Halo Labs Inc.
Management Discussion and Analysis
For the year ended December 31, 2019

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 April 16, 2020 and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2019 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.

Recently, the Company entered into binding agreements to acquire a dispensary in Los Angeles, three KushBar branded dispensaries, 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 is maturing 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.

As 2019 progressed, Halo took a strategic assessment of its core business and has now positioned itself to thrive in the new environment. The Company has 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 recognized the nature of the structural changes facing the industry and has taken 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 has identified 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 over the course of 2019, Halo is now able to leverage its robust balance sheet to embark on an ambitious expansion plan.

Some of these acquisitions, which Halo either started or completed in 2019, include:

1. Halo acquired CannPos Services Corp. ("CannPos"), a software company developing an application to alleviate customer flow constraints experienced by dispensaries. The transaction was completed all in shares at a fair value of CAD $0.26.

2. Halo completed a 17.5% equity acquisition in Ukiah Ventures in California. This will provide Halo with distribution, processing and manufacturing capabilities in Northern California as well as right of first refusal on up to 15,000 pounds of biomass each month and rent-free operating space for the first year. This was an all-share deal completed utilizing common shares of Halo at a fair value of CAD $0.35 per share.

3. The Company acquired Precisa Medical Instruments Corp. ("Precisa") in exchange for Halo common shares at a price of CAD $0.28 per share. The fair market value of the transaction was CAD $0.31. Precisa owns the intellectual property and is developing the Accu-Dab, a THC and CBD oil dabbing device that allows for discrete and accurate dosing of sublingual cannabis concentrates.

4. The Company has signed a definitive acquisition agreement for the 100% acquisition of Bophelo, rather than its originally intended 20% equity stake. Once completed, the acquisition is to be settled through the issuance of 43,712,667 common shares of Halo.

5. 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 also an all-stock transaction which was completed at a fair value of CAD $0.315.

6. 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.

7. In February 2020, Halo 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.

9. In March 2020, the Company acquired Cannalift Delivery Inc. ("Cannalift") in an all stock deal at a fair value of CAD $0.20 per share. 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.

10. In April 2020, Halo entered into a definitive agreement to acquire 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.

U.S. Business Overview

Halo is 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.

California

This is a highly seasonal business model, however, as larger operators in the state have their own cultivation and manufacturing capacity and only backfill their supply chain with bulk oil. This segment was a stepping-stone to secure further production, distribution, and retail in California. The Company signed definitive agreements to acquire additional distribution and Type N licensing in Mendocino County, as well as a dispensary licensee in the City of Los Angeles. The Company took further steps to secure its supply chain by adding a minority stake in a post-harvest cultivation processing, co-packing, and distribution company.

The Company expects supply chain integration and revenue stream diversification to provide revenue and gross margin improvement in California for 2020. Halo is also in discussions with several brands to add higher margin packaged products to our offering. The Company is also planning to utilize the brick and mortar locations including the Los Angeles North Hollywood dispensary that the Company intends to open in 2020.

Oregon

Oregon has been growing and the 2019 harvest from East Evans Creek is the largest in the Company's history. The OLCC lifted the ban on non-cannabis derived terpenes which 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.

Moving forward into 2020, the Company is well positioned as it has secured ample biomass for production. This material ranges from shatterable material to that which can backfill live resin lines and provide raw materials for an amplified pre-roll business. The Company also intends to launch new flavors in the edible line as well as launching a 1:1 formulation in its "sizzurp" line.

Nevada

The Company continued in scaling down operations in Nevada and inventory is being sold. The licenses Halo invested retain significant value and the Company intends to monitor the developments in this state while utilizing the space for contract manufacturing and white label opportunities.

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 as the Type N license closes. 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 is critical as countries worldwide legalize at the national level. Currently, the Company is 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

[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/

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.

Indeed, the Halo team has commenced operating in Lesotho and the first harvest of 350 plants has been completed. The Company is also 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. In 2019 Halo spent $48,567 on Bohelo. Halo expects to finance 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 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

Halo has a strong financial position compared to most of its peers. 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 Labs 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 acquisition and Canmart distribution licenses 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 focusing 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 has 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.

In summary, 2019 will be a year that many in the cannabis sector hope to put behind them, but for Halo this has been a period of laying firm foundations 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):

Selected Financial Information - Expressed in US dollars

	For the 3 months ending:		*For the 12 months ending:*	
	December 31, 2019	*December 31, 2018*	*December 31, 2019*	*December 31, 2018*
Revenue	**2,727,416**	3,039,927	**28,148,488**	10,898,277
Cost of finished cannabis inventory sold	**4,833,397**	3,336,076	**25,262,113**	10,990,078
Gross profit ex change in FV biological assets	**(2,105,980)**	(296,149)	**2,886,375**	(91,801)
Change in value of biological assets	**(1,386,778)**	(635,849)	**222,666**	(176,393)
Gross Profit / (loss)	**(3,492,758)**	(931,998)	**3,109,041**	(268,194)
Net loss	**(14,633,694)**	(4,435,364)	**(27,617,135)**	(13,717,796)
Net loss per share, basic & diluted:	**$ (0.06)**	$ (0.03)	**$ (0.14)**	$ (0.22)

Revenue in the fourth quarter of 2019 was $2.7 million, a 10% decrease compared to $3.0 million in the fourth quarter of 2018 due mainly to a decrease in revenues from Halo's Oregon operations, ANM, Inc. ("ANM") and offset by the revenue from new operations of HLO Ventures (NV), LLC in Nevada ("HLO") and Coastal Harvest LLC in California ("Coastal Harvest"). For the year ended December 31, 2019, revenue was $28.1 million, a 158% increase compared to $10.9 million in 2018 due primarily to revenues from Coastal Harvest.

- Total revenues of $2.7 million in the fourth quarter of 2019 were comprised of $1.9 million from **ANM**, $0.2 million from **HLO**, and $0.6 million from **Coastal Harvest**. For the year ended December 31, 2019, total revenues of $28.1 million was comprised of $10.9 million from **ANM**, $2.0 million from **HLO** and $15.2 million from **Coastal Harvest**.

- The decrease in revenues for the fourth quarter of 2019 in comparison to the fourth quarter of 2018 was due primarily to a decrease of 79,291 grams of distillate (in cartridges) and a decrease of 73,157 grams of shatter sold by ANM, which was not offset by the 116,437 grams of bulk distillate and 26,189 grams of bulk live resin sold at Coastal Harvest. The decrease in grams sold at ANM follows from the fall-out from the vaporizer crisis. The average price decrease of distillate and live resin also contributed to the decrease in revenue for the fourth quarter of 2019 in comparison to the fourth quarter of 2018.

- Overall gross margin in the three and twelve months ended December 31, 2019 was -128.1% and 11.0% respectively. Excluding impairments, non-recurring items and value gains on biological assets, the gross margin in the three and twelve months ended December 31, 2019 was 9.8% and 18.7%

    - **ANM** gross margin was 10.8% for the year ended December 31, 2019.

    - **Coastal Harvest** gross margin was 16.4% for the year ended December 31, 2019.

    - **HLO** gross margin was -28.3% for the year ended December 31, 2019.

- **ANM -** In the fourth quarter of 2019, the facility in **Oregon** sold 37,026 grams of distillate (in cartridges) and 80,654 grams of shatter, a decrease of 68% and 48% respectively in comparison with the fourth quarter of 2018. This reflects the impact of the vaporizer crisis and a shift to live resin.

  Distillate products sold at an average price of $11.97 per gram in the fourth quarter of 2019, a 15% decline in comparison to the $14.03 per gram in the fourth quarter of 2018.

  Shatter sold at an average price of $5.21 per gram in the fourth quarter of 2019, an increase of 12% compared to the average price of $4.64 per gram in the fourth quarter of 2018.

  ANM also sold 89,013 grams of live resin at an average price of $7.93 per gram.

  ANM also sold 952 pounds of flower at an average price of $493.99 per pound in the fourth quarter of 2019.

The conversion yield was 6.9% compared with a yield of 9.3% in the previous year. The decrease in yield in the fourth quarter of 2019 in comparison to the fourth quarter of 2018 was due to an increase usage of fresh frozen for production, which has a lower yield.

- **Coastal Harvest -** In the fourth quarter of 2019, the facility in **California** sold 116,437 grams of bulk distillate and 26,189 grams of bulk live resin. Distillate sold at an average price of $4.72 per gram, and live resin sold at an average price of $7.84 per gram. It should be noted that **Coastal Harvest** had not commenced operations during the fourth quarter of 2018.

- **HLO -** In the fourth quarter of 2019, the facility in **Nevada** sold 20,543 grams of distillate products at an average price of $6.93 per gram compared to 16,367 grams of distillate products at an average price of $35.94 per gram in the fourth quarter of 2018.

Corporate Highlights

(a) On October 11, 2019, the Company announced the closing of an acquisition of all the common shares of CannPos for (i) $4.2 million in Halo common shares at a fair value of CAD $0.26 per share; and (ii) 1,250,000 performance warrants, subject to vesting and exercise restrictions to purchase 1,250,000 Halo common shares. CannPos is a software company that is developing an application to alleviate customer flow constraints currently experienced by dispensaries.

(b) On October 11, 2019, the Company announced that it had closed a non-brokered private placement of Halo common shares at a price of CAD $0.31 per share for aggregate gross proceeds of CAD $3.0 million. The Halo common shares issued in connection with the private placement are subject to a four month and one day statutory hold period pursuant to applicable securities laws.

(c) On October 15, 2019, the Company announced a partnership agreement between Halo DispensaryTrack Software Inc., a Halo Canadian subsidiary, and Greeny.com, a one-stop online marketplace for CBD-based products. The planned integration of Greeny.com with the Company's recently acquired DispensaryTrack will virtually bolster dispensary inventory with complementary CBD products that may not be traditionally available in the dispensary supply chain, offering consumers an even wider selection.

(d) On October 16, 2019, the Company announced that it had closed a second tranche of the previously announced non-brokered private placement of Halo common shares at a price of CAD $0.31 per share for additional gross proceeds of CAD $965,843. A total of 3,115,622 common shares were issued in connection with the second tranche. The Halo common shares issued in connection with the second tranche are subject to a four month and one day statutory hold period pursuant to applicable securities laws.

(e) On November 25, 2019, the Company announced that it had executed on an Agreement and Plan of Merger and Reorganization with the sole member of MDT, pursuant to which a subsidiary of Halo was to merge with and into MDT. The total consideration is $4.95 million, payable in common shares of Halo and subject to adjustments to MDT's balance sheet on the date of closing.

(f) On November 27, 2019, the Company announced that it had signed a definitive acquisition agreement with respect to its proposed acquisition of Bophelo in exchange for 43,712,667 common shares of Halo (the "Transaction"). Located in the Kingdom of Lesotho, Southern Africa, Bophelo has the country's largest licensed land area for cultivation of medicinal grade cannabis products. Bophelo currently leases a 5 hectare fully licensed greenhouse canopy and has conditional approval to expand to an additional 200 hectares of licensed outdoor canopy. Halo expects to start exporting cannabis grown at Bophelo in Q2 2020.

(g) On December 8, 2019, the Company announced that it had signed a strategic partnership agreement with OG DNA Genetics Inc. ("DNA Genetics"), one of the most awarded names in cannabis, to exclusively develop its genetics in Oregon through breeding, growing, phenotyping and processing. The initial term of the partnership agreement is five years with successive five-year renewals. DNA Genetics has garnered over 180 awards in the cannabis industry including High Times top 10 strain of the year, seedbank Hall of Fame, and Trail Blazers award. Their strains and derivative products command a premium in the market and are highly demanded by cannabis consumers.

(h) On December 10, 2019, the Company announced that it had completed a transaction with Ukiah Ventures Inc. ("Ukiah") that was previously announced on August 28, 2019. Pursuant to the transaction, (i) Halo and Ukiah entered into a share purchase agreement pursuant to which Halo acquired 1,333,333 common shares in the capital of Ukiah ("Ukiah Shares") in exchange for 5,940,000 common shares of Halo ("Halo Shares"), and (ii) Halo entered into an offtake agreement (the "Offtake Agreement") with a third-party California based cannabis processor and distributor. The Offtake Agreement provides Halo with a right of first refusal to purchase up to 15,000 lbs. of cannabis products per month at a wholesale market price. The Offtake Agreement is for a three-year term and is expected to provide Halo access to a significant quantity of high-quality cannabis at market rate before being solicited to other companies. The Ukiah Shares acquired by Halo represent a 17.5% interest in Ukiah. The Halo Shares issued pursuant to the transaction were issued at a fair value of CAD $0.34 per Halo Share for an aggregate deemed consideration of CAD $2,079,000. The Halo Shares are subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation. Certain directors of Halo own an aggregate of 45,303 Ukiah Shares, representing approximately 0.6% of the issued and outstanding Ukiah Shares following completion of the transaction.

(i) On December 23, 2019, the Company announced that it had entered into a definitive agreement to acquire all of the common shares of Precisa for $3,280,402 in Halo common shares at a price of CAD $0.28 per share. Precisa owns the intellectual property related to and is focused on the development of the Accu-Dab THC and CBD oil dabbing device. The Accu-Dab is a convenient, precise technology to provide on the go dosing of THC or CBD products sublingually for high impact absorption. The promising technology will be developed and commercialized by Halo.

(j) On December 31, 2019, the Company announced that it had closed its previously announced acquisition of all of the issued and outstanding common shares in the capital of Precisa at a fair value of CAD $0.28 and had completed its a concurrent private placement of 3,333,334 Halo common shares.

(k) On January 9, 2020, the Company announced that, further to the press release dated November 25, 2019, it has closed its acquisition of MDT for $4.95 million to be paid in Halo common shares at a fair value of CAD $0.315.

(l) 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 recently acquired by the Company through merger on January 9, 2020.

(m) On January 16, 2020, the Company announced that it has 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.

(n) 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.

(o) 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 14, 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.

(p) 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.

(q) 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 $0.20. 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.

(r) 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.

(s) 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.

(t) 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.

Results of Operations

The following section provides details of the Company's financial performance for the quarter ended December 31, 2019 compared to the quarter ended December 31, 2018, and for year ended December 31, 2019 compared to year ended December 31, 2018.

Quarter ended December 31, 2019 compared to the quarter ended December 31, 2018

Selected Financial Information - Expressed in US dollars

	For the 3 months ending:	
	December 31, 2019	***December 31, 2018***
Revenue	**2,727,416**	3,039,927
Cost of finished cannabis inventory sold	**4,833,397**	3,336,076
Gross profit ex change in FV biological assets	**(2,105,980)**	(296,149)
Change in value of biological assets	**(1,386,778)**	(635,849)
Gross Profit / (loss)	**(3,492,758)**	(931,998)
Net loss	**(14,633,694)**	(4,435,364)
Net loss per share, basic & diluted:	**$ (0.06)**	$ (0.03)
Weighted average number of outstanding common shares, basic and diluted	**247,245,179**	157,905,233
Total assets	**41,988,522**	19,391,988
Long-term financial liabilities	**8,845,633**	-

Revenue

Revenue in the fourth quarter of 2019 was $2.7 million compared to $3.0 million in the fourth quarter of 2018, a 10% decline.

Oregon. Distillate (in cartridges) sales decreased by 68% to 37,026 grams and shatter sales decreased by 48% to 80,254 grams in the fourth quarter of 2019, while 89,013 grams of live resin was sold at an average price of $7.93 per gram and 952 pounds of flower at an average price of $493.99 per pound.

ANM achieved an increase of 12% in the average price of shatter sold but had a decrease of 15% in the average price of distillate sold in the fourth quarter of 2019 in comparison to the fourth quarter of 2018. Shatter sold for average price of $5.21 per gram while distillate (in cartridges) sold for an average price of $11.97 per gram.

Trim converted increased by 30% to 7,696,617 grams with an average conversion yield of 6.9%. The cost of the Company’s most important raw material, trim, was $45.17 per pound in the fourth quarter of 2019, representing a decline of 47% in compared to the trim price in the fourth quarter of 2018.

California. For the fourth quarter of 2019, 116,437 grams of bulk distillate were sold at an average price of $4.72 per gram and 26,189 grams of bulk live resin were sold at an average price of $7.84 per gram.

Nevada*.* For the fourth quarter of 2019, sales of distillate (in cartridges) were 20,543 grams at an average price of $6.93 per gram compared to 16,367 grams at an average price of $35.94 per gram for the fourth quarter of 2018.

Gross Profit and Cost of Goods Sold

Cost of goods sold was $6.2 million. in the fourth quarter of 2019 compared to $4.0 million for the fourth quarter of 2018. Cost of goods sold included $3.8 million of impairments, non-recurring items and a reversal of the gain on biological assets. Details of these items are provided in the table below. In the fourth quarter in 2018, the gain in value of biological assets was $0.6 million. There were no impairments or non-recurring items in the fourth quarter in 2018.

Gross loss for the fourth quarter of 2019 was $3.5 million compared to a gross loss of $0.9 million in the fourth quarter of 2018. The gross margin for the fourth quarter of 2019 was -128.1% compared to -30.7% in the fourth quarter of 2018. Excluding impairments, non-recurring items and the value gain on biological assets, the gross margin for the fourth quarter of 2019 was 9.8% compared to -9.7% in 2018.

ANM had a gross margin of -108.4%, **Coastal Harvest** had a gross margin of -162.5%, and **HLO** had a gross margin of -204.4% in the fourth quarter of 2019. Excluding impairments, non-recurring items and the fair value gain on biological assets, **ANM** had a gross margin of 52.1%, **Coastal Harvest** had a gross margin of – 86.1%, and **HLO** had a gross margin of -92.4% in the fourth quarter of 2019.

Impairments, non-recurring, biological assets

	ANM	HLO	CH	Total
Non-recurring	848,828	-	286,290	1,135,118
Impairments	820,277	225,983	191,473	1,237,733
Biological assets	1,386,778	-	-	1,386,778
Total	$ 3,055,883	$ 225,983	$ 477,763	$ 3,759,629
ANM excessive sales returns	663,924	-	-	663,924
ANM Trim trade loss Nectar	184,904	-	-	184,904
Coastal Harvest commissions	-	-	286,290	286,290
Total non-recurring	848,828	-	286,290	1,135,118
ANM oil impairment	526,743			526,743
ANM excessive returns	293,534			293,534
Coastal Harvest oil impairment	-	-	191,473	191,473
HLO distillate & Dabtab write-off	-	225,983	-	225,983
Total impairments	820,277	225,983	191,473	1,237,733
Biological assets	1,386,778	-	-	1,386,778
Total	$ 3,055,883	$ 225,983	$ 477,763	$ 3,759,629

Operating Expenses

The table below sets forth operating expenses for the fourth quarter of 2019 and 2018.

Operating expenses - Expressed in US dollars

	For the 3 months ending:	
	December 31, 2019	***December 31, 2018***
General and administration	**1,647,667**	839,443
Salaries	**1,246,141**	477,428
Professional fees	**5,990,535**	70,784
Sales and marketing	**820,578**	802,957
Investor relations	**535,187**	146,320
Share issuance costs	**57,172**	-
Share-based compensation	**(11,469)**	720,644
Total operating expenses	**$ 10,285,811**	$ 3,057,576

The increase in G&A is predominantly explained by an increase with $695,505 for provisions for accounts receivable. Excluding the provision, G&A increased with $112,719, a 12% increase.

Salaries were $1,246,141 in the three months ending December 31, 2019, a sharp increase in comparison with the previous year. Salaries include overhead at ANM, HLO, Coastal Harvest and the corporate center Halo. Salaries included in COGS are not included. Salaries increased pre-dominantly because of the corporate center, which was not developed in the previous year and non-recurring items.

ANM salaries were $335,645, which was not substantially different from the previous year. Average quarterly salaries for the nine months ending September 30, 2019 were $293,079.

HLO salaries were $61,333, reflecting a wind-down of Nevada operations. Average quarterly salaries in the nine months ending September 30, 2019 were $95,858.

Coastal Harvest salaries were $92,871, also reflecting a wind-down, although temporary. Quarterly average salaries were $127,716. In addition, MDT salaries were paid through Coastal Harvest, which is non-recurring.

Corporate salaries were $756,292, in comparison with an average quarterly rate in the first nine months ending September 30, 2019 of $690,658. Of Halo salaries, $256,561 was paid in shares and is a non-cash item. Further-more there was an additional pay-roll tax of $148,902 in relation to salaries paid in shares for previous months not belonging to the three months ending December 31, 2019.

Professional expenses were $5,990,535 in the three months ending December 31, 2019, a sharp increase in comparison with the previous year. The increase is explained by a sharp increase in professional fees at the corporate level and Coastal Harvest was not operational in 2018.

Professional fees attributable to ANM were $65,688, $20,517 to HLO and $99,557 to Coastal Harvest.

Professional fees attributable to the corporate center were $5,804,773 in the three months ending December 31, 2019. Legal expenses were $364,912, consulting fees were $5,423,262, of which $5,105,010 was paid in shares. Consulting fees are related to general M&A advisory and certain IR and PR fees. Other professional fees were $202,362 which includes, audit fees, 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 December 31, 2019 in comparison with the previous year.

A mitigating impact on operating expenses was the absence of share-based compensation during the three months ending December 31, 2019. Although expensed, they are a non-cash item.

For further insight and detail in operating expenses, we refer to the table on page 19 of this MD&A.

Fair Value Loss on 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 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 used in the growing process. Labor for individuals involved in the growing and quality control process is also included. 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

The changes in the carrying value of biological assets, which consist of cannabis plants, are as follows:

Change in carrying value of biological assets		
Balance at December 31, 2017	$	-
Production costs		957,985
Costs to sell due to biological transformation		(176,393)
Transferred to inventory upon harvest		(781,592)
Balance at December 31, 2018	$	-
Production costs		978,778
Costs to sell due to biological transformation		(362,344)
Transferred to inventory upon harvest		(616,434)
Balance at December 31, 2019	$	-

During the 2019 harvest, the Company harvested 2,572 cannabis plants (2018: 2,281 plants), with a realized yield of 15,910 pounds of biomass (2018: 5,527 Lbs) and an average yield per plant of 6.2 Lbs (2018: 2.4 Lbs). All material was transferred to the Company and used for processing and direct sales of flower to third parties. The fair value of biological assets produced during the year ended December 31, 2019 was $1,366,694 (2018: $618,181) based on actual output.

The following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price: calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices;
- Stage of growth: represents the weighted average number of weeks out of the 14 weeks growing cycle that biological assets have reached as of the measurement date;
- Yield by plant: represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant;
- Wastage: represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested;

Expressed in US dollars

- Costs to complete and sell: testing costs for bud ($17/Lb), sales margin (2.5%), distribution ($28/Lb for bud, $5.60/Lb for trim), costs to complete ($28.65/Lb for bud, $20.76/Lb for trim);
- Post-harvest costs: calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants. Post-harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging.

The table below shows the assumptions used in the biological assets model.

Significant assumptions utilized in cannabis plant model

	Year ending December 31, 2019		Year ending December 31, 2018	
	Bud	Trim	Bud	Trim
Bud vs. trim ratio of harvest output (dried)	16%	84%	19%	81%
Expected selling price per pound	$ 450.00	$ 90.00	$ 300.00	$ 115.00
Total Costs to sell	$ 129.92	$ 37.62	$ 144.34	$ 3.17
Total fair value less costs to sell	**$ 320.08**	**$ 52.38**	**$ 155.66**	**$ 111.83**

For detail information on biological asset, refer to Note 10 of the Consolidated Financial Statements.

Year ended December 31, 2019 compared to Year ended December 31, 2018

Selected Financial Information - Expressed in US dollars

	For the 12 months ending:	
	December 31, 2019	***December 31, 2018***
Revenue	**28,148,488**	10,898,277
Cost of finished cannabis inventory sold	**25,262,113**	10,990,078
Gross profit ex change in FV biological assets	**2,886,375**	(91,801)
Change in value of biological assets	**222,666**	(176,393)
Gross Profit / (loss)	**3,109,041**	(268,194)
Net loss	**(27,617,135)**	(13,717,796)
Net loss per share, basic & diluted:	**$ (0.14)**	$ (0.22)
Weighted average number of outstanding common shares, basic and diluted	**196,491,587**	62,501,637
Total assets	**41,988,522**	19,391,988
Long-term financial liabilities	**8,845,633**	-

Revenue

Revenue for the year ended December 31, 2019 was $28.1 million compared to $10.9 million for the year ended December 31, 2018, a 158% increase.

Oregon. Distillate (in cartridges) sales increased by 9% to 393,691 grams and shatter sales increased by 1% to 699,411 grams while 89,013 grams of live resin was sold at an average price of $7.93 per gram and 952 pounds of flower at an average price of $493.99 per pound.

Average price of distillate (in cartridges) sold by ANM decreased by 6% while the average price of shatter sold decreased by 10% in 2019 in comparison to 2018.

For the year ended December 31, 2019, distillate (in cartridges) sold for average price of $13.80 per gram while Shatter sold for average price of $4.88 per gram.

Trim converted increased by 28% to 21,442,02 grams with an average conversion yield of 7.0%. The cost of the Company's most important raw material, trim, was $57.64 per pound in 2019, representing a decline of 35% in compared to the trim price in 2018.

California. For the year ended December 31, 2019, 1,351,090 grams of bulk distillate were sold at an average price of $6.57 per gram and 387,869 grams of bulk live resin were sold at an average price of $10.96 per gram.

Nevada. For the year ended December 31, 2019, 85,716 grams of distillate (in cartridges) were sold at an average achieved price of $22.81 per gram compared to 16,367 grams of distillate (in cartridges) sold at an average price of $35.47. Nevada commenced operation in October 2018.

Gross Profit and Cost of Goods Sold

Cost of goods sold was $25.0 million in 2019 compared to $11.1 in 2018. Cost of goods sold in 2019 included $3.8 million of impairments, non-recurring items and a value gain on biological assets. In 2018 there was a value loss on biological assets of $0.2 million. We refer to the table on page 14 for detail about impairments, non-recurring items and the gain in value of biological assets.

Gross profit was $3.1 million in 2019 compared to gross loss of $0.3 million in 2018. The gross margin in 2019 was 11.0% compared to -2.5% in in 2018.

Excluding impairments, non-recurring items and the fair value gain on biological assets of $0.2 million, the gross margin in 2019 was 18.7% compared to -0.8% in 2018.

ANM had a gross margin of 10.8%, **Coastal Harvest** had a gross margin of 16.4%, and **HLO** had a gross margin of -28.3% for the year ended December 31, 2019.

Excluding the fair value gain on biological assets, impairment of inventories and non-recurring charges due to market conditions, **ANM** had a gross margin of 24.1%, **Coastal Harvest** had a gross margin of 19.5%, and **HLO** had a gross margin of -17.0% for the year ended December 31, 2019.

Operating Expenses

The table below sets forth operating expenses for the year ended December 31, 2019 and 2018.

Operating expenses - Expressed in US dollars

	For the 12 months ending:	
	December 31, 2019	***December 31, 2018***
General and administration	**5,086,112**	2,652,976
Salaries	**4,654,804**	1,615,713
Professional fees	**9,946,007**	2,051,618
Sales and marketing	**2,782,148**	1,838,619
Investor relations	**1,819,992**	320,712
Share issuance costs	**1,277,880**	-
Share-based compensation	**1,405,665**	1,208,500
Total operating expenses	**$ 26,972,608**	$ 9,688,138

Total operating expenses were $27.0 million in 2019 compared to $9.7 million in 2018 due mainly to an increase in professional fees relating to financing and merger & acquisition support and increase in general and administration costs and salaries as a result of expansion into California and Nevada. Non-cash share-based compensation expense increased compared to last year due to an increase in options granted during 2019.

General and administration costs included IT, rent, utilities, office, security, insurance and travel expenses. Professional fees included legal, audit and consulting fees. Sales and marketing expenses included advertising, distribution, salaries and commissions to sales representatives and marketing staff.

The table below shows the break-down of the main categories by operating subsidiary and the corporate center. It shows how consulting fees in the third and fourth quarter increased professional fees at the corporate center. The increase in G&A expenses is explained by the increase in provisions with $696,255 for doubtful customers in California.

Major categories of operating expenses in 2019 in $US

	ANM	HLO	CA	Corporate
Salaries				
Q1	188,122	96,740	64,064	1,139,788
Q2	372,153	143,900	150,703	25,513
Q3	318,962	46,935	168,380	693,402
Q4	335,645	61,333	92,872	756,292
Professional				
Q1	33,402	33,202	3,676	475,924
Q2	77,604	25,148	21,150	384,301
Q3	19,735	24,010	13,251	2,842,469
Q4	65,688	20,517	99,557	5,804,773
G&A				
Q1	182,227	132,356	171,807	265,024
Q2	205,661	159,397	297,381	348,735
Q3	324,726	143,375	571,517	636,240
Q4	305,904	101,955	906,051	333,757

Fair Value Gain / (Loss) on Biological Assets

The fair value gain on biological assets was $0.2 million for the year ended December 31, 2019 compared to a fair value loss on biological assets of $0.2 million for the year ended December 31, 2018.

Summary of Annual Information

Summary of Annual Information - Expressed in US dollars

	December 31, 2019	*December 31, 2018*	*December 31, 2017*
Revenue	28,148,488	10,898,277	10,013,680
Net loss	(27,617,135)	(13,717,796)	(8,667,158)
Net loss per share	(0.14)	(0.22)	(0.36)
Total assets	41,988,522	19,391,988	9,413,803
Long term liabilities	8,845,633	-	-
Dividends	-	-	-

Summary of Quarterly Results

Summary of quarterly results - Expressed in US dollars

For three months to:	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**
Revenue	2,168,976	2,093,468	3,595,907	3,039,926	8,718,503	9,552,012	7,150,557	2,727,416
Cost of Cannabis inventory sold	1,860,930	1,792,003	4,001,075	3,336,070	6,273,930	8,005,913	6,148,873	4,833,397
Gross profit excluding FV changes	308,046	301,465	(405,168)	(296,143)	2,444,573	1,546,099	1,001,684	(2,105,980)
Changes in value of biological assets	(322,639)	(146,396)	928,491	(635,849)	(267,758)	(24,884)	1,902,086	(1,386,778)
Gross profit / (loss)	(14,593)	155,069	523,323	(931,992)	2,176,815	1,521,215	2,903,770	(3,492,758)
Gross margin	*-0.7%*	*7.4%*	*14.6%*	*-30.7%*	*25.0%*	*15.9%*	*40.6%*	*-128.1%*
Net loss	(1,818,993)	(2,079,715)	(5,383,724)	(4,443,868)	(2,761,551)	(3,912,201)	(6,309,689)	(14,633,694)
Net loss per share	$ (0.07)	$ (0.08)	$ (0.19)	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.06)
Weighted average number of outstanding common shares, basic and diluted	27,469,103	27,410,126	28,923,032	157,905,223	160,386,434	182,418,186	191,194,200	247,245,179
Total assets	9,514,611	10,228,119	27,739,861	19,391,988	25,691,649	38,338,127	40,881,703	41,988,522

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 12 months ending:	
	December 31, 2019	***December 31, 2018***
IFRS measures from consolidated financial statements:		
Statement of loss:		
Net loss	**(27,617,135)**	(13,717,796)
Income tax expense	**576,400**	(88,659)
Interest expense	**1,133,398**	898,184
Depreciation and amortization	**1,667,927**	653,149
EBITDA	**(24,239,410)**	(12,255,122)
Adjustments:		
Share-based compensation for staff	**1,405,665**	1,208,500
Foreign exchange (gain) loss	**(600,749)**	33,994
Share-based payments for goods and services	**7,130,220**	-
Accretion expense	**862,849**	143,029
Transaction expense in relation to RTO	**-**	2,917,096
Fair value (gain) loss on intangibles	**2,739,742**	(134,463)
(Gain) loss on values of biological assets	**(222,666)**	176,393
Gain on marketable securities	**(126,576)**	(77,367)
Adjusted EBITDA	**$ (13,050,924)**	$ (7,987,940)

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 December 31, 2019 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 December 31, 2019, the Company had cash of $6.1 million, of which $1.7 million is restricted. As at December 31, 2019, 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 December 31, 2019.

Cash and working capital position - Expressed in US dollars

As at:	***December 31, 2019***	***December 31, 2018***
Cash (including restricted cash)	**$ 6,068,413**	$ 722,649
Working capital	**15,283,403**	6,215,389

The table below sets forth the Company's cash flows for the year ended December 31, 2019 and 2018.

Cash flow - Expressed in US dollars

	For the 12 months ending:	
Cash provided by (used in):	***December 31, 2019***	***December 31, 2018***
Operating activities	**(14,721,121)**	(12,329,384)
Finance activities	**21,921,702**	16,080,908
Investing activities	**(1,854,816)**	(3,173,130)

- Cash used in operating activities

  For the year ended December 31, 2019, cash used in operating activities was $14.7 million, compared to $12.3 million for the year ended December 31, 2018. The increase in cash used in operating activities was due primarily to an increase in operating expenses partially offset by the increase in gross profit.

- Cash provided by financing activities

  For the year ended December 31, 2019, cash generated from financing activities was $21.9 million compared to $16.1 million in the year ended December 31, 2018. The cash flow from financing activities in 2019 was comprised of net proceeds from issuance of convertible debentures and common shares.

Expressed in US dollars

- Cash used in investing activities

  For the year ended December 31, 2019, cash used in investing activities was $1.9 million, compared to $3.2 million used for the year ended December 31, 2018. The decrease in cash used in investing activities was due mainly to acquisition of intangible assets in the year by shares of the Company.

The authorized number of common shares is unlimited without par value. During the year ended December 31, 2018, as part of a merger and plan of reorganization, the Company's capital was affected by an exchange ratio which resulted in an increase in the number of securities at a rate of 1.35 to 1.00.

During the year ended December 31, 2019, the Company issued 122.7 million common shares. The details of these transactions are disclosed in Note 16 of the Consolidated Financial Statements for the year ended December 31, 2019.

The following table summarizes contractual obligations as of December 31, 2019 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	$	1,135,020
2021		737,025
2022		507,279
2023		333,775
2024		336,320
2025		338,917
2026		341,565
2027		472,941
2028		340,066

Use of Proceeds

Upon the completion of the financing through the 8% convertible debentures in April 2019, the Company received gross proceeds of approximately CAD $18.1 million pursuant to such financing.

The following table sets forth a comparison of the Company's estimated use of funds set out in the Company's final short form prospectus dated March 29, 2019 and the funding used as at December 31, 2019:

Use of Proceeds - Expressed in millions of CAD

	Estimated	Actual
Leasehold improvements in relation to ICL9 and ICL13 *	$ 2.0	$ -
Leasehold improvements at HLO Ventures *	1.0	-
Purchase of extraction equipment	1.2 - 3.0	1.8
General working capital	3.5 - 9.7	14.1
Escrow amount	1.2 - 2.4	2.2
Total	8.9 - 18.1	18.1

* Leasehold improvements incurred in 2019 in relation to ICL 9 and ICL 13 as well as for HLO ventures were paid using shares of the Company rather than cash

Outstanding Share Data

As at April 16, 2020, the Company has 385,876,509 common shares issued and outstanding, 9,272,309 stock options outstanding, 151,154,381 warrants outstanding and 12,694 convertible debentures which are convertible into an aggregate of 19,529,256 common shares.

Critical Accounting Estimates and Judgements

The critical accounting estimates and judgements are disclosed in Note 3 of the Consolidated Financial Statements for the year ended December 31, 2019.

Changes in Accounting Policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 3 of the Consolidated Financial Statements for the year ended December 31, 2019.

Related Party Transactions

Related party transactions are disclosed in Note 14 of the Consolidated Financial Statements for the year ended December 31, 2019.

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 December 31, 2019:

Financial Instruments - Expressed in US dollars	Amortized cost	FVPTL	Total
Financial assets:			
Cash	-	4,384,131	**4,384,131**
Restricted cash	-	1,684,283	**1,684,283**
Accounts receivable	5,597,399	-	**5,597,399**
Notes receivable	1,914,993	-	**1,914,993**
Marketable securities	-	1,610,257	**1,610,257**
Financial liabilities:			
Accounts payable and accrued liabilities	6,997,221	-	**6,997,221**
Other loans	1,299,372	-	**1,299,372**
Debenture liability	6,952,605	-	**6,952,605**

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 19 of the Audited Consolidated Financial Statements for the year ended December 31, 2019.

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 18 of the Company's Consolidated Financial Statements for the year ended December 31, 2019 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.