Halo Labs Inc.
Management Discussion and Analysis
For the three months ended March 31, 2020

This "Management's Discussion and Analysis" ("MD&A") for Halo Labs Inc., an Ontario Corporation ("Halo Labs" or the "Company") has been prepared as at June 19, 2020 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward looking statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding management's goal of creating shareholder value, the ability to fund future operating costs, the timing for future research and development of the Company's current and future technologies, sensitivity analysis on financial instruments that may vary from amounts disclosed, prices and price volatility of the Company's products and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although management has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Management believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and management undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Overview of Halo Labs Inc.

Halo Labs Inc. is an Ontario corporation and a reporting issuer in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, listed on the Neo Exchange Inc. (the "NEO") under the symbol "HALO", and on the OTCQX Best Market under the symbol "AGEEF". The Company's registered office is located at 77 King Street West, Suite 400, Toronto, ON, M5K 0A1.

Halo is a cannabis cultivation, manufacturing, and distribution company that grows and extracts and processes quality cannabis flower, oils, and concentrates and has sold over 5 million grams of oils and concentrates since inception. Additionally, Halo has continued to evolve its business through delivering value with its products and now via verticalization in key markets in the United States with planned expansion into Africa, European and Canadian markets. With a consumer-centric focus, Halo markets innovative, branded, and private label products across multiple product categories.

The Company entered into binding agreements to acquire a dispensary in Los Angeles, three KushBar branded dispensaries and five development permits in Alberta, Canada, and Canmart Limited which holds wholesale distribution and special licenses allowing the import and distribution of cannabis-based products for medicinal use (CBPM's) in the United Kingdom. Halo is led by a strong, diverse management team with deep industry knowledge and blue-chip experience.

The Company is currently operating in California and Oregon, as well as in Nevada with our partner Just Quality, LLC, and in Lesotho under its strategic partnership with Bophelo Bioscience & Wellness (Pty) Ltd ("Bophelo"). With a consumer-centric focus, Halo will continue to market innovative, branded, and private label products across multiple product categories.

Business strategy

The regulated cannabis market continues to mature at an increasingly fast pace. While this has led to testing trading conditions in the short-term, Halo welcomes the positive transformation that is occurring in the cannabis sector overall.

Following on its year end strategic assessment whereby the Company shifted its vision from a concentrates manufacturer to a selectively vertically integrated multi-country operator, Halo is creating a more balanced portfolio and is expanding into higher-growth end markets, thus driving forward its transformation into a leading cannabis company.

While many competitors are struggling to adapt their models to meet these challenges, Halo Labs continues to take a number of strategic steps to reposition itself. One strategy utilized was a targeted approach to acquire distressed assets in share-based transactions, to verticalize the Company's operating footprint while preserving its cash position.

Acquisition philosophy

Specifically, Halo continues to identify a pipeline of turnkey takeover targets, which have the potential to contribute immediately to the Company's bottom line and are available for sale at distressed prices. Where many companies in the cannabis sector have found that capital markets have dried up for them, Halo continues to leverage its robust balance sheet to embark on an ambitious expansion plan.

Some of these acquisitions, which Halo either started and/or completed in Q1 2020, as well as those that currently remain pending, include:

1. In January 2020, the Company acquired Mendo Distribution & Transportation LLC ("MDT") in a share-based transaction. MDT is based out of a 4,500 sq ft facility in Ukiah and holds a Type 11 cannabis distribution licenses, as well as manages a Type N on site for the production of edible cannabis products. This was an all-stock transaction.

2. In January 2020, the Company, through MDT, has exercised its option to purchase award winning Outer Galactic Chocolates LLC, holder of a Type N manufacturing license. This license will allow Halo to produce infused and edible products in California. Definitive documents are still being drafted and negotiated and the transaction expected to close in Q2 2020.

3. In February 2020, the Company announced that it had completed an asset purchase agreement with High Tide Inc. for 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. The transaction is subject to the review and approval of the Alberta, Gaming, Liquor, and Cannabis Commission ("AGLC") and the satisfaction or waiver of other customary conditions.

4. In March 2020, the Company signed a definitive agreement to acquire a controlling interest in a North Hollywood cannabis dispensary applicant, as well as 100% interest in its associated retail management company. The transaction will be paid in Halo common shares. These transactions are still pending final approval of the license transfer, which has been delayed first by the City of Los Angeles' audit surrounding its application process and now by the COVID-19 global pandemic

5. In March 2020, the Company acquired Cannalift Delivery Inc. ("Cannalift") in an all stock deal. Cannalift is a software company that is developing a delivery application to be used on a smart phone or tablet and a web-based platform that, once developed, is expected to provide consumers with a convenient method of obtaining cannabis products from their local dispensaries.

6. The Company has previously executed a definitive acquisition agreement for the 100% acquisition of Bophelo. The Company and Bophelo continue to work towards obtaining the necessary approvals required to complete closing.

7. In April 2020, the Company announced it has entered into a letter of intent to acquire a 25% membership interest in Feel Better, LLC, dba FlowerShop* for $1.5 million, payable primarily in Halo common shares. Flowershop* is a lifestyle and wellness brand, endorsed by recording artist G-Eazy. Halo and FlowerShop* will also execute a licensing, manufacturing, and distribution agreement for

FlowerShop* branded products. Definitive documents are still being drafted and negotiated and the transaction expected to close in Q2 2020.

8. In April 2020, the Company acquired Nasalbinoid Natural Devices Corp for Halo common shares. Nasalbinoid is focused on the development of an innovative line of all-natural personal nasal inhalers infused with CBD, and under Halo's leadership, soon to be THC.

9. In April 2020, the Company agreed to extend the binding letter of intent associated with its acquisition of Canmart Limited, a licensed importer and distributor of cannabis-based products for medical use in the United Kingdom. Having experienced delays related to the COVID-19 global pandemic, the drafting of a definitive agreement is underway and is expected to be signed in Q2 2020.

U.S. business overview

Halo continues to be primarily focused on verticalizing the Company's core U.S. markets, which may in the future include selective expansion into regulated "limited license" recreational markets through partnerships, licensing deals and acquisitions. The Company continues to focus on Oregon and California through increasing cultivation capacity and reviewing potential retail dispensary locations.

1. California

With increased sales velocity of Halo-branded products in California, management believes the brand may be poised for significant growth in the upcoming months, and has begun to hire additional sales people throughout the state. The Company has pending acquisitions related to a Type N license in Mendocino County, a retail license in the City of Los Angeles, and its proposed stake in FlowerShop*, which should all accelerate the growth of the Company in California. The Company continues to take further steps to secure its supply chain after recently adding a minority stake in a post-harvest cultivation processing, co-packing, and distribution company.

The Company expects that its supply chain integration and revenue stream diversification will continue to provide revenue and gross margin improvement in California throughout 2020. This includes the rollout of edibles and other infused products in California, as well as a significant push towards white labeling. The Company is also still planning to increase revenue and distribution through the acquisition of brick and mortar retail locations, such as the planned Los Angeles North Hollywood dispensary, among others potential retail acquisitions in the pipeline.

2. Oregon

With the OLCC having lifted the ban on non-cannabis derived terpenes, this allowed for a repositioning of the Company's vape cartridges. Halo now offers numerous strains of cannabis derived terpene distillate in Exhale, botanical terpene blended distillate in Hush, and live resin cartridges in Mojave. The Company expects this differentiation to reduce the cannibalization of its cartridge brands.

The Company continues to be well positioned as it has secured ample biomass for production. This material ranges from shatter-grade material to that which can backfill live resin lines and provide raw materials for an amplified pre-roll business. Furthermore, the Company continues to invest in its cultivation operations, in an effort to improve quality and create additional revenue streams. The Company has previously signed a licensing agreement with OG DNA Genetics and cultivation of their award-winning strains is underway. Additionally, the Company has installed two greenhouses at East Evans Creek to initiate a wholesale clone business, as well as augment current propagation capabilities.

3. Nevada

The Company has completely scaled down operations in Nevada and existing inventory continues to be sold off. The licenses Halo invested retain significant value and the Company intends to continue to monitor the developments in this state while utilizing the space for contract manufacturing and white label opportunities.

4. Product

The Company continues to diversify its product selection, holding strong to its mission of delivering safe, quality product at a low value price point. Halo has broadened and will continue to expand its product portfolio which stretches across flower, pre-rolls, and a variety of concentrates in addition to vaporizer cartridges. The Company expects growing sales in these verticals will help to meet consumer demand and offset a potential decline in the traditional distillate vaporization category.

The majority of new product development is being done in the Company's founding state of Oregon where it holds a significant market share, allowing the Company to test these products in a seasoned market before rolling out into California. Some of these new products include flower, pre-rolls, diamonds, sauce, and clear shatter. In addition, Halo has and plans to continue its partnerships with industry leading brands such as DNA Genetics.

In California, the Company intends to acquire the capability to manufacture award-winning Outer Galactic Chocolates once it officially acquires the Type N licensee. Furthermore, the Company looks to expand into CBD lines opportunistically with a focus on the categories that are less saturated and require proprietary formulations. The Company is evaluating opportunities to expand into solvent-less categories such as hash and rosin as well.

International business overview

Globally, Halo's portfolio now has planned exposure across markets with a combined value of $5B (Oregon, California, Nevada) excluding the international export market into Europe from Lesotho. Europe's 2019 legal cannabis market was valued at $42.9 billion alone according to New Frontier data.[1] The market

[1] https://newfrontierdata.com/cannabis-insights/europes-medical-cannabis-programs-countries-to-watch/

for cannabis in Africa alone is currently estimated at $37.3 billion with the neighboring South African legal cannabis market expected to be worth $1.9 billion by 2023.[2]

The Company believes that the international market continues to be critical as countries worldwide legalize at the national level. Currently, the Company continues to remain focused on closing the Bophelo transaction and developing the manufacturing site in Lesotho, Africa. This transaction has the potential to unlock a 200+ hectare cultivation operation, which would make Halo one of the world's largest growers and suppliers of medicinal-grade cannabis. Not to mention, the cost of production in Lesotho is among the world's lowest.

The Halo team is already operating in Lesotho and the first harvest of 350 plants has been completed. The Company is almost nearing completion of Phase 1 build out of 1.2 hectares and once full-to-capacity will house 3 acres of canopy or approximately 120,000 square feet. Halo expects to finance the development of Bophelo through traditional bank financing and through the securing of commercial offtake agreements. Additionally, Bophelo has signed an agreement with OG DNA Genetics for exclusive cultivation and development rights in Lesotho of DNA's world-renowned strains.

To capitalize on the growing export market, Halo is still undergoing a quality manufacturing program to meet Good Agricultural and Collection Practice ("GACP") guidelines in order to ship flower from Lesotho to United Kingdom and a range of European countries including Spain, Greece, Malta as well as Australia and Israel. With the export of GACP approved cannabis, the Company expects improvement in revenue and profitability in 2020.

Financial strength

The Company has a working capital line of credit and intends to deploy these funds strategically, taking advantage of the opportunities presented in the current environment. The Company has decided to focus on low-risk, cash flow generating propositions, such as licensing or white-labeling opportunities. The Company's ambitious leadership has positioned the business to benefit greatly from the structural changes in the global cannabis market. In the United States, Halo will continue to build on its prevailing position as one of the country's leading cultivators, producers and manufacturers of high-quality cannabis and cannabis related products. Meanwhile, the Bophelo and Canmart acquisitions hold a huge amount of promise to propel the Company forward.

Moving forward

As the Executive and Management team at Halo reflects on the turbulent time in cannabis, across all industries, the public markets, and the world, it believes in continuing to focus on a 3-year plan versus a reactive month-to-month plan. The Company intends to focus on profitable growth and areas of future opportunity. The Company believes the following operating tactics will ensure the Company is here to stay

[2] https://prohibitionpartners.com/2019/11/07/key-insights-from-the-global-cannabis-report/

and positioned to capitalize on the opportunities a globalized industry brings. Operating principles to strengthen its long-term position in the global cannabis market include:

1. Continue to build verticalized assets, through share-based deals at attractive valuations, in core markets and across a global distribution network, mainly Oregon, California, Lesotho, and the UK.

2. Lesotho - Complete build out of 120,000 Phase 1 canopy project and build regional and international distribution for Lesotho flower and concentrates through supply agreements in federally legal countries in the EU, Australia, Israel, and intra-continent across Africa.

3. Oregon - Annex more outdoor and greenhouse growing capacity to increase quality of extracts and allow salesforce to offer year-round availability of packaged flower.

4. California - Enter indoor flower and retail verticals to secure supply chain, garner customer loyalty, and avoid paying exorbitant shelving fees. Enter into licensing or purchase agreements for premium genetics and brands with consumer loyalty.

5. Identify and acquire brands with cult following and customer loyalty. Brand dispensaries and packaged flower products to increase revenue, margin, and customer stickiness.

6. Strengthen statement of financial position such that current assets are greater than current liabilities and every month increase cash on the statement of financial position in comparison to the previous month.

7. Preserve cash by paying senior management in stock and share based payments for contractors and advisors. This underscores that the team believes in the Company.

8. Avoid loan to own money, no senior secured debt, no discounted rounds. Rely on loyal investor base that believes in the Company.

9. Continue to cut costs by rationalizing corporate overheads, cost of goods sold, and operating expenses.

With this new direction, the Company continues to have decided to postpone any capital-intensive build outs and instead focus on low-risk, cash flow generating propositions, such as licensing or white-labeling opportunities. The Company plans for all transactions to have fully funded business plans and be EBITDA neutral to positive.

Halo continues to lay a firm foundation for accelerated future growth. The Company’s ambitious leadership has positioned the business to benefit greatly from the structural changes the global cannabis market is contending with.

Overall Performance

The following table summarizes the Company's results of operation for the period indicated (in USD except otherwise noted):

Summary consolidated statement of income - expressed in US dollars

		For the 3 months ending:		
		March 31, 2020		***March 31, 2019***
Revenue	**$**	**4,449,098**	$	8,718,503
Reported gross profit		**(172,180)**		2,176,815
Gross margin		**-3.9%**		25.0%
Gain / (loss) on biological assets		**(289,553)**		(267,758)
Impairments		**(951,813)**		-
Gross profit excluding biological assets and impairments		**1,069,186**		2,444,573
Gross margin		**24.0%**		28.0%
Total operating expenses		**7,214,869**		3,814,879
Reported net loss		**(8,609,704)**		(2,979,294)
Net loss per share (basic and diluted)	**$**	**(0.03)**	$	(0.03)

Revenues in the three months ended March 31, 2020 were $4,449,098, a 49% decrease compared to $8,718,503 in the three months ended March 31, 2019. Revenues from ANM in Oregon increased with 37.6%, but this did not offset the decrease in revenues at Coastal Harvest, the California operation, which had little activity in the three months ended March 31, 2020.

- Total revenues of $4,449,098 net of inter-company eliminations totalling $158,384 in the three months ended March 31, of 2020 were comprised of $3,963,509 from ANM (three months ended March 31, 2019: $2,879,769), $111,263 from HLO (three months ended March 31, 2019: $511,096), $103,949 from Coastal Harvest (three months ended March 31, 2019: $5,327,638) and $428,760 from Mendo Distribution and Transportation Inc. ("MDT"). MDT was acquired in January 2020.

- The decrease in revenues for the three months ended March 31, of 2020 in comparison to the three months ended March 31, of 2019 was due primarily to a 35% increase in grams equivalent sold and a 60% decline in price due to mix. Of total grams sold, 56% was flower which sold at $1.07 per gram whereas the remainder of the mix sold at $5.85, which was a 26% decline in the three month ended March 31, 2020 in comparison with the three months ended March 31, 2019. In addition, there was little activity at Coastal Harvest in the three months ended March 31, 2020.

- Compared with Q4, 2019, in Q1, 2020, there was a 63.9% increase in grams sold to 1,481,756 grams (three months ended December 31, 2019: 903,907 grams) and a 4.7% increase in the average price to $3.16 (three months ended December 31, 2019: $3.02). It appears the trough in volume and price was reached in the three months ended December 31, 2019.

- Overall gross margin in the three months ended March 31, 2020 was -3.9% (three months ended March 31, 2019: 25.0%). Excluding the loss on the value of biological assets of $289,553 and impairments of $951,813, the gross margin was 24.0% (three months ended March 31, 2019: 28.0%). The contribution came from ANM's 23.8% gross margin, which adjusted for the loss in biological assets was 31.1%.

- **ANM** - In the three months ended March 31, of 2020, the facility in Oregon sold 267,807 grams of shatter, a 10.8% decline, 72,475 grams of cartridge oil, a 33.2% decline, 76,215 grams of live resin, a 497% increase, 833,037 grams of flower (three months ended March 2019: 37,682 grams), 119,228 grams of oil equivalent of tinctures and gummies, a 109.1% increase and 69,689 grams equivalent of pre-rolls (three months ended March 31, 2019, Nil).

- **Coastal Harvest** - In the three months ended March 31, of 2020, there was little activity. 26,232 grams of distillate and 11,031 grams of live resin were processed and to transferred to MDT and eliminated on consolidation. Subsequent to the three months ended March 31, 2020, on April 24, 2020, the Company announced that it made its first sale of distillate that was cleaned using the Company's proprietary Superfiltration Pilot Program. Halo Labs intends to scale this process up to one hundred liters per week, which triples current capacity.

- **Mendo Distribution and Transportation ("MDT")** – In the three months ended March 31, 2020, MDT sold 26,232 grams of distillate and 11,031 grams of live resin. MDT sold distillate and live resing, processed by Coastal Harvest and packaged by MDT. MDT was acquired on January 9, 2020.

- **HLO** - In the three months ended March 31, of 2020, the facility in Nevada sold 1,515 grams of distillate (three months ended March 31, of 2019: 17,682 grams). The Nevada facility sold 1,305 grams of live resin (three months ended March 31, 2019: $Nil) and 3,222 grams of shatter (three months ended March 31, 2019: $Nil). The Nevada operation is in run-off.

- In the three months ended March 31, 2020, the Company had negative EBITDA of $7,387,049 (three months ended March 31, 2019: negative EBITDA $1,638,064). Adjusted for specific items that are significant but not reflective of the Company's underlying operations, adjusted negative EBITDA was $5,778,968 (three months ended March 31, 2019: negative EBITDA $553,122).

- In the three months ended March 31, 2020, cash used in operations was $2,439,269 (three months ended March 31, 2019: $2,057,832) and total cash outflow was $2,250,660 (three months ended March 31, 2019: cash outflow $361,596). After the release of $1,252,183 of working capital in the three months ended March 31, 2020, the Company had a working capital surplus of $8,765,461. As at March 31, 2020, the Company had $3,817,754 in cash, of which $1,549,658 is restricted.

Corporate Highlights

1. On January 9, 2020, the Company announced that, further to the press release dated November 25, 2019, it has closed its acquisition of MDT. The consideration was 20,907,553 common shares in the capital of Halo at the fair value of $0.21 per share. Pursuant to the terms of the MDT acquisition

agreement 8,446,985 Common Shares were issued to MDT Holdings, LLC, the previous sole member of MDT, upon closing, and 12,460,568 Common Shares were deposited into escrow.

2. On January 15, 2020, the Company announced that it has exercised MDT's option to purchase award winning Outer Galactic Chocolates LLC ("OGC"), holder of a Type N manufacturing license. MDT was acquired by the Company through merger on January 9, 2020. Definitive documents are still being drafted and negotiated and the transaction expected to close in Q2 2020.

3. On January 16, 2020, the Company announced that it had entered into two Letters of Intent concerning the proposed acquisition of a controlling interest in a North Hollywood ("NOLA") cannabis dispensary applicant and 100% interest in a retail management company and leasehold for a total combined consideration of $11.5 million. The Acquisition will be paid on the completion of designated performance milestones using common shares of Halo.

4. On February 12, 2020, the Company announced that Katharyn M. Field has been promoted to President of the Company effective February 12, 2020. She was previously the Chief Strategy Officer of the Company.

5. On February 14, 2020, the Company announced that it had completed an asset purchase agreement with High Tide Inc. for 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. The total purchase price is expected to be CAD $12 million payable in common shares of Halo Labs Inc. On February 18, 2020 the Company issued 13,461,538 common shares as a deposit per the terms of the agreement. The Transaction is subject to the review and approval of the Alberta, Gaming, Liquor, and Cannabis Commission ("AGLC") and the satisfaction or waiver of other customary conditions.

6. On March 5, 2020, the Company signed definitive agreements to acquire a controlling interest in LKJ11, LLC ("LKJ11") a North Hollywood cannabis dispensary applicant and to acquire 100% of the outstanding membership interest in LKJ11's retail manager, Crimson & Black, LLC ("C&B") for total consideration of $11.5 million to be paid in Halo common shares. The agreement with LKJ11 represents $10 million of the total estimated $11.5 million acquisition price while C&B represents the remaining $1.5 million as announced by the Company in January 2020. Upon closing, the Company will issue $2 million in Halo common shares directly, subject to certain trading restrictions. The Company will issue a further $9.5 million in commons shares to be held in escrow and issued to the sellers based on completion of the certain milestones. These transactions are still pending final approval of the license transfer, which has been delayed first by the City of Los Angeles' audit surrounding its application process and now by the COVID-19 global pandemic

7. On March 10, 2020, the Company completed an acquisition of Cannalift through its wholly owned subsidiary 1242899 B.C. Ltd. for 31,000,000 common shares of Halo Labs Inc. at a fair value of CAD 0.11 per share. Cannalift is a software company that is developing an application to introduce a new and convenient method for obtaining cannabis products. Once functional, the application will deliver any products from local dispensaries to consumers through an intuitive application and website, subject to regulatory approvals. Concurrent to the closing of this transaction, Halo closed a non-

brokered private placement of Halo common shares at a price of CAD $0.11 per share for aggregate gross proceeds of approximately CAD $700,000. The Halo common shares issued in connection with this concurrent financing are subject to a four month and one day statutory hold period pursuant to applicable securities laws. Proceeds from the concurrent financing will be used for general working capital. In connection with the acquisition, Halo also issued an aggregate of 2,480,000 common shares of the Company as a finder's fee to an arm's-length consultant at a fair value of $0.11 per share.

8. On March 27, 2020, the Company announced that it plans to launch a pilot distillate manufacturing remediation program in California for distillate, live resin, fats and waxes, tails and terpenes. Additionally, the Company is re-opening bulk distillate manufacturing operations in Cathedral City.

9. On March 31, 2020, the Company announced that, due to delays caused by the COVID-19 pandemic, the "Drop Dead Date" associated with the closings of the planned acquisitions related to the North Hollywood dispensary have been extended to May 31, 2020 from the original date of March 31, 2020. This includes both the acquisition of the retail management company, Crimson & Black and the acquisition of the controlling interest in the dispensary applicant LKJ11 LLC.

10. On April 3, 2020, the Company announced that it has entered into a definitive agreement to acquire all of the common shares of Nasalbinoid Natural Devices Corp. for CAD $5.1 million in Halo common shares. The common shares issued by Halo in conjunction with the planned acquisition will be subject to certain sale restrictions.

11. On April 17, 2020, the Company announced it has entered into a letter of intent to acquire a 25% membership interest in Feel Better, LLC, dba FlowerShop* for $1.5 million, payable primarily in Halo common shares at a deemed price of $0.0971. Up to $400,000 of the consideration may be payable in cash in four monthly installments following the closing to help support the working capital requirements of FlowerShop*. Halo and FlowerShop* will also execute a licensing, manufacturing, and distribution agreement for FlowerShop* branded products.

12. On April 19, 2020, the Company announced it had completed the acquisition of all of the common shares of Nasalbinoid Natural Devices Corp. The Company, through its wholly-owned subsidiary, 1245316 B.C. Ltd. acquired all of the issued and outstanding shares in the capital of Nasalbinoid in exchange for 34,000,000 common shares of the Company at a fair value of CAD $0.11 per share. As a condition to closing, Halo has closed the concurrent non-brokered private placement of common shares of Halo at a price of CAD $0.11 per share for aggregate gross proceeds of approximately CAD $425,000. Proceeds of the Concurrent Financing will be used for general working capital. Furthermore, in connection with the acquisition, Halo has issued an aggregate of 3,400,000 common shares of the Company as a finder's fee to an arm's-length finder at a fair value of CAD 0.11 per share.

13. On April 24, 2020, the Company announced that it made its first sale of distillate that was cleaned using the Company's proprietary Superfiltration Pilot Program at Coastal Harvest in Cathedral City, California. Halo Labs intends to scale this process up to one hundred liters per week, which triples

current capacity.

14. On April 28, 2020, the Company announced it had agreed to a second extension of the binding letter of intent to acquire all the common shares of Canmart Limited, a licensed importer and distributor of cannabis-based products for medicinal use. Having experienced delays related to the COVID-19 global pandemic, the drafting of a definitive agreement is underway and is expected to be signed in Q2 2020.

Results of Operations

The following section provides details of the Company's financial performance for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board (IASB). The information is presented on the same basis as the audited Consolidated Financial Statements and should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes.

Selected financial information - expressed in US dollars

	For the 3 months ending:	
	March 31, 2020	***March 31, 2019***
Revenue	**$ 4,449,098**	$ 8,718,503
Cost of finished cannabis inventory sold	**4,331,725**	6,273,930
Gross profit ex change in FV biological assets	**117,373**	2,444,573
Change in value of biological assets	**(289,553)**	(635,849)
Gross Profit / (loss)	**(172,180)**	1,808,724
Net loss	**(8,609,704)**	(4,435,364)
Net loss per share, basic & diluted:	**$ (0.03)**	$ (0.03)
Weighted average number of outstanding common shares, basic and diluted	**277,418,561**	160,386,434
Total assets	**47,508,892**	19,391,988
Long-term financial liabilities	**8,661,381**	8,845,633

Revenue

Revenues in the three months ended March 31, of 2020 were $4,449,098 compared to $8,718,503 in the three months ended March 31, of 2019, a 49.0% decline.

- **ANM -** In the three months ended March 31, of 2020, the facility in Oregon sold 267,807 grams of shatter, a 10.8% decline, 72,475 grams of cartridge oil, a 33.2% decline, 76,215 grams of live resin, a 497% increase, 833,037 grams of flower (three months ended March 2019: 37,682 grams), 119,228 grams of oil equivalent of tinctures and gummies, a 109.1% increase and 69,689 grams equivalent of pre-rolls (three months ended March 31, 2019, Nil).

- Shatter sold at $5.04 per gram in the three months ended March 31, 2020, a 60.9% increase in comparison with the three months ended March 31, 2019.

- Cartridge oil sold at $11.05 per gram in the three months ended March 31, 2020, a 27.0% decline in comparison with the three months ended March 31, 2019.

- Live resin sold at $6.96 per gram in the three months ended March 31, 2020, a 11.8% increase in comparison with the three months ended March 31, 2019.

- Flower sold at $1.07 per gram in the three months ended March 31, 2020, a 223.8% increase in comparison with the three months ended March 31, 2019.

- Edibles sold at $4.94 per gram of oil equivalent in the three months ended March 31, 2020, a 17.8% decline in comparison with the three months ended March 31, 2019.

- Pre-rolls sold at $1.06 per gram equivalent in the three months ended March 31, 2020. There were no sales in the three months ended March 31, 2019

- The conversion yield of trim into oil was 7.4% in the three months ended March 31, 2020 compared with a yield of 7.1% in the three months ended March 31, 2019. 6,011,231 grams of trim were converted into oil in the three months ended March 31, 2020, a 97.4% increase in comparison with the three months ended March 31, 2019. The trim price declined to $32 per pound, a 50.3% decline.

- **Coastal Harvest -** In the three months ended March 31, of 2020, there was little activity. 26,232 grams of distillate and 11,031 grams of live resin were processed and transferred to MDT for sale and eliminated on consolidation. Coastal Harvest has two large customers, one of which is MDT, which was acquired on January 9, 2020. On April 24, 2020, the Company announced that it made its first sale of distillate that was cleaned using the Company's proprietary Super Filtration Pilot Program. Halo Labs intends to scale this process up to one hundred liters per week, which triples current capacity.

- **Mendo Distribution and Transportation ("MDT") –** In the three months ended March 31, 2020, MDT sold 26,232 grams of distillate, at an average price of $9.97.In addition, MDT sold 11,031 grams of live resin at an average price of $11.33 per gram. MDT sold distillate and live resin processed by Coastal Harvest. MDT was acquired on January 9, 2020.

- **HLO -** In the three months ended March 31, of 2020, the facility in Nevada sold 1,515 grams of distillate products at an average price of $19,52 per gram compared to 17,682 grams of distillate products at an average price of $28.91 per gram in the three months ended March 31, of 2019. The Nevada facility sold 1,305 grams of live resin at an average price of $9.96 per gram and 3,222 grams of shatter at an average price of $5.29 per gram. The Nevada operation is in run-off.

Expressed in US dollars

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $4,331,725 in the three months ended March 31, of 2020 (three months ended March 2019: $6,273,930). Cost of goods sold included $951,813 of impairments (three months ended March 31, 2019: $Nil). The loss in the value of biological assets was $289,553 in the three months ended March 31, 2020 (three months ended March 31, 2019: loss $267,758).

Impairments, non-recurring items, biological assets - Q1 2020

	ANM	HLO	CH	MDT	Total
Non-recurring	-	-	-	-	**-**
Impairments	-	-	-	951,813	**951,813**
Biological assets	289,553	-	-	-	**289,553**
Total	$ 289,553	$ -	$ -	$ 951,813	**$ 1,241,366**

The gross loss for the three months ended March 31, of 2020 was $172,180 including an impairment at MDT of $951,813 and a loss on biological assets of $289,553. Excluding impairments and the loss on biological assets, the gross profit was $117,373. The gross margin was 24.0%.

ANM generated a gross profit of $944,551 (three months ended March 31, 2019: $139,578), a gross margin of 23.8% (three months ended March 31, 2019: 4.8%) and adjusted for the loss on biological assets the gross margin was 31.1%. (three months ended March 31, 2019: 14.1%). HLO generated a gross loss of $56,550 (three months ended March 31, 2019: gross loss $9,863). Coastal Harvest generated a gross loss of $103,670 (three months ended March 31, 2019: gross profit $2,027374). MDT generated a gross loss of $956,511 and adjusted for impairments the gross loss was $4,698. MDT was acquired by the Company on January 9, 2020.

Operating expenses

The table below sets forth operating expenses for the three months ended March 31, of 2020 and 2019.

The decrease in G&A is explained by a reversal of $123,151 at ANM. At ANM $363,255 was reversed from AP and booked to G&A as miscellaneous write back. The first-time consolidation of MDT added $35,097 to G&A.

Salaries increased with 34.0% explained by year on year growth of staff at ANM in the three months ended March 31, 2020 in comparison with the three months ended March 31, 2019. The first-time contribution of MDT explained 5.8% of the total increase in salaries. In comparison with the three months ended December 31, 2019, salaries increased with 7.7%. Salaries at Coastal Harvest declined with 16.8% in comparison with the three months ended March 31, 2019. In comparison with the three months ended December 31, 2019 salaries at Coastal Harvest declined with 42.6%. Salaries at the corporate center increase with 22.2% in comparison with the three months ended March 31, 2019. In comparison with the three months ended December 31, 2019, salaries at the corporate center declined with 11.8%.

The non-cash proportion of salaries was $360,815 at the corporate center and $14,870 at ANM.

Operating expenses - expressed in US dollars

	For the 3 months ending:	
	March 31, 2020	***March 31, 2019***
General and administration	**$ 432,571**	$ 751,415
Salaries	**1,087,567**	895,213
Professional fees	**3,489,860**	530,979
Sales and marketing	**748,857**	529,900
Investor relations	**1,262,094**	478,247
Share issuance costs	**62,023**	-
Share-based compensation	**131,897**	629,125
Total operating expenses	**$ 7,214,869**	$ 3,814,879

Professional expenses were $3,489,860 in the three months ended March 31, 2020. Of this, an amount of $2,733,343 or 78.3% was non-cash, as consultants took payment in shares in the Company. An amount of $3,348,611, or 96.0% of professional fees were allocated to the corporate center, and 81.6% were non-cash payments to consultants. Consulting fees are related to M&A advisory and certain IR and PR fees. 97.3% of consulting fees were taken up in shares of the Company. Total consulting fees were $2,923,115. Legal fees were $289,865 of which 87.1% was related to M&A advisory. Audit fees in relation to the 2019 audit and annual information form were $189,222 and they were expensed in the three months ended March 31, 2020. Other professional fees were $60,074 which includes transfer agent fees, market making fees, IT, tax advisory and corporate administration fees.

Expenses in relation to investor relations increased as the Company raised its IR efforts during the three months ending March 31, 2020 in comparison with the previous year. The Company uses the services of two companies. One of them is paid in shares to the amount of 38.8% of the total payments for IR.

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 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 in the 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 growth of biological assets are recorded in a separate line in the consolidated statement of loss and comprehensive loss.

Expressed in US dollars

As at December 31, 2019, the Company did not carry any value of biological assets. During the three months ended March 31, 2020, there were no production costs and no costs to sell due to biological assets transformation. All inventory was transferred to inventory in 2019 and zero during the three months ended March 31, 2020.

The Company values biological assets at the end of each reporting period at fair value less costs to sell ("FVLCS"). The determination of fair value less costs to sell is based a valuation model that estimates the expected harvest yield per plant applied to the estimated wholesale price per gram, less estimated selling costs. The model also considers the stage of the biological asset in the aggregate plant life cycle.

- The valuation model includes the following estimates, all of which are Level 3 inputs in the fair value hierarchy:
- Average number of weeks in the growing cycle (from propagation to harvest) = 14 weeks based on historical resuls:
- Average wholesale selling price of whole flower = $0.99 per gram based on historical and expected future sales;
- Average harvest yield of whole flower = 2,815 grams per plant, net of expected wastage, based on historical results;
- Selling costs (shipping, order fulfillment, and labelling) = $0.29 per gram based on historical results.

The table below shows the assumptions used in the biological assets model used for the year ended December 31, 2019 and estimates of what has been achieved and what was processed as at March 31, 2020.

Significant assumptions utilized in cannabis plant model

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Bud	**Trim**	**Bud**	Trim
Ratio bud vs. trim	11%	89%	16%	84%
Selling price per gram	$ 1.10	$ 0.11	$ 0.99	$ 0.20
Total costs to sell per gram	$ 0.29	$ 0.08	$ 0.29	$ 0.08
FVLCS per gram	$ 0.81	$ 0.03	$ 0.70	$ 0.12

As at March 31, 2020 the average stage of completion of the biological assets was 100%, based on the number of days remaining to harvest. All material harvested during the year ended December 31, 2019 was transferred to the Company and used for processing and direct sales of flower to third parties.

The estimated FVLCS of dry cannabis as at December 31, 2019 was $0.70 per plant for flower and $0.11 for trim. The realized total yield was 7.2 million grams of biomass in 2019. As at March 31, 2020, 6 million grams were processed and the estimated realized FVLCS was $0.81 per gram for flower and $0.03 for trim. The weighted combined realized FVLCS was $0.11 per gram compared with $0.21 per gram used in the biological assets model. The lower FVLCS including flower and trim reflects a realized flower price of $1.10 and a trim price of $0.11, compared with $0.99 for flower and $0.20 for trim, used in the biological assets model, not offsetting the realized trim price of $0.11 per gram and the price used in the biological assets model of $0.20 per gram. The FVLCS for flower and trim combined also had a negative impact on the FVLCS following from a flower and trim ratio of 11% - 89% compared with 16% - 84% in the biological assets model.

Expressed in US dollars

The above inputs 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 on the fair value of biological assets - March 31, 2020

Sensitivity		**+ 10%**		**- 10%**
Change in expected yield for cannabis plants	$	131,920	$	(131,920)
Change in FVLCS		68,121		(68,121)

Summary of Quarterly Results

Summary of quarterly results - expressed in US dollars

For three months to:	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Revenue	2,093,468	3,595,907	3,039,926	8,718,503	9,552,012	7,150,557	2,727,416	4,449,098
Cost of Cannabis inventory sold	1,792,003	4,001,075	3,336,070	6,273,930	8,005,913	6,148,873	4,833,397	4,331,725
Gross profit excluding FV changes	301,465	(405,168)	(296,143)	2,444,573	1,546,099	1,001,684	(2,105,980)	117,373
Changes in value of biological assets	(146,396)	928,491	(635,849)	(267,758)	(24,884)	1,902,086	(1,386,778)	(289,553)
Gross profit / (loss)	155,069	523,323	(931,992)	2,176,815	1,521,215	2,903,770	(3,492,758)	(172,180)
Gross margin	*7.4%*	*14.6%*	*-30.7%*	*25.0%*	*15.9%*	*40.6%*	*-128.1%*	*-3.9%*
Net loss	(2,079,715)	(5,383,724)	(4,443,868)	(2,761,551)	(3,912,201)	(6,309,689)	(14,633,694)	(8,609,704)
Net loss per share	$ (0.08)	$ (0.19)	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.03)
Weighted average number of outstanding common shares, basic and diluted	27,410,126	28,923,032	157,905,223	160,386,434	182,418,186	191,194,200	247,245,179	277,418,561
Total assets	10,228,119	27,739,861	19,391,988	25,691,649	38,338,127	40,881,703	41,988,522	47,508,892

The Company’s quarterly consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as are issued by the International Accounting Standards Board (“IASB”) and are reported in U.S. dollars. The above quarterly information is presented on the same basis as the audited consolidated financial statements and should be read in conjunction with the statements and the accompanying notes. The fluctuation in the gross margin is explained by the timing of inventory movements, a change in the value of biological assets, and value adjustments of inventory.

Non-IFRS measures

Adjusted EBITDA - expressed in US dollars

	For the 3 months ending:	
	March 31, 2020	***March 31, 2019***
EBITDA	**$ (7,387,049)**	$ (1,638,064)
Depreciation included in COGS	**234,818**	188,059
Impairments included in COGS	**951,813**	-
Share-based compensation for staff	**131,897**	629,125
(Gain) loss on values of biological assets	**289,553**	267,758
Adjusted EBITDA	**$ (5,778,968)**	$ (553,122)

Management evaluates the Company's performance using a variety of measures. The non-IFRS measures should not be considered as an alternative to or to be more meaningful than net revenue or net loss. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

EBITDA and Adjusted EBITDA are calculated as described above, adjusted for specific items that are significant but not reflective of the Company's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Company's operating performance before income taxes, depreciation and amortization, and certain other income and expenses. Income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Management believes that presentation of this non-IFRS measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses Adjusted EBITDA to compare financial results among reporting periods and to evaluate the Company's operating performance and ability to generate funds from operating activities. In calculating Adjusted EBITDA, certain non-cash and nonrecurring transactions are excluded. Adjusted EBITDA excludes non-cash expenses related to share-based compensation and foreign exchange gains and losses.

Liquidity and capital resources

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund operating and organic growth requirements.

The Consolidated Financial Statements have been prepared on a going concern basis, which assume 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 balance sheet classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

Historically, management has been successful in obtaining enough funding for operating and capital requirements. In April 2019, the Company closed a financing through convertible debentures with gross proceeds of $15.8 million (or CAD $21.2 million). The Company also entered an unsecured CAD $10.0 million debt financing agreement in September 2019 as well as a private placement of approximately $4.0 million in October 2019. In December 2019, the Company completed a private placement of 3,333,334 Halo common shares for approximately CAD $1.2 million. There is, however, 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.

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. 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.

As at March 31, 2020 the Company had continued losses and an accumulated deficit.

In the United States, 33 states and the U.S. territories of Guam, the U.S. Virgin Islands, and Puerto Rico allow the use of medical cannabis. Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, the Northern Mariana Islands, Oregon, and Washington have legalized the sale and adult-use of recreational cannabis. The District of Columbia and Vermont have legalized adult-use of recreational cannabis, but do not allow the sale 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 which 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.

As at March 31, 2020, the Company had cash of $3,817,754, of which $1,549,658 is restricted. As at March 31, 2020, the Company had continued losses, an accumulated deficit and a working capital surplus.

The Company's working capital consists of current assets including cash, minus current liabilities including short term loans and the current portion of long-term debt. The table below sets forth the cash and working capital position of the Company as at March 31, 2020. Working capital as at December 31, 2019 includes investments and marketable securities. As at March 31, 2020, the Company no longer holds marketable securities and investments have been reclassified as long-term investments.

Cash and working capital position - expressed in US dollars

As at:		***March 31, 2020***		***December 31, 2019***
Cash (including restricted cash)	**$**	**3,817,754**	$	4,384,131
Working capital		**8,765,461**		15,283,403

The table below sets forth the Company's cash flows for the three months ended March 31, 2020 and 2019.

Cash flow - expressed in US dollars

	For the 3 months ending:	
Cash provided by (used in):	***March 31, 2020***	***March 31, 2019***
Operating activities	**(2,439,269)**	(2,057,852)
Finance activities	**188,609**	2,043,377
Investing activities	**-**	(347,121)

Cash used in operating activities

For the three months ended March 31, 2020, cash used in operating activities was $2,439,269 (three months ended March 31, 2019: $2,057,852). The increase in cash used in operating activities was due to a net loss of $8,609,705 (three months ended March 31, 2019: net loss $2,979,294), the reversal of non-cash items in the amount of $4,918,,254 (three months ended March 31, 2019: $1,742,325) and a decrease in working capital of $1,252,183 (three months ended March 31: increase $820,884).

Cash provided by financing activities

For the three months ended March 31, 2020, cash generated from financing activities was $188,609 (three months ended March 31, 2019: $2,043,377). The cash flow from financing activities in 2020 was comprised of net proceeds from issuance of common shares in relation to acquisitions in the amount of $510,856 (three months ended March 31, 2019: $574,780), repayments of loans in the amount of $129,077 (three months ended March 31, 2019: increase in loans $1,634,136), lease payments of $181,481 and $11,689 was paid as share issuance costs (three months ended March 31, 2019: $165,539).

Expressed in US dollars

Cash used in investing activities

For the three months ended March 31, 2020, cash used in investing activities was $Nil (three months ended March 31, 2019: $347,121). Capex in relation to the acquisition of Mendo Distribution and Transportation LLC and the increase in leased assets were non-cash items.

Share capital

During the three months ended March 31, 2020, the Company issued 105.6 million common shares. 10,312 warrants were issued. No options were issued. The details are disclosed in Note 15 of the Consolidated Financial Statements for the three months ended March 31, 2020.

Use of Proceeds

On March 10, 2020, the Company completed the acquisition of Cannalift Delivery Inc. Concurrent to the closing of this transaction, Halo closed a non-brokered private placement of Halo common shares at a price of CAD $0.11 per share for aggregate gross proceeds of approximately CAD $700,000. Proceeds from the concurrent financing are used for general working capital.

Outstanding Share Data

As at June 19, 2020, the Company has 447,114,343 common shares issued and outstanding, 8,810,449 stock options outstanding, 117,242,396 warrants outstanding and 12,679 convertible debentures which are convertible into an aggregate of 12,679,034 common shares.

Commitments

The following table summarizes contractual obligations as of March 31, 2020 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods:

Committed lease obligations

		Amount due
2020	$	884,289
2021		762,225
2022		562,479
2023		333,775
2024		336,320
2025		338,917
2026		341,565
2027		472,941
2028		340,066

Critical Accounting Estimates and Judgements

The critical accounting estimates and judgements are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020.

Changes in Accounting Policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020.

Related Party Transactions

Related party transactions are disclosed in Note 13 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Financial Instruments

The following is a summary of the carrying values of the financial instruments as at March 31, 2020:

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	-	2,268,097	-	**2,268,097**
Restricted cash	-	1,549,657	-	**1,549,657**
Accounts receivable	1,202,591	-	-	**1,202,591**
Notes receivable	1,383,263	-	-	**1,383,263**
Investments	-	1,610,257	-	**1,610,257**
Financial liabilities:				
Accounts payable and accrued liabilities	7,166,149	-	-	**7,166,149**
Other loans	1,504,873	-	-	**1,504,873**
Debenture liability	6,865,043	-	-	**6,865,043**

All financial assets and financial liabilities are initially recognized at fair value. The fair value of financial instruments is measured using 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 included in Level One.
- Level Three includes inputs that are not based on observable market data.

All are recognized as Level One measurements except for debenture liability which is classified as Level Two. There have been no transfers between fair value levels during the period.

For a detailed discussion of the Company's financial instruments, refer to Note 18 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020.

Controls and Procedures

Disclosure controls and procedures ("DC&P")

To provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis, Management of the Company, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for the design and operation of DC&P. The CEO and the CFO have limited the scope of the design of DC&P to exclude controls, policies and procedures of (a) a business that the issuer acquired not more than 365 days before the last day of the period covered by the annual filings; and (b) summary financial information about the proportionately consolidated entity, special purpose entity, or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

Internal control over financial reporting ("ICFR")

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, ICFR may not prevent or detect all misstatements and fraud. Management will continue to monitor the effectiveness of its ICFR and may make modifications from time to time as considered necessary. The CEO and the CFO have limited the scope of the design of ICFR to exclude controls, policies and procedures of (a) a business that the issuer acquired not more than 365 days before the last day of the period covered by the annual filings; and (b) summary financial information about the proportionately consolidated entity, special purpose entity, or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

Control Framework

Management assesses the effectiveness of the Company's ICFR using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO').

Changes in ICFR

Other than the limitation on the scope of design on DC&P and ICFR as noted above, there has been no change in the Company's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this MD&A.

Disclosures about Risks

The Company's exposure to significant risks include, but are not limited to currency risk, interest rate risk, credit risk, price risk, market risk and liquidity risk. For a complete discussion of the risks, refer to Note 17 of the Company's Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020 and the Annual Information Form for the year ended December 31, 2019 available on the SEDAR website at www.sedar.com.

Additional Information

Additional information relating to Halo, including our annual information form, is available on SEDAR at www.sedar.com.