-	316,301
Forfeiture warrants and options	Note 17	-	-	(4,184,631)	-	-	-	-	4,184,631	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	(1,689,607)	(83,868,957)	(849,535)	(86,408,099)
<b>Shareholders equity, December 31, 2022</b>		<b>49,960,056</b>	<b>\$ 277,817,331</b>	<b>\$ 5,497,083</b>	<b>\$ 4,902,599</b>	<b>\$ 6,302,397</b>	<b>\$ 2,483,834</b>	<b>\$ (1,475,063)</b>	<b>\$ (262,949,045)</b>	<b>\$ (3,145,440)</b>	<b>\$ 29,433,696</b>

These notes are an integral part of the Consolidated Financial Statements

**Halo Collective Inc.**  
**Consolidated Statements of Cash Flow**

*Expressed in US dollars*

	<i>For the year ended:</i>	
	<i>December 31, 2022</i>	<i>December 31, 2021</i>
<b>Cash provided by (used in)</b>		
<b>Operating activities:</b>		
Net loss	(84,718,492)	(96,908,560)
<b>Items not involving cash</b>		
Depreciation	Note 13, 14 3,421,930	3,705,641
Accrued interest	Note 16, 18 2,618,049	1,253,946
Accretion expense	Note 16 1,494,078	1,307,438
Loss in fair value of biological assets	Note 10 706,140	868,041
Gain on foreign exchange	(2,488,786)	(342,418)
Loss (Gain) on disposal of a segment	Note 23 1,584,851	(9,181,510)
Gain in early termination of lease	(15,218)	(154,664)
Gain on fair value adjustments	(722,939)	-
Income tax (recovery) expense	(443,099)	56,413
Impairment loss	Note 6, 13, 14 31,998,894	60,349,562
Loss in modification of convertible debenture terms	6,711,328	-
Loss on factoring	1,731,308	-
Loss on sale of land	867,770	-
Share of loss from investment in associates	Note 6 6,813,369	645,846
Share-based compensation	Note 17 12,325,719	10,817,008
<b>Changes in working capital items</b>		
Accounts receivable	Note 8 3,091,614	(1,508,894)
Notes receivable	Note 11 (391,824)	(2,520,960)
Other receivable	(1,047,081)	-
Accounts payable and accrued liabilities	(1,358,876)	2,263,927
Tax payable	Note 21 (1,434,613)	1,175,166
Inventory	Note 9, 10 4,610,860	(6,803,951)
Pre-paid expenses and other	Note 12 2,421,957	(251,972)
<b>Cash used in operating activities</b>	<b>(12,223,061)</b>	<b>(35,229,941)</b>
<b>Investing activities</b>		
Acquisitions	(430,122)	3,399,293
Intangible assets	Note 14 -	(589,765)
Proceeds from sale of land	2,350,000	-
Purchase of property, plant and equipment	Note 13 (1,665,619)	(2,600,522)
<b>Cash provided by investing activities</b>	<b>254,259</b>	<b>209,006</b>
<b>Financing activities</b>		
Issuance of common shares & convertible debentures	Note 16, 17 7,905,601	32,579,661
Loans	Note 18 5,047,558	3,968,604
Lease payments	Note 7 (1,878,639)	(1,621,092)
Share issuance costs	Note 17 -	(1,747,479)
<b>Cash raised in finance activities</b>	<b>11,074,520</b>	<b>33,179,694</b>
Change in cash during the year	(894,282)	(1,841,241)
Cash beginning of the year	1,838,624	3,679,865
<b>Cash end of the year</b>	<b>944,342</b>	<b>1,838,624</b>

These notes are an integral part of the Consolidated Financial Statements

**Halo Collective Inc.**  
**Consolidated Statements of Cash Flow**

*Expressed in US dollars*

*For the year ended:*  
*December 31, 2022    December 31, 2021*

**Supplemental disclosure of cash flow information:**

Cash paid for interest on lease obligations	<b>951,163</b>	953,484
Cash paid for interest on other obligations	<b>308,188</b>	835,192
Cash paid for income taxes	<b>3,846</b>	30,529

**Supplemental disclosure of non-cash investing and financing activities:**

Issuance of warrants	<b>740,983</b>	438,676
Shares issued in connection with acquisition	<b>8,569,875</b>	54,263,632
Note payable, net of discount, issued in connection with acquisition	-	1,225,863
Contingent consideration incurred in connection with acquisition	-	2,964,193
Conversion of convertible debt and accrued interest to equity	<b>1,872,691</b>	3,338

These notes are an integral part of the Consolidated Financial Statements

## 1. Nature of operations and background information

Halo Collective Inc. (“Halo Collective” and the “Company”) was incorporated under the laws of the Province of British Columbia on May 25, 1987. The Company continued under the laws of the Province of Ontario on January 21, 2005, and is listed on the NEO Exchange (“NEO”) under the symbol “HALO.” The Company operates under the assumed business name of Halo Collective. The Company’s US based business operations entail manufacturing cannabis oil and concentrates and distributing cannabis products for recreational use in the states of Oregon and California. The Company’s registered corporate office is 20<sup>th</sup> Floor, 250 Howe Street, Vancouver, British Columbia V6C 3R8.

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

Effective October 8, 2021, the Company consolidated its common shares, with one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 20 pre-consolidation common shares. Effective October 27, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 5 pre-consolidation common shares. All share figures and references have been retrospectively adjusted.

These Consolidated Financial Statements present the financial position of the resulting issuer, Halo Collective on December 31, 2022 and have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise stated, all amounts in these financial statements have been presented in US dollars.

## 2. Going concern

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

As of December 31, 2022, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health

developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company's operations have so far not been materially affected negatively since the outbreak of the pandemic. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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

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

### **3. Basis of preparation**

#### **3.1 Basis of presentation and statement of compliance**

The Consolidated Financial Statements are filed on the system for electronic document analysis and retrieval ("SEDAR"). The Consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Consolidated Financial Statements have been authorized for release by the Company's Board of Directors on August 8, 2023.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set forth below. The Consolidated Financial Statements are presented in US dollars. The Canadian dollar ("C\$") serves as the functional currency of the parent. All the Company's subsidiaries use the US Dollar as their functional currency.

**Subsidiaries of Halo Collective Inc.**

	<i>December 31, 2022</i>	<i>December 31, 2021</i>
ANM, Inc.	<b>100.0%</b>	100.0%
Coastal Harvest, LLC	<b>100.0%</b>	100.0%
Halo AccuDab Holdings Inc.	<b>100.0%</b>	100.0%
Halo DispensaryTrack Software Inc.	<b>100.0%</b>	100.0%
HLO Peripherals LLC	<b>100.0%</b>	100.0%
HLO Ventures (NV), LLC	<b>100.0%</b>	100.0%
PSG Coastal Holdings, LLC	<b>100.0%</b>	100.0%
Industrial Court L9, LLC	<b>100.0%</b>	100.0%
Industrial Court L13, LLC	<b>100.0%</b>	100.0%
Halo Labs (USA) Holdings Inc.	<b>100.0%</b>	100.0%
Mendo Distribution & Transportation, LLC	<b>100.0%</b>	100.0%
Halo Cannalift Delivery Inc.	<b>100.0%</b>	100.0%
Halo Nasalbinoid Natural Devices Corp.	<b>100.0%</b>	100.0%
LKJ11, LLC	<b>66.7%</b>	66.7%
Crimson & Black, LLC	<b>100.0%</b>	100.0%
Outer Galactic Chocolates, LLC	<b>100.0%</b>	100.0%
Ukiah Ventures Inc.	<b>100.0%</b>	100.0%
1265292 B.C. Ltd. Db a Cannafeels	<b>100.0%</b>	100.0%
Lake County Natural Health LLC	<b>50.0%</b>	50.0%
1275111 B.C. Ltd.	<b>100.0%</b>	100.0%
Halo Winberry Holdings, LLC	<b>100.0%</b>	100.0%
Halo IP Holdings	<b>100.0%</b>	100.0%
Bar X Farms, LLC	<b>44.0%</b>	44.0%
Triangle Canna Corp	<b>44.0%</b>	44.0%
Black & Crimson LLC	<b>100.0%</b>	100.0%
POI11 LLC	<b>100.0%</b>	100.0%
Nature's Best Resources LLC	<b>100.0%</b>	100.0%
1307296 B.C. Ltd.	<b>100.0%</b>	100.0%
Halo KushBar Retail Inc.	<b>0.0%</b>	100.0%
Food Concepts LLC	<b>100.0%</b>	100.0%
Simply Sweet Gummy Ltd.	<b>100.0%</b>	100.0%
Halo Tek Inc.	<b>100.0%</b>	100.0%
1285826 B.C. Ltd. Db a H2C Beverages	<b>100.0%</b>	0.0%
1000116327 Ontario Ltd. Db a Dissolve Medical	<b>100.0%</b>	0.0%
ZXC11, LLC	<b>66.7%</b>	0.0%
SDF11, LLC	<b>66.7%</b>	0.0%

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

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

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

### 3.2 Critical judgments

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### Assets carrying values and impairment charges

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

#### Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgement is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax-related filings are subject to government audit and potential

reassessment after the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made (Note 21).

#### Share-based payment transactions and warrants

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

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

#### Fair value of financial instruments

The Company measures fair value in accordance with IFRS 13, Fair Value Measurement, which provides a single source of fair value measurement guidance. All financial instruments recognized at fair value in the consolidated statement of financial position are classified into one of three levels in the fair value hierarchy as follows:

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

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

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

In certain cases where Level 1 inputs are not available the Company expects to engage third-party qualified valuers to perform the valuation.

#### Intangible assets and goodwill

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

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

#### Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated realizable value. Further information on estimates used in determining the fair value of biological assets is contained in Note 10.

#### Useful lives of property, plant and equipment

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

#### Assessment of transactions as asset acquisitions or business combinations

Management must apply judgement relating to acquisitions whether the acquisition is a business combination or an asset acquisition. Management applies a three-element process to determine whether a business or an asset is purchased, considering inputs, processes and outputs of each acquisition to reach a conclusion.

For acquisitions accounted as a business combination, goodwill was recognized on the transactions and acquisition costs were expensed. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets transferred, liabilities incurred to the former owners of the business or assumed, equity interests issued by the Company, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. For acquisitions representing asset acquisitions, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased.

### Determination of purchase price allocations and intangible assets

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates are related to the contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. Depending on the type of intangible asset and the complexity of determining its fair value, management may develop a fair value using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

### Contingencies

Refer to Notes 2 and 22.

### 3.3 New standards adapted and changes in accounting policies

There were no new or amended accounting standards or interpretations that had a significant impact on the company's consolidated financial statements during the year ended December 31, 2022.

## 4. Summary of significant accounting policies

### 4.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of three months or less.

### 4.2 Foreign currency

Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to U.S. dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Assets and liabilities of foreign operations are translated into U.S. dollars at year-end exchange rates and any revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income.

### 4.3 Operating segments

IFRS 8 aligns the identification and reporting of operating segments with internal management reporting. Segment reporting under IFRS 8 highlights the information and measures that management believes are important and are used to make key decisions.

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

#### 4.4 Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory comprises all costs of purchases and other costs incurred in bringing inventories to their location and condition at the period end date. The Company uses the weighted average method to track and cost inventory items. The Company maintains three categories of inventory: raw materials, work-in-process, and finished goods inventory.

Inventory is written down to net realizable value by item when a decline in the price of items indicates that the cost is higher than the net realizable value. When events having caused a decline in the valuation of inventories no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

Inventories of harvested work-in-process and finished goods are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories for resale and supplies and consumables are valued at the lower of costs and net realizable value, with cost determined using the average cost basis.

#### 4.5 Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related grow costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost after harvest. Costs to sell include post-harvest production, shipping, and fulfillment costs. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year on the line "unrealized fair value gain (loss) on the growth of biological assets".

The significant assumptions used in determining the fair value of the biological assets are as follows:

- Stage in the overall growth cycle;
- Estimated harvest yield by plant and oil conversion factors; and
- Harvesting costs, average or expected selling prices and list prices.

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield or quality will be reflected in future changes in the gain or loss on biological assets.

#### 4.6 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. Expenditures are capitalized if future economic benefits will arise from the expenditures. All other expenditures, including repair and maintenance, are recognized in the statement of income (loss) as incurred.

Depreciation is charged to the statement of operations based on the cost, less estimated residual value, of the asset on a straight-line basis over its estimated useful life. Depreciation commences when the asset is placed into service. Estimated useful lives have been determined as follows:

##### **Useful life of assets**

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Production equipment	1-15 years
Leasehold improvements	3-20 years
Office equipment	2-20 years
Buildings	5 years

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Property, plant and equipment are amortized over the estimated useful life of the asset. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the period.

#### 4.7 Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and,
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

Amounts expected to be payable under any residual value guarantee;

- The exercise price of any purchase option granted in favor of the Company if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability, reduced for any lease incentives received, and increased for:

Lease payments made at or before commencement of the lease;

- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount

commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and,
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

#### **4.8 Accounts payable and accrued liabilities**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the Company has a present obligation, and the costs to settle this obligation are both probable and able to be reliably measured.

#### **4.9 Convertible debentures**

Convertible debentures are separated into debt and equity components based on the fair value of each component at the date of issue. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, with the residual value assigned to the equity component.

Transaction costs directly related to the debt component reduce the carrying value of the convertible debentures. Transaction costs related to the equity component of convertible debentures are recognized in the value of the equity component, net of deferred income tax. After initial recognition, the liability component of convertible debentures is measured at amortized cost using the effective interest rate method and is accreted up to its face value. The equity component is not re-measured after initial recognition. For convertible debentures in which the conversion feature is determined to be an embedded derivative liability, the embedded derivative liability is valued first, with the residual value assigned to the debt component of the instrument at inception.

Transaction costs allocated to the embedded derivative component are recognized in profit or loss. An embedded derivative liability is recognized at fair value with changes in fair value recognized in profit or loss.

Convertible debentures that are designated as at FVTPL on initial recognition are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of loss and comprehensive loss.

#### **4.10 Related party transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

#### **4.11 Revenue recognition**

Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services.

The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized:

- Identify the contract with the customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligation in the contract; and
- Recognize revenue when or as the Company satisfies a performance obligation.

Revenue from the sale of cannabis related products is recognized at a point in time when control over the goods has been transferred to the customer. Payment is receivable upon transfer of the goods and revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with the Company's previous revenue recognition policy.

#### **4.12 Earnings (loss) per share**

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders

of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued. For the years presented, this calculation proved to be anti-dilutive.

#### 4.13 Taxation

The Company follows the deferred tax method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary timing differences). Deferred tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Offsetting of deferred tax assets and liabilities occurs when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company is subject to US Internal Revenue Code ("IRC") Section 280E. This section disallows deductions and credits attributable to a trade or business trafficking in controlled substances. Under US tax, cannabis is a Schedule I controlled substance. The Company has taken the position that any costs included in the cost of goods sold should be treated as amounts eligible for full absorption rules IRC Section 471.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs after the issuance of the financial statements.

#### 4.14 Financial instruments

##### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI

The Company's accounting policy for each of the categories is as follows:

- Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair

value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the period;

- Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income as they arise;
- Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment;
- Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Cash and restricted cash are classified as FVTPL. Accounts receivable and notes receivable are measured at amortized cost with subsequent impairments recognized in profit or loss.

### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally to sell or repurchase in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities, other loans, other financial liabilities, convertible debentures, and lease obligation that do not meet the requirements of IFRS 15 and IFRS 16, all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

Accounts payable and accrued liabilities, other loans, sales and cultivation tax payable, debenture liability, lease liability and other financial liabilities are classified as amortized cost and carried on the consolidated statement of financial position at amortized cost.

#### **4.15 Share capital**

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds. The Company may issue units including common shares and warrants. To value these units, the Company uses the residual value method. Under this method the Company values the common share, the easier component to value, and assigns the residual value to the warrant.

#### **4.16 Investment in associates**

Associates are all entities over which the Company has significant influence but not control, generally accompanying the shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of operations and comprehensive loss.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposals or value in use) and charged to the consolidated statement of loss and comprehensive loss. If the financial statements of an associate are prepared on a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of these consolidated financial statements.

#### **4.17 Share based payments**

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted and is determined using Black-Sholes Option Pricing Model.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of

share options expected to vest differs from the previous estimate.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

#### **4.18 Intangible assets**

Intangible assets consist of licenses, brand names, software, and intellectual property. Acquired intangibles are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

The Company uses the following useful lives to amortize its intangible assets:

- Cultivation and retail licenses 15 years in Oregon, California and Canada, 20 years in Nevada, and 10 years in the Kingdom of Lesotho, Africa;
- Estimated useful life tradename 5 years;
- Estimated useful life software 5 years;
- Estimated useful life intellectual property 5 years.

Estimated useful lives of intangible assets with finite lives are the shorter of economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each financial reporting date. At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent of other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

## 5. Operating segments

### Disclosure by Segment - Year ended December 31, 2021

	US	Canada	UK	Lesotho	Total
Revenue	\$ 34,912,394	\$ 1,247,433	\$ 20,103	\$ -	\$ 36,179,930
Cost of Cannabis inventory sold	29,961,782	875,936	22,510	-	30,860,228
Gross profit excluding FV changes	4,950,612	371,497	(2,407)	-	5,319,702
Realized and unrealized (gain) loss on biological assets	1,039,016	-	-	(170,975)	868,041
Gross profit (loss)	3,911,596	371,497	(2,407)	170,975	4,451,661
Net loss	(60,817,596)	(31,938,621)	(713,857)	(3,438,486)	(96,908,560)
Total assets	18,526,417	86,270,502	-	-	104,796,919
Long-term financial liabilities	\$ 6,328,251	\$ 1,724,931	\$ -	\$ -	\$ 8,053,182

### Disclosure by Segment - Year ended December 31, 2022

	US	Canada	UK	Lesotho	Total
Revenue	\$ 23,213,284	\$ 1,325,569	\$ -	\$ -	\$ 24,538,853
Cost of Cannabis inventory sold	17,737,051	908,245	-	-	18,645,296
Gross profit excluding FV changes	5,476,233	417,324	-	-	5,893,557
Realized and unrealized (gain) loss on biological assets	706,140	-	-	-	706,140
Gross profit	4,770,093	417,324	-	-	5,187,417
Net loss	(18,872,634)	(65,845,858)	-	-	(84,718,492)
Total assets	36,415,554	20,475,953	-	-	56,891,507
Long-term financial liabilities	\$ 5,320,098	\$ 8,532,358	\$ -	\$ -	\$ 13,852,456

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

## 6. Investments and deposits

### Investments and deposits

<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Long-term investments	\$ 10,248,237	\$ 18,595,132
Deposits	-	680,000
<b>Total</b>	<b>\$ 10,248,237</b>	<b>\$ 19,275,132</b>

### Akanda Corp.

On November 4, 2021, the Company completed its previously announced share purchase transaction with Akanda Corp. ("Akanda"). Contemporaneously, with closing of the transaction, Halo and Akanda entered into an investor rights agreement that provides the Company with certain rights with respect to its Akanda Shares, relating to information rights, board observation rights and the right to nominate a director to the Akanda board of directors in certain circumstances. Halo has also agreed that the investor rights agreement will not provide Halo with any rights of first offer to participate in future equity offerings by Akanda as previously announced. As part of the closing of the Transaction, Akanda issued a secured convertible debenture to Halo in the principal amount of US\$6.6 million in exchange for setting off all outstanding indebtedness owed by Bophelo and Canmart to Halo (note 11). As at December 31, 2022, the Company owned approximately 36.59% of the issued and outstanding Akanda shares. As a result, the Company accounts for this investment as an associate using the equity method.

The Company received 13,129,212 common shares of Akanda valued at \$13,129,212 on November 4, 2021 and sold 2,100,000 common shares for consideration of \$2,100,000 on November 12, 2021 (Note 23).

On March 14, 2022, an amount of \$6,559,294 was reclassified from notes receivable (Note 11) to long-term investment upon conversion of Akanda convertible debenture.

For the year ended December 31, 2022, the Company has recorded its share of loss of Akanda of \$5,515,085 (for the year ended December 31, 2021: \$533,530).

For the year ended December 31, 2022, the Company has recorded a loss from divestment in Akanda of \$1,825,184 (for the year ended December 31, 2021: \$Nil).

As at December 31, 2022, the Company had a total of 12,674,957 shares of Akanda Corp. at \$10,248,237 (December 31, 2021: 11,029,212 shares at \$10,495,682).

### Elegance Brands, LLC

On June 21, 2021, the Company completed a licensing arrangement with Elegance Brands, Inc. ("Elegance"). As part of the transaction (Note 14), 9,333,333 class A shares of Elegance Brands, LLC, valued at \$7,000,000 at closing of transaction, were issued to the Company.

The Company recorded impairment of \$7,000,000 in the year ended December 31, 2022 (year ended December 31, 2021: \$Nil).

As at December 31, 2022, a long-term investment of \$Nil was recorded (December 31, 2021: \$7,000,000).

### Feel Better LLC (dba FlowerShop)

On September 7, 2020, the Company acquired 25% of the total outstanding membership interests of Feel Better LLC, doing business as FlowerShop in exchange for 1,545 Halo common shares. The total consideration was \$1,211,766, including the purchase price of \$1,059,129 and closing costs of \$152,637. The investment was recorded as an investment in associates and under IAS 28, closing costs were capitalized. In connection with the license agreement, Halo issued 150 common share purchase warrants to FlowerShop\* exercisable at a price of C\$1,350. The warrants will vest quarterly over twelve months and expire two years from the issue date. The value of the warrants was included in the closing costs.

As at December 31, 2022, the Company owned 25% of the outstanding membership interests of Feel Better LLC and accounts for this investment as an associate using the equity method.

For the year ended December 31, 2022, the Company has recorded a loss from investment in Feel Better LLC of 6,631 (for the year ended December 31, 2021: \$112,316).

The Company recorded impairment of \$1,092,819 in the year ended December 31, 2022 (year ended December 31, 2021: \$Nil).

As at December 31, 2022, a long-term investment of \$Nil was recorded (December 31, 2021: \$1,099,450).

### Williams Wonder Farms LLC

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

Upon closing of the transaction, ANM Williams Farms LLC will acquire the OLCC licenses and related operating assets from the two entities doing business as William's Farms: William's Wonder Farms LLC and Set Ventures LLC (the "William's Wonder entities"). The consideration payable by Halo for the acquisition of the assets from William's Wonder entities is \$3.8 million, of which \$2.8 million is payable in cash and \$1 million in exchange for 258 common shares of Halo. \$500,000 of the purchase price will be placed into escrow to serve as a source for any potential indemnification claims against the selling parties.

Between the execution date of the Assets Purchase Agreement (“APA”) and March 1, 2022, the Company paid to William’s Wonder entities \$860,000 in pre-closing cash payments. In the course of its due diligence investigation, the Company determined that there were significant disparities between the actual performance of the cannabis cultivation business on the Premises and the performance claimed. On February 28, 2022, the William’s Wonder entities through counsel, sent a notice purporting to terminate the APA.

On April 29, 2022, the Company’s subsidiary ANM, Inc. (“ANM”) brought a lawsuit against William's Wonder Farms, LLC and its principal William Earl Hill, claiming that WWF and Hill had unjustifiably sought to terminate an asset purchase agreement for WWF’s assets, and related claims.

The Company recorded impairment of \$1,412,884 in the year ended December 31, 2022 (year ended December 31, 2021: \$Nil).

As at December 31, 2022, a deposit of \$Nil was recorded in relation to the pending acquisition of William’s Wonder Farms LLC (December 31, 2021: \$680,000).

## 7. Leases

The details of the right-of-use assets and lease liabilities recognized as at December 31, 2022 are as follows:

### Lease liabilities

Balance December 31, 2020	\$ 3,507,028
Additions	6,247,790
Payments	(1,621,092)
Adjustments	(2,601,852)
Interest expense	953,484
Movement in foreign exchange	190,647
Balance December 31, 2021	\$ 6,676,005
Additions	-
Payments	(1,878,639)
Adjustments	(417,022)
Interest expense	951,163
Movement in foreign exchange	(7,231)
Balance December 31, 2022	\$ 5,324,276
Current portion	1,080,314
Long-term portion	4,243,962

### Right of use of assets

Balance December 31, 2020	\$ 3,976,955
Additions	6,250,293
Adjustments	(2,150,408)
Movement in foreign exchange	(222,554)
Amortization	(1,144,106)
Impairment loss	(1,459,161)
Balance December 31, 2021	\$ 5,251,019
Additions	-
Adjustments	(371,908)
Movement in foreign exchange	(6,610)
Amortization	(1,121,124)
Balance December 31, 2022	\$ 3,751,377

In the year ended December 31, 2022, the balance of lease payments of \$1,878,639 (year ended December 31, 2021: \$1,621,092) and non-cash interest charged to the Statement of Loss of \$951,163 (year ended

December 31, 2021: \$953,484) reduced lease liabilities by \$927,476 (year ended December 31, 2021: \$667,608). The current portion of lease liabilities is recorded as accrued liabilities. The long-term portion is recorded as lease liability under long-term liabilities.

## 8. Accounts receivable

<b>Accounts receivable</b>		
<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
1 - 30 days	<b>526,580</b>	\$ 1,958,728
30 - 60 days	<b>453,734</b>	2,869,968
60 - 90 days	<b>804,254</b>	227,479
> 90 days	<b>939,290</b>	1,017,054
<b>Total</b>	<b>\$ 2,723,858</b>	<b>\$ 6,073,229</b>

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

<b>Accounts receivable</b>		
<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accounts receivable - trade	<b>\$ 4,582,554</b>	\$ 6,484,206
Bad debt provision	<b>(1,858,696)</b>	(410,977)
<b>Total accounts receivable</b>	<b>\$ 2,723,858</b>	<b>\$ 6,073,229</b>

Bad debt expense amounts are included in general and administration expenses. All the Company's trade and other receivables were reviewed for impairment based on expected credit losses. In the year ended December 31, 2022, the Company wrote off \$1,377,971 of accounts receivable as the amounts were deemed not to be collectible from the customers (year ended December 31, 2021: \$970,195).

## 9. Inventory

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

### **Inventory by class**

<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 2,114,817	\$ 2,915,613
Work in progress	1,649,511	2,809,852
Finished goods	7,719,372	11,094,967
<b>Total</b>	<b>\$ 11,483,700</b>	<b>\$ 16,820,432</b>

The Company allocates various production and overhead costs and expenses to inventory items. As such, the cost of inventory is recognized as an expense, and included in the cost of goods sold and valued at cost. For the year ended December 31, 2022, the amount included in the cost of goods sold was \$12,707,335 (year ended December 31, 2021: \$24,789,764). Direct product costs are valued on a weighted average basis and major production cost such as labor and testing are allocated to inventory. In the year ended December 31, 2022, \$1,311,461 of inventory impairments were charged to the cost of goods sold (year ended December 31, 2021: \$1,963,453).

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

## 10. Biological assets

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

Biological assets are measured at their fair value less costs to sell ("FVLCS") in the Consolidated Statement of Financial Position. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of finished cannabis inventory sold' on the Consolidated Statement of Loss and Comprehensive Loss in the period that the related product is sold. Unrealized fair value gains/losses on the growth of biological assets are recorded in a separate line in the Consolidated Statement of Loss and Comprehensive Loss.

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

### **Biological assets - PDX Indoor Grow**

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Balance December 31, 2021	\$	-
Fair value change due to biological transformation		4,586
Production costs capitalized		41,823
<hr/>		
Balance December 31, 2022	\$	<b>46,409</b>

In the year ended December 31, 2022, at PDX Indoor Grow, the fair value change due to biological assets transformation in the cannabis plants model was \$4,586 and capitalized production costs were \$41,823.

**Biological assets - East Evans Creek**

Balance December 31, 2020	\$ -
Fair value change due to biological transformation	787,043
Production costs capitalized	1,919,200
Transferred to inventory upon harvest	(2,706,243)
Balance December 31, 2021	\$ -
Fair value change due to biological transformation	520,561
Production costs capitalized	1,061,874
Transferred to inventory upon harvest	(1,582,435)
Balance December 31, 2022	\$ -

In the year ended December 31, 2022, at East Evans Creek, the fair value change due to biological assets transformation in the cannabis plants model was \$520,561 and capitalized production costs were \$1,061,874.

**Assumptions utilized in cannabis plant model**

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

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks;
- Number of plants harvested 6,714. Dry flower yield is 0.86 pounds, trim yield is 1.11 pounds, fresh frozen yield is Nil pounds;
- Total yield estimate is 13,270 pounds of biomass;

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

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

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

<b>Assumption:</b>	<b>Input</b>	<b>10% Change</b>
for cannabis plants (average pounds per plant)	0.88 pounds per plant	\$ 62,160
	1.11 pounds per plant	
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	88%	\$ 62,160
; price (per pound)	\$ 402	\$ 91,885
	\$ 35	
;t to complete and sell (per pound)	\$ 131	\$ 29,725
	\$ 11	

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

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

## 11. Notes receivable

The breakdown of the Company's notes receivable as at December 31, 2022 and December 31, 2021 are as follows:

<b>Notes receivable</b>		
<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Due from Akanda; note receivable	\$ 252,725	\$ 6,705,767
Due from executives; due on receipt and no interest bearing	-	306,890
Due from suppliers; ranging from due on receipt to 5 year term, annual interest at 0% - 2.5%	740,326	1,144,122
Due from Bar X Farms, LLC; unsecured 8% annual interest matures on December 31, 2023	-	1,243,016
Due from Lake County Nations Health LLC; 15% annual interest, matures on October 1, 2022	1,497,147	649,117
Due from Williams Wonder pending closing of acquisition	-	430,771
Due from Pistil Point Distribution pending closing of acquisition	-	398,997
Secured credit line; promissory note at 2% annual interest, matures on January 13, 2023	28,749	57,498
Sub-total	2,518,947	10,936,178
Less current portion	(1,749,872)	(7,775,433)
Total	\$ 769,075	\$ 3,160,745

The \$6,559,294 Secured Debenture issued by Akanda Corp. bears an interest rate of 1% annually, which amount may be paid in the form of Akanda Shares at the applicable conversion price upon a conversion of the debenture. The debenture matures on November 2, 2022 and is secured by all of Akanda's assets. The debenture will be automatically converted into Akanda shares upon certain liquidity events (each, a "triggering event") occurring within six months from the date of the debenture, including an initial public offering of Akanda shares on a stock exchange, an amalgamation, arrangement, merger, reverse takeover, reorganization, or other similar transaction of Akanda with or into any other person, or a sale or conveyance of all or substantially all of the property and assets of Akanda. On March 14, 2022, Akanda's convertible debenture was converted into 1,645,745 Akanda common shares.

## 12. Deposits and prepaid expenses

<b>Deposits and prepaid expenses</b>		
<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Prepaid expenses and other	\$ 1,573,187	\$ 3,208,452

Included in prepaid expenses is the lease buydown of one of the Company's leased facilities in California. The terms of the lease state that lease payments are to commence once Cathedral City grants a conditional

use permit sufficient to allow the Company to conduct business at the location. The permit has not yet been obtained, as such the ROU asset and lease liability have not been recorded. As a result, the prepaid expense was impaired in the year ended December 31, 2021.

### 13. Property, plant and equipment

Property, plant and equipment							
	Production equipment	Land & buildings	Leasehold improvement	Office equipment	Leased assets	Vehicles	Total
<b>Cost:</b>							
Balance as at December 31, 2020	\$ 4,756,709	\$ 7,607,197	\$ 2,513,424	\$ 102,650	\$ 5,116,109	\$ 27,762	\$ 20,123,851
Additions	2,282,724	559,600	599,312	317,657	6,250,293	309,042	10,318,628
Impairment	-	-	(313,018)	-	(1,459,165)	-	(1,772,183)
Dispositions	-	-	-	-	(890,811)	-	(890,811)
Deconsolidation of segments	(699,215)	(1,259,477)	(283,572)	(26,874)	(1,738,658)	(50,129)	(4,057,925)
Reclassify	(35,935)	(56,967)	(13,757)	(1,564)	(84,923)	(3,016)	(196,162)
Balance as at December 31, 2021	6,304,283	6,850,353	2,502,389	391,869	7,192,845	283,659	23,525,398
Additions	91,522	-	1,782,880	(228,642)	146,657	19,859	1,812,276
Dispositions	-	(3,555,817)	-	-	(161,385)	-	(3,717,202)
Deconsolidation of segments	-	-	-	-	(481,641)	-	(481,641)
Movement in foreign exchange	-	-	-	-	(7,902)	-	(7,902)
Balance as at December 31, 2022	6,395,805	3,294,536	4,285,269	163,227	6,688,574	303,518	21,130,929
<b>Accumulated depreciation:</b>							
Balance as at December 31, 2020	(2,005,430)	(72,091)	(611,688)	(60,122)	(1,139,154)	(4,379)	(3,892,864)
Additions	(899,026)	(177,791)	(260,835)	(44,145)	(1,157,280)	(47,428)	(2,586,505)
Dispositions	-	-	-	-	232,721	-	232,721
Deconsolidation of segments	74,813	-	36,426	-	116,506	22,653	250,398
Movement in foreign exchange	5,246	-	(17,522)	-	5,381	(9,315)	(16,210)
Balance as at December 31, 2021	(2,824,397)	(249,882)	(853,619)	(104,267)	(1,941,826)	(38,469)	(6,012,460)
Additions	(933,124)	(88,166)	(386,731)	(1,649)	(1,120,750)	(77,610)	(2,608,030)
Dispositions	-	338,047	-	-	62,761	-	400,808
Deconsolidation of segments	-	-	-	-	61,700	-	61,700
Movement in foreign exchange	-	-	-	-	917	-	917
Balance as at December 31, 2022	(3,757,521)	(1)	(1,240,350)	(105,916)	(2,937,198)	(116,079)	(8,157,065)
<b>Net book value:</b>							
Net book value December 31, 2021	3,479,886	6,600,471	1,648,770	287,602	5,251,019	245,190	17,512,938
Net book value December 31, 2022	\$ 2,638,284	\$ 3,294,535	\$ 3,044,919	\$ 57,311	\$ 3,751,376	\$ 187,439	\$ 12,973,864

Total depreciation expense for the year ended December 31, 2022, was \$2,608,030 (year ended December 31, 2021: \$2,586,505). An amount of \$1,487,280 was recognized as cost of goods sold (year ended December 31, 2021: \$1,429,225) and \$1,120,750 was recognized as operating expenses in relation to leased assets (year ended December 31, 2021: \$1,157,280).

## 14. Intangible assets and goodwill

<b>Intangible assets and goodwill</b>						
	<b>Licenses and facility option</b>	<b>Brand names</b>	<b>Software</b>	<b>Intellectual property</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost:</b>						
Balance as at December 31, 2020	\$ 13,857,713	\$ 8,654	\$ 2,242,360	\$ 18,791,432	\$ 6,084,235	\$ 40,984,394
Additions	29,113,835	3,057,409	-	8,500,692	12,310,811	52,982,747
Deconsolidation of segments	(5,984,138)	-	-	-	(3,628,474)	(9,612,612)
Movement in foreign exchange	(6,643)	-	-	-	-	(6,643)
Impairment	(29,379,899)	-	-	(10,769,727)	(12,736,043)	(52,885,669)
Balance as at December 31, 2021	7,600,868	3,066,063	2,242,360	16,522,397	2,030,529	31,462,217
Additions	742,766	-	-	8,527,864	-	9,270,630
Deconsolidation of segments	(479,425)	(615,409)	-	-	(2,030,529)	(3,125,363)
Impairment	(3,982,342)	(1,270,200)	(1,574,166)	(13,754,690)	-	(20,581,398)
Balance as at December 31, 2022	3,881,867	1,180,454	668,194	11,295,571	-	17,026,086
<b>Accumulated amortization:</b>						
Balance as at December 31, 2020	(1,338,985)	(4,528)	-	-	-	(1,343,513)
Movement in foreign exchange	(10,030)	-	-	-	-	(10,030)
Deconsolidation of segments	338,693	-	-	-	-	338,693
Amortization	(763,761)	(551,672)	-	-	-	(1,315,433)
Balance as at December 31, 2021	(1,774,083)	(556,200)	-	-	-	(2,330,283)
Deconsolidation of segments	23,972	123,081	-	-	-	147,053
Amortization	(467,503)	(551,671)	-	-	-	(1,019,174)
Balance as at December 31, 2022	(2,217,614)	(984,790)	-	-	-	(3,202,404)
<b>Net book value:</b>						
Net book value December 31, 2021	5,826,785	2,509,863	2,242,360	16,522,397	2,030,529	29,131,934
Net book value December 31, 2022	\$ 1,664,253	\$ 195,664	\$ 668,194	\$ 11,295,571	\$ -	\$ 13,823,682

In the year ended December 31, 2022, no goodwill was added (year ended December 31, 2021: \$12,310,811) and intangibles assets in the amount of \$9,270,630 were added (year ended December 31, 2021: \$40,671,936).

Total amortization expense for the year ended December 31, 2022, of \$1,019,174 (year ended December 31, 2021: \$1,315,433) was recognized in operating expenses.

During 2022, annual impairment tests were conducted on the Goodwill and intangible assets. Management estimated that the carrying value of the Goodwill and intangible assets were higher than the recoverable amount for the year ended December 31, 2022, and therefore recorded impairments on Goodwill of \$Nil

(year ended December 31, 2021: \$12,736,043) and impairments on Intangible assets of \$20,581,398 (year ended December 31, 2021: \$40,149,626).

**Impairments on Goodwill and Intangible Assets**

	<i>For the year ended:</i>		<i>For the year ended:</i>	
	<i>December 31, 2022</i>		<i>December 31, 2021</i>	
	<i>Goodwill</i>	<i>Intangible Assets</i>	<i>Goodwill</i>	<i>Intangible Assets</i>
Coastal Harvest, LLC	\$ -	\$ 752,543	\$ -	\$ -
Industrial Court L9, LLC	-	1,437,958	-	-
Industrial Court L13, LLC	-	1,791,841	-	-
Halo Winberry Holdings, LLC	-	1,270,200	3,882,448	-
1285826 B.C. Ltd. Db a H2C Beverages	-	2,256,650	-	-
1000116327 Ontario Ltd. Db a Dissolve Medical	-	3,307	-	-
Halo DispensaryTrack Software Inc.	-	1,574,166	-	-
Halo AccuDab Holdings Inc.	-	1,596,261	-	-
Halo Cannalift Delivery Inc.	-	1,674,152	-	-
Halo Nasalbinoid Natural Devices Corp.	-	2,075,508	-	-
1275111 B.C. Ltd.	-	4,178,837	-	-
1265292 B.C. Ltd. Db a Cannafeels	-	1,969,975	-	2,301,195
Mendo Distribution & Transportation, LLC	-	-	867,415	1,296,565
Ukiah Ventures Inc.	-	-	1,588,346	-
Food Concepts LLC	-	-	6,397,834	-
HLO Ventures (NV), LLC	-	-	-	330,072
Black & Crimson LLC	-	-	-	13,876,631
POI11 LLC	-	-	-	13,876,631
Nature's Best Resources LLC	-	-	-	2,504,760
Simply Sweet Gummy Ltd.	-	-	-	5,963,772
	\$ -	\$ 20,581,398	\$ 12,736,043	\$ 40,149,626

**ANM, Inc.**

The Company has four producer licenses for its farm, East Evans Creek. The Company also has a wholesale distribution license and a processor license for its production facility in Medford, and producer, processor and wholesale licenses in Portland. Besides the licenses held by ANM, the Company has two wholesale licenses and one producer license in Eugene, and one producer license in Jacksonville through ANM's subsidiaries. The licenses are renewed each year.

**Coastal Harvest, LLC**

Coastal Harvest LLC surrendered the volatile extraction license on September 7, 2022 and held a commercial distributor license as of December 31, 2022. The intangible asset is a commercial distributor license and facility option.

The Company recorded impairment of intangible assets of \$752,543 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of the intangible assets net of amortization was \$Nil (December 31, 2021: \$831,759).

#### Industrial Court L9, LLC

ICL9 surrendered a manufacturer license on July 25, 2022, a commercial distributor license on June 25, 2022. As of December 31, 2022, ICL9 did not hold any cannabis license.

The Company recorded impairment of intangible assets of \$1,437,958 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of the intangible assets net of amortization was \$Nil (December 31, 2021: \$1,574,684).

#### Industrial Court L13, LLC

The Company recorded impairment of intangible assets of \$1,791,841 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of the intangible assets net of amortization was \$Nil (December 31, 2021: \$1,955,896).

#### HLO Ventures (NV), LLC

The Company recorded no impairment in the year ended December 31, 2022 (year ended December 31, 2021: \$330,072).

As at December 31, 2022, the carrying value of the intangible assets net of amortization was \$Nil (December 31, 2021: \$Nil).

#### Halo DispensaryTrack Software, Inc.

The Company recorded impairment of intangible assets of \$1,574,166 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$668,194 (December 31, 2021: \$2,242,360). No amortization was recorded.

#### Halo AccuDab Holdings, Inc.

The Company recorded impairment of intangible assets of \$1,596,261 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$664,711 (December 31, 2021: \$2,260,972). No amortization was recorded.

### Mendo Distribution and Transportation, LLC

The Company recorded no impairment in the year ended December 31, 2022 (year ended December 2021: impairment of intangible assets of \$1,296,565 and impairment of goodwill of \$867,415).

As at December 31, 2022, the carrying value of intangible assets was \$Nil (year ended December 31, 2021: \$Nil) and the carrying value of goodwill was \$Nil (year ended December 31, 2021: \$Nil).

### Halo Cannalift Delivery Inc.

The Company recorded impairment of intangible assets of \$1,674,152 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$1,040,465 (December 31, 2021: \$2,714,617). No amortization was recorded.

### Halo Nasalbinoid Natural Devices, Corp.

The Company recorded impairment of intangible assets of \$2,075,508 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$864,278 (December 31, 2021: \$2,939,786). No amortization was recorded.

### LKJ11, LLC and Crimson & Black, LLC

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 LLC (“C&B”), a subsidiary of the Issuer, for failure to pay legal fees and costs in relation to a transaction whereby the Issuer purchased C&B, 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, C&B 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 C&B and certain other subsidiaries and management of the Issuer, alleging: (i) that Issuer 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 Company, after having consulted with its legal counsel, is of the view that the Claim is frivolous and vexatious in nature. The Company does not view the Claim as presenting any possible exposure, other than non-material costs associated with defending the claim. The Company filed it’s a demurrer on March 24, 2023. And the Sellers filed an amended cross-complaint on April 12, 2023.

#### Bophelo Bioscience & Wellness, Pty. Ltd.

In November 2021, Akanda completed its acquisition of Bophelo and Canmart where Akanda has purchased 100% of the issued and outstanding shares of Canahealth Limited, a company which holds the Bophelo and Canmart assets, from Halo in exchange for 13,129,212 common shares in the capital of Akanda. As a result, the Company derecognized the assets and liabilities of Bophelo from the consolidated statements of financial position and recognized corresponding gain associated with the sale (Note 23).

#### Outer Galactic Chocolates, LLC

As at December 31, 2022, the carrying value of intangible assets net of amortization was \$132,326 (December 31, 2021: \$139,886).

#### Ukiah Ventures, Inc.

The Company acquired all the outstanding warrants of UVI by issuing 5 warrants of the Company in exchange for the outstanding warrants of UVI. Each warrant will entitle the holder thereof to acquire one share of the Issuer \$2,500 per share until July 19, 2021. The warrants were valued at \$2,031 and included in the consideration.

In connection with the share exchange agreement, the Company entered into an escrow agreement with certain shareholders of UVI pursuant to which 20% of the payment shares are held in escrow for 12 months subject to the terms of the escrow agreement.

As at December 31, 2022, the carrying value of intangible assets was Nil (December 31, 2021: Nil).

Goodwill represents expected synergies, future income growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes. The Company recorded no impairment in the year ended December 31, 2022 (year ended December 31, 2021: impairment of goodwill of \$1,588,346). As at December 31, 2022, the carrying value of the goodwill was Nil (December 31, 2021: \$Nil).

#### 1265292 B.C. Ltd. (doing business as Cannafeels)

The Company recorded impairment of intangible assets of \$1,969,975 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$2,301,195).

As at December 31, 2022, the carrying value of intangible assets was \$864,425 (December 31, 2021: \$2,834,400). No amortization was recorded.

#### Canmart Ltd.

In November 2021, Akanda completed its acquisition of Bophelo and Canmart where Akanda has purchased 100% of the issued and outstanding shares of Canahealth Limited, a company which holds the Bophelo and Canmart assets, from Halo in exchange for 13,129,212 common shares in the capital of Akanda. As a result,

the Company derecognized the assets and liabilities of Canmart from the consolidated statements of financial position and recognized corresponding gain associated with the sale (Note 23).

#### 1275111 B.C. Ltd.

The Company recorded impairment of intangible assets of \$4,178,837 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$1,593,785 (December 31, 2021: \$5,772,622). No amortization was recorded.

#### Herban Industries OR LLC

The Company gained control of the operations of Herban Industries OR LLC on January 1, 2021.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed. The Company acquired fixed assets of \$104,249 and working capital of \$1,354,707. Intangible assets included the Herban OR licenses and Halo Winberry brands.

The Company recorded no impairment of goodwill for the year ended December 31, 2022 (year ended December 31, 2021: \$3,882,448).

As at December 31, 2022, the carrying value of goodwill was Nil (December 31, 2021: Nil).

The Company recorded impairment of intangible assets of \$1,270,200 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets net of amortization was \$465,000 (December 31, 2021: \$2,238,600).

#### Black & Crimson LLC

On March 2, 2021, the Company issued a total of 15,123 Halo common shares for a consideration of \$17,413,607, which included a finders' fee of 889 shares valued at \$1,057,197 and closing costs of \$39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC, Black & Crimson LLC ("B&C"), and SDF11 LLC, with B&C as the surviving company (management company) and SDF11 LLC the operating company that holds a license application. The issuance of 1,538 Halo common shares and 293 Halo common shares as a finder's fee are pending the closing of SDF11 acquisition. There were 1,865 shares subject to a pooling agreement and 1,000 Halo common shares (the "contingent shares") were issued in escrow. The escrowed shares are released to the approved designees of the selling member upon the DCR approval and lease milestone or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing. The Company estimated the probability of achieving this milestone at the acquisition date and in accordance with IFRS2, Share Based Payments.

The acquisition of B&C did not meet the definition of a business under IFRS 3, consequently, the acquisition was recorded as an asset purchase. Finder's fees and closing costs were capitalized. The Company received cash of \$722,500, net of fees of \$27,500, and recorded intangible assets of \$16,691,107. The nature of the intangible asset is the intellectual property in relation to operating the retail license. In year ended December 31, 2021, due to the early stage of the development of the intangible assets related to the application for a retail license for SDF11, the management has determined that an impairment of 100% should be recorded. No impairment was recognized in the year ended December 31, 2022 (year ended December 31, 2021: \$16,691,107). The carrying value of intangible assets was \$Nil as at December 31, 2022 (December 31, 2021: \$Nil). No amortization was recorded.

#### POI11 LLC and ZXC11, LLC

On March 2, 2021, the Company issued 15,123 Halo common shares for a consideration of \$17,413,607, which included a finders' fee of 889 shares valued at \$1,057,197 and closing costs of \$39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC, POI LLC ("POI"), and ZXC11 LLC, with POI as the surviving company (management company) and ZXC11 LLC the operating company that holds a license application. On April 21, 2022, the Company issued 1,538 Halo common shares valued at \$32,960 and 293 Halo common shares as a finder's fee valued at \$6,278 upon closing of ZXC11 acquisition. There were 1,865 shares are subject to a pooling agreement and 1,000 Halo common shares (the "contingent shares") were issued in escrow. The escrowed shares are released to the approved designees of the selling member upon the DCR approval and lease milestone or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing. The Company estimated the probability of achieving this milestone at the acquisition date and in accordance with IFRS 2, Share Based Payments.

The acquisition of POI did not meet the definition of a business under IFRS 3, consequently, the acquisition was recorded as an asset purchase. Finder's fees and closing costs were capitalized. The Company received cash of \$722,500, net of fees of \$27,500, and recorded intangible assets of \$16,691,107. The nature of the intangible asset is the intellectual property in relation to operating the retail license. In year ended December 31, 2021, due to the early stage of the development of the intangible assets related to the application for a retail license for ZXC11, the management has determined that an impairment of 100% should be recorded. No impairment was recognized in the year ended December 31, 2022 (year ended December 31, 2021: \$16,691,107). The carrying value of intangible assets was \$Nil as at December 31, 2022 (December 31, 2021: \$Nil). No amortization was recorded.

#### Nature's Best Resources LLC.

On April 20, 2021, the Company issued 4,602 for a total consideration of \$3,304,760, which included a finders' fee of 199 shares valued at \$149,093 and closing costs of \$33,918 in relation to the closing of the acquisition of Nature's Best Resources LLC ("Nature's Best"). The closing of the agreement was subject to certain closing conditions, including the contribution by the selling member to Nature's Best of \$250,000 and standard operating procedures detailing the manufacturing of rosin products by Nature's Best.

A total of 3,512 common shares were placed into escrow to be released to the selling member upon the satisfaction of certain predetermined milestones by Nature's Best. A total of 893 common shares has been released as at December 31, 2021, the selling member has repaid an outstanding \$250,000 owed to Nature's Best. A total of 1,429 additional common shares will be released on or before October 1, 2021, provided that specific equipment has been delivered to Nature's Best. The remaining 1,190 common shares will be released on or before March 1, 2022, provided that Nature's Best has produced and sold a batch of hash or hash rosin in each of Oregon and California, measuring 100 grams total. If any milestone is not satisfied by the date specified for its completion, the corresponding number of common shares will be returned to the Company.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were capitalized. An intangible asset of \$2,504,760 was recorded. The intangible asset is the intellectual property in relation to the manufacturing process. The Company recorded no impairment in the year ended December 31, 2022 (year ended December 31, 2021: impairment of \$2,504,760).

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

#### 1307296 B.C. Ltd.

On June 21, 2021, the Company issued 13,905 shares for a total consideration of \$7,304,909, which included a finders' fee of 970 shares valued at \$509,645 in relation to the closing of the acquisition of 100% of a subsidiary of Elegance Brands Inc., 1307296 B.C. Ltd.

#### **Purchase price allocation**

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

1307296 B.C. Ltd. entered into a license agreement with Elegance whereby Elegance has provided 1307296 B.C. Ltd. with an exclusive license to the intellectual property rights for Elegance's THC brands and has agreed to provide support to 1307296 B.C. Ltd. on operations and manufacturing technology for the manufacture and sale of certain THC-infused beverage products in exchange for a 2% royalty on all sales generated from these brands. 1307296 B.C. Ltd. also holds manufacturing equipment custom-built for THC beverage production and 9,333,333 class A shares in the capital of Elegance, representing approximately 6% of the outstanding shares of Elegance on a fully diluted basis. In connection with the transaction, Elegance also issued class A share purchase warrants to Halo, which allow Halo to acquire up to 5,000,000 Elegance shares, with each warrant exercisable at a price of \$0.75 per Elegance share for a period of 18 months from the closing of the transaction. Elegance is not a related party and the shares issued to the Company are valued at the latest available transaction price of \$0.75 per share.

1,848 of the common shares issued to the vendor on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 11,087 common shares issued to the vendor on closing are 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 will be released from such restrictions and become freely tradeable on the 21st day of each calendar month following closing until all of such common shares have been released.

In connection with the transaction, Halo issued 970 common shares to the finder as a finder's fee, being the number of common shares equal to 7.5% of the aggregate number of common shares issued to the vendor in connection with the transaction.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were capitalized. As at December 31, 2022, no intangible assets were recorded (December 31, 2021: \$Nil).

#### Halo KushBar Retail Inc.

On July 15, 2021, the Company announced the acquisition of three operating retail cannabis stores in the province of Alberta. In consideration for the purchase, the Company previously issued 1,346 common shares of the Company to High Tide as a deposit, and on closing issued a convertible promissory note to High Tide in the principal amount of \$1,438,274 (C\$1.8 million) with a conversion rate of C\$1,600 per Halo share. Under the terms of the purchase agreement, the Company has also agreed to issue a convertible promissory note on the 12-month anniversary of closing in the principal amount of \$400,000 with a conversion rate of \$1,600 per Halo Share, provided that certain revenue thresholds are met.

#### **Purchase price allocation**

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Intangible assets	\$	1,094,834
Goodwill		2,030,529
Right of use assets		493,670
Inventory		252,759
Deposits		10,503
Cash		3,196
Lease liabilities		(493,670)
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Net purchase price	\$	3,391,821

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

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

Due to a dispute between Halo and High Tide with respect to certain payments in respect of the Stores, Halo did not perform certain of its obligations under the APA. In determining not to perform certain of its obligations, Halo considered a variety of factors, including (1) that the Stores were not generating the revenue or profits Halo expected them to, (2) the only recourse available to High Tide under the Note was to enforce the Share Pledge, and (3) Halo's desire to focus on its west coast US cannabis operations. Accordingly, Halo allowed High Tide to enforce the Share Pledge and gain control of Kushbar and the Stores. On July 14, 2022, High Tide enforced the Share Pledge and controls the Stores, the Company has no further obligations or liabilities under the convertible promissory note nor the asset purchase agreement with Halo Kushbar Retail Inc. As a result, the Company derecognized the assets and liabilities of Halo Kushbar from the consolidated statements of financial position and recognized corresponding loss associated with the transaction (Note 23).

### Food Concepts LLC

On September 1, 2021, the Company issued 25,816 shares for a total consideration of \$8,200,000 in relation to the closing of the acquisition of Food Concepts LLC, the master tenant of an indoor cannabis cultivation, processing and wholesaling facility in Portland, Oregon. In connection with the transaction, Halo issued 1,968 common shares to the finder as a finder's fee valued at \$625,000.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed. The goodwill is the value of the license and facility option. The Company recorded no impairment of Goodwill in the year ended December 31, 2022 (year ended December 31, 2021: \$6,397,834).

#### **Purchase price allocation**

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

As at December 31, 2022, the carrying value of Goodwill was \$Nil (December 31, 2021: \$Nil).

### Simply Sweet Gummy Ltd.

On November 30, 2021, the Company closed the acquisition of Simply Sweet Gummy Ltd ("Simply Sweet") pursuant to the terms of a share exchange agreement to which the Company acquired all the issued and outstanding shares of Simply Sweet in exchange for an aggregate of 27,000 Halo common shares valued at \$6,477,927. Costs in relation to closing the transaction in the amount of \$485,845 were capitalized. Under IFRS 3, the transaction did not meet the definition of a business combination.

Simply Sweet is a health-conscious, low-sugar cannabis infused alternative confectionery company based in Vancouver, British Columbia.

The total consideration of the transaction was \$6,963,772 with \$5,963,772 attributed to intangible assets. The nature of the intangible asset is the intellectual property in relation to the manufacturing process. The Company recorded no impairment in the year ended December 31, 2022 (year ended December 31, 2021: \$5,963,772).

**Purchase price allocation**

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Intangible assets	\$	5,963,772
Cash		1,000,000
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Net purchase price	\$	6,963,772

As at December 31, 2022, the carrying value of intangible assets was Nil (December 31, 2021: Nil). No amortization was recorded.

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

On January 25, 2022, the Company has completed the acquisition of 1285826 B.C. Ltd. (dba H2C Beverages) ("H2C"), a company focused on cannabinoids and non-psychoactive mushroom functional beverages. In exchange for the acquisition of all of the issued and outstanding shares of H2C, the Company has issued a total 81,415 common shares for a consideration of \$7,642,782, which include a finders' fee of 6,031 common shares value at \$566,132. Under IFRS, the transaction was not considered the acquisition of a business.

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

**Purchase price allocation**

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

The Company recorded impairment of intangible assets of \$2,256,650 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$5,386,132 (December 31, 2021: Nil). No amortization was recorded.

#### 1000116327 Ontario Ltd. (Doing business as Dissolve Medical)

On April 28, 2022, the Company has completed the acquisition of 1000116327 Ontario Ltd. (dba Dissolve Medical) ("Dissolve Medical"), a developer of CBD slits a precise, rapid, discreet and healthier option for cannabis consumption, consisting of strips containing CBD, CBN, or CBG formulations and owns proprietary recipes and all packaging and designs associated with the product. The CBD slits produce an oral delivery system, which are similar to breath strips, that can be used for energy elixirs, herbal remedies, and a smokeless alternative option to medical and recreational users of CBD, CBN, or CBG. The Company has issued a total 50,000 common shares for a consideration of \$885,082. Under IFRS, the transaction was not considered the acquisition of a business.

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

#### **Purchase price allocation**

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

The Company recorded impairment of intangible assets of \$3,307 in the year ended December 31, 2022 (year ended December 31, 2021: impairment of intangible assets of \$Nil).

As at December 31, 2022, the carrying value of intangible assets was \$811,775 (December 31, 2021: Nil). No amortization was recorded.

#### ANM Inc., Dba Pistil Point

On September 22, 2022, the Company has completed the acquisition of all of the substantial assets of Decatur One LLC, Bradford Two LLC, and Bradford Three LLC through its wholly-owned subsidiary ANM Inc., doing business as Pistil Point in Oregon which collectively hold multiple cannabis licenses. Pistil Point did not meet the definition of a business under IFRS 3, the transaction was recorded as an asset purchase. The Company has issued a total 62,715 common shares for a consideration of CAD\$9,407.25 and issued 5,203 common shares to the finder as a finder's fee valued at CAD\$780.45.

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

#### **Purchase price allocation Pistil Point**

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

As at December 31, 2022, the carrying value of intangible assets net of amortization was \$746,855 (December 31, 2021: Nil).

## 15. Related party relationships, transactions and balances

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

### Compensation key executives

Year ended	<i>December 31, 2022</i>	<i>December 31, 2021</i>
Salaries, commissions, bonuses, consulting fees	\$ 3,096,412	\$ 3,633,202
Share-based compensation	611,379	3,360,888
Total	\$ 3,707,791	\$ 6,994,090

The table above lists all share-based compensation received by key executives, which includes shares issued in lieu of salary that are recorded as salaries in the Consolidated Statement of Loss and Comprehensive Loss. Options and warrants were granted on December 19, 2019, May 27, 2020, December 7, 2020, and June 21, 2021, to staff, directors and consultants. Options and warrants granted to employees and directors vest over a period of 2 - 4 years. Share-based compensation is recognized on a graded vesting basis and is expensed and included in operations.

### Related parties

As at:	<i>December 31, 2022</i>	<i>December 31, 2021</i>
Due from directors, officers and other related parties	\$ -	\$ 306,890
Due to directors, officers and other related parties	25,047	30,181

As at December 31, 2022, due from shareholders and related parties was \$Nil (December 31, 2021: \$306,890) in relation to notes receivable from executives of the Company (Note 11). As at December 31, 2022, due to shareholders and related parties was \$25,047 (December 31, 2021: \$30,181). This was related to accrued salaries and loans to certain board members and executives of the Company as well as business expenses incurred by related parties.

## 16. Convertible debentures

### 2019 Convertible debenture

On March 29, 2019, the Company filed a short form prospectus in connection with a best effort offering of convertible debenture units of the Company at a price of C\$1,000 per initial unit for gross proceeds of \$15,842,620 (C\$21,163,000). On Feb 15, 2022, the Debenture holders passed an extraordinary resolution to

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

Each Unit is comprised of one common share of Halo and one half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to purchase one Common Share at an exercise price of C\$235 per Common Share until February 15, 2024.

The modification was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability as the new amended terms were considered to be substantial modification of an existing financial liability. Accordingly, the Company recognized a decrease of \$3,142,563 in liability component, an increase of \$2,706,453 in equity component, and \$797,321 in gain on convertible debenture term modification.

#### **Continuity 2019 convertible debenture**

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Balance December 31, 2020	\$	8,398,727
Liability portion of conversions in the period		(20,350)
Interest paid		(807,278)
Accretion of loan discount		1,265,942
Accrued interest		798,607
Foreign exchange gain (loss)		25,564
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Balance December 31, 2021	\$	9,661,212
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Adjustments		(3,142,563)
Liability portion of conversions in the period		(1,567,183)
Interest paid		(81,213)
Accretion of loan discount		759,862
Accrued interest		81,213
Foreign exchange gain (loss)		(462,878)
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Balance December 31, 2022	\$	5,248,450

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

As at December 31, 2022, the amount of convertible debenture outstanding was \$5,284,450 (December 31, 2021: \$9,661,212). As at December 31, 2022, a total of 11,651 debentures were converted into 30,461

common shares of the Company and 9,512 debentures are in issue.

### 2021 Convertible promissory note

On July 14, 2021, in connection with the closing of the asset purchase agreement with High Tide Inc., the Company issued a convertible promissory note to the former owner of High Tide Inc. in the principal amount of \$1,438,274 (C\$1,800,000) with a conversion rate of \$1,278 (C\$1,600) per Halo Share.

On July 14, 2022, High Tide enforced the Share Pledge, the Company has no further obligations or liabilities under the convertible promissory note. It was accounted for as an extinguishment of the original financial liability. Accordingly, the Company recognized a decrease of \$1,373,718 in liability component and a decrease of \$212,410 (Note 23).

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

#### **Continuity 2021 convertible note**

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Convertible note - July 14, 2021	\$	1,438,274
Value of the equity component at issue		(212,411)
Accretion of loan discount		40,656
Accrued interest		35,495
Foreign exchange gain (loss)		(15,388)
<hr/>		
Balance December 31, 2021	\$	1,286,625
Accretion of loan discount		24,373
Accrued interest		83,812
Adjustments		(1,373,718)
Foreign exchange gain (loss)		(21,092)
<hr/>		
Balance December 31, 2022		-

### 2022 Unsecured Convertible Debentures

During the year ended on December 31, 2022, the Company entered into a loan agreement and subscription agreement with Global Tech Opportunities 6 ("GTO"). The Subscription Agreement provides for the issuance of up to 24 Convertible Debentures with an aggregate principal amount of up to C\$65.0 million, including the commitment fee. Each Convertible Debenture will be issued for proceeds equal to 92% of the face value of the principal amount. The Convertible Debentures will mature on the date that is 24 months from the date of issuance and are convertible: (i) at any time at the option of the holder; and (ii) automatically at maturity. The

conversion price is equal to the lower of: (i) C\$125 to C\$100; and (ii) the closing price of the common shares in the capital of the Company on the NEO Exchange on the date immediately preceding the date on which a conversion notice is delivered to the Company (or, in the event of the automatic conversion of the outstanding principal upon the maturity of the Convertible Debenture, the maturity date).

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

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

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

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

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

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

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

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

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

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

On September 9, 2022, upon termination, the Company issued total \$5,371,168 (C\$6,815,971) convertible debentures replacing the Company's previously existing and outstanding debt facilities with GTO. The convertible debenture bears no interest and maturity date varies from May 31, 2025 to July 5, 2025.

Conversion price is the lesser of: (i) C\$0.50; and (ii) if the Corporation issues or agrees to issue Common Shares or Equity Securities convertible into Common Shares prior to the date that is sixty (60) days after the date of this Convertible Debenture, the price at which such Common Shares are issued or issuable, including upon conversion or exchange of the Equity Securities, excluding (i) Common Shares issuable in connection with the terms of convertible instruments and agreements outstanding and disclosed in the Public Record as of the date of this Convertible Debenture, (ii) awards granted under the Corporation's omnibus incentive plan which was appended as Schedule "A" to the management information circular of the Corporation dated May 25, 2021, and (iii) up to \$500,000 of Common Shares at a price not less than a ten percent (10%) discount to the five (5) day volume-weighted average price immediately prior to the announcement or issuance of such securities, in respect of employment, director and consulting fees owed and fees payable in connection with the termination of employees and consultants of the Corporation or its Subsidiaries.

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

Date Issued	Maturity Date	Principal at Issuance (\$)	December 31, 2022	
			Outstanding Principal (\$)	Fair Value (\$)
September 9, 2022	May 31, 2025	2,009,973	-	-
September 9, 2022	June 29, 2025	2,060,105	919,482	1,362,487
September 9, 2022	July 5, 2025	1,301,090	1,252,194	1,921,422
			2,171,676	3,283,908

During the year ended December 31, 2022, the Company recognized fair value gain of \$940,759 (year ended December 31, 2021 - \$Nil).

## 17. Share capital

### 17.1 Share capital

#### Authorized shares

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

Effective October 8, 2021, the Company has consolidated its common shares on the basis of one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with on one post-consolidation common share for every 20 pre-consolidation common shares. Effective October 27, 2022, the Company consolidated its common shares, with on one post-consolidation common share for every five pre-consolidation common shares. All share figures and references are retrospectively adjusted.

#### Shares issued in the year ended December 31, 2022

- On January 21, 2022, 81,415 shares were issued, valued at \$7,642,782 relating to the 1285826 B.C. Ltd. dba H2C Beverages acquisition, including finder fees consists of 301 shares valued at \$566,132 were issued relating to this transaction;
- On April 20, 2022, 1,832 shares were issued, valued at \$39,239, including finders fee of 23 shares valued at \$6,278 relating to ZXC11 acquisition;
- On April 25, 2022, 50,000 shares were issued, valued at \$885,082 relating to the 1000116327 Ontario Ltd. dba Dissolve Medical acquisition;
- On September 22, 2022, 13,584 shares were issued, valued at \$2,772 relating to the Pistil Point acquisition, including finder fees consists of 1,040 shares valued at \$212;
- During the year ended December 31, 2022, a total of 10,171,304 common shares, valued at \$20,977,712, were issued on conversion of debentures;
- During the year ended December 31, 2022, a total of 38,123,504 common shares, valued at \$9,114,866, were issued on conversion of promissory notes; and
- During the year ended December 31, 2022, 1,178,115 common shares were issued, valued at \$7,137,462 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration accrued;
- During the year ended December 31, 2022, 9,000 common shares were issued, valued at \$316,301 on vesting of restricted stock units;
- During the year ended December 31, 2022, 1,076 common shares, valued at \$17,197, were

issued to retire debt.

Costs in relation to share issuances are classified as share issuance costs in the Statement of Change in Equity. In the year ended December 31, 2022, share issuance costs included in the Statement of Change in Equity were \$Nil (year ended December 31, 2021: \$1,747,479).

As at December 31 2022, the Company had 2,491 common shares in escrow (December 31, 2021: 4,973).

#### Shares issued in the year ended December 31, 2021

- In fiscal 2021, 1,250 shares were issued, valued at \$1,183,319 in relation to the conversion of the second amended and restated convertible credit facility;
- During fiscal 2021, a total of 60,138 common shares were issued, in relation to overnight marketed and ATM public offerings for cash proceeds of \$32,332,371;
- During fiscal 2021, a total of 429 common shares were issued, on exercise of options and warrants for cash proceeds of \$247,287.
- On March 2, 2021, 4,738 shares were issued, valued at \$5,628,953 as pre-closing deposits for the acquisitions of SDF11 LLC and ZXC11 LLC (Note 6);
- On March 2, 2021, 23,730 shares were issued, valued at \$28,191,909 for the acquisitions of Black and Crimson LLC and POI11 LLC (Note 14);
- On March 2, 2021, 1,780 shares were issued, valued at \$2,114,393 as finders' fee for the acquisitions of Black and Crimson LLC and POI11 LLC (Note 14);
- On March 9, 2021, 5 shares were issued, valued at \$23,684 on conversion of a convertible debenture;
- On April 20, 2021, 4,405 shares were issued, valued at \$3,121,749 relating to the acquisition of Nature's Best Resources LLC. Finder fees consisting of 19,786 shares valued at \$149,093 were issued relating to this transaction (Note 14);
- On June 21, 2021, 12,935 shares were issued, valued at \$6,795,264 relating to the 1307296 BC Ltd. acquisition resulting in investment in Elegance Brands. Finder fees consists of 970 shares valued at \$509,645 were issued (Note 14);
- On September 13, 2021, 25,815 shares were issued, valued at \$8,200,000 relating to the acquisition of Food Concepts LLC. Finder fees consists of 19,677 shares valued at \$625,000 were issued relating to this transaction (Note 14);
- On November 15, 2021, 27,000 shares were issued, valued at \$6,477,927 relating to the

Simply Sweet acquisition. Finder fees consists of 2,025 shares valued at \$485,845 were issued relating to this transaction (Note 14);

- In November 2021, 4,995 shares were issued, valued at \$792,877 in relation to the conversion of the third amended and restated convertible credit facility;
- In fiscal 2021, 16,516 shares were issued, valued at \$4,694,957 to certain independent consultants, related parties and suppliers of the Company, in lieu of cash consideration accrued;

## 17.2 Share purchase warrants

The following table summarizes information regarding warrants by term, the number of warrants granted and exercise price for the years ended December 31, 2022 and 2021.

### Warrants issued and vested

Grant date	Expiry date	December 31, 2022		December 31, 2021	
		Number of warrants issued and vested	Exercise price (CAD\$)	Number of warrants issued and vested	Exercise price (CAD\$)
12-May-17	11-May-27	625	\$ 8,667.00	625	\$ 8,667.00
11-Oct-17	10-Oct-27	71	\$ 1,103.00	71	\$ 1,103.00
13-May-18	14-May-23	14	\$ 7,700.00	13	\$ 7,700.00
28-Sep-18	Sept 30, 2023 to Sept 27, 2024	93	\$ 4,000.00	93	\$ 4,000.00
8-Sep-20	8-Sep-22	-	\$ -	150	\$ 1,350.00
Feb 2, 2021 to Feb 19, 2021	Aug 2, 2023 to Feb 9, 2024	16,695	\$ 1,250 - 2,250	16,695	\$ 1,250 - 2,250
7-Apr-21	7-Apr-22	-	\$ -	1000	\$ 1,100.00
6-Jan-22	6-Jan-27	8,750	\$ 160.00	-	\$ -
Feb 23, 2022 to Nov 29, 2022	15-Feb-24	1,523,049	\$ 235.00	-	\$ -
		1,549,297	\$ 253.49	18,648	\$ 1,861.90

Note: Prices in Canadian dollars

The Company recognized \$740,983 share-based payments for services for the year ended December 31, 2022 (year ended December 31, 2021: \$438,672).

As at December 31, 2022, 1,549,297 warrants were exercisable (December 31, 2021: 18,647). As at that date, the average exercise price of exercisable warrants was C\$253.49 (December 31, 2021: C\$1,861).

**Warrants outstanding**

	<i>Year ended Dec 31, 2022</i>		<i>Year ended Dec 31, 2021</i>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of	18,648	\$ 1,861.90	4,889	\$ 4,840.02
Granted	1,531,799	\$ 234.57	17,796	\$ 1,611.00
Exercised	-	\$ -	(100)	\$ 1,250.00
Forfeited / cancelled	(1,150)	\$ 1,132.61	(3,936)	\$ 4,442.00
Outstanding at end of	1,549,297	\$ 253.49	18,648	\$ 1,861.90

Note: Prices in Canadian dollars

As at December 31, 2022, the weighted average exercise price of each Halo warrant granted and in issue was C\$253.49 (December 31, 2021: C\$1,861). As at that date, the weighted average fair market value of each warrant in issue was C\$3.73 using the Black-Scholes Option Pricing Model (December 31, 2021: C\$253).

As at December 31, 2022, the weighted average remaining contractual life of the warrants is 1.14 years (December 31, 2021: 1.85 years).

The assumptions used for the calculation of the fair value of warrants at grant date during the years ended December 31, 2022 and 2021 are:

**Black-Scholes assumptions for warrants**

	<i>Year ended Dec 31,</i>	
	<b>2022</b>	<b>2021</b>
Risk free rate	1.41%	0.26%
Expected life	5.00	1 Year
Volatility	144%	172%
Expected dividend per share	Nil	Nil
Share price	\$122.00	\$950.00

Note: Prices in Canadian dollars

**17.3 Options**

The Company has established a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to options granted under the plan is 10% of the

issued and outstanding common shares. The board of directors has the exclusive power over the granting of options, the exercise price and their vesting and cancellation provisions.

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

The following table summarizes information regarding stock options issued by term, number of options granted and exercise price for the years ended December 31, 2022, and 2021.

<b>Options issued and vested</b>		<b>December 31, 2022</b>		<b>December 31, 2021</b>	
Grant date	Expiry date	Number of options issued and vested	Exercise price (CAD\$)	Number of options issued and vested	Exercise price (CAD\$)
May 12, 2017 to Sept 28, 2018	May 11, 2017 to Sept 28, 2028	52	\$ 8,667.00	215	\$ 8,667.00
September 28, 2018	September 29, 2024	142	\$ 4,000.00	363	\$ 4,000.00
December 19, 2019	December 19, 2024	58	\$ 3,000.00	188	\$ 3,000.00
Sept 28, 2018 to Sept 30, 2020	Apr 25, 2023 to Dec 19, 2024	639	\$ 1,050.00	2,490	\$ 1,050.00
Sept 28, 2018 to Dec 14, 2020	Dec 7 to Dec 14, 2025	2,075	\$ 550.00	5,481	\$ 550.00
Feb 2 to Feb 19, 2021	Aug 2, 2023 to Feb 19, 2024	1,175	\$ 900 - 1,750	1,175	\$ 900 - 1,750
June 21, 2021	June 21, 2025	1,485	\$ 650.00	7,835*	\$ 650.00
		5,626	\$ 963.14	17,748	\$ 903.19

Note: Prices in Canadian dollars

\*4,605 options vested as at December 31, 2021

As at December 31, 2022, the weighted average remaining contractual life of each option is 2 years (December 31, 2021: 3 years).

#### **Options outstanding**

	<b>Year ended Dec 31, 2022</b>		<b>Year ended Dec 31, 2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of	17,747	\$ 903.19	9,310	\$ 1,070.21
Granted	-	\$ -	10,421	\$ 762.00
Exercised	-	\$ -	(329)	\$ 550.00
Forfeited / cancelled	(12,121)	\$ 875.37	(1,654)	\$ 1,024.00
Outstanding at end of	5,626	\$ 963.14	17,748	\$ 903.19

Note: Prices in Canadian dollars

The Company recognized share-based compensation related to options granted and vesting during the year ended December 31, 2022, in the amount of \$406,048 (year ended December 31, 2021: \$4,169,985).

The assumptions used for the calculation of the fair value of options at grant date during the years ended December 31, 2022, and 2021 are:

**Black-Scholes assumptions for options**

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	<i>Year ended Dec 31,</i>	
	<b>2022</b>	<b>2021</b>
Risk free rate	-	0.15% - 0.85%
Expected life	-	2.5 - 5 years
Volatility	-	139% - 143%
Expected dividend per share	-	Nil
Share price	-	\$650 - \$2,050

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Note: Prices in Canadian dollars

## 18. Other loans

Current and long-term obligations, net, are shown in the table below:

<b>Other loans</b>		
<b>As at:</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Non-recourse promissory note secured by deed of trust in LCNH LLC; 15% annual interest and matures on October 1, 2022	\$ 2,610,764	\$ 3,205,231
Merchant cash advance; secured and non-interest bearing	294,111	1,963,382
Secured promissory note: 9.5% interest, matures on July 29, 2022	-	1,500,000
Unsecured line of credit agreement in Bar X LLC; 8% interest, matures on December 31, 2023	519,844	519,844
Unsecured loan; 5% interest per month, matures in December 2022	-	460,723
Equipment lease, matures in January 2023	-	214,394
Unsecured promissory note: 10% interest, matures on November 9, 2023	50,702	-
Other loans	263,211	112,843
Sub-total	3,738,632	7,976,417
Less current portion	(2,662,496)	(6,875,442)
Total	\$ 1,076,136	\$ 1,100,975

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

Pursuant to the terms of the Promissory Note, the Lender may convert the principal amount outstanding under the Promissory Note, from time to time, into common shares in the capital of the Company ("Common Shares") at a conversion price equal to the greater of: (i) 80% of the closing market price of the Common Shares on the Neo Exchange Inc. (or such other primary stock exchange on which the Common Shares are then listed) on the day preceding the date on which the Lender delivers a conversion notice to the Company; and (ii) C\$0.10. Interest owing under the Promissory Note is payable in cash.

## 19. Capital management

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

### Capital structure

As at:	<i>December 31, 2022</i>	<i>December 31, 2021</i>
Shareholders' equity	\$ 29,433,696	\$ 66,456,479
Long-term loans	9,608,494	2,387,600
Short-term loans	2,662,496	16,536,654

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

Management does not establish quantitative return on capital criteria. However, management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. As at December 31, 2022, the Company is not subject to any externally imposed capital requirements.

## 20. Financial instruments

### 20.1 Fair value of financial instruments

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

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

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

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

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

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

There were no transfers between the levels of the fair value hierarchy during the period.

As at December 31, 2022, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

### 20.2 Financial instruments risk exposures

#### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, restricted cash, accounts receivable and notes receivable. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment. The Company does not have significant exposure to any individual customer. The Company's maximum exposure to credit risk as at December 31, 2022 is the carrying value of cash, restricted cash, accounts receivable, and notes receivable. The Company believes that there is limited risk that notes receivables are not settled. The Company takes a provision to allow for accounts receivable not being settled, which it believes is enough.

#### Liquidity risk

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

**Financial liabilities - December 31, 2022**

	Accounts payable & accrued liabilities	Loans and Debenture liability	Total
Carrying value	\$ 9,623,601	\$ 12,270,990	\$ 21,894,591
1 - 30 days	3,993,992	58,983	4,052,975
30 - 60 days	178,381	625	179,006
60 - 90 days	594,787	22,241	617,028
> 90 days	4,856,441	12,189,141	17,045,582

As at December 31, 2022, the Company had current assets of \$19,076,649 (December 31, 2021: \$35,716,170) and current liabilities of \$13,605,355 (December 31, 2021: \$30,287,258).

**Market risk**

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

**Interest rate risk**

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

**Foreign currency risk**

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

**Other price risk**

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

## 21. Tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

<b>Income tax reconciliation</b>	<i>December 31, 2022</i>	<i>December 31, 2021</i>
Loss for the year	\$ (85,161,591)	\$ (96,852,147)
Expected income tax recovery	(22,994,000)	(26,150,000)
Change in statutory, foreign tax, and foreign exchange rates	985,000	3,912,000
Permanent differences and other	10,554,901	15,120,413
Share issue cost	(119,000)	(473,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(781,000)	805,000
Change in unrecognized deductible temporary differences	11,911,000	6,842,000
<b>Total income tax (recovery) expense</b>	<b>\$ (443,099)</b>	<b>\$ 56,413</b>
Current income tax (recovery) expense	\$ (443,099)	\$ 56,413
Deferred tax (recovery) expense	\$ -	\$ -

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

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

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

Beginning January 1, 2018, in California, harvested cannabis is subject to a cultivation tax and both cannabis and cannabis products are subject to a cannabis excise tax. The cultivation tax applies to all harvested cannabis that enters the commercial market. Cultivators are responsible for paying the cultivation tax to the

distributor or to the manufacturer if the first transfer or sale of unprocessed cannabis is to a manufacturer. Manufacturers who collect the cultivation tax are required to pay the tax to the distributor. The distributor reports and pays the cultivation tax to the California Department of Tax and Fee Administration (CDTFA).

The significant components of the Company's deferred tax assets and liabilities are as follows:

**Deferred tax assets (liabilities)**

	<i>December 31, 2022</i>	<i>December 31, 2021</i>
Convertible debenture	\$ (179,000)	\$ (131,000)
Property and equipment	(640,000)	(1,039,000)
Intangible assets	(23,000)	(29,000)
Non-capital losses	842,000	1,199,000
Net deferred tax liability	\$ -	\$ -

The significant components of the Company's temporary differences and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

**Temporary differences**

	<i>December 31, 2022</i>	<i>Expiry date range</i>	<i>December 31, 2021</i>	<i>Expiry date range</i>
Property and equipment	\$ 2,211,000	No expiry date	\$ 1,552,000	No expiry date
Share issue costs	3,801,000	2043 to 2046	3,938,000	2042 to 2045
Lease liability	5,324,000	No expiry date	6,676,000	No expiry date
Intangible assets	9,287,000	No expiry date	3,155,000	No expiry date
Allowable capital losses	987,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	79,422,000	2038 to indefinite	51,481,000	2038 to indefinite

## 22. Commitments and contingencies

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

The Company has commitments under certain leases for its facilities. On January 1, 2019, the Company adopted IFRS 16 (Note 4.6) and now records a right-of-use asset for each lease commitment that meets the requirements of the policy.

<b>Committed lease obligations</b>	<b>Amount due</b>
2023	1,844,197
2024	1,852,270
2025	1,866,396
2026	667,943
2027	368,926
2028	539,583
Thereafter	7,458,502

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

## 23. Deconsolidation of segments

### Bophelo and Canmart

On November 4, 2021, the Company completed its previously announced share purchase transaction with Akanda Corp. ("Akanda"). Contemporaneously, with closing of the transaction, Halo and Akanda entered into an investor rights agreement that provides the Company with certain rights with respect to its Akanda Shares, relating to information rights, board observation rights and the right to nominate a director to the Akanda board of directors in certain circumstances. Halo has also agreed that the investor rights agreement will not provide Halo with any rights of first offer to participate in future equity offerings by Akanda as previously announced. As part of the closing of the Transaction, Akanda issued a secured convertible debenture to Halo in the principal amount of US\$6.6 million in exchange for setting off all outstanding indebtedness owed by Bophelo and Canmart to Halo. The Debenture bears an interest rate of 1% annually, which amount may be paid in the form of Akanda Shares at the applicable conversion price upon a conversion of the debenture. The debenture matures on November 2, 2022 and is secured by all of Akanda's assets. The debenture will be automatically converted into Akanda shares upon certain liquidity events (each, a "triggering event") occurring within six months from the date of the debenture, including an initial public offering of Akanda shares on a stock exchange, an amalgamation, arrangement, merger, reverse takeover, reorganization, or other similar transaction of Akanda with or into any other person, or a sale or conveyance of all or substantially all of the property and assets of Akanda. Upon the occurrence of a triggering event, the debenture will convert into Akanda Shares at the current market price of the Akanda shares at the time of the triggering event. The debenture is also convertible into Akanda shares, at the option of Akanda, at any time prior to the maturity date. As a result, the Company owned approximately 68.30% of the issued and outstanding Akanda shares.

**Assets and liabilities to be deconsolidated - CanMart Ltd and Bophelo Bioscience and Wellness Pty. Ltd.**

	Bophelo	Canmart	Total segments
<b>Current assets</b>			
Cash	\$ 118,063	\$ 201,209	\$ 319,272
Inventory	211,643	-	211,643
Biological Assets	218,721	-	218,721
Pre-Paid Expenses and other assets	178,781	132,304	311,085
<b>Total Current Assets</b>	<b>727,208</b>	<b>333,513</b>	<b>1,060,721</b>
<b>FIXED ASSETS</b>			
Property, plant and equipment	3,807,527	-	3,807,527
Intangible assets and goodwill	3,987,333	5,286,586	9,273,919
<b>Total Long-term Assets</b>	<b>7,794,860</b>	<b>5,286,586</b>	<b>13,081,446</b>
<b>Total assets</b>	<b>8,522,068</b>	<b>5,620,099</b>	<b>14,142,167</b>
<b>Current liabilities</b>			
Accounts Payable and Accrued Liabilities	618,420	8,019	626,439
Other loans	-	4,694	4,694
Income tax payable	2,490	-	2,490
Sales & cultivation tax payable	-	(5,070)	(5,070)
<b>Total Current Liabilities</b>	<b>620,910</b>	<b>7,643</b>	<b>628,553</b>
<b>Long Term Liabilities</b>			
Lease liability	1,741,453	-	1,741,453
Other loans	1,265,165	-	1,265,165
<b>Total Long term Liabilities</b>	<b>3,006,618</b>	<b>-</b>	<b>3,006,618</b>
<b>Net Assets deconsolidated</b>	<b>\$ 4,894,540</b>	<b>\$ 5,612,456</b>	<b>\$ 10,506,996</b>

On November 12, 2021, the Company sold 2,100,000 common shares in the capital of Akanda Corp. at a price of \$1.00 per share. As a result, the Company owns approximately 49.89% in the capital of Akanda (Note 6). Accordingly, the Company derecognized related assets, liabilities of Bophelo and Canmart from the consolidated statements of financial position and recognized a corresponding gain associated with the sale as follows:

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**Gain / (loss) on deconsolidation of assets**

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Fair value of shares received (13,129,212 shares at \$1.00 per share)	\$ 13,129,212
Secured convertible debenture	6,559,294
<b>Total consideration</b>	<b>19,688,506</b>
Net assets deconsolidated	10,506,996

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**Gain on deconsolidation of segments** **\$ 9,181,510**

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Net cash outflow arising from deconsolidation of the segments:

**The balance of cash deconsolidated**

Entity	<i>For the year ending: December 31, 2021</i>
Bophelo Bioscience and Wellness Pty. Ltd.	\$ 118,063
Canmart Ltd.	201,209
<b>Total segments</b>	<b>\$ 319,272</b>

**Halo Kushbar**

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

**Assets and liabilities to be deconsolidated - Halo KushBar Retail Inc.**

	Kushbar USD
<b>Current assets</b>	
Cash	\$ 128,009
Accounts Receivable	257,757
Inventory	178,597
Pre-Paid Expenses and other assets	10,200
<b>Total Current Assets</b>	<b>574,563</b>
<b>FIXED ASSETS</b>	
Property, plant and equipment	419,941
Intangible assets and goodwill	2,978,310
<b>Total Long-term Assets</b>	<b>3,398,251</b>
<b>Total assets</b>	<b>3,972,814</b>
<b>Current liabilities</b>	
Accounts Payable and Accrued Liabilities	90,934
Other liability-Lease ST	38,741
<b>Total Current Liabilities</b>	<b>129,675</b>
<b>Long Term Liabilities</b>	
Lease liability	411,095
<b>Total Long term Liabilities</b>	<b>411,095</b>
<b>Net Assets deconsolidated</b>	<b>\$ 3,432,044</b>

The Company derecognized related assets, liabilities of Halo Kushbar from the consolidated statements of financial position and recognized a corresponding loss associated with the sale as follows:

**Loss on deconsolidation of assets**

Accounts Payable and Accrued Liabilities	\$ 261,065
Convertible debenture	1,586,128
Total consideration	1,847,193
Net assets deconsolidated	3,432,044
<b>Loss on deconsolidation of segments</b>	<b>\$ (1,584,851)</b>

Net cash outflow arising from deconsolidation of the segments:

<b>The balance of cash deconsolidated</b>	
Entity	<i>For the year ending: December 31, 2022</i>
Halo KushBar Retail Inc.	\$ 128,009
<b>Total segment</b>	<b>\$ 128,009</b>

## 24. Non-Controlling Interests

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

### Non-Controlling Interests

#### Summarized statement of financial position - as at December 31, 2021

	LKJ11	SDF11	ZXC11	Total
Current assets	\$ 12,150	\$ -	\$ -	\$ 12,150
Current liabilities	(4,357,366)	(243,973)	(572,976)	(5,174,315)
Current net assets (liabilities)	(4,345,216)	(243,973)	(572,976)	(5,162,165)
Non-current assets	9,350	-	-	9,350
Non-current liabilities	-	(1,042,743)	(378,834)	(1,421,577)
Non-current net assets (liabilities)	9,350	(1,042,743)	(378,834)	(1,412,227)
Accumulated NCI	\$ (57,379)	\$ (1,286,716)	\$ (951,810)	\$ (2,295,905)

**Non-Controlling Interests**

**Summarized statement of financial position - as at December 31, 2022**

	LKJ11	SDF11	ZXC11	Total
Current assets	\$ 132,342	\$ -	\$ -	\$ 132,342
Current liabilities	(5,666,412)	(1,651,490)	(1,544,527)	(8,862,429)
Current net assets (liabilities)	(5,534,070)	(1,651,490)	(1,544,527)	(8,730,087)
Non-current assets	76,952	1,023,151	325,999	1,426,102
Non-current liabilities	-	(1,000,815)	(290,012)	(1,290,827)
Non-current net assets (liabilities)	76,952	22,336	35,987	135,275
Accumulated NCI	\$ (431,363)	\$ (1,475,945)	\$ (1,238,132)	\$ (3,145,440)

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

**Net change in the Non-Controlling Interests**

	LKJ11	SDF11	ZXC11	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -
Net loss attributable to NCI	(57,379)	(1,286,716)	(951,810)	(2,295,905)
<b>Balance, December 31, 2021</b>	<b>\$ (57,379)</b>	<b>\$ (1,286,716)</b>	<b>\$ (951,810)</b>	<b>\$ (2,295,905)</b>
Balance, December 31, 2021	\$ (57,379)	\$ (1,286,716)	\$ (951,810)	\$ (2,295,905)
Net loss attributable to NCI	(373,984)	(189,229)	(286,322)	(849,535)
<b>Balance, December 31, 2022</b>	<b>\$ (431,363)</b>	<b>\$ (1,475,945)</b>	<b>\$ (1,238,132)</b>	<b>\$ (3,145,440)</b>

## 25. Subsequent events

Subsequent to the year ended December 31, 2022 and upon notices of conversion issued by Reef to the Company, a total of 123,161,500 common shares of the company were issued in full satisfaction of the gross loan amount of \$2,896,048. The 123,161,500 common shares of the company correspond to the amounts contained in the Reef notices, but exceed the allowable maximums (in both allowable price discount and maximum percentage) pursuant to the policies and rules of the NEO Exchange, on which the company's securities are listed, and the terms of the convertible loan facility. No further drawdowns or share issuances to Reef is permitted by the NEO Exchange under the convertible loan facility.

The sellers of C&B filed a cross-complaint and second amended cross complaint against C&B and certain other subsidiaries and management of the Company, alleging: (i) that Company 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 amount sought by the sellers pursuant to the claim is at least \$1,000,000. The Company, after having consulted with its legal counsel, is of the view that the claim is frivolous and vexatious in nature. The Company does not view the claim as presenting any possible exposure, other than non-material costs associated with defending the claim. The Company plans to file its statement of defense before August 28, 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.