

Halo Collective Inc.
Consolidated Financial Statements

For the years ended December 31, 2021, and 2020
Expressed in US dollars

Halo Collective Inc.

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For the years ended December 31, 2021, and 2020

Expressed in US dollars

Table of contents

Independent auditors report	3
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flow	9
Notes to the Consolidated Financial Statements	11

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Halo Collective Inc.

Opinion

We have audited the accompanying consolidated financial statements of Halo Collective Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company had continued losses and an accumulated deficit as at December 31, 2021. These conditions, along with the other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

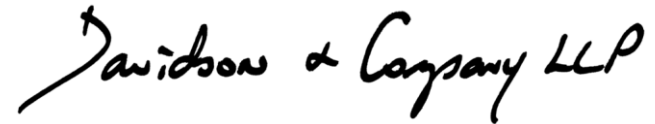
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 31, 2022

Halo Collective Inc.
Consolidated Statements of Financial Position

Expressed in US dollars

December 31, 2021 **December 31, 2020**

Assets			
Current			
Cash		1,711,677	2,758,119
Restricted cash	Note 16	126,947	921,746
Accounts receivable	Note 8	6,073,229	1,785,372
Inventory	Note 9, 10	16,820,432	10,281,455
Biological assets	Note 10	-	-
Notes receivable	Note 11	7,775,433	9,629,553
Deposits and pre-paid expenses	Note 12	3,208,452	3,318,061
Total current assets		35,716,170	28,694,306
Long-term			
Property, plant and equipment	Note 13	17,512,938	16,230,987
Intangible assets and goodwill	Note 14	29,131,934	39,640,881
Notes receivable	Note 11	3,160,745	-
Investments and deposits	Note 6	19,275,132	3,188,071
Total long-term assets		69,080,749	59,059,939
Total assets		104,796,919	87,754,245
Liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		11,634,468	8,662,179
Debenture liability	Note 16	9,661,212	-
Other loans	Note 18	6,875,442	435,839
Income tax payable	Note 21	585,689	580,720
Sales & cultivation tax payable	Note 21	1,530,447	301,257
Total current liabilities		30,287,258	9,979,995
Long-term liabilities			
Debenture liability	Note 16	1,286,625	8,398,727
Lease liability	Note 7	5,665,582	3,157,069
Other loans	Note 18	1,100,975	6,598,912
Total long-term liabilities		8,053,182	18,154,708
Total Liabilities		38,340,440	28,134,703
Shareholders' equity			
Share capital	Note 17	231,683,918	136,827,655
Share capital reserve	Note 17	12,953,614	8,307,521
Convertible debenture equity reserve	Note 16	862,630	653,557
Equity reserve	Note 17	6,302,397	3,338,204
Non-controlling interest	Note 24	(2,295,905)	-
Accumulated other comprehensive income		214,544	524,779
Deficit		(183,264,719)	(90,032,174)
Total shareholders' equity		66,456,479	59,619,542
Total shareholders' equity and liabilities		104,796,919	87,754,245

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:

Kiran Sidhu
CEO and Director

Philip van den Berg
CFO and Director

Halo Collective Inc.
Consolidated Statements of Loss and Comprehensive Loss

Expressed in US dollars

		<i>For the year ended:</i>	
		<i>December 31, 2021</i>	<i>December 31, 2020</i>
Revenue		36,179,930	21,641,452
Cost of finished cannabis inventory sold	Note 9, 10	30,860,228	18,607,643
Gross profit, excluding fair value items		5,319,702	3,033,809
Unrealized fair value gain on growth of biological assets	Note 10	(1,062,874)	(2,225,647)
Realized fair value loss included in the cost of inventory sold	Note 10	1,930,915	991,248
Gross profit		4,451,661	4,268,208
General and administration		8,840,841	3,975,208
Salaries		12,751,919	4,782,228
Professional fees		10,284,828	7,424,091
Sales and marketing		5,398,514	3,538,445
Investor relations		766,085	996,499
(Gain) Loss on settlements and contingencies	Note 17, 22	(69,388)	325,816
Share based compensation	Note 17	5,146,605	2,483,001
Accretion expense		1,307,438	1,206,002
Impairment loss	Note 6, 13, 14	60,349,562	16,255,803
Other expense		192,824	-
Gain on disposal of a segment	Note 23	(9,181,510)	-
Share of loss from investment in associates	Note 6	645,846	-
Depreciation	Note 13, 14	2,276,412	1,070,702
(Gain) loss on foreign exchange		(44,967)	1,937,044
Interest expense	Note 16, 18	2,638,799	1,451,141
Loss before income taxes		(96,852,147)	(41,177,772)
Deferred income tax	Note 21	-	-
Income tax	Note 21	56,413	6,000
Net loss		(96,908,560)	(41,183,772)
Other comprehensive income			
Unrealized (gain) loss on foreign currency translation		310,235	(1,113,903)
Comprehensive loss		(97,218,795)	(40,069,869)
Net comprehensive loss attributable to:			
Halo Collective Inc.		(94,612,655)	-
Non-controlling interests	Note 24	(2,295,905)	-
Net loss per share, basic and diluted:		\$ (4.22)	\$ (7.27)
Weighted average number of outstanding common shares, basic and diluted:		22,973,815	5,662,422

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
Shareholders' equity, December 31, 2019		2,800,655	\$ 67,909,461	\$ 1,649,617	\$ 3,802,395	\$ -	\$ 655,090	\$ (589,124)	\$ (49,135,109)	\$ -	\$ 24,292,330
Share issuance in private placements	Note17	511,363	2,469,538	-	-	-	-	-	-	-	2,469,538
Share issuance from ATM offering	Note17	1,344,526	5,341,045	-	-	-	-	-	-	-	5,341,045
Shares issued for acquisitions	Note17	8,140,021	51,294,309	3,368	58,496	-	-	-	-	-	51,356,173
Shares issued to retire debt	Note17	93,825	920,091	-	-	-	-	-	-	-	920,091
Shares issued as finders' fees	Note17	253,189	1,565,809	-	-	-	-	-	-	-	1,565,809
Shares issued on conversion of debenture	Note17	230	10,601	-	-	-	(1,533)	-	-	-	9,068
Share issue costs	Note17	20,393	(147,190)	-	-	-	-	-	-	-	(147,190)
Share-based compensation for services	Note17	711,877	5,896,162	-	679,479	-	-	-	-	-	6,575,641
Share-based compensation for staff	Note17	245,950	1,415,172	2,451,903	-	-	-	-	-	-	3,867,075
Shares issued on exercise of warrants and options	Note17	10,000	119,409	-	(51,030)	-	-	-	-	-	68,379
Shares issued on conversion of broker warrants	Note17	-	-	-	-	-	-	-	-	-	-
Obligation to issue shares	Note17	3,715	33,247	-	-	88,587	-	-	-	-	121,834
Reserve for earn-out payments	Note17	-	-	-	-	3,249,617	-	-	-	-	3,249,617
Non-controlling interest from acquisitions	Note17	-	-	-	-	-	-	-	-	-	-
Forfeiture warrants and options	Note17	-	-	(212,849)	(73,858)	-	-	-	286,707	-	-
Net loss and other comprehensive loss		-	-	-	-	-	-	1,113,903	(41,183,772)	-	(40,069,869)
Shareholders equity, December 31, 2020		14,135,744	\$ 136,827,655	\$ 3,892,039	\$ 4,415,482	\$ 3,338,204	\$ 653,557	\$ 524,779	\$ (90,032,174)	\$ -	\$ 59,619,542
		Common shares	Common shares	Options	Warrants	Equity reserve	Convertible conversion option	Accumulated OCI	Deficit	Non-controlling interest	Total
Shareholders' equity, December 31, 2020		14,135,744	\$ 136,827,655	\$ 3,892,039	\$ 4,415,482	\$ 3,338,204	\$ 653,557	\$ 524,779	\$ (90,032,174)	\$ -	\$ 59,619,542
Share issuance in private placements	Note17	6,013,824	31,378,055	954,319	-	-	-	-	-	-	32,332,374
Shares issued for acquisitions	Note17	9,862,360	54,263,632	-	-	2,964,193	-	-	-	-	57,227,825
Shares issued to retire debt	Note17	125,000	1,183,319	-	-	-	-	-	-	-	1,183,319
Shares issued as finders' fees	Note17	694,040	3,883,979	-	-	-	-	-	-	-	3,883,979
Equity reserve for debenture	Note17	-	-	-	-	-	212,411	-	-	-	212,411
Shares issued on conversion of debenture	Note17	461	23,684	-	-	-	(3,338)	-	-	-	20,346
Share issue costs	Note17	-	(1,747,479)	-	-	-	-	-	-	-	(1,747,479)
Share-based compensation for services	Note17	1,014,181	3,218,123	-	438,671	-	-	-	-	-	3,656,794
Share-based compensation for staff	Note17	637,472	1,476,834	4,769,165	-	-	-	-	-	-	6,245,999
Shares issued on exercise of warrants and options	Note17	42,860	383,239	(135,952)	-	-	-	-	-	-	247,287
Shares issued on conversion of promissory notes	Note17	499,554	792,877	-	-	-	-	-	-	-	792,877
Forfeiture warrants and options	Note17	-	-	(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)
Shareholders equity, December 31, 2021		33,025,496	\$ 231,683,918	\$ 9,275,666	\$ 3,677,948	\$ 6,302,397	\$ 862,630	\$ 214,544	\$ (183,264,719)	\$ (2,295,905)	\$ 66,456,479

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, 2021 December 31, 2020

Cash provided by (used in)

Operating activities:

Net loss	(96,908,560)	(41,183,772)
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Items not involving cash

Depreciation	Note 13, 14	3,705,641	2,091,949
Accrued interest	Note 16, 18	1,253,946	419,861
Accretion expense	Note 16	1,307,438	1,206,002
(Gain) loss in fair value of biological assets	Note 10	868,041	(1,234,399)
Gain in foreign exchange		(342,418)	(250,902)
Gain on disposal of a segment	Note 23	(9,181,510)	-
Gain in early termination of lease		(154,664)	-
Loss on settlements and contingencies		-	325,816
Income tax provision	Note 21	-	6,000
Impairment loss	Note 6, 13, 14	60,349,562	16,255,803
Share of loss from investment in associates	Note 6	645,846	-
Share-based compensation	Note 17	10,817,008	10,442,716

Changes in working capital items

Accounts receivable	Note 8	(1,508,894)	5,111,125
Notes receivable	Note 11	(2,520,960)	257,462
Accounts payable and accrued liabilities		2,263,927	(4,052,521)
Tax payable	Note 21	1,231,579	328,011
Inventory	Note 9, 10	(6,803,951)	2,016,825
Pre-paid expenses and other	Note 12	(251,972)	(1,784,206)

Cash used in operating activities	(35,229,941)	(10,044,230)
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Investing activities

Net cash from acquisitions		3,399,293	845,890
Intangible assets	Note 14	(589,765)	-
Purchase of property, plant and equipment	Note 13	(2,600,522)	(3,573,149)

Cash provided by investing activities	209,006	(2,727,259)
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Financing activities

Issuance of common shares & convertible debentures	Note 16, 17	32,579,661	7,878,962
Loans	Note 18	3,968,604	3,509,919
Lease payments	Note 7	(1,621,092)	(853,300)
Share issuance costs	Note 17	(1,747,479)	(152,641)

Cash raised in finance activities	33,179,694	10,382,940
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Change in cash during the year	(1,841,241)	(2,388,549)
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Cash beginning of the year	3,679,865	6,068,414
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Cash end of the year	1,838,624	3,679,865
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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, 2021 December 31, 2020

Supplemental disclosure of cash flow information:

Cash paid for interest on lease obligations	953,484	419,861
Cash paid for interest on other obligations	835,192	828,863
Cash paid for income taxes	30,529	-

Supplemental disclosure of non-cash investing and financing activities:

Issuance of warrants	438,676	729,996
Shares issued in connection with acquisition	54,263,632	51,294,309
Note payable, net of discount, issued in connection with acquisition	1,225,863	-
Contingent consideration incurred in connection with acquisition	2,964,193	3,338,204
Conversion of convertible debt and accrued interest to equity	3,338	1,533

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, Nevada and California. The Company’s registered corporate office is 65 Queen Street West, Suite 805, Toronto, Ontario M5H 2M5.

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

Effective October 8, 2021, the Company has consolidated its common shares based on one post-consolidation common share for every 100 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 at December 31, 2021 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.

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

- On March 10, 2020, the Company closed a private placement concurrent with the acquisition of Halo Cannalift Delivery Inc., raising total gross proceeds of \$510,856 (C\$700,000);
- On April 17, 2020, the Company closed a private placement concurrent with the acquisition of Halo Nasalbinoid Natural Devices Corp., raising total gross proceeds of \$301,070 (C\$425,000);
- On September 16, 2020, the Company established an at-the-market equity program (the "ATM

Program") that allows the Company to issue and sell up to C\$7,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion. All Common Shares sold under the ATM Program will be sold through the Neo Exchange Inc. or another marketplace (as defined in National Instrument 21-101 - *Marketplace Operation*) upon which the common shares are listed, quoted or otherwise traded, at the prevailing market price at the time of sale.

- Between September 17, 2020, and December 17, 2020, a total of 1,344,526 shares were issued in connection to the ATM public offering for gross proceeds of \$5,337,955 (C\$7,000,000) (Note 17);
- On December 29, 2020, the Company closed a non-brokered private placement concurrent with the acquisition 1275111 B.C. Ltd, raising total gross proceeds of \$1,764,567 (C\$2,250,000) (Note 17);
- On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of \$8,227,061 (C\$9,217,699) (Note 17);
- On February 19, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of \$9,115,649 (C\$11,500,029) (Note 17);
- Between May 26, 2021, and September 20, 2021, a total of 4,334,260 shares were issued in connection to the ATM public offering for gross proceeds of \$15,673,736 (C\$20,000,000) (Note 17).

As at December 31, 2021, 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 Condensed 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 March 31, 2022.

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 serves as the functional currency of the parent. The Company's subsidiaries all have as functional currency the US dollar, except for Bophelo Bioscience and Wellness, Pty. Ltd, with the Loti as its functional currency, Canmart Ltd., with the British Pound Sterling as its functional currency, and Halo Kushbar Retail Inc., with the Canadian Dollar as its functional currency.

Subsidiaries of Halo Collective Inc.

	<i>December 31, 2021</i>	<i>December 31, 2020</i>
ANM, Inc.	100.0%	100.0%
Coastal Harvest, LLC	100.0%	100.0%
Halo AccuDab Holdings Inc.	100.0%	100.0%
Halo DispensaryTrack Software Inc.	100.0%	100.0%
HLO Peripherals LLC	100.0%	100.0%
HLO Ventures (NV), LLC	100.0%	100.0%
PSG Coastal Holdings, LLC	100.0%	100.0%
Industrial Court L9, LLC	100.0%	100.0%
Industrial Court L13, LLC	100.0%	100.0%
Halo Labs (USA) Holdings Inc.	100.0%	100.0%
Mendo Distribution & Transportation, LLC	100.0%	100.0%
Halo Cannalift Delivery Inc.	100.0%	100.0%
Halo Nasalbinoid Natural Devices Corp.	100.0%	100.0%
Bophelo Bioscience and Wellness Pty. Ltd.	49.3%	100.0%
LKJ11, LLC	66.7%	66.7%
Crimson & Black, LLC	100.0%	100.0%
Outer Galactic Chocolates, LLC	100.0%	100.0%
Ukiah Ventures Inc.	100.0%	100.0%
1265292 B.C. Ltd. Dba Cannafeels	100.0%	100.0%
Lake County Natural Health LLC	50.0%	50.0%
Canmart Ltd.	49.3%	100.0%
1275111 B.C. Ltd.	100.0%	100.0%
Halo Winberry Holdings, LLC	100.0%	100.0%
Halo IP Holdings	100.0%	100.0%
Bar X Farms, LLC	44.0%	0.0%
Triangle Canna Corp	44.0%	0.0%
Black & Crimson LLC	100.0%	0.0%
POI11 LLC	100.0%	0.0%
Nature's Best Resources LLC	100.0%	0.0%
1307296 B.C. Ltd.	100.0%	0.0%
Halo KushBar Retail Inc.	100.0%	0.0%
Food Concepts LLC	100.0%	0.0%
Simply Sweet Gummy Ltd.	100.0%	0.0%
Halo Tek Inc.	100.0%	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. Changes in these assumptions affect the fair value estimates.

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

Fair value of financial instruments

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

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

- 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.

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 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.

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, 2021.

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. Cost 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".

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

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

- Average selling 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

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

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

The Company adopted IFRS 16, effective January 1, 2019, using the retrospective approach. IFRS 16 introduces a single on-balance sheet accounting model for lessees. As a result, the Company has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

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.

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.

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the previous standard, IAS 18, Revenue. The Company adopted IFRS 15 using the modified retrospective (cumulative effect) method, with the effect of initially applying this standard recognized at January 1, 2018. The adoption of IFRS 15 did not have a significant impact on the Company's consolidated financial statements and there were no adjustments required to be recognized at January 1, 2018.

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.

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 and subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

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, 2020

	US	Canada	UK	Lesotho	Total
Revenue	\$ 21,641,452	\$ -	\$ -	\$ -	\$ 21,641,452
Cost of Cannabis inventory sold	18,572,659	-	-	34,984	18,607,643
Gross profit excluding FV changes	3,068,793	-	-	(34,984)	3,033,809
Realized and unrealized (gain) loss on biological assets	(1,234,399)	-	-	-	(1,234,399)
Gross profit / (loss)	4,303,192	-	-	(34,984)	4,268,208
Net loss	(19,759,848)	(17,450,949)	(70,554)	(3,902,421)	(41,183,772)
Total assets	24,367,839	57,947,564	5,521,918	719,104	87,754,245
Long-term financial liabilities	\$ 6,800,845	8,398,727	\$ -	\$ 2,955,136	\$ 18,154,708

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

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

6. Investments and deposits

Investments and deposits

As at:	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Long-term investments	\$ 18,595,132	\$ 1,211,767
Deposits	680,000	1,976,304
Total	\$ 19,275,132	\$ 3,188,071

High Tide Inc.

On February 14, 2020, the Company announced that it had completed an asset purchase agreement with High Tide Inc. (“High Tide”) for the purchase of three licensed retail cannabis stores, five development permits to build new cannabis stores in Alberta, and a number of trademarks, copyrights and digital assets. On February 18, 2020, the Company issued 134,615 common shares as a deposit per the terms of the agreement. The Company also issued a total of 23,076 shares as finders’ fees valued at 5% of the total deal value. The deposit of shares and the finders’ fee have been classified as a long-term investment in the amount of \$1,687,089 in relation to the pending acquisition of High Tide and an amount of \$289,215 in related finders’ fees. On September 1, 2020, the Company and High Tide entered into an amended and restated asset purchase agreement to amend the terms. Under the amended agreement, High Tide will sell its three operating KushBar retail cannabis stores to Halo, payable in the form of: (a) a deposit, which has already been paid to High Tide by way of the issuance of 134,615 Halo common shares; (b) a convertible promissory note to be issued by Halo on closing in the principal amount of C\$1.8 million with a conversion rate of C\$16 per Halo common share; and (c) a convertible promissory note to be issued by Halo on the twelve months anniversary of closing in the principal amount of C\$400,000 with a conversion rate of C\$16 per Halo common share, provided that certain revenue thresholds are met. If the portfolio produced aggregate revenues less than the set threshold during the previous twelve months, then the principal amount of the earnout note will be reduced dollar for dollar. On July 15, 2021, the asset purchase agreement was closed.

As at December 31, 2021, the acquisition of Halo KushBar had closed and Halo KushBar was consolidated and \$1,976,304 was no longer a deposit in relation to the acquisition of certain assets of High Tide Inc.

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 154,479 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 15,000 common share purchase warrants to FlowerShop* exercisable at a price of C\$13.50. The warrants will vest quarterly over twelve months and expire two years from the issue date. The value of the warrants was included in the closing costs. Assumptions used for the calculation of the grant date and fair value of the warrants granted can be found in

Note 17.2.

For the year ended December 31, 2021, the Company has recorded a loss from investment in Feel Better LLC of \$112,316 (for the year ended December 31, 2020: Nil).

As at December 31, 2021, a long-term investment of \$1,099,450 was recorded (December 31, 2020: \$1,211,766).

Elegance Brands, LLC

On June 21, 2021, the Company has 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.

As at December 31, 2021, a long-term investment of \$7,000,000 was recorded (December 31, 2020: Nil).

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 258,133 common shares of Halo. \$500,000 of the purchase price will be placed into escrow to serve as a source for any potential indemnification claims against the selling parties. The closing of the transaction is subject to the approval of the NEO Exchange Inc. and the OLCC, as well as the satisfaction of other customary closing conditions. The closing is expected to occur in Q2 2022.

Concurrently with signing the asset purchase agreement, ANM and the William's Wonder entities also entered into a services agreement pursuant to which ANM Williams Farms LLC will assist with the day-to-day operations of the business pending the closing of the acquisition. ANM Inc. also entered into an offtake agreement with the William's Wonder entities pursuant to which it will purchase 100% of the finished product produced at William's Wonder Farms pending the closing of the transaction.

As at December 31, 2021, a deposit of \$680,000 was recorded in relation to the pending acquisition of William's Wonder Farms LLC (December 31, 2020: Nil).

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).

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).

For the year ended December 31, 2021, the Company has recorded a loss from investment in Akanda of \$533,530 (for the year ended December 31, 2020: Nil).

As at December 31, 2021, a long-term investment of \$10,495,682 was recorded (December 31, 2020: Nil).

7. Leases

During the year ended December 31, 2021, an amount of \$6,247,790 was added to lease liabilities (year ended December 31, 2020: \$2,059,630). The addition in the year ended December 31, 2021, was in relation to closing the asset purchase agreement between Halo Winberry Holdings, LLC ("Halo Winberry") and Herban Industries OR LLC ("Herban OR") in an amount of \$159,852 and \$86,058 were added on extension of the lease after closing of the acquisitions. There was also addition of \$958,750 from asset acquisition with Bar X Farms, LLC. An amount of \$1,352,047 was added to lease liabilities on the renewal of leases at 130 West Clark Street and East Evans Creek. There was also addition of \$1,628,356 from consolidation of Food Concepts LLC, \$493,670 from consolidation of Halo KushBar Retail Inc., \$485,654 in relation to the pending acquisition of ZXC11 and \$1,083,403 in relation to the pending acquisition of SDF11.

During the year ended December 31, 2021, an amount of \$6,250,293 was added to the right of use assets (year ended December 31, 2020: \$1,996,769). The addition in the year ended December 31, 2021, was in relation to closing the asset purchase agreement between Halo Winberry and Herban OR in an amount of \$161,385 and \$87,028 were added on extension of the right of use assets after the closing of the acquisitions. There was also addition of \$958,750 from asset acquisition with Bar X Farms, LLC. An amount of \$1,352,047 was added to the right of use assets on renewal of the leases at 130 West Clark Street and East Evans Creek. There was also addition of \$1,628,356 from consolidation of Food Concepts LLC, \$493,670 from consolidation of Halo KushBar Retail Inc., \$485,654 in relation to the pending acquisition of ZXC11 and \$1,083,403 in relation to the pending acquisition of SDF11.

In the year ended December 31, 2021, the balance of lease payments of \$1,621,092 (year ended December 31, 2020: \$853,300) and non-cash interest charged to the Statement of Loss of \$953,484 (year ended December 31, 2020: \$419,861) reduced lease liabilities with \$667,608 (year ended December 31, 2020: \$433,439). The current portion of lease liabilities is recorded as accrued liabilities. The long-term portion is recorded as lease liability under long-term liabilities.

Lease liabilities

Balance December 31, 2019	\$ 1,964,054
Additions	2,059,630
Payments	(853,300)
Interest expense	419,861
Post Road adjustment	(83,217)
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
Current portion	1,010,423
Long-term portion	5,665,582

Right of use of assets

Balance December 31, 2019	\$ 2,434,493
Additions	1,996,769
Post Road adjustment	(41,063)
Movement in foreign exchange	217,499
Amortization	(630,743)
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

8. Accounts receivable

Accounts receivable		
As at:	December 31, 2021	December 31, 2020
1 - 30 days	1,958,728	\$ 1,461,677
30 - 60 days	2,869,968	168,415
60 - 90 days	227,479	90,385
> 90 days	1,017,054	64,895
Total	\$ 6,073,229	\$ 1,785,372

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

Accounts receivable		
As at:	December 31, 2021	December 31, 2020
Accounts receivable - trade	\$ 6,484,206	\$ 1,912,093
Bad debt provision	(410,977)	(126,721)
Total accounts receivable	\$ 6,073,229	\$ 1,785,372

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, 2021, \$970,195 in accounts receivable over 90 days (year ended December 31, 2020: Nil) was written down to zero.

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

As at:	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Raw materials	\$ 2,915,613	\$ 5,680,962
Work in progress	2,809,852	2,345,093
Finished goods	11,094,967	2,255,400
Total	\$ 16,820,432	\$ 10,281,455

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, 2021, the amount included in the cost of goods sold was \$24,789,764 (year ended December 31, 2020: \$14,203,009). 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, 2021, \$1,963,453 of inventory impairments were charged to the cost of goods sold (year ended December 31, 2020: \$2,161,354).

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 East Evans Creek

Balance at December 31, 2019	\$	-
Fair value change due to biological transformation		2,225,647
Production costs capitalized		2,310,176
Transferred to inventory upon harvest		(4,535,823)
Balance at 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 at December 31, 2021	\$	-

In the year ended December 31, 2021, at East Evans Creek, the fair value change due to biological assets transformation in the cannabis plants model was \$787,043 and capitalized production costs were \$1,919,200.

Assumptions utilized in cannabis plant model - East Evans Creek

	Flower	Harvest season 2021		Harvest season 2020	
		Trim	Fresh frozen	Flower	Trim
Ratio flower vs. trim	31.0%	49.0%	20.0%	16.0%	84.0%
Yield - pounds	6,396	10,030	4,142	2,546	13,364
Yield per plant - pounds	1.74	0.97	1.61	0.99	5.20
Selling price - \$ per gram	\$ 0.66	\$ 0.06	\$ 0.04	\$ 0.99	\$ 0.20
FVLCS - \$ per gram	\$ 0.32	\$ 0.03	\$ 0.02	\$ 0.77	\$ 0.16

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks;

- Number of plants harvested 9,233. Dry flower yield is 1.74 pounds, trim yield is 0.97 pounds, fresh frozen yield is 1.61 pounds;
- Total yield estimate is 20,568 pounds of biomass;
- Ratio of flower, trim and fresh frozen is 31% - 49% - 20%
- Wholesale price per gram is \$0.66 for flower, \$0.06 for trim and \$0.04 for fresh frozen, based on historical and expected future sales;
- Costs to complete and sell is \$0.34 per gram for flower, \$0.03 for trim and \$0.02 for fresh frozen;
- FVLCS of dry cannabis is \$0.32 per gram for flower, \$0.03 for trim and \$0.02 for fresh frozen.

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

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

Assumption:	Input	10% Change
Expected yields for cannabis plants (average pounds per plant)		
Dry flower	1.74 pounds per plant	\$ 259,476
Trim	0.97 pounds per plant	
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	94%	\$ 167,976
Estimated selling price (per pound)		
Dry flower	\$ 311	\$ 547,703
Trim	\$ 51	
After harvest cost to complete and sell (per pound)		
Dry flower	\$ 166	\$ 288,227
Trim	\$ 25	

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

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

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

11. Notes receivable

Notes receivable		
As at:	December 31, 2021	December 31, 2020
Due from Akanda; including secured debenture and note receivable	\$ 6,705,767	\$ -
Due from executives; ranging from due on receipt to 5 year term, annual interest at 0% - 2.5%	306,890	414,846
Due from suppliers; 5 year term at 2.5% annual interest	1,144,122	586,429
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	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	57,498	-
Due from Herban Industries OR LLC (Note 14)	-	8,373,047
Other notes receivable	-	255,231
Sub-total	10,936,178	9,629,553
Less current portion	(7,775,433)	(9,629,553)
Total	\$ 3,160,745	\$ -

Notes receivable as at December 31, 2021, were \$10,936,178 (December 31, 2020: \$9,629,553). They include:

- A \$6,705,767 note receivable from Akanda including \$6,559,294 Secured Debenture with terms specified below and \$146,473 note receivable with no specific payment terms (December 31, 2020: Nil);
- \$306,890 due from executives of the Company or entities controlled by executives of the Company with varied terms from due on receipt bears no interest to 5 year term with 2.5% annual interest (December 31, 2020: \$414,846)
- an amount of \$1,144,122 due from suppliers with 5 year term and bears 2.5% annual interest (December 31, 2020: \$586,429);
- \$1,243,016 due from Bar X Farms, LLC with 8% annual interest and matures on December 31, 2023 (December 31, 2020: Nil);

- \$649,117 due from Lake County National Health LLC non-recourse promissory note that bears 15% annual interest matures on October 1, 2022 (December 31, 2020: \$Nil);
- \$430,771 from the Williams Wonder acquisition pending closure (December 31, 2020: Nil);
- \$398,997 from the Pistil Point acquisition pending closure (December 31, 2020: Nil); and
- \$57,498 from secured line of credit promissory note that bears 2% annual interest and matures on January 13, 2023 (December 31, 2020: \$Nil);

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. 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.

12. Deposits and prepaid expenses

Deposits and prepaid expenses

As at:	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Prepaid expenses and other	\$ 3,208,452	\$ 3,318,061

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.

13. Property, plant and equipment

In the year ended December 31, 2021, an amount of \$10,318,628 was added to property, plant and equipment (year ended December 31, 2020: \$10,851,952).

Production equipment increased with \$2,282,724 (year ended December 31, 2020: \$944,788). An amount of \$794,920 was added at ANM Inc., \$445,530 was added at Mendo Distribution & Transportation Inc., \$304,909 was added at 1307296 BC Ltd., \$300,000 was added at Nature's Best, \$208,788 was added at Bophelo, \$119,060 was added at Bar X, \$81,845 was added at Halo Winberry and \$27,672 was added at

Coastal Harvest.

Leased assets in the amount of \$6,250,293 were added in the year ended December 31, 2021 (year ended December 31, 2020: \$1,996,769). The addition to leased assets in the amount of \$1,352,047 related to lease renewals at 130 Clark Street and East Evans Creek, \$248,413 acquired on consolidation of Halo Winberry, leases, \$493,670 acquired on consolidation of Kushbar leases, \$958,750 acquired on consolidation of Bar X leases, \$1,628,356 acquired on consolidation of Food Concepts leases, \$1,083,403 acquired in relation to the pending acquisition of SDF11 leases, and \$485,654 in relation to the pending acquisition of ZXC11 leases.

Property, plant and equipment

	Production equipment	Land & buildings	Leasehold improvement	Office equipment	Leased assets	Vehicles	Total
Cost:							
Balance as at December 31, 2019	\$ 3,793,332	\$ -	\$ 2,058,016	\$ 97,652	\$ 2,937,930	\$ -	\$ 8,886,930
Additions	944,788	6,714,150	1,166,763	4,998	1,996,769	24,484	10,851,952
Reclassify	(43,467)	787,609	(744,141)	-	(41,062)	-	(41,061)
Movement in foreign exchange	62,056	105,438	32,786	-	222,472	3,278	426,030
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)
Movement in foreign exchange	(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
Accumulated depreciation:							
Balance as at December 31, 2019	(1,306,273)	-	(382,081)	(39,424)	(503,437)	-	(2,231,215)
Additions	(695,806)	(72,091)	(228,788)	(20,698)	(630,743)	(3,862)	(1,651,988)
Movement in foreign exchange	(3,351)	-	(819)	-	(4,974)	(517)	(9,661)
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)
Net book value:							
Net book value December 31, 2020	2,751,279	7,535,106	1,901,736	42,528	3,976,955	23,383	16,230,987
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

In the year ended December 31, 2021, the Company recorded impairments on leased assets of \$1,038,263 in relation to the pending acquisition of SDF11 and \$420,902 in relation to the pending acquisition of ZXC11.

In the year ended December 31, 2021, the Company recorded impairments on leasehold improvements of

\$49,555 in relation to the pending acquisition of SDF11 and \$263,463 in relation to the pending acquisition of ZXC11.

Total depreciation expense for the year ended December 31, 2021, was \$2,586,505 (year ended December 31, 2020: \$1,651,988). An amount of \$1,429,225 was recognized as cost of goods sold (year ended December 31, 2020: \$1,021,245) and \$1,157,280 was recognized as operating expenses in relation to leased assets (year ended December 31, 2020: \$630,743).

14. Intangible assets and goodwill

Intangible assets and goodwill

	Licenses and facility option	Brand names	Software	Intellectual property	Goodwill	Total
Cost:						
Balance as at December 31, 2019	\$ 7,531,014	\$ 8,654	\$ 2,113,958	\$ 2,260,972	\$ -	\$ 11,914,598
Additions	11,648,114	-	128,402	16,530,460	16,298,959	44,605,935
Movement in foreign exchange	46,524	-	-	-	-	46,524
Impairment	(5,367,939)	-	-	-	(10,214,724)	(15,582,663)
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
Dispositions	-	-	-	-	-	-
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
Accumulated amortization:						
Balance as at December 31, 2019	(712,957)	(2,798)	-	-	-	(715,755)
Movement in foreign exchange	(52)	-	-	-	-	(52)
Amortization	(625,976)	(1,730)	-	-	-	(627,706)
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)
Net book value:						
Net book value December 31, 2020	12,518,728	4,126	2,242,360	18,791,432	6,084,235	39,640,881
Net book value December 31, 2021	\$ 5,826,785	\$ 2,509,863	\$ 2,242,360	\$ 16,522,397	\$ 2,030,529	\$ 29,131,934

In the year ended December 31, 2021, goodwill in the amount of \$12,310,811 (year ended December 31, 2020: \$16,298,959) and intangibles assets in the amount of \$40,671,936 (year ended December 31, 2020:

\$28,306,976) were added.

Total amortization expense for the year ended December 31, 2021, of \$1,315,433 (year ended December 31, 2020: \$627,706) was recognized in operating expenses.

Annual impairment testing involves determining the recoverable amount of the cash generating unit (“CGU”) to which goodwill is allocated and comparing this to the carrying value of the CGU. The impairment is first allocated to reduce the carrying amount of the goodwill, with the remaining losses then allocated to other assets in accordance with IAS 36 Impairment of Assets. The Company’s CGU’s to which goodwill has been allocated include Mendo Distribution and Transportation, LLC, Ukiah Ventures Inc., Food Concepts LLC., and Herban Industries OR LLC.

To estimate the recoverable amount of each CGU, management calculated the fair value less cost of disposal using an income approach. The key assumptions used in the calculation of the recoverable amount included detailed management’s projection of future cash flows for one year period followed by three to five years of projections based on expected growth rate of revenues and cost categories with a terminal value thereafter and discount rates of 26.7% for OGC and 30% for Ukiah Ventures Inc. against risk adjusted cash flows.

For the year ended December 31, 2021, annual impairment tests were also conducted on the intangible assets, consisting of those acquired with HLO Ventures (NV) LLC, Mendo Distribution & Transportation LLC, Ukiah Ventures Inc., POI11 LLC, Black & Crimson LLC, Nature’s Best Resources LLC, Food Concepts LLC, Simply Sweet Gummy Ltd., Halo Kushbar Retail Inc., Herban Industries OR LLC, Halo Nasalbinoid Natural Devices Corp, and 1265292 B.C. Ltd. Dba Cannafeels. Using discounted-cash-flow model based on the agreed upon royalty fee structure for Black & Crimson LLC and POI11 LLC, relief of royalty method for Nature’s Best Resources LLC and Simply Sweet Gummy Ltd., management estimated that the carrying value of the intangible assets were higher than the recoverable amount for the year ended December 31, 2021 and therefore recorded impairments of \$330,072 on HLO Ventures (NV) LLC, \$13,876,631 on POI11 LLC, \$13,876,631 on Black & Crimson LLC, \$2,504,760 on Nature’s Best Resources LLC, \$6,397,834 on Food Concepts LLC, \$5,963,772 on Simply Sweet Gummy Ltd, \$2,163,979 on Mendo Distribution and Transportation LLC, \$1,588,346 on Ukiah Ventures Inc., \$3,882,448 on Herban Industries OR LLC, and \$2,301,195 on 1265292 B.C. Ltd. Dba Cannafeels.

ANM, Inc.

The Company has four producer licenses for its farm, East Evans Creek. The Company also has a wholesale distribution license and a producer license for its production facility in Medford. The Company also has a wholesale distribution license for a consideration in the amount of \$143,265 and a producer license for a consideration in the amount of \$235,000 for its subsidiary in Grants Pass. The Company also has a producer license for a consideration in the amount of \$200,000 for its subsidiary in Jacksonville. The licenses are renewed each year.

Coastal Harvest, LLC

On June 20, 2017, the Company signed a membership interest purchase agreement, effective October 16, 2017, for the purchase of a volatile extraction license for Cathedral City, California. The transaction did not

meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset acquisition. The purchase price of the license was \$2,000,000. The license is renewed each year. The Company made a down payment of \$100,000 and issued convertible promissory notes for the balance of \$1,900,000. The value of the consideration and transaction costs were attributed to the intangible assets in the amount of \$2,129,219, and to prepaid expenses in the amount of \$33,850 for certain lease deposits acquired in the same transaction. The intangible asset is a volatile extraction license and facility option.

As at December 31, 2021, the carrying value of the intangible assets net of amortization was \$831,759 (December 31, 2020: \$910,971).

Industrial Court L9, LLC

On September 26, 2018, the Company acquired a 100% interest in Industrial Court L9, LLC, ("ICL9") a Delaware limited liability company. The Company signed a membership interest contribution agreement which included licenses for manufacturing and distribution in Cathedral City, California for a consideration in the amount of \$2,000,000 plus \$15,890 in transaction costs. The total consideration of \$2,015,890 was capitalized to intangible assets. The nature of the intangible assets are the licenses for manufacturing and distribution and a facility option.

As at December 31, 2021, the carrying value of the intangible assets net of amortization was \$1,574,684 (December 31, 2020: \$1,711,411).

Industrial Court L13, LLC

On March 5, 2019, the Company acquired a 100% interest in Industrial Court L13, LLC ("ICL13"), a Delaware limited liability company which is party to a sublease (as subtenant) for a facility in Cathedral City, California for a total consideration of \$2,535,475 consisting of 73,248 common shares of the Company valued at \$2,459,826 and costs in relation to the closing of the transaction of \$75,649. The total consideration of \$2,535,475 was capitalized to intangible assets. The nature of the intangible asset is the license to manufacture at the premise and a facility option.

As at December 31, 2021, the carrying value of the intangible assets net of amortization was \$1,955,896 (December 31, 2020: \$2,119,951).

HLO Ventures (NV), LLC

During the year ended December 31, 2018, the Company entered into a definitive agreement for the purchase of Nevada marijuana licenses together with certain property, plant and equipment used in the operations of the businesses operating under or in connection with the Nevada marijuana licenses.

The Company recorded an impairment of \$330,072 in the year ended December 31, 2021 (year ended December 31, 2020: \$1,253,056).

As at December 31, 2021, the carrying value of the intangible assets net of amortization was Nil (December 31, 2020: \$351,124).

Halo DispensaryTrack Software, Inc.

On October 11, 2019, the Company, through Halo DispensaryTrack Software Inc., acquired CannPos Services Corp. ("CannPos") in exchange for 187,857 Halo common shares valued at \$3,698,821, and closing costs of \$530,573. CannPos did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the transaction, consisting of 12,500 performance shares valued at \$128,402 were recorded in the three months ended March 31, 2020.

The total consideration of the transaction in the amount of \$4,299,394 was attributed to intangibles assets as the company's sole asset was software.

As at December 31, 2021, the carrying value of intangible assets was \$2,242,360 (December 31, 2020: \$2,242,360). No amortization was recorded.

Halo AccuDab Holdings, Inc.

On December 31, 2019, the Company, through a wholly owned subsidiary, Halo AccuDab Holdings Inc., acquired Precisa Medical Instruments Corp. ("Precisa") in exchange for 133,928 Halo common shares valued at \$2,887,281, and closing costs of \$393,121. Precisa did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. The Company recorded an impairment of \$1,019,431 in the year ended December 31, 2019.

The total consideration of the transaction in the amount of \$3,280,402 was attributed to intangible assets as the Company's sole asset is the intellectual property related to the Accu-Dab THC and CBD oil oral delivery device under development, including technical documentation, drawings and product designs.

As at December 31, 2021, the carrying value of intangible assets was \$2,260,972 (December 31, 2020: \$2,260,972). No amortization was recorded.

Mendo Distribution and Transportation, LLC

On January 9, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares in the capital of Mendo Distribution and Transportation LLC. ("MDT") valued at \$4,643,988 in exchange for 209,075 Halo common shares issued to MDT Holdings, LLC, the previous sole member of MDT. Upon closing 124,605 Halo common shares were deposited into escrow. Under the terms of the escrow agreement 82,370 Halo common shares are released in twelve (12) equal monthly installments, and 42,234 common shares are released twelve (12) months following the closing of the MDT acquisition (subject to the Company's right to claw back shares for undisclosed liabilities or other indemnification obligations of the seller).

The total consideration of the acquisition was \$4,643,988. MDT met the definition of a business under IFRS 3. Consequently, the transaction was recorded as a business combination. Closing costs of \$103,426 and advisory fees in the amount of \$250,000 for a total of \$353,426 were expensed.

Purchase price allocation

Fixed assets	\$ 15,770
Right of use assets	197,882
Intangible assets	1,440,627
Goodwill	5,296,938
Inventory	3,795,872
Accounts receivable	42,446
Lease liability	(221,695)
Accounts payable	(4,715,655)
Other liabilities	(1,208,197)
Net purchase price	\$ 4,643,988

Based in Ukiah, MDT holds a Type 11 cannabis distribution license issued by the Bureau of Cannabis Control of California, which is capitalized as an intangible asset.

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 an impairment of intangible assets of \$1,296,565 and an impairment of goodwill of \$867,415 for the year ended December 31, 2021.

As at December 31, 2021, the carrying value of intangible assets was \$Nil (year ended December 31, 2020: \$1,296,565) and the carrying value of goodwill was \$Nil (year ended December 31, 2021: \$867,415).

Halo Cannalift Delivery Inc.

On March 10, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares in the capital of Halo Cannalift Delivery Inc. ("Cannalift") in exchange for 310,000 of common shares of Halo valued at \$2,484,155. Cannalift did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the acquisition, consisting of 24,800 shares valued at \$198,732 and other cost in the amount of \$31,730 for a total of \$230,462, were capitalized.

The total consideration of the transaction in the amount of \$2,714,617 was attributed to intangible assets as the Company's sole asset was the intellectual property related to the development of the delivery application, including technical documentation, drawings and product designs.

As at December 31, 2021, the carrying value of intangible assets was \$2,714,617 (December 31, 2020: \$2,714,617). No amortization was recorded.

Halo Nasalbinoid Natural Devices, Corp.

On April 20, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares in the capital of Halo Nasalbinoid Natural Devices, Corp. (“Nasalbinoid”) in exchange for 340,000 of Halo common shares valued at \$2,640,870. Nasalbinoid did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Other costs in relation to the closing of the transaction, consisting of 34,000 shares valued at \$264,087 and other cost in the amount of \$34,829 for a total of \$298,916, were capitalized.

The total consideration of the transaction in the amount of \$2,939,786 was attributed to intangible assets as Nasalbinoid’s sole asset is the intellectual property related to a delivery application under development, including technical documentation, drawings and product designs.

As at December 31, 2021, the carrying value of intangible assets was \$2,939,786 (December 31, 2020: \$2,939,786). No amortization was recorded.

LKJ11, LLC and Crimson & Black, LLC

On July 6, 2020, the Company acquired a company holding of 66 2/3% interest in LKJ11, LLC. (“LKJ11”) in exchange for 428,816 Halo common shares valued at \$3,800,722. LKJ11 did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. To effectuate the LKJ11 transaction, the majority member of LKJ11 merged with and into Halo’s MFT11 Merger Sub, Inc. and the majority member that remains the surviving entity is wholly owned by PSG Coastal Holdings, LLC (“PSG”), an indirect wholly owned subsidiary of Halo. Upon closing, the Company issued 85,763 common shares to the vendors. Of the total consideration, 343,053 shares have not yet been issued. Adjusted for a 10% probability that milestones are not achieved, 308,747 shares are included in the equity reserve as reserve for earn-out payments. Earn-out shares will be issued as follows:

- 171,526 Halo shares to be issued when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and
- 171,526 Halo shares to be issued when LKJ11 is granted a lease extension for an aggregate of five years or a new location lease for a term of 5 years from the closing date.

On July 6, 2020, the Company acquired 100% of the outstanding membership interest in Crimson & Black, LLC (“C&B”) in exchange for 64,322 Halo common shares valued at \$570,108. C&B did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the transaction in the amount of \$99,831 were capitalized. To effectuate the C&B transaction, C&B merged with and into Halo’s C&B Merger Sub, Inc. and C&B remains the surviving entity and is wholly owned by PSG.

The Company shares have not yet been issued. Adjusted for a probability that milestones are not achieved, 57,890 shares were included in the equity reserve as a reserve for earn-out payments. Earn-out shares will be issued as follows:

- 32,161 Halo shares when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and
- 32,161 Halo shares when LKJ11 is granted a lease extension for an aggregate of 5 years or a new location lease for a term of at least 5 years from the closing date.

The Company shares issued to the vendors are subject to a pooling agreement. On a combined basis, the sellers may not sell an aggregate number of securities on any given day that would exceed (i) 10% of the prior day's trading volume if the prior day closing price is less than C\$30, or (ii) 15% of the prior day's trading volume if the prior day closing price is greater than or equal to C\$30.

The total value of the combined transactions in the amount of \$4,109,592 included the right of use assets of \$88,165, attributed to intangible assets was \$4,114,885 and lease liabilities of \$93,458. The Company's main asset is an application for a retail license to operate the dispensary.

Due to the early stage of development of the intangible assets related to the application for a retail license and dispensary, the estimated fair value was determined as Nil.

Bophelo Bioscience & Wellness, Pty. Ltd.

Purchase price allocation

Fixed assets	\$ 1,461,590
Goodwill	6,738,997
Intangible assets	352,031
Right of use assets	1,596,982
Accounts receivable	97,980
Cash	32,620
Accounts payable	(701,057)
Lease liability	(1,610,218)
Debt	(1,028,859)
Net purchase price	\$ 6,940,066

On July 16, 2020, the Company completed the acquisition of Bophelo Bioscience & Wellness, Pty. Ltd. ("Bophelo") and issued an aggregate of 437,126 Halo common shares. The Company has also issued an additional 20,393 Halo shares as an arrangement fee. Following the closing of the acquisition, the Company settled certain debt obligations for an aggregate of 285,868 Halo shares.

The total consideration of the acquisition was \$6,940,066 and included the conversion of \$2,400,000 million of debt into Halo shares. Bophelo met the definition of a business combination under IFRS 3. Other costs in relation to the closing of the transaction of \$401,929 were expensed.

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. As at December 31, 2021, the carrying value of goodwill was Nil (December 31, 2020: \$3,628,474).

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

On July 31, 2020, the Company closed the acquisition of Outer Galactic Chocolates, LLC (“OGC”), holder of a Type N manufacturing license in Mendocino County in exchange for 19,818 Halo common shares valued at \$177,232. The acquisition gives the Company a license to produce infused and edible cannabis products adjacent to the Mendo Distribution and Transportation LLC (“MDT”) facility in Ukiah, California. Upon closing, the Company issued 4,954 Halo shares (25% of the total consideration) to OGC’s owner. The remaining 14,854 shares are issued in twelve equal installments of 1,239 Halo shares, deliverable on the first day of each of the twelve months immediately following the closing. As at December 31, 2021, 9,902 common shares in the Company are remaining to be issued.

The total consideration of the transaction was \$210,835. Attributed to intangible assets was an amount of \$151,229 for the Type N license. In addition, leasehold improvements, and depreciable assets in the amount of \$59,606 were acquired. Although the intangible asset was available for use as at December 31, 2021, the transaction did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to the closing of the transaction in the amount of \$33,603 were capitalized.

As at December 31, 2021, the carrying value of intangible assets net of amortization was \$139,886 (December 31, 2020: \$147,448).

Ukiah Ventures, Inc.

On August 19, 2020, the Company completed the acquisition of all the issued and outstanding shares of Ukiah Ventures, Inc. (“UVI”) in exchange for securities of the Company. Prior to the transaction, the Company held a 17.5% equity stake in Ukiah as a result of the Company’s initial investment in UVI in December 2019 (Note 6). The Company acquired the remaining issued and outstanding UVI shares in exchange for 718,816 Halo common shares valued at \$6,502,181, as described and pursuant to a share exchange agreement dated August 5, 2020, and therefore owns 100% of the total outstanding UVI shares. The total consideration of the acquisition was \$7,624,455. UVI met the definition of a business under IFRS 3. Consequently, the transaction was recorded as a business combination. Costs in relation to the closing of the transaction in the amount of \$19,707 were expensed.

Purchase price allocation

Fixed assets	\$ 3,576,211
Intangible assets	1,588,346
Goodwill	2,674,678
Accounts receivable	1,156,164
Cash	208,602
Accounts payable	(79,546)
Debt	(1,500,000)
<hr/>	
Net purchase price	\$ 7,624,455

The consideration of 100% of the shares in UVI included an impairment of \$448,383 which is explained by the difference between the fair value of the initial 17.5% share in the capital of UVI and the fair value at the time the Company acquired the remaining shares it did not already own.

In addition, the Company acquired all the outstanding warrants of UVI by issuing 500 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 \$25 per share until July 19, 2021. The warrants were valued at \$2,031 and included in the consideration.

An executive and a director of the Company were investors in UVI in an amount of \$75,000 (Note 15).

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, 2021, the carrying value of intangible assets was Nil (December 31, 2020: 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 an impairment of goodwill of \$1,588,346 in the year ended December 31, 2021. As at December 31, 2021, the carrying value of the goodwill was Nil (December 31, 2020: \$1,588,346).

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

On September 30, 2020, the Company entered into a definitive share exchange agreement with 1265292 B.C. Ltd., (doing business as Cannafeels) and the shareholders of Cannafeels. The Company acquired all the issued and outstanding shares of Cannafeels in exchange for 930,000 Halo common shares valued at \$5,586,005. Costs to close the transaction, consisting of 69,750 Halo common shares valued at \$418,950 an option grant valued at \$3,368 and other costs in relation to the closing of the transaction of \$11,261 for a total of \$433,579 were capitalized. The total consideration of the transaction was \$6,019,584.

The common shares issued by Halo in conjunction with the acquisition are subject to certain sale restrictions. Pursuant to the terms of the share exchange agreement, the shareholders have entered into a pooling agreement with the Company whereby the shareholders have agreed in the aggregate to not, during any trading day within one year of the closing of the acquisition, sell on a Canadian stock exchange (i) such aggregate number of common shares of the Company that would exceed the larger of 15% of the prior trading day's total volume of sale orders in common shares of the Company, and (ii) 3,500 common shares of the Company.

Cannafeels did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. The transaction was attributed to intangible assets, cash and accounts payable. The Company's main asset was the intellectual property related to the development of the Cannafeels App.

The Company recorded an impairment of intangible assets of \$2,301,195 for the year ended December 31, 2021 (year ended December 31, 2020: Nil).

As at December 31, 2021, the carrying value of intangible assets was \$2,834,400 (December 31, 2020: \$5,135,595). No amortization was recorded.

Canmart Ltd.

On November 10, 2020, the Company closed the acquisition of Canmart Ltd. ("Canmart") in exchange for 1,354,167 Halo common shares valued at \$5,168,575, to the holders of all of the issued and outstanding common shares in the capital of Canmart. Of the shares issued, 833,333 shares were escrowed and are released upon achieving certain milestones within two years from the closing of the acquisition.

Canmart did not meet the definition of a business under IFRS 3. Consequently, the transaction was recorded as an asset purchase. Costs in relation to closing the transaction, consisting of 101,562 Halo common shares valued at \$387,643 to Anmoho LLC an arm's length consultant of the Company and other costs of \$35,242 for a total of \$422,885, were capitalized.

The total consideration of \$5,591,460 included working capital of \$19,349. The consulting services Anmoho LLC provided include general and advisory review, due diligence, the preparation of a valuation and supporting the Company in negotiations with the vendor. The Company's main assets are a medicinal license and distribution network and were available for use as at December 31, 2021.

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.

On December 30, 2020, the Company closed the acquisition of 1275111 B.C. Ltd. pursuant to the terms of

a share exchange agreement to which the Company acquired all the issued and outstanding shares of 1275111 B.C. Ltd. in exchange for an aggregate of 1,474,753 Halo common shares valued at \$5,762,376. The intangible asset was available for use as at December 31, 2021, but 127511 B.C. Ltd did not meet the definition of a business under IFRS 3, and was recorded as an asset purchase. Costs in relation to closing the transaction in the amount of \$10,246 were capitalized.

The total consideration of the transaction was \$5,772,622 and attributed to intangible assets. The Company's main asset is the intellectual property related to patent pending intellectual property for cannabinoid filtration and purification technology.

As at December 31, 2021, the carrying value of intangible assets was \$5,772,622 (December 31, 2020: \$5,772,622). No amortization was recorded.

Herban Industries OR LLC

Purchase price allocation

Cash & bank	\$	194,368
Fixed assets		104,249
Intangible assets		2,742,000
Goodwill		3,882,448
Right of use assets		248,413
Inventory		780,672
Accounts receivable		678,963
Lease liabilities		(246,879)
Accounts payable		(412,212)
Net purchase price	\$	7,972,022

On November 18, 2020, the Company entered into a definitive debt purchase agreement with Halo Winberry Holdings, LLC, Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban Industries OR LLC ("Halo OR"), and Herban Industries, Inc., to purchase certain secured debt of Herban OR owed to Evolution Trustees Limited, which was in default. Upon completion of the acquisition of the purchased debt, Halo Winberry Holdings LLC ("Halo Winberry"), a wholly owned subsidiary of the Company, became the senior secured creditor of Herban OR. Halo issued 1,699,163 common shares of the Company to Evolution Trust Limited for a total consideration of \$7,972,022 and closing costs of \$401,025 for a total of \$8,373,047, in exchange for the purchased debt (Note 11). Immediately following the closing of the acquisition of the purchased debt, Halo Winberry entered into an asset purchase agreement to acquire substantially all of the assets of Herban OR. Completion of the acquisition of the Herban OR assets under the agreement was subject to receipt of regulatory approval from the Oregon Liquor Control Commission. 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 an impairment of goodwill of \$3,882,448 for the year ended December 31, 2021 (year ended December 31, 2020: Nil).

As at December 31, 2021, the carrying value of goodwill was Nil (December 31, 2020: Nil).

As at December 31, 2021, the carrying value of intangible assets net of amortization was \$2,238,600 (December 31, 2020: Nil).

Black & Crimson LLC

On March 2, 2021, the Company issued a total of 1,512,395 Halo common shares for a consideration of \$17,413,607, which included a finders' fee of 88,988 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 153,865 Halo common shares and 29,307 Halo common shares as a finder's fee are pending the closing of SDF11 acquisition. There were 186,503 shares subject to a pooling agreement and 100,000 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. 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. An impairment of \$16,691,107 was recognized in the year ended December 31, 2021 (year ended December 31, 2020: Nil). The carrying value of intangible assets was Nil (December 31, 2020: Nil). No amortization was recorded.

POI11 LLC

On March 2, 2021, the Company issued 1,512,395 Halo common shares for a consideration of \$17,413,607, which included a finders' fee of 88,988 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. The issuance of 153,865 Halo common shares and 29,307 Halo common shares as a finder's fee are pending the closing of ZXC11 acquisition. There were 186,503 shares are subject to a pooling agreement and 100,000 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. 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. An impairment of \$16,691,107 was recognized in the year ended December 31, 2021 (year ended December 31, 2020: Nil). **The carrying value of intangible assets was Nil (December 31, 2020: Nil). No amortization was recorded.**

Nature's Best Resources LLC.

On April 20, 2021, the Company issued 460,262 for a total consideration of \$3,304,760, which included a finders' fee of 19,786 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 351,190 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 89,286 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 142,857 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 119,047 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 an impairment of \$2,504,760 in the year ended December 31, 2021 (year ended December 31, 2020: Nil).

As at December 31, 2021, the carrying value of intangible assets was Nil (December 31, 2020: Nil). No amortization was recorded.

1307296 B.C. Ltd.

On June 21, 2021, the Company issued 1,390,517 shares for a total consideration of \$7,304,909, which included a finders' fee of 97,013 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

Fixed assets	\$	304,909
Investment		7,000,000
<hr/>		
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.

184,786 of the common shares issued to the vendor on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 1,108,718 common shares issued to the vendor on closing are subject to contractual restrictions on transfer whereby 184,786 of such common shares in the case of the first release and 184,786 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 97,012 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, 2021, no intangible assets were recorded.

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 134,615 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\$16 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 \$16 per Halo Share, provided that certain revenue thresholds are met.

Purchase price allocation

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)
<hr/>		
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.

As at December 31, 2021, the carrying value of intangible assets net of amortization was \$1,021,307 (December 31, 2020: Nil).

As at December 31, 2021, the carrying value of goodwill was \$2,030,529 (December 31, 2020: Nil).

Food Concepts LLC

Purchase price allocation

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

On September 1, 2021, the Company issued 2,581,565 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 196,765 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 an impairment of \$6,397,834 in the year ended December 31, 2021 (year ended December 31, 2020: Nil).

As at December 31, 2021, management concluded that the recoverable amount was lower than the carrying value and recorded an impairment of \$6,397,831 on goodwill. (December 31, 2020: 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 2,700,000 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. As at December 31, 2021, the Company assessed the fair value of the intangible assets against the carrying value. As a result, the Company recorded an impairment of \$5,963,772 in the year ended December 31, 2021 (year ended December 31, 2020: Nil).

Purchase price allocation

Intangible assets	\$	5,963,772
Cash		1,000,000
<hr/>		
Net purchase price	\$	6,963,772

As at December 31, 2021, the carrying value of intangible assets was Nil (December 31, 2020: Nil). No amortization was recorded.

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	December 31, 2021 December 31, 2020	
Salaries, commissions, bonuses, consulting fees	\$ 3,633,202	\$ 1,592,981
Share-based compensation	3,360,888	1,755,782
Total	\$ 6,994,090	\$ 3,348,763

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.

In the year ended December 31, 2021, remuneration to executives was \$3,633,202 (year ended December 31, 2020: \$1,592,981). Share-based compensation was \$3,360,888 (year ended December 31, 2020: \$1,755,782).

Related parties

As at:	December 31, 2021 December 31, 2020	
Due from directors, officers and other related parties	\$ 306,890	\$ 414,886
Due to directors, officers and other related parties	30,181	1,752,297
Accounts payable and accrued liabilities due to related parties	-	542,609

As at December 31, 2021, due from shareholders and related parties is \$306,890 (December 31, 2020: \$414,886) in relation to notes receivable from executives of the Company (Note 11). As at December 31, 2021, due to shareholders and related parties was \$30,181 (December 31, 2020: \$1,752,297). This was related to accrued salaries and loans to certain board members and executives of the Company as well as business expenses incurred by related parties.

During the year ended December 31, 2020, an executive and a director were related parties as investors in Ukiah Ventures Inc. ("UVI") in an amount of \$75,000. UVI was acquired by the Company on August 19, 2020.

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\$100,000 per initial unit for gross proceeds of

\$15,842,620 (C\$21,163,000). Each convertible debenture unit was comprised of one unsecured convertible debenture with an 8% coupon of the Company in the principal amount of C\$100,000 with interest payable semi-annually on June 30 and December 31 of each year, commencing June 30, 2019, and maturing 36 months from the closing date, and 7 warrants, each warrant being exercisable for a period of 24 months following the closing date to purchase one common share of the Company at the exercise price of C\$90 per warrant, subject to adjustment in certain events.

Continuity 2019 convertible debenture

Balance December 31, 2019	\$ 6,952,605
Liability portion of conversions in the period	(9,616)
Interest paid	(717,659)
Accretion of loan discount	1,205,959
Accrued interest	797,427
Foreign exchange gain (loss)	170,011
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
Balance December 31, 2021	\$ 9,661,212

Each convertible debenture is convertible into common shares of the Company at a price of C\$65 per debenture share at the option of the holder at any time prior to the earlier of either the last business day immediately preceding the maturity date or the business day immediately preceding the date specified for the redemption of the convertible debentures upon a change of control, subject to acceleration in certain events. Beginning on the date that is four months and one day following the closing date, the Company may force the conversion of the principal amount of the then outstanding convertible debentures at the conversion price on not less than 30-day notice should the daily volume-weighted average trading price of the Company's outstanding common shares on the NEO Aequitas Exchange be equal to or greater than C\$135 per common share for the preceding 10 consecutive trading days.

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

As at December 31, 2021, the amount of convertible debenture outstanding was \$9,661,212 (December 31, 2020: \$8,398,727). As at December 31, 2021, a total of 85 debentures were converted into 130,983 common shares of the Company and 12,649 debentures are in issue. Pursuant to the prospectus agreement, the Company is required to hold in escrow, funds sufficient to cover interest payment to maturity of the convertible

debenture on April 4, 2022. As at December 31, 2021, \$126,947 (December 31, 2020: \$921,746), was recorded as restricted cash on the Consolidated Statement of Financial Position, and sufficient to cover interest payments to maturity of the convertible debenture.

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 \$12.78 (C\$16.00) per Halo Share.

As at December 31, 2021, the amount of the 2021 convertible promissory note outstanding was \$1,286,625 (December 31, 2020: Nil).

Continuity 2021 convertible note

Convertible note - July 14, 2021	\$ 1,438,274
Value of the equity component at issue	(212,411)
Liability portion of conversions in the period	-
Interest paid	-
Accretion of loan discount	40,656
Accrued interest	35,495
Foreign exchange gain (loss)	(15,388)
<hr/>	
Balance December 31, 2021	<hr/> \$ 1,286,625 <hr/>

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. All share figures and references are retrospectively adjusted.

Shares issued in the year ended December 31, 2021

- In fiscal 2021, 125,000 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 6,013,824 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 42,860 common shares were issued, on exercise of options and warrants for cash proceeds of \$247,287.
- On March 2, 2021, 473,807 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, 2,373,006 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, 177,975 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, 461 shares were issued, valued at \$23,684 on conversion of a convertible debenture;
- On April 20, 2021, 440,476 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, 1,293,504 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 97,012 shares valued at \$509,645 were issued (Note 14);
- On September 13, 2021, 2,581,565 shares were issued, valued at \$8,200,000 relating to the acquisition of Food Concepts LLC. Finder fees consists of 196,766 shares valued at \$625,000 were issued relating to this transaction (Note 14);
- On November 15, 2021, 2,700,000 shares were issued, valued at \$6,477,927 relating to the Simply Sweet acquisition. Finder fees consists of 202,500 shares valued at \$485,845 were issued relating to this transaction (Note 14);
- In November 2021, 499,554 shares were issued, valued at \$792,877 in relation to the conversion of the third amended and restated convertible credit facility;
- In fiscal 2021, 1,651,653 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;

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, 2021, share issuance costs included in the Statement of Change in Equity were \$1,747,479 (year ended December 31, 2020: \$218,226). Share issuance costs classified as settlements and contingencies were Nil (year ended December 31, 2020: \$20,089).

As at December 31, 2021, the Company had 497,309 common shares in escrow (December 31, 2020: 1,155,359).

Shares issued in the year ended December 31, 2020

- On January 21, 2020, 209,075 shares were issued, valued at \$4,643,988 in relation to the acquisition of MDT, of which 124,605 shares were escrowed (Note 14);
- On February 18, 2020, 134,615 shares were issued, valued at \$1,727,559, as deposit in relation to the acquisition of High Tide. In addition, 23,076 shares valued at \$296,153 were issued as finders' fees. Both issuances were recorded under investments (Note 6);
- On March 10, 2020, 310,000 shares were issued, valued at \$2,484,155 for the acquisition of Halo Cannalift Delivery Inc., and 24,800 shares were issued at a value of \$198,732 as finders' fees (Note 14);
- On April 17, 2020, 230 shares were issued on conversion of the 2019 convertible debenture. The conversion price is C\$65.00;
- On April 17, 2020, the Company issued 340,000 shares, valued at \$2,640,870 for the acquisition of Halo Nasalbinoid Natural Devices Corp. (Note 14);
- On April 17, 2020, 34,000 shares were issued, valued at \$264,087 as finders' fee for the acquisition of Halo Nasalbinoid Natural Devices Corp. (Note 14);
- On June 11, 2020, 90,909 shares were issued, valued at \$900,002 in relation to the conversion of a loan of C\$1,000,000 (Note 18);
- On June 29, 2020, 85,763 shares were issued, valued at \$754,499 for the acquisition of LKJ11, LLC. which closed on July 6, 2020 (note 14);
- On July 16, 2020, the Company issued 437,126, shares for the acquisition of Bophelo, and 20,393 shares were issued as arrangement fee. The shares were issued at a value of \$4,391,760 (Note 14);
- On July 24, 2020, the Company issued 285,868 shares to convert the debt acquired with the acquisition of Bophelo into Halo shares at a value of \$2,744,063;
- On July 31, 2020, the Company issued 4,954 shares for the acquisition of Outer Galactic Chocolate, LLC, valued at \$44,330 (Note 14);
- On August 19, 2020, the Company issued 718,816 shares, valued at \$6,502,181 for the acquisition of UVI (Note 14);
- On September 9, 2020, the Company issued 154,479 shares, valued at \$1,059,129 for the

acquisition of Feel Better LLC (Note 6);

- On September 30, 2020, the Company issued 930,000 for the acquisition of Cannafeels, and 69,750 shares were issued as finders' fee, for a total value of \$6,004,955 (Note 14);
- On November 9, 2020, the Company issued 1,354,166 shares, valued at \$5,168,575 for the acquisition of Canmart (Note 14);
- On November 9, 2020, the Company issued 101,562 shares, valued at \$387,643 as a finders' fee for the acquisition of Canmart (Note 14);
- On December 18, 2020, the Company issued 1,699,163 shares, valued at \$7,972,022 for the acquisition of secured debt of Herban OR from Evolution Trust Limited (Note 11);
- On December 29, 2020, the Company issued 1,474,753 shares, valued at \$5,762,376 for the acquisition of 1275111 B.C.
- In fiscal 2020, 957,827 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;
- In fiscal 2020, 1,855,889 shares were issued, valued in a financing for cash proceeds of \$7,810,583;

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, 2021 and 2020.

Halo Collective Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021, and 2020
Expressed in US dollars

Warrants issued and vested

Grant date	Expiry date	December 31, 2021			December 31, 2020		
		Number of warrants issued	Number of warrants vested	Exercise price (CAD\$)	Number of warrants issued	Number of warrants vested	Exercise price (CAD\$)
October 11, 2017	October 10, 2027	7,125	7,125	\$72.11	7,125	7,125	\$11.03
May 13, 2018	May 14, 2021	-	-	-	4,050	4,050	\$22.00
May 13, 2018	May 14, 2023	1,347	1,347	\$77.00	1,347	1,347	\$77.00
September 28, 2018	September 30, 2023	3,000	3,000	\$40.00	3,000	3,000	\$40.00
September 28, 2018	September 27, 2024	6,250	6,250	\$40.00	6,250	6,250	\$40.00
September 28, 2018	September 30, 2021	-	-	-	6,250	6,250	\$50.00
September 28, 2018	September 30, 2021	-	-	-	1,000	1,000	\$80.00
April 4, 2019	April 4, 2021	-	-	-	18,889	18,889	\$65.00
April 4, 2019	April 4, 2021	-	-	-	162,950	162,950	\$90.00
August 19, 2020	July 19, 2021	-	-	-	500	500	\$25.00
August 27, 2020	August 26, 2021	-	-	-	20,000	20,000	\$10.00
September 8, 2020	September 8, 2022	15,000	15,000	\$13.50	15,000	3,750	\$13.50
December 22, 2020	December 22, 2021	-	-	-	180,000	180,000	\$5.00
February 2, 2021	August 2, 2023	904,107	904,107	\$12.50	-	-	-
February 11, 2021	August 11, 2023	108,301	108,301	\$12.50	-	-	-
February 19, 2021	February 9, 2024	657,144	657,144	\$22.50	-	-	-
April 7, 2021	April 7, 2022	100,000	100,000	\$11.00	-	-	-
May 12, 2017	May 11, 2027	62,437	62,437	\$72.11	62,437	62,437	\$86.67
		1,864,711	1,864,711	\$ 18.61	488,798	477,548	\$ 48.39

The Company recognized \$438,672 share-based payments for services for the year ended December 31, 2021 (year ended December 31, 2020: \$142,762).

As at December 31, 2021, 1,864,711 warrants were exercisable (December 31, 2020: 477,548). As at that date, the average exercise price of exercisable warrants was C\$18.61 (December 31, 2020: C\$48.39).

Warrants outstanding

	Year ended Dec 31, 2021		Year ended Dec 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at beginning of	488,798	\$ 48.39	1,511,509	\$ 72.29
Granted	1,779,562	\$ 16.11	225,500	\$ 6.27
Exercised	(10,010)	\$ 12.50	(10,000)	\$ 10.00
Forfeited / cancelled	(393,639)	\$ 44.42	(1,238,211)	\$ 70.21
Outstanding at end of	1,864,711	\$ 18.61	488,798	\$ 48.39

Note: Prices in Canadian dollars

As at December 31, 2021, the weighted average exercise price of each Halo warrant granted and in issue was C\$18.61 (December 31, 2020: C\$48.39). As at date, the weighted average fair market value of each warrant in issue was C\$2.53 using the Black-Scholes Option Pricing Model (December 31, 2020: C\$10.28).

As at December 31, 2021, the weighted average remaining contractual life of the warrants is 1.85 years (December 31, 2020: 1.53 years).

The assumptions used for the calculation of the fair value of warrants at grant date during the year ended December 31, 2021 and 2020 are:

Black-Scholes assumptions for warrants

	<i>Year ended Dec 31,</i>	
	<i>2021</i>	<i>2020</i>
Risk free rate	0.26%	0.22% - 0.31%
Expected life	1 year	0.92 - 2 years
Volatility	172%	100% - 146%
Expected dividend per share	Nil	Nil
Share price	\$9.50	\$6.00 - \$12.00

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, 2021, and 2020.

Options issued and vested

Grant date	Expiry date	<i>December 31, 2021</i>			<i>December 31, 2020</i>		
		Number of options issued	Number of options vested	Exercise price (CAD\$)	Number of options issued	Number of options vested	Exercise price (CAD\$)
May 12, 2017	May 11, 2027	13,162	13,162	\$ 86.67	13,297	13,297	\$ 86.67
September 28, 2018	September 29, 2024	49,012	49,012	\$ 40.00	50,261	50,261	\$ 40.00
December 19, 2019	December 19, 2024	18,820	18,820	\$ 30.00	18,820	14,115	\$ 30.00
May 27, 2020	December 19, 2024	244,000	240,089	\$ 10.50	254,000	127,000	\$ 10.50
September 30, 2020	September 30, 2022	1,000	1,000	\$ 10.00	1,000	1,000	\$ 10.00
December 7, 2020	December 7, 2025	540,250	540,250	\$ 5.50	586,100	146,525	\$ 5.50
December 14, 2020	December 14, 2025	7,400	7,400	\$ 5.50	7,400	1,850	\$ 5.50
February 2, 2021	August 2, 2023	63,986	63,986	\$ 9.00	-	-	-
February 11, 2021	August 11, 2023	7,580	7,580	\$ 9.00	-	-	-
February 19, 2021	February 19, 2024	46,000	46,000	\$ 17.50	-	-	-
June 21, 2021	June 21, 2025	783,500	460,500	\$ 6.50	-	-	-
		1,774,710	1,447,799	\$ 9.10	930,878	354,048	\$ 10.83

As at December 31, 2021, the weighted average remaining contractual life of each option is 3 years (December 31, 2020: 4.28 years).

Options outstanding

	<i>Year ended Dec 31, 2021</i>		<i>Year ended Dec 31, 2020</i>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of	930,878	\$ 10.83	92,714	\$ 51.11
Granted	1,042,066	\$ 7.62	848,500	\$ 7.00
Exercised	(32,850)	\$ 5.50	-	\$ -
Forfeited / cancelled	(165,384)	\$ 10.24	(10,336)	\$ 57.77
Outstanding at end of	1,774,710	\$ 9.10	930,878	\$ 10.83

Note: Prices in Canadian dollars

The Company recognized share-based compensation related to options granted and vesting during the year ended December 31, 2021, in the amount of \$4,169,985 (year ended December 31, 2020: \$1,164,062).

The assumptions used for the calculation of the fair value of options at grant date during the years ended December 31, 2021, and 2020 are:

Black-Scholes assumptions for options

	<i>Year ended Dec 31,</i>	
	2021	2020
Risk free rate: 5-7 years	0.15% - 0.85%	0.23% - 0.42%
Expected life	2.5 - 5 years	2 - 5 years
Volatility	139% - 143%	100% - 135%
Expected dividend per share	Nil	Nil
Share price	\$6.50 - \$20.50	\$6.00 - \$10.50

Note: Prices in Canadian dollars

17.4 Performance share units

On October 11, 2019, the Company granted the vendors of CannPos 12,500 performance share units. Each performance share unit is exercisable into one common share for no additional consideration if the holders develop a software application and make it available to the Company on or before October 11, 2020. The shares were issued during the year ended December 31, 2020.

18. Other loans

As at December 31, 2021, total loans were \$7,976,417 (December 31, 2020: \$7,034,751). This included:

- A \$3,205,231 balance payable to lenders of LCNH. The loan matures on October 1, 2022 and carries 15% annual interest including accrued interest payable of \$269,175 (December 31, 2020: amount outstanding \$3,385,825);
- A \$1,963,382 balance pursuant to a secured merchant cash advance agreement with no interest bearing (December 31, 2020: \$Nil);
- A \$1,500,000 promissory note payable a lender of Ukiah Ventures Inc. The promissory note matures on July 29, 2022 and carries 9.5% annual interest (December 31, 2020: amount outstanding \$1,500,000);
- A \$519,844 loan payable to lenders of Bar X Farms, LLC pursuant to a credit agreement which carries 8% annual interest, and matures on December 31, 2023 (December 31, 2020: amount outstanding Nil);

Other loans		
As at:	December 31, 2021	December 31, 2020
Non-recourse promissory note secured by deed of trust in LCNH LLC; 15% annual interest and matures on October 1, 2022	\$ 3,205,231	\$ 3,385,825
Merchant cash advance; secured and non-interest bearing	1,963,382	-
Secured promissory note: 9.5% interest, matures on July 29, 2022	1,500,000	1,500,000
Unsecured line of credit agreement in Bar X LLC; 8% interest, matures on December 31, 2023	519,844	-
Unsecured loan; 5% interest per month, matures in December 2022	460,723	-
Equipment lease, matures in January 2023	214,394	499,523
Short-term facility at prevailing bank interest rate	-	1,357,936
Other loans	112,843	291,467
Sub-total	7,976,417	7,034,751
Less current portion	(6,875,442)	(435,839)
Total	\$ 1,100,975	\$ 6,598,912

- A \$460,723 unsecured loan which carries 5% interest and repayable within 12 months including interest payable of \$10,723 (December 31, 2020: amount outstanding \$Nil);
- A \$214,394 balance pursuant to an equipment lease agreement which ends in January 2023 (December 31, 2020: amount outstanding \$499,523);
- Other loans of \$112,843 with no specific payment terms (December 31, 2020: amount outstanding \$291,467).

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:	December 31, 2021	December 31, 2020
Shareholders' equity	\$ 66,456,479	\$ 59,619,542
Long-term loans	2,387,600	14,997,639
Short-term loans	16,536,654	435,839

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, 2021, the Company is not subject to any externally imposed capital requirements.

20. Financial instruments

20.1 Fair value of financial instruments

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

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

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

As at December 31, 2021, 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, 2021 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, 2021

	Accounts payable & accrued liabilities		Loans		Total
Carrying value	\$ 11,634,468		\$ 18,924,254		\$ 30,558,722
1 - 30 days	7,360,213		381,391		7,741,604
30 - 60 days	856,304		14,308		870,612
60 - 90 days	395,139		14,431		409,570
> 90 days	3,022,812		18,514,124		21,536,936

As at December 31, 2021, the Company had current assets of \$35,716,170 (December 31, 2020: \$28,694,306) and current liabilities of \$30,287,258 (December 31, 2020: \$9,979,995). All current liabilities are due within one year.

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Other price risk

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

21. Tax

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

Income tax reconciliation	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Loss for the year	\$ (96,852,147)	\$ (41,177,772)
Expected income tax (recovery)	(26,150,000)	(11,118,000)
Change in statutory, foreign tax, and foreign exchange rates	3,912,000	1,848,000
Permanent differences and other	15,120,413	4,463,000
Share issue cost	(473,000)	(30,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	805,000	175,000
Change in unrecognized deductible temporary differences	6,842,000	4,668,000
Total income tax expense (recovery)	\$ 56,413	\$ 6,000
Current income tax expense (recovery)	\$ 56,413	\$ 6,000
Deferred tax expense (recovery)	\$ -	\$ -

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, 2021</i>	<i>December 31, 2020</i>
Convertible debenture	\$ (131,000)	\$ (813,000)
Property and equipment	(1,039,000)	(342,000)
Intangible assets	(29,000)	(729,000)
Non-capital losses	1,199,000	1,884,000
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, 2021</i>	<i>Expiry date range</i>	<i>December 31, 2020</i>	<i>Expiry date range</i>
Property and equipment	\$ 1,552,000	No expiry date	\$ 2,292,000	No expiry date
Share issue costs	3,938,000	2042 to 2045	2,059,000	2041 to 2044
Lease liability	6,676,000	No expiry date	3,405,000	No expiry date
Intangible assets	3,155,000	No expiry date	2,195,000	No expiry date
Allowable capital losses	-	No expiry date	10,000	No expiry date
Non-capital losses available for future peri	51,481,000	2038 to indefinite	29,468,000	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.

Committed lease obligations

	Amount due
2022	5,541,807
2023	5,404,811
2024	5,346,098
2025	5,360,580
2026	1,068,185
2027	737,458
2028	684,252
Thereafter	3,387,528

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

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
Current assets			
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
Total Current Assets	727,208	333,513	1,060,721
FIXED ASSETS			
Property, plant and equipment	3,807,527	-	3,807,527
Intangible assets and goodwill	3,987,333	5,286,586	9,273,919
Total Long-term Assets	7,794,860	5,286,586	13,081,446
Total assets	8,522,068	5,620,099	14,142,167
Current liabilities			
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)
Total Current Liabilities	620,910	7,643	628,553
Long Term Liabilities			
Lease liability	1,741,453	-	1,741,453
Other loans	1,265,165	-	1,265,165
Total Long term Liabilities	3,006,618	-	3,006,618
Net Assets deconsolidated	\$ 4,894,540	\$ 5,612,456	\$ 10,506,996

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:

Gain / (loss) on deconsolidation of assets

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

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

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
Total segments	\$	319,272

24. Non-Controlling Interests

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

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)

25. Subsequent events

\$14 million loan agreement with Global Tech Opportunities 6

On January 6, 2022, the Company entered into a loan agreement with Global Tech Opportunities 6 (the “Lender”), pursuant to which the Lender will loan up to \$14,000,000 (the “Loan Amount”) to Halo in two tranches of \$7,000,000 each. The loan amount is unsecured and will bear interest at 8.0% per annum, and each tranche will be repayable in six equal monthly instalments (of blended principal and interest) of \$1,194,039.62 per instalment (each, a “Payment Instalment”). The first payment Instalment is to be made 30 days after the first advance is made under the loan amount and each subsequent payment instalment is due 30 days after the previous payment instalment. If the Company elects not make a payment instalment in cash, the applicable payment instalment will be made through the issuance of a convertible debenture.

On February 9, 2022, the Company entered into an amended and restated loan agreement with Global Tech Opportunities 6, amending and restating the Company’s previously announced loan agreement with the lender dated January 6, 2022. Pursuant to the terms of the amended loan agreement, the Company and the lender have amended the original loan agreement to provide the parties with additional flexibility to advance the second tranche of CAD\$7,000,000 principal amount (in six separate instalments) prior to the repayment in full of the initial tranche of CAD\$7,000,000 principal amount.

On January 6, 2022, the Company issued 875,000 warrants with an exercise price of C\$1.60 to Global Tech Opportunities 6.

Between January 15, 2022, and the date of filing these financial statements, the Company issued 12,666,492 shares to Global Tech Opportunities 6, as repayment of loan installments through the conversion of a convertible debenture.

Conversion of promissory notes

Between January 13, 2022, and the date of filing these financial statements, the Company issued 11,918,799 shares in relation to the conversion of a credit facility into shares.

Acquisition of 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 and payment in shares to finders, the Company has issued 8,141,539 common shares. Under IFRS, the transaction was not considered the acquisition of a business combination.

Issuance of shares for services

On January 25, 2022, the Company has issued 1,981,349 compensation shares in satisfaction of fees and other compensation payable to independent consultants and related parties of the Company.

On January 26, 2022, the Company issued 674,626 shares in relation to a distribution agreement with Elegance Brands Inc. Pursuant to the terms of the distribution agreement, Elegance has agreed to purchase \$30 million of Halo's H2C and Hushrooms™ branded products during the 24-month period following the launch of the products and to distribute these products to retail outlets in respective legal states across the United States.

On February 17, 2022, the Company issued 700,066 shares in relation to the distribution agreement with Elegance.

On March 14, 2022, the Company issued 1,183,055 shares in relation to the distribution agreement with Elegance.

Convertible debenture amendment

On February 15, 2022, the Company announced that the holders of its 8.00% unsecured convertible debentures due April 4, 2022, have approved amendments to the convertible debentures at an extraordinary meeting of the debenture holders held on February 15, 2022. At the meeting, 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 to December 31, 2024; (ii) reduce the interest rate of the convertible debentures to 0.0%; (iii) amend the conversion terms of the convertible debentures to make such debentures convertible into units; (iv) lower the conversion price of the convertible debentures to C\$1.03 per unit; and (v) provide the Company with a right to accelerate the conversion of the convertible debentures, all as more particularly described in the information circular provided to the debenture holders in advance of the meeting. Each unit is comprised of one common share of Halo and one half of one common share purchase warrant. Each warrant is exercisable to purchase one common share at an exercise price of C\$2.35 per common share, subject to adjustment, until February 15, 2024. The warrants will be issued pursuant to the terms of a warrant indenture to be entered into between the Company and Odyssey Trust Company.

Between February 24, 2022, and the date of the filing of these financial statements, 2,498,542 shares were issued in relation of the restructuring of the 2019 convertible debenture.

In relation to the restructuring of the 2019 convertible debenture, the Company also issued 1,249,258 warrants with an exercise price of C\$2.35.

Issuance of restricted shares

On March 7, 2022, the Company issued 900,000 restricted shares to executives of the Company.

Convertible debentures agreement with Global Tech Opportunities 6

On March 8, 2022, the Company announced that it has entered into a subscription agreement with Global Tech Opportunities 6, that provides for the issuance of convertible debentures. The subscriber is an investment fund managed by Alpha Blue Ocean ("ABO").

The subscription agreement provides for the issuance of up to 24 convertible debentures with an aggregate principal amount of up to \$65 million (including the debenture commitment fee (as defined below)). In addition to the debenture 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 of the convertible debentures is equal to the lower of: (i) \$1.00; 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.

In connection with the subscription agreement, the Company has agreed to pay the subscriber a commitment fee of \$5.0 million, which amount will be added in instalments of \$2.5 million to the principal amount of the first two convertible debentures issued pursuant to the subscription agreement.