Halo Labs Inc.
Management Discussion and Analysis
For the three and six months ended June 30, 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 August 17, 2020 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 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 Q2 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 Q3 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. 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 Q3 2020.

7. 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.

8. 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.

9. On July 6, 2020, the Company announced that it closed the following acquisitions:

   - 66 2/3% controlling membership interest in LKJ11 LLC ("LKJ") a winning Los Angeles dispensary applicant; and

   - 100% of the outstanding membership interest in LKJ11's retail management company Crimson & Black LLC ("C&B").

10. On July 16, 2020, the Company announced the completion of the acquisition of Bophelo and issued an aggregate of 43,712,667 Halo common shares. Halo has also issued an additional 2,039,334 Halo Shares to GMG Financial Services Ltd. ("GMG") as an arrangement fee. Following closing of the Acquisition, Halo will acquire certain debt obligations of Middleton Gardens Ltd. ("Middleton") for an aggregate of 28,586,807 Halo shares.

11. On July 31, 2020, Halo closed its acquisition of Outer Galactic Chocolates, LLC ("OGC"), holder of a Type N manufacturing license in Mendocino County in exchange for 1,981,825 Halo common shares. The acquisition gives Halo a license to produce infused and edible cannabis products adjacent to the Mendo Distribution and Transportation LLC ("MDT") facility in Ukiah, California. To effectuate the acquisition, OGC Merger Sub, Inc., an indirect wholly-owned subsidiary of Halo, merged with and into OGC. OGC remains the surviving entity and will be wholly-owned by PSG Coastal Holdings LLC, an indirect wholly-owned subsidiary of Halo. Upon closing, Halo issued 495,457 Halo Shares (25% of the total consideration) to OGC's owner, Jeff Stewart. The remainder of the Halo Shares will be paid to Mr. Stewart in twelve equal installments of 123,864 Halo Shares, deliverable on the first day of each of the twelve months immediately following the closing.

12. On august 6, 2020, the Company announced that it has entered into a definitive agreement dated effective August 5, 2020 pursuant to which the Company will acquire all the issued and outstanding shares of Ukiah in exchange for securities of the Company. Prior to the transaction, the Company holds a 14.7% equity stake in Ukiah as a result of the Company's initial investment in Ukiah in December 2019. The Company will acquire the remaining issued and outstanding 7,725,007 Ukiah Shares, and will therefore own 100% of the total outstanding 9,058,340 Ukiah Shares. The purchase price will be satisfied by issuing 71,881,607 common shares of Halo.

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 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 third party funding and through the securing of commercial offtake

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

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

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, Bophelo 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, which was increased to C$15 million, up from C$10 million perviously, convertible into Halo shares on deployment, 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.

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 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:		
		June 30, 2020		***June 30, 2019***
Revenue	**$**	**5,242,961**	$	9,552,012
Reported gross profit		**1,026,875**		1,521,215
Gross margin		**19.6%**		15.9%
Gain / (loss) on biological assets		**(124,926)**		(24,884)
Impairments		**-**		-
Gross profit excluding biological assets and impairments		**1,151,801**		1,546,099
Gross margin		**22.0%**		16.2%
Total operating expenses		**4,988,991**		4,947,784
Reported net loss		**(6,268,465)**		(4,116,377)
Net loss per share (basic and diluted)	**$**	**(0.01)**	$	(0.03)

Revenues in the three months ended June 30, 2020 were $5,242,961, a 45.1% decrease compared to $9,552,059 in the three months ended June 30, 2019. Revenues from ANM in Oregon increased with 45.6%, but this did not offset the decrease in revenues at Coastal Harvest, the California operation, which had little activity in the three months ended June 30, 2020 and the phasing out of HLO Ventures in Nevada.

- Total revenues of $5,242,961 net of inter-company eliminations in the three months ended June 30, of 2020 were comprised of $4,096,008 from ANM (three months ended June 30, 2019: $2,812,789), $6,430 from HLO (three months ended June 30, 2019: $826,708), $Nil from Coastal Harvest (three months ended June 30, 2019: $5,918,736) and $1,140,523 from Mendo Distribution and Transportation Inc. ("MDT"). MDT was acquired in January 2020. There was a reversal of inter-company eliminations on consolidation of $1,237 (three months ended June 30, 2019: inter-company elimination $6,221).

- The decrease in revenues for the three months ended June 30, of 2020 in comparison to the three months ended June 30, of 2019 was due primarily to a 16% increase in grams equivalent sold and a 52% decline in price due to mix. Of total grams sold, 25% was flower which sold at $1.07 per gram whereas the remainder of the mix sold at $6.24. There were no flower sales in the three months ended June 30, 2019.

- Since the fourth quarter in 2019, revenues have increased quarter on quarter. Compared with Q1, 2020, in Q2, 2020, revenues increased with 17.8%.

- Overall gross margin in the three months ended June 30, 2020 was 19.6% (three months ended June 30, 2019: 15.9%). Excluding the loss on the value of biological assets of $124,926, the gross margin was 22.0% (three months ended June 30, 2019: 16.2%).

- In the three months ended June 30, of 2020, the facility in Oregon, ANM Inc. sold 963,090 grams of oil equivalent, a 136.6% increase in comparison with the three months ended June 30, 2019. The average mix price was $4.25, a 38.5% decrease in comparison with the three months ended June 30, 2019. This is explained by the lower selling prices of flower ($1.07 per gram) and pre-rolls ($1.36 per gram) in ANM's product-mix in comparison with $6.38 for extracts and edibles. Flower and pre-rolls were not sold in the three months ended June 30, 2019.

- In the three months ended June 30, 2020, Mendo Distribution and Transportation ("MDT") sold 119,464 grams of distillate and resin at an average price of $10.09.

- In the three months ended June 30, 2020, the Company had negative EBITDA of $3,962,116 (three months ended June 30, 2019: negative EBITDA $3,426,569). Adjusted for specific items that are significant but not reflective of the Company's underlying operations, adjusted negative EBITDA was $2,616,719 (three months ended June 30, 2019: negative EBITDA $2,502,919).

- In the three months ended June 30, 2020, cash used in operations was $1,099,271 (three months ended June 30, 2019: $7,174,187) and total cash outflow was $1,041,688 (three months ended June 30, 2019: cash outflow $7,187,268). In the six months ended June 30, 2020, working capital decreased with $749,699 and increased $502,483 in the three months ended June 30, 2020. As at June 30, 2020, the Company had a working capital surplus of $6,950,512. As at June 30, 2020, the Company had $2,776,066 in cash, of which $1,238,542 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 10, 2020, the Company completed the 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. On July 6, 2020, the Company announced that it closed the following acquisitions:

    - 66 2/3% controlling membership interest in LKJ11 LLC ("LKJ") a winning Los Angeles dispensary applicant; and

- 100% of the outstanding membership interest in LKJ11's retail management company Crimson & Black LLC ("C&B").

LKJ11 acquisition

On July 6, 2020, Halo acquired a company holding a 66 2/3% interest in LKJ11 in exchange for 42,881,646 Halo common shares. To effectuate the LKJ11 transaction, the majority member of LKJ11 merged with and into Halo's MFT11 Merger Sub, Inc. and the majority member remains the surviving entity is wholly-owned by PSG Coastal Holdings LLC ("PSG"), an indirect wholly-owned subsidiary of Halo. Upon closing, Halo issued 8,576,329 Halo common shares to the vendors. 34,305,317 Halo shares are still to be issued as follows:

- 17,152,659 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

- 17,152,658 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.

Crimson & Black ("C&B") acquisition

On July 6, 2020, Halo acquired 100% of the outstanding membership interest in C&B in exchange for 6,432,247 Halo shares. 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 Halo shares will be issued as follows:

- 3,216,124 Halo shares when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and

- 3,216,123 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.

14. On July 16, 2020, the Company announced the completion of the acquisition of Bophelo and issued an aggregate of 43,712,667 Halo common shares. Halo has also issued an additional 2,039,334 Halo shares to GMG Financial Services Ltd. ("GMG") as an arrangement fee. Following closing of the Acquisition, Halo will acquire certain debt obligations of Middleton Gardens Ltd. ("Middleton") for an aggregate of 28,586,807 Halo shares.

15. On July 31, 2020, Halo closed its acquisition of Outer Galactic Chocolates, LLC ("OGC"), holder of a Type N manufacturing license in Mendocino County in exchange for 1,981,825 Halo common shares. The acquisition gives Halo a license to produce infused and edible cannabis products adjacent to the Mendo Distribution and Transportation LLC ("MDT") facility in Ukiah, California. To effectuate the acquisition, OGC Merger Sub, Inc., an indirect wholly-owned subsidiary of Halo, merged with and into OGC. OGC remains the surviving entity and will be wholly-owned by PSG Coastal Holdings LLC, an

indirect wholly-owned subsidiary of Halo. Upon closing, Halo issued 495,457 Halo Shares (25% of the total consideration) to OGC's owner, Jeff Stewart. The remainder of the Halo Shares will be paid to Mr. Stewart in twelve equal installments of 123,864 Halo Shares, deliverable on the first day of each of the twelve months immediately following the closing.

16. On August 6, 2020, the Company announced that it has entered into a definitive agreement dated effective August 5, 2020 pursuant to which the Company will acquire all the issued and outstanding shares of Ukiah in exchange for securities of the Company. Prior to the transaction, the Company holds a 14.7% equity stake in Ukiah as a result of the Company's initial investment in Ukiah in December 2019. The Company will acquire the remaining issued and outstanding 7,725,007 Ukiah Shares, and will therefore own 100% of the total outstanding 9,058,340 Ukiah Shares. The purchase price will be satisfied by issuing 71,881,607 common shares of Halo at the fair market value on August 5, 2020 of $0.09 (C$0.12).

Results of Operations

The following section provides details of the Company's financial performance for the three months ended June 30, 2020 compared to the three months ended June 30, 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:		
		June 30, 2020		***June 30, 2019***
Revenue	**$**	**5,242,961**	$	9,552,012
Cost of finished cannabis inventory sold		**4,091,160**		8,005,913
Gross profit ex change in FV biological assets		**1,151,801**		1,546,099
Change in value of biological assets		**(124,926)**		(24,884)
Gross Profit / (loss)		**1,026,875**		1,521,215
Net loss		**(6,268,465)**		(4,116,377)
Net loss per share, basic & diluted:	**$**	**(0.01)**	$	(0.02)
Weighted average number of outstanding common shares, basic and diluted		**429,610,021**		182,753,091
Total assets		**48,016,022**		38,338,127
Long-term financial liabilities		**9,089,034**		6,834,343

Revenue

Revenues in the three months ended June 30, of 2020 were $5,242,961 compared to $9,552,012 in the three months ended June 30, of 2019, a 45.1% decline.

- **ANM - I**n the three months ended June 30, of 2020, the facility in Oregon sold 238,438 grams of shatter, a 25.4% increase, 119,332 grams of cartridge oil, a 11.6% decline, 70,207 grams of live resin (1,000 grams in the three months ended June 30, 2019), 270,357 grams of flower (three months ended June 2019: Nil), 143,412 grams of oil equivalent of tinctures and gummies, a 77.3% increase and 121,345 grams equivalent of pre-rolls (three months ended June 30, 2019, Nil).

- Shatter sold at $5.07 per gram in the three months ended June 30, 2020, a 11.2% increase in comparison with the three months ended June 30, 2019.

- Cartridge oil sold at $10.24 per gram in the three months ended June 30, 2020, a 16.2% decline in comparison with the three months ended June 30, 2019.

- Live resin sold at $7.45 per gram in the three months ended June 30, 2020, a 43.1% increase in comparison with the three months ended June 30, 2019.

- Flower sold at $1.07 per gram in the three months ended June 30, 2020. In the three months ended June 30, 2019 there were no flower sales.

- Edibles sold at $5.07 per gram of oil equivalent in the three months ended June 30, 2020, a 2.2% increase in comparison with the three months ended June 30, 2019.

- Pre-rolls sold at $1.34 per gram equivalent in the three months ended June 30, 2020. There were no sales in the three months ended June 30, 2019

- The conversion yield of trim into oil was 9.4% in the three months ended June 30, 2020 compared with a yield of 7.7% in the three months ended June 30, 2019. 5,448,943 grams of trim were converted into oil in the three months ended June 30, 2020, a 6.2% decline in comparison with the three months ended June 30, 2019. The trim price declined to $28 per pound, a 57.4% decline in comparison with the three months ended June 30, 2019.

- **Mendo Distribution and Transportation ("MDT") –** In the three months ended June 30, 2020, MDT sold 72,855 grams of distillate, at an average price of $10.61.In addition, MDT sold 46,610 grams of live resin at an average price of $9.29 per gram. Total grams sold was 119,464 at an average mix-price of $10.09.

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $4,091,160 in the three months ended June 30, 2020 (three months ended June 30, 2019: $8,005,913). The loss in the value of biological assets was $124,926 in the three months ended June 30, 2020 (three months ended June 30, 2019: loss $24,884).

Impairments, non-recurring items, biological assets allocated to COGS - Q2 2020

	ANM	HLO	CH	MDT	Total
Non-recurring	-	-	-	-	**-**
Impairments	-	-	-	-	**-**
Biological assets	124,926	-	-	-	**124,926**
Total	$ 124,926	$ -	$ -	$ -	**$ 124,926**

The gross profit for the three months ended June 30, of 2020 was $1,026,875 including a loss on biological assets of $124,926. The reported gross margin was 19.6% (three months ended June 30, 2019: 15.9%). Excluding the loss on biological assets, the gross profit was $1,151,801. The gross margin was 22.0%. (three months ended June 30, 2019: 16.2%).

Included in the loss on the fair value of intangibles and derivatives is an impairment of $1,377,636 in relation to the acquisition of Nasalbinoid. This is not included in COGS or operating expenses.

ANM generated a gross profit of $1,190,630 (three months ended June 30, 2019: $335,966), a gross margin of 29.1% (three months ended June 30, 2019: 11.9%) and adjusted for the loss on biological assets the gross margin was 32.1%. (three months ended June 30, 2019: 12.8%). HLO Ventures generated a gross loss of $19,646 (three months ended June 30, 2019: gross loss $53,692). Coastal Harvest generated a gross loss of $169,142 (three months ended June 30, 2019: gross profit $1,238,940). ICL9 reported a gross loss of $2,875. MDT generated a gross profit of $27,908. MDT was acquired by the Company on January 9, 2020.

Operating expenses

The table below sets forth operating expenses for the three months ended June 30, of 2020 and 2019.

Operating expenses - expressed in US dollars

	For the 3 months ending:	
	June 30, 2020	***June 30, 2019***
General and administration	**$ 678,929**	$ 1,044,550
Salaries	**1,000,778**	1,285,771
Professional fees	**1,434,947**	523,429
Sales and marketing	**949,485**	657,023
Investor relations	**9,009**	747,463
Share issuance costs	**210,763**	-
Share-based compensation	**705,080**	689,547
Total operating expenses	**$ 4,988,991**	$ 4,947,784

The decrease in G&A is explained by a reversal of $11,050 at HLO Ventures and HLO Peripherals in comparison with $159,397 in the three months ended June 30, 2019. The reversal was in relation to a $38,282 reversal of rent paid to a farm. G&A at Coastal Harvest was $12,798 compared with $297,381 in the three months ended June 30, 2019. G&A combined for HLO Ventures, HLO Peripherals and Coastal Harvest was $1,748 compared with $456,778 in the three months ended June 30, 2019. G&A at ANM Inc. was $367,460 compared with $205,661 in the three months ended June 30, 2019. The consolidation of MDT added $159,099 to G&A. G&A at the corporate center was $150,622 compared with $348,735 in the three months ended June 30, 2019. Management continues to focus on the reduction of G&A across the Company.

Salaries decreased with 22.2% to $1,000,778, explained by a decline of salaries at HLO to $46,895 (three months ended June 30, 2019: $143,900), a decline at Coastal Harvest to $57,821 (three months ended June 30, 2019: $150,703), a decline at the corporate center to $515,523 (three months ended June 30, 2019: $619,015) and a small increase at ANM Inc. to $380,539 (three months ended June 30, 2019: $372,153). The non-cash part of salaries was $228,917, 20.7% of total salaries.

Professional expenses were $1,434,947 in the three months ended June 30, 2020. Of this, an amount of $1,092,665 was related to the corporate center. Of professional fees in the corporate center, 65.5% was non-cash, as consultants took payment in shares in the Company. Of total professional fees, 49.9% was non-cash payments to consultants. At the corporate center, $248,946 was spent on legal fees, $715,797 was spent for consultants being paid in shares, $40,648 was paid to consultants in cash, audit fees were $52,704, transfer agency fees were $ 15,299, $23,695 was paid for IT and there was a $4,424 reversal of tax advisory fees.

Share issuance costs in relation to settlements paid in Halo shares and expensed through the Consolidated Interim Statement of Loss were $210,763. (three months ended June 30, 2019: $Nil).

Expenses in relation to investor relations were minimal for the three months ended June 30,2020 in comparison with the previous year.

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 June 30, 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 June 30, 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 results:
- Average wholesale selling price of flower = $1.07 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 June 30, 2020.

Significant assumptions utilized in cannabis plant model

	Six months ended June 30, 2020		**Year ended December 31, 2019**	
	Bud	**Trim**	**Bud**	Trim
Ratio bud vs. trim	11%	89%	16%	84%
Selling price per gram	$ 1.07	$ 0.07	$ 0.99	$ 0.20
Total costs to sell per gram	$ 0.29	$ -	$ 0.29	$ 0.08
FVLCS per gram	$ 0.78	$ 0.07	$ 0.70	$ 0.12

As at June 30, 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 $0.12 for trim. The realized total yield was 7.2 million grams of biomass in 2019. As at June 30, 2020, 6.3 million grams were processed and the estimated realized FVLCS was $0.78 per gram for flower and $0.07 for trim. The weighted combined realized FVLCS is $0.15 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 $1.07 and a trim price of $0.07, compared with $0.99 for flower and $0.20 for trim used in the biological assets.

Expressed in US dollars

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.

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 - June 30, 2020

Sensitivity		**+ 10%**		**- 10%**
Change in expected yield for cannabis plants	$	113,054	$	(113,054)
Change in FVLCS		93,211		(93,211)

Six months ended June 30, 2020 compared to six months ended June 30, 2019

The following section provides details of the Company's financial performance for the six months ended June 30, 2020 compared to the six months ended June 30, 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.

Summary consolidated statement of income - expressed in US dollars

		For the 6 months ending:		
		June 30, 2020		**June 30, 2019**
Revenue	**$**	**9,692,059**	$	18,270,515
Reported gross profit		**854,695**		3,698,030
Gross margin		**8.8%**		20.2%
Gain / (loss) on biological assets		**(414,479)**		(292,642)
Impairments		**(951,813)**		-
Gross profit excluding biological assets and impairments		**2,220,987**		3,990,672
Gross margin		**22.9%**		21.8%
Total operating expenses		**12,203,862**		8,762,662
Reported net loss		**(14,878,171)**		(7,095,668)
Net loss per share (basic and diluted)	**$**	**(0.04)**	$	(0.04)

The development of revenues in the six months ended June 30, 2020 compared with the six months ended June 30, 2019 should be read in conjunction with the section “results of operations” in this MD&A, which discusses the results of operations for the three months ended June 30, 2020, and the same section in the MD&A for the three months ended March 31, 2020.

Revenues for the six months ended June 30, 2020 were $9,692,059, a 47.0% decline in comparison with the six months ended June 30, 2019. In the three months ended March 31, 2020, revenues declined 49.0% in comparison with the three months ended March 31, 2019, and in the three months ended June 30, 2020, revenues declined 45.1% in comparison with the three months ended June 30, 2019

Operating expenses - expressed in US dollars

		For the 6 months ending:		
		June 30, 2020		**June 30, 2019**
General and administration		**1,111,500**		1,795,965
Salaries		**2,088,345**		2,180,984
Professional fees		**4,924,807**		1,054,408
Sales and marketing		**1,698,342**		1,186,923
Investor relations		**1,271,103**		1,225,710
Share issuance costs		**272,787**		**-**
Share-based compensation		**836,978**		1,318,672
Total operating expenses	**$**	**12,203,862**	$	8,762,662

Gross profits were $854,695 in the six months ended June 30, 2020 and the gross margin was 8.8%. The three months ended March 31, 2020, included $951,813 in impairments in relation to MDT, no impairment charges in the three months ended June 30, 2020, and a loss of $414,479 in the value of biological assets in the six months ended June 30, 2020. Adjusted for the gain or loss in the value of biological assets, non-recurring items and impairments, the gross profit was $2,220,987 (six months ended June 30, 2019: 3,990,672) and the gross margin was 22.9% (six months ended June 30, 2019: 21.8%).

The development of operating expenses in the six months ended June 30, 2020 compared with the six months ended June 30, 2019 should be read in conjunction with the section “operating expenses” under “results from operations” in this MD&A, which discusses the operating expenses for the three months ended June 30, 2020, and the same section should be read in the MD&A for the three months ended March 31, 2020.

Operating expenses in the three months ended June 30, 2020 were $4,988,991, a 0.8% increase in comparison with the three months ended June 30, 2019. Operating expenses in the three months ended March 31, 2020 were $7,214,869, an 89.1% increase in comparison with the three months ended March 31, 2019.

Summary of Quarterly Results

Summary of quarterly results - expressed in US dollars

For three months to:	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Revenue	3,595,907	3,039,926	8,718,503	9,552,012	7,150,557	2,727,416	4,449,098	5,242,961
Cost of Cannabis inventory sold	4,001,075	3,336,070	6,273,930	8,005,913	6,148,873	4,833,397	4,331,725	4,091,160
Gross profit excluding FV changes	(405,168)	(296,143)	2,444,573	1,546,099	1,001,684	(2,105,980)	117,373	1,151,801
Changes in value of biological assets	928,491	(635,849)	(267,758)	(24,884)	1,902,086	(1,386,778)	(289,553)	(124,926)
Gross profit / (loss)	523,323	(931,992)	2,176,815	1,521,215	2,903,770	(3,492,758)	(172,180)	1,026,875
Gross margin	*14.6%*	*-30.7%*	*25.0%*	*15.9%*	*40.6%*	*-128.1%*	*-3.9%*	*19.6%*
Net loss	(5,383,724)	(4,443,868)	(2,761,551)	(3,912,201)	(6,309,689)	(14,633,694)	(8,609,704)	(6,268,465)
Net loss per share	$ (0.19)	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.01)
Weighted average number of outstanding common shares, basic and diluted	28,923,032	157,905,223	160,386,434	182,418,186	191,194,200	247,245,179	277,418,561	429,610,021
Total assets	27,739,861	19,391,988	25,691,649	38,338,127	40,881,703	41,988,522	47,508,892	48,016,022

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 6 months ending:		
		June 30, 2020		***June 30, 2019***
EBITDA	**$**	**(11,349,168)**	$	(5,064,632)
Depreciation included in COGS		**477,422**		397,278
Impairments included in COGS		**951,813**		-
Share-based compensation for staff		**836,978**		1,318,672
Share-based payments for goods and services		**272,787**		-
(Gain) loss on values of biological assets		**414,479**		292,642
Adjusted EBITDA	**$**	**(8,395,689)**	$	(3,056,040)

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 June 30, 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 June 30, 2020, the Company had cash of $2,776,066, of which $1,238,542 is restricted. As at June 30, 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 June 30, 2020. Working capital as at December 31, 2019 includes investments and marketable securities. As at June 30, 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:	***June 30, 2020***	***December 31, 2019***
Cash (including restricted cash)	**$ 2,776,066**	$ 4,384,131
Working capital	**6,950,512**	15,283,403

The table below sets forth the Company's cash flows for the three months ended June 30, 2020 and 2019.

Cash flow - expressed in US dollars

	For the 6 months ending:	
Cash provided by (used in):	***June 30, 2020***	***June 30, 2019***
Operating activities	**(3,538,541)**	(12,329,384)
Finance activities	**428,984**	16,080,908
Investing activities	**(182,791)**	(3,173,130)

Cash used in operating activities

For the six months ended June 30, 2020, cash used in operating activities was $3,538,541 (six months ended June 30, 2019: $12,329,384). For the three months ended June 30, 2020, cash used in operating activities was $1,099,271 (three months ended June 30, 2019: $7,174,187).

The increase in cash used in operating activities was due to a net loss of $14,878,171 (six months ended June 30, 2019: net loss $7,095,668), the reversal of non-cash items in the amount of $10,589,930 (six months ended June 30, 2019: $2,996,746) and a decrease in working capital of $749,699 (six months ended June 30: increase $5,133,118). Working capital increased with $502,483 in the three months ended June 30, 2020 (three months ended June 30, 2019: increase $4,312,233)

Cash provided by financing activities

For the six months ended June 30, 2020, cash generated from financing activities was $428,984 (six months ended June 30, 2019: $17,330,701). The cash flow from financing activities in the six months ended June 30, 2020 was comprised of net proceeds from issuance of common shares in relation to acquisitions in the amount of $711,231 (six months ended June 30, 2019: $9,654,517), net repayments of loans in the amount of $67,186 (six months ended June 30, 2019: increase in loans $8,010,737), lease payments of $198,561 (six months ended June 30, 2019; $Nil) and $16,500 was paid as share issuance costs (three months ended June 30, 2019: $334,553).

Cash used in investing activities

For the six months ended June 30, 2020, cash used in investing activities was $182,791 (six months ended June 30, 2019: $1,272,989).

Share capital

During the six months ended June 30, 2020, the Company issued 187,463,281 common shares. 1,000,000 warrants were issued as payment for services and 33,922,297 warrants were cancelled as they expired. 24,500,000 options were issued to staff, executives and directors, and 661,860 options forfeited or were cancelled. The details are disclosed in Note 15 of the Consolidated Financial Statements for the three and six months ended June 30, 2020.

Use of Proceeds

On March 10, 2020, the Company closed a private placement concurrent with the acquisition of Cannalift, raising total gross proceeds of $510,856 (C$700,000). Proceeds from the concurrent financing are used for general working capital.

On April 17, 2020, the Company closed a private placement concurrent with the acquisition of Nasalbinoid, raising total gross proceeds of $301,070 (C$425,000). Proceeds from the concurrent financing are used for general working capital.

Outstanding Share Data

As at August 17, 2020, the Company has 542,568,861 common shares issued and outstanding, 34,010,449 stock options outstanding, 118,242,396 warrants outstanding and 12,679 convertible debentures which are convertible into an aggregate of 19,506,178 common shares.

Commitments

The following table summarizes contractual obligations as at June 30, 2020 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods:

Expressed in US dollars

Committed lease obligations

	Amount due
2020	$ 638,359
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 and six months ended June 30, 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 and six months ended June 30, 2020.

Related Party Transactions

Related party transactions are disclosed in Note 13 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 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 June 30, 2020:

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	-	1,537,524	-	**1,537,524**
Restricted cash	-	1,238,542	-	**1,238,542**
Accounts receivable	1,544,038	-	-	**1,544,038**
Notes receivable	549,061	-	-	**549,061**
Investments	-	3,586,561	-	**3,586,561**
Financial liabilities:				
Accounts payable and accrued liabilities	6,877,052	-	-	**6,877,052**
Other loans	764,689	-	-	**764,689**
Debenture liability	7,280,442	-	-	**7,280,442**

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 and six months ended June 30, 2020.

Subsequent Events

Subsequent events are disclosed in Note 21 of the Condensed Interim Consolidated Financial Statements.

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 and six months ended June 30, 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.