Halo Collective Inc. (formerly Halo Labs Inc.)
Management Discussion and Analysis
For the three months ended March 31, 2021

This "Management's Discussion and Analysis" ("MD&A") for Halo Collective Inc., an Ontario Corporation ("Halo Collective" or the "Company") has been prepared as at May 17, 2021 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021 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 several 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 because of new information, future events or otherwise, except as otherwise required by law. All the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Overview of Halo Collective Inc.

On January 25, 2021, the Company announced that, further to the shareholder approval obtained by the Company at its meeting of shareholders held on December 23, 2020, the Company changed its name from "Halo Labs Inc." to "Halo Collective Inc."

In connection with the name change, the common shares started trading on the OTCQB under the trading symbol "HCANF," on January 28, 2021, and on the Frankfurt Stock Exchange under the trading symbol "A9KM" on January 28, 2021. The common shares of the Company and $0.90 warrants of the Company started trading under the Company's new name on the Neo Exchange Inc. on January 27, 2021. The common shares and warrants will continue to trade on the NEO under the trading symbols "HALO" and "HALO.WT", respectively. The new CUSIP numbers assigned to the common shares and warrants are 40638K101 and 40638K119, respectively.

The Company is an Ontario corporation and a reporting issuer in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

Halo Collective is a cannabis cultivation, manufacturing and distribution company that grows and extracts and processes quality cannabis flower, oils, and concentrates. The Company has sold 14.3 million grams of cannabis flower, oils and concentrates through 67 different product lines to dispensaries in Oregon, California and Nevada since inception. Additionally, Halo Collective has continued to evolve its business through delivering value with its products and now via verticalization in key markets in the United States. With a consumer-centric focus, Halo Collective markets innovative, branded, and private label products across multiple product categories in the United States.

The Company also has expanded internationally through its acquisitions of the cultivator Bophelo Bioscience & Wellness (Pty) Ltd. ("Bophelo") in Lesotho, Africa and a U.K. distributor of cannabis-based products for medicinal use ("CBPMs"), Canmart Limited ("Canmart").

In Canada, the Company is close to finalizing its acquisition of three retail cannabis operations from High Tide in the province of Alberta, currently operated as Kush Bar. These stores will continue to operate as-is and give the Company an additional presence outside the United States.

Business strategy

The Company changed its vision from a U.S. west coast-based concentrates manufacturer to a vertically integrated multi-country operator. Halo Collective is creating a more balanced portfolio and is expanding into higher growth markets like Africa, the U.K. and Europe.

Halo Collective continues to take several strategic steps to reposition itself. One strategy utilized was a targeted approach to acquire distressed assets in share-based transactions and to verticalize the Company's operating footprint while preserving its cash position. A good example of this strategy was the closing of the acquisition of senior secured debt of Herban Industries OR LLC dba Winberry Farms ("Herban OR"), by Halo Winberry Holdings, LLC ("Halo Winberry"), a wholly owned subsidiary of the

Company, followed by the closing of purchase of substantially all of the assets of Herban OR by Halo Winberry in exchange for the cancellation of the purchased debt.

Cultivation (growing)

The Company currently cultivates cannabis in Oregon under the following: (i) four Oregon Liquor Control Commission ("OLCC") producer licenses held by a wholly owned subsidiary of the Company, and (ii) an OLCC producer license granted to Halo Winberry by the OLCC. The Company intends to cultivate cannabis only in jurisdictions where it believes its own cultivation activities are necessary to ensure adequate and cost-effective supply of raw cannabis materials for the production of cannabis oil and concentrates, as well as the sale of flower and pre-rolls.

In Oregon, the Company holds four OLCC producer licenses for outdoor cannabis cultivation on approximately four acres of farmland. The Company also manages outdoor cannabis cultivation on two additional adjacent acres under third-party production licenses whereby the raw material produced through its third-party management relationship is contracted to the Company. Further, the Company also manages cannabis cultivation on a ten-acre parcel of property located in Fall Creek, Oregon under a producer license granted by the OLCC. The Company's Oregon cultivation sites help ensure a consistent supply of high-quality raw material for its manufacture of cannabis oils and concentrates. The Company also maintains its cultivation operations in Oregon as a hedge against price volatility for raw cannabis materials. The Company is close to entering in a definitive agreement to purchase an indoor grow in Oregon. Furthermore, the Company is doing due diligence on an outdoor grow and expects to enter into an letter of intent.

In Nevada, the Company has historically worked with its Nevada operating partner, Just Quality LLC ("Just Quality"), on the manufacture and sale of cannabis extracts pursuant to a management agreement with Just Quality, which was originally intended to be in place pending the acquisition by the Company of Just Quality's Nevada cannabis licenses pursuant to an asset purchase agreement. In light of a pending dispute with Just Quality, as well as the Company's strategic business plan, the Company is not currently operating in Nevada and may not complete the acquisition of Just Quality's Nevada cannabis licenses.

In California, the Company intends to continue to leverage its relationships with cannabis cultivators from the Emerald Triangle with whom the Company has worked in Southern Oregon. The so-called "Emerald Triangle" is a region in Northern California comprising Humboldt, Lake, Mendocino and Trinity Counties and is considered to be the largest cannabis-producing region in the U.S. As previously announced in September 2020, the Company partnered with Green Matter Holding Inc. ("Green Matter") to purchase 1,600 acres of farm property in Lake County, California (the "Farm"). The Farm was purchased by Lake County Natural Health LLC ("LCNH"), which is owned 50% by the Company's wholly owned indirect subsidiary, PSG Coastal Holdings LLC ("PSG") and 50% by Green Matter. Triangle Canna Corp. ("Triangle Canna") and a wholly owned subsidiary of Triangle Canna (the "Farm OpCo") are in the process of submitting applications to the California Department of Food and Agriculture for up to 330 California state cannabis cultivation licenses, and have already submitted an application to Lake County, California, for a cannabis cultivation permit which would entitle Triangle Canna to cultivate cannabis on up to 80 acres of the Farm property. LCNH and the Farm OpCo have entered into a commercial lease agreement (the "Lease") pursuant to which LCNH will lease to the Farm OpCo four separate parcels of property comprising the Farm, as well as certain buildings, structures, and improvements. The Company, through its subsidiary, Mendo Distribution and Transportation LLC ("MDT"), and Green Matter recently entered into product purchase agreements with Farm OpCo pursuant to which MDT and Green Matter will each purchase 25% (for an aggregate of 50%) of Farm OpCo's yearly harvest. As the market has shifted and the Company seeks to become more vertically integrated, it will consider acquisitions or development opportunities of cultivation sites as they arise.

In Lesotho, South Africa, the Company continues to build out the cultivation at Bophelo. Andreas Met has relocated to South Africa to oversee the operation. As of March 2021, the team has commenced harvesting in two hoop houses with one hoop house harvest already on the hanging racks. There are a further five hoop houses growing auto flowers with expected harvests by late April. Bophelo is still in the process of meeting all the requirements to obtain its GACP certification. Furthermore, manufacturing plans are on track to build out an on-site extraction facility at Bophelo as large as Halo Collective's Class 1, Division 1 ("C1D1") extraction room in Medford, Oregon of approximately 80 square meters (800 square feet). This extraction room and the accompanying lab will be built to EUGMP specifications, which is expected to allow for export of oils and concentrates worldwide where allowed.

Production (manufacturing)

The Company's core competency is the production (also referred to as manufacturing and extraction) of cannabis oil and concentrates for sale to retail businesses and wholesale distributors as finished consumer-packaged goods. The Company's three co-founders have been involved in cannabis manufacturing since 2013. The Company's philosophy with respect to the extraction and manufacturing of cannabis oils and concentrates is to be platform-agnostic, given the rapid evolution of technology and consumer preferences.

The Company has operated numerous extraction platforms (or methods) including utilizing butane, propane, hexane, ethanol and carbon dioxide. The Company manufactures and sells a variety of products in the following categories: (i) concentrates – shatter, sauce, resin and diamonds (THC-A crystals); and (ii) oils – both in raw and distillated form in a variety of strains and flavors, as well as THC, CBD and blends. The Company packages and sells the oils primarily in glass cartridges, but also occasionally offers plastic or ceramic cartridges, as well as syringes. The Company also sells various edible products including single piece chews (Hush) and a syrup-based drink (Hush Sizzurp) in the state of Oregon and similar edible lines in California in 2020 through the Company's indirectly owned subsidiary, Outer Galactic Chocolates LLC ("OGC").

The Company's Oregon manufacturing facility is located in Medford, Oregon. The facility has approximately 12,000 square feet of indoor manufacturing space, as well as an enclosed courtyard of approximately 7,200 square feet. Within the 12,000 square foot indoor facility, approximately 1,400 square feet is a segregated C1D1 explosive-proof room for volatile extraction. The Company has utilized all the extraction methods noted above in its Medford facility. The Medford facility also houses the Company's wholesale-licensed business, which occupies approximately 800 square feet and is one of the larger wholesalers in the state.

In November 2018, the Company commenced manufacturing activities in California, where the Company currently maintains two facilities. The first facility, operated by the Company's wholly owned subsidiary, Coastal Harvest LLC ("Coastal Harvest"), is approximately 1,600 square feet with approximately 500 square feet dedicated for volatile extraction as a C1D1 explosive-proof room. This facility is currently being used to produce bulk cannabis distillate to be used for vaping cartridges and disposable pens as well as manufacture live resin concentrates for sale to licensed distributors.

Through its acquisition of MDT, the Company began to manage the operations of OGC, a Type N edibles manufacturer in California. In July 2020, the Company acquired the Type N license of OGC and its associated manufacturing space in order to launch its own edibles line in California. The 1,800 square foot space is adjacent to MDT, which also allows for additional space for packaging of its finished goods. Sales of the Company's edibles line commenced in California in September 2020.

Distribution (wholesale)

The Company currently operates a licensed distribution (wholesale) business headquartered in Medford, Oregon. In addition, through its acquisition of MDT, the Company now controls additional space to package its own products into finished goods and distribute throughout California. Furthermore, the Company also manages a distribution facility located in Eugene, Oregon under an OLCC wholesaler license granted by the OLCC to Halo Winberry.

The Company's distribution (wholesale) business in Oregon has been focused almost exclusively on wholesaling the Company's products, however with the acquisition of Herban OR and the Temporary Authority to Operate granted by the OLCC, the Company's distribution business has expanded to also represent other third-party brands. The Company currently employs 12 salespeople that actively do business with approximately 450 cannabis retailers in the state and dedicated drivers to deliver products to these dispensary clients.

In California, the Company's products are being packaged in Ukiah, CA and distributed by MDT and NMC Organization ("Greenstone").

Proposed Retail Activities (dispensaries)

Through the Company's pending acquisitions of controlling interests in ZXC11 LLC and SDF11 LLC, as well as its previous acquisition of a controlling interest of LKJ11 LLC ("LKJ11"), the Company expects to receive approval to open three dispensaries in Los Angeles, California. Halo Collective plans to open the flagship stores in Hollywood and Westwood adjacent to Beverly Hills and at least one site will feature the first FlowerShop* branded dispensary. The third location will open in North Hollywood. These stores will increase distribution of Halo Collective's products in California, as well as help market the Company's product lines in California.

The Company expects to close the acquisition of three Kushbar retail dispensaries in Alberta by the end of June, 2021.

Moving forward in 2021

Oregon

Halo Collective anticipates undertaking the following activities in an effort to grow the Company's business in Oregon:

- Bring production of certain SKUs in-house to lower the wholesale price and maintain profit margin;
- Launch new flavor SKUs of Winberry Farms distillate cartridges and infused pre-rolls;
- Launch Hush 5-piece vegan gummies as well as re-formulate and update current gummy offerings specifically the one-piece gummy;
- Launch Zkittlez pre-rolls and pre-packaged flower;
- Bring all distribution in house rather than using third-party distributors to increase efficiency in distribution and lower cost;
- Increase purchasing of third-party flower to increase availability and sales of flower products;
- Expand the offering of third-party brands to the Company's dispensary customer base; and
- Acquire indoor cultivation and more outdoor and greenhouse cultivation.

California

Halo Collective anticipates undertaking the following activities in an effort to grow the Company's business in California:

- Complete move to full-service distribution partner, Greenstone, increasing immediate store sales;
- launch Hush Live resin into the California market;
- Launch FlowerShop Bouquet Packs and Bud Vase flower products;
- Re-launch Winberry Farms distillate vape products into the California market;
- Open three retail dispensaries in the City of Los Angeles;
- Build out the UVI indoor facility;
- Commence operations of Farm OpCo with at least one outdoor grow cycle of 40 acres in partnership with Green Matter.

International

Halo Collective anticipates undertaking the following activities in an effort to grow the Company's business internationally:

- Finalize GACP certification at Bophelo, which includes security perimeter fencing and camera systems, completion of ablutions and a cafeteria, completion of post-harvest processing facilities, and the review, approval and implementation of 245 Standard Operating Procedures;

- Site development and build-out of 40,000 square feet of Cravo Green Houses at Bophelo by the end of October and the build-out of an additional 60,000 square feet of Cravo Green Houses by the end of the year;

- The completion of a 360 square foot extraction facility at Bophelo to conduct training of local personnel in the handling of explosive gases (butane/propane) and handling of flammable liquids (alcohol);

- Developing and implementing a business plan to secure sales to patients at Canmart in the United Kingdom, while also starting the planning and build out of a 5,000 square foot eGMP facility at Canmart for processing of cannabis; and

- Close the acquisition of Kushbar retail dispensaries in Alberta and sell Halo Collective products in Canada.

Overall performance

The following table summarizes the Company's results of operations for the period indicated:

Summary consolidated statement of income - expressed in US dollars

		For the 3 months ended:		
		March 31, 2021		***March 31, 2020***
Revenue	**$**	**9,939,103**	$	4,449,098
Reported gross profit		**1,955,776**		(172,180)
Gross margin		**19.7%**		-3.9%
Unrealized fair value (gain) loss on growth of biological assets		**(167,111)**		-
Realized fair value (gain) loss included in the cost of inventory sold		**411,905**		289,553
Impairments		**-**		951,813
Gross profit excluding biological assets and impairments		**2,200,570**		1,069,186
Gross margin		**22.1%**		24.0%
Net loss		**(9,067,681)**		(8,609,704)
Comprehensive loss		**(8,570,121)**		(8,703,482)
Net loss per share (basic and diluted)	**$**	**(0.01)**	$	(0.03)

- Revenues in the three months ended March 31, of 2021 were $9,939,103 compared to $4,449,098 in the three months ended March 31, of 2020, an 123.4% increase. This was a record high in the Company's history. Total sales were 5,230,019 grams (three months ended March 31, 2020: 1,481,756 grams), a 253% increase, following the consolidation of Halo Winberry. Organic revenue growth was 62.4%, the highest organic growth recorded in the Company's history;

- ANM reported revenues of $4,418,547 for the three months ended March 31, 2021, an 11.5% increase. MDT reported revenues of $1,913,929 for the three months ended March 31, 2021, a 346.4% increase, Coastal Harvest reported revenues of $196,299 for the three months ended March 31, 2021, an 88.6% increase and Halo Winberry reported revenues of $3,410,329 for the three months ended March 31, 2021. Halo Winberry was not included in the three months ended March 31, 2020;

- The Company reported a gross profit of $1,955,776 (three months ended March 31, 2020: gross loss $172,180). Adjusted for the loss on biological assets, gross profits were $2,200,570 (three months ended March 31, 2020: $117,373);

- The reported gross margin was 19.7% (three months ended March 31, 2020: -3.9%). Adjusted for gains and losses on the value of biological assets the gross margin was 22.1% (three months ended March 31, 2020: 24.0%);

- In particular the month of March was strong, with a gross margin of 27.9%. ANM's gross margin was 23.6%, MDT reported 29.7%, Coastal Harvest reported 31.8% and Winberry's gross margin was 33.6%;

- The Company completed the acquisitions of Herban OR and the management companies of pending acquisitions of two dispensaries on Santa Monica Blvd, LA and Franklin Avenue, LA. As a subsequent event, the Company also closed the acquisition of Nature's Best Resources LLC

- The loss before interest, tax, depreciation & amortization and adjusted for non-cash items ("adjusted EBITDA") was $6,032,069 (three months ended March 31, 2020: loss $4,270,554). Although gross profits more than doubled, operating expenses increased with $2,127,529 to $9,342,398, a 29.5% increase (three months ended March 31, 2020: $7,214,869). Cash based operating expenses increased with $1,492,213 to $8,513,162, a 21.3% increase (three months ended March 31, 2020: $7,020,949);

- As at March 31, 2021, the Company had un-restricted cash available in the amount of $10,319,375 and working capital of $22,499,128. Cash raised from finance activities was $15,902,657 following from the capital raised in two overnight marketed public offerings. Total cash inflow was $7,571,540 in the three months ended March 31, 2021.

Corporate highlights

Herban Industries OR LLC

On November 18, 2020, the Company entered into a definitive debt purchase agreement with Halo Winberry Holdings, LLC, Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban Industries OR LLC, and Herban Industries, Inc., to purchase certain secured debt of Herban OR owed to Evolution Trustees Limited, which was in default. Upon completion of the acquisition of the purchased debt, Halo Winberry, a wholly owned subsidiary of the Company, became the senior secured creditor of Herban OR. Halo issued 169,916,339 common shares of the Company to Evolution Trust Limited for a total consideration of $7,967,069 and closing costs of $401,025, in exchange for the purchased debt. Immediately following the closing of the acquisition of the purchased debt, Halo Winberry entered into an asset purchase agreement to acquire substantially all of the assets of Herban OR. Completion of the acquisition of the Herban OR assets under the APA was subject to receipt of regulatory approval from the Oregon Liquor Control Commission. Provisional approval was received on January 16, 2021.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed. The Company acquired fixed assets of $104,249 and working capital of $1,354,706. Intangible assets included the Herban OR licenses and Winberry brands. As at March 31,2021, the carrying value of intangible assets was $6,508,113 (December 31, 2020: Nil).

SDF11 LLC (Franklin Avenue)

On March 2, 2021, the Company issued 23,690,385 Halo common shares as a pre-closing non-refundable deposit in relation to the closing of the acquisition of SDF11 LLC, a dispensary license applicant on Franklin Avenue, LA. A subsidiary of Halo's subsidiary PSG Coastal Holdings LLC will merge with the limited liability company that owns 66 2/3% of SDF11. The SDF11 company majority member will survive, and PSG will then own 100% of the SDF11 company majority member. The remaining 33 1/3% of SDF11 will continue to be owned by the social equity applicant, as required under regulations issued by the Los Angeles Department of Cannabis Regulation (the "DCR"). The issuance of 15,386,538 Halo common shares is pending the closing of the acquisition. In addition, the issuance of 2,930,769 Halo common shares as a finders' fee is pending the closing of the acquisition.

The deposit has been classified as a long-term investment in the amount of $2,814,476 in relation to the pending acquisition of SDF11 LLC.

ZXC LLC (Santa Monica Blvd)

On March 2, 2021, the Company issued 23,690,385 Halo common shares as a pre-closing non-refundable deposit in relation to the closing of the acquisition of ZXC11 LLC, a dispensary license applicant on Santa Monica Blvd, LA. A subsidiary of Halo's subsidiary PSG Coastal Holdings LLC will merge with the limited liability company that owns 66 2/3% of ZXC11. The ZXC11 company majority member will survive, and PSG will then own 100% of the ZXC11 company majority member. The remaining 33 1/3% of ZXC11 will continue to be owned by the social equity applicant, as required under regulations issued by the Los Angeles Department of Cannabis Regulation (the "DCR"). The issuance of 15,386,538 Halo common shares is pending the closing of the acquisition. In addition, the issuance of 2,930,769 Halo common shares as a finders' fee is pending the closing of the acquisition.

The deposit has been classified as a long-term investment in the amount of $2,814,476 in relation to the pending acquisition of ZXC11 LLC.

Black & Crimson LLC

On March 2, 2021, the Company issued 118,650,349 Halo common shares for a consideration of $15,193,143, a finders' fee of 8,898,775 shares valued at $1,057,197 and closing costs of $39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC and Black & Crimson LLC ("B&C"), with B&C as the surviving company. 18,650,349 shares are subject to a pooling agreement and 10,000,000 Halo common shares were issued in escrow. The escrowed shares are released to the approved designees of the selling member upon the DCR approval and lease milestone or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing. The shares issued as finder's fee are subject to a statutory hold period of four months and one day.

The acquisition of B&C did not meet the definition of a business under IFRS 3. Consequently, the acquisition was recorded as an asset purchase. Finder's fees and closing costs were capitalized. The Company received cash of $722,500, net of fees of $27,500, and recorded intangible assets of

$14,351,841.

POI11 LLC

On March 2, 2021, the Company issued 118,650,349 Halo common shares for a consideration of $15,193,143, a finders' fee of 8,898,775 shares valued at $1,057,197 and closing costs of $39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC and POI LLC ("POI"), with POI as the surviving company. 18,650,349 shares are subject to a pooling agreement and 10,000,000 Halo common shares were issued in escrow. The escrowed shares are released to the approved designees of the selling member upon the DCR approval and lease milestone or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing. The shares issued as finder's fee are subject to a statutory hold period of four months and one day.

The acquisition of B&C did not meet the definition of a business under IFRS 3. Consequently, the acquisition was recorded as an asset purchase. Finder's fees and closing costs were capitalized. The Company received cash of $722,500, net of fees of $27,500, and recorded intangible assets of $14,351,841.

Results of operations for the three months ended March 31, 2021

Selected financial information - expressed in US dollars

	For the 3 months ended:	
	March 31, 2021	***March 31, 2020***
Revenue	**$ 9,939,103**	$ 4,449,098
Cost of finished cannabis inventory sold	**7,738,533**	4,331,725
Gross profit ex change in FV biological assets	**2,200,570**	117,373
Unrealized fair value (gain) loss on growth of biological assets	**(167,111)**	-
Realized fair value (gain) loss included in the cost of inventory sold	**411,905**	289,553
Gross profit	**1,955,776**	(172,180)
Net loss	**(9,067,681)**	(8,609,704)
Net comprehensive loss	**(8,570,121)**	(8,703,482)
Net loss per share, basic & diluted:	**$ (0.01)**	$ (0.03)
Weighted average number of outstanding common shares, basic and diluted	**1,610,099,430**	277,418,561
Total assets	**133,903,098**	47,508,892
Long-term financial liabilities	**20,147,988**	8,661,381

The following section provides details of the Company's financial performance for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The Company's Condensed Interim 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 in this MD&A is presented on the same basis as the Condensed Interim Consolidated Financial Statements and should be read in conjunction with the Condensed Interim Consolidated Financial Statements and the accompanying notes.

Revenue

Revenues in the three months ended March 31, of 2021 were $9,939,103 compared to $4,449,098 in the three months ended March 31, of 2020, an 123.4% increase. Total sales were 5,230,019 grams (three months ended March 31, 2020: 1,481,756 grams), a 253% increase. The average mix price was $1.90 (three months ended March 31, 2020: $3.00 per gram), a 36.7% decline, explained by a higher proportion of lower priced flower, pre-rolls, trim and fresh frozen in comparison with the three months ended March 31, 2020. Organic revenue growth was 62.4%.

ANM reported revenues of $4,418,547 for the three months ended March 31, 2021, an 11.5% increase. MDT reported revenues of $1,913,929 for the three months ended March 31, 2021, a 346.4% increase, Coastal Harvest reported revenues of $196,299 for the three months ended March 31, 2021, an 88.6% increase and Halo Winberry reported revenues of $3,410,329 for the three months ended March 31, 2021. Halo Winberry was not included in the three months ended March 31, 2020.

In the three months ended March 31, 2021, ANM, the facility in Oregon, sold 1,320,420 grams of shatter, cartridge oil, live resin, tinctures and gummies, flower, and pre-rolls (three months ended March 31, 2020: 1,438,451 grams), an 8.2% decrease. Sales of oil and extracts were 516,412 grams (three months ended March 31, 2020: 535,725 grams), a 3.6% decrease. The wholesale price of oils, extracts and edibles increased by 15.6% to $6.47 (three months ended March 31, 2020: $5.60 per gram). Flower sales in the three months ended March 31, 2021 were 705,970 grams (three months ended March 31, 2020: 833,037 grams), a 15.3% decrease. The whole sale price of flower increased by 15.7% to $1.24 per gram (three months ended March 31, 2020: $1.07 per gram). Pre-roll sales were 98,038 grams (three months ended March 31, 2020: 69,689 grams), 40.7% increase. The whole sale price of pre-rolls increased by 94.6% to $2.06 (three months ended March 31, 2020: $1.06 per gram). The average achieved mix-price across all products was $3.35 per gram equivalent (three months ended March 31, 2020: $2.76 per gram), a 21.4% increase.

In the three months ended March 31, 2021, Halo Winberry in Oregon was consolidated. Halo Winberry sold 2,529,599 grams of oil and extracts, shatter, live resin, edibles, flower, pre-rolls and trim at an average mix-price of $1.35. Prices ranged from $15.78 per gram for oil, $11.55 for live resin, $0.15 for extracts (balm, lotions), $0.86 for edibles, $1.70 for flower, $9.70 for pre-rolls to $0.14 per gram for trim.

In the three months ended March 31, 2021, MDT, the facility in Ukiah, sold 193,374 grams of distillate, live resin, gummies and pre-rolls (three months ended March 31, 2020: 37,263). The average price decreased with 4.6% to $9.90 (three months ended March 31, 2020: $10.38).

In the three months ended March 31, 2021, the facility in Coastal Harvest sold 1,186,625 grams of distillate, live resin and flower at an average price of $0.17 per gram. There were no sales in the three months ended March 31, 2020. There was a large sale of flower at a price of $0.02 per gram in January of 2021, representing 96% of total sales for the three months ended March 31, 2021.

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $7,738,533 in the three months ended March 31, 2021 (three months ended March 31, 2020: $4,331,725). The realized and unrealized loss in the value of biological assets was $244,794 in the three months ended March 31, 2021 (three months ended March 31, 2020: loss of $289,553). In the three months ended March 31, 2021, there were no impairments included in cost of goods sold (three months ended March 31, 2020: $951,813).

The Company reported a gross profit of $1,955,776 (three months ended March 31, 2020: gross loss $172,180). Adjusted for the loss on biological assets, gross profits were $2,200,570 (three months ended March 31, 2020: $117,373).

The reported gross margin was 19.7% (three months ended March 31, 2020: -3.9%). Adjusted for gains and losses on the value of biological assets the gross margin was 22.1% (three months ended March 31, 2020: 2.6%).

In particular the month of March was strong, with a gross margin of 27.9%. ANM's gross margin was 23.6%, MDT reported 29.7%, Coastal Harvest reported 31.8% and Winberry's gross margin was 33.6%.

The trim run was 22,309 pounds at a yield of 10.6%, compared with a run of 13,241 pounds and a yield of 7.4% in the three months ended March 31, 2020. Trim, raw material input for extracts and oils, sold at $54 per pound in comparison with $32 per pound in the three months ended March 31, 2020.

Operating expenses

Operating expenses - expressed in US dollars

	For the 3 months ended:	
	March 31, 2021	***March 31, 2020***
General and administration	**$ 1,617,792**	$ 432,571
Salaries	**1,991,485**	1,087,567
Professional fees	**2,939,023**	3,489,860
Sales and marketing	**1,507,386**	748,857
Investor relations	**457,476**	1,262,094
Loss on settlements and contigencies	**-**	62,023
Share-based compensation	**829,236**	131,897
Total operating expenses	**$ 9,342,398**	$ 7,214,869

The table sets forth operating expenses for the three months ended March 31, 2021 and 2020. In the three months ended March 31, 2021, operating expenses increased by 29.5% to $9,342,398 (three months ended March 31, 2020: $7,214,869). The first-time contribution of Halo Winberry added $869,916 to operating expenses. Excluding the first-time consolidation of Halo Winberry, operating expenses increased with 17.4%. Although operating expenses increased, they increased less than the increase in revenues on a reported and like for like basis. Still, the company is undergoing a major drive to reduce operating expenses, in particular G&A, salaries and corporate expenses.

G&A expenses increased by 274.0% to $1,617,792 (three months ended March 31, 2020: $432,572). G&A expenses include first time contributions from Ukiah Ventures Inc. ("UVI"), Bar X, Halo Winberry and Bophelo. On a like for like basis, G&A expenses increased by 175.5%. G&A expenses increased in particular at ANM, MDT and at the corporate center in February of 2021, but in March of 2021, G&A expenses decreased across the board following a drive to reduce G&A.

Salaries increased by 83.1% to $1,991,485 (three months ended March 31, 2020: $1,087567). On a like for like basis, salaries increased with 46.6% following the reclassification of certain marketing and sales expenses.

Professional expenses decreased by 15.8% to $2,939,023 (three months ended March 31, 2020: $3,489,860). On a like for like basis professional fees decreased by 21.4%. The decrease in professional fees is primarily explained by sharply lower professional expenses at the corporate center. Professional expenses included closing costs of $401,025 in relation to the acquisition of Herban OR. Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed.

Sales and marketing expenses doubled to $1,507,386 (three months ended March 31, 2020: $748,857). Like for like sales and marketing expenses increased by 48.3%. Sales and marketing expenses increased at MDT following rapid sales growth, and at the corporate center following from increased expenses for social media and a higher than usual level of marketing expenses to service providers.

Investor relations activity was significantly less in the three months ended March 31, 2021 compared with the three months ended March 31, 2020.

The loss on settlements and contingencies constitutes the difference between fair market value and deemed value on share-based payments to staff, executives, directors, and consultants. It was $Nil in the three months ended March 31, 2021 (three months ended March 31, 2020: $62,023).

Share-based compensation constitutes the share-based compensation to staff, executives, and directors. Although it increased, it is a non-cash item.

Biological assets

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

Biological assets are measured at their fair value less costs to sell ("FVLCS"). 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 Condensed Interim Consolidated Statement of Loss and Comprehensive Loss in the period that the related product is sold. Unrealized fair value gains/losses on the growth of biological assets are recorded in a separate line in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

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

Biological assets and produce held by the Company are planned to be used in 4 ways:

- Sale to the export market;
- Sale to the local market;
- Repurposed for use in research and development; and
- Written off for being obsolete.

Bophelo has yet to receive their GCP certificate and as a result is unable to make sales to the export market. The highest and best use of the produce would therefore be the sale to the local market. The highest and best use of produce from East Evans Creek is the sale to the local market only.

Biological assets		
Balance December 31, 2020	$	-
Fair value change due to biological transformation		167,111
Production costs capitalized		56,706
Transferred to inventory upon harvest		-
Balance March 31, 2021	$	223,817

Expressed in US dollars

All material harvested at Bophelo during the three months ended March 31, 2021 was used for direct sales of flower to third parties in the local market. As at March 31, 2021. The fair value change due to biological assets transformation in the cannabis plants model was $167,111 at Bophelo, and capitalized production costs were $56,706.

The table below shows the assumptions used in the biological assets model for the Company's cultivation operations at Bophelo.

Assumptions utilized in cannabis plant model - Bophelo

	Harvest season 2021		Harvest season 2020	
	Flower	**Trim**	**Flower**	**Trim**
Ratio flower vs. trim	80.0%	20.0%	60.9%	39.1%
Yield - pounds	826	207	302	194
Yield per plant	0.09	0.04	0.14	0.18
Selling price - $ per gram	$ 1.34	$ 1.34	$ 3.00	$ 3.00
FVLCS - $ per gram	$ 1.09	$ 1.09	$ 2.58	$ 2.58

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks;
- Ratio of flower and trim is 80% - 20%;
- Wholesale price of flower and trim is $1.34 per gram, based on historical and future sales;
- Total yield is 981 pounds of flower and trim;
- Cost to complete and sell is $0.25 per gram;
- FVLCS of dry cannabis is $1.09 per gram.

There was no transfer to inventory at East Evens Creek in the three months ended March 31, 2021. No biological assets were transferred to inventory at East Evans Creek in the three months ended March 31, 2021.

Expressed in US dollars

Assumptions utilized in cannabis plant model - East Evans Creek

	Harvest season 2021			Harvest season 2020	
	Flower	Trim	Fresh frozen	Flower	Trim
Ratio flower vs. trim	31%	49%	20%	16%	84%
Yield - pounds	6,396	10,030	4,142	2,546	13,364
Yield per plant - pounds	1.11	1.74	1.61	0.99	5.20
Selling price - $ per gram	$ 0.66	$ 0.06	$ 0.04	$ 0.99	$ 0.20
FVLCS - $ per gram	$ 0.32	$ 0.03	$ 0.02	$ 0.77	$ 0.16

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks;
- Ratio of flower, trim and fresh frozen is 31% - 49% - 20%;
- Wholesale price per gram is $0.66 for flower, $0.06 for trim and $0.04 for fresh frozen, based on historical and future sales;
- Total yield estimate is 20,568 pounds of biomass;
- Costs to complete and sell per gram is $0.34 for flower, $0.03 for trim and $0.02 for fresh frozen;
- FVLCS of dry cannabis per gram is $0.32 for flower, $0.03 for trim and $0.02 for fresh frozen.

Summary of quarterly results

Summary of quarterly results

For three months to:	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Revenue	$ 9,552,012	$ 7,150,557	$ 2,727,416	$ 4,449,098	$ 5,242,961	$ 6,829,782	$ 5,119,611	$ 9,939,103
Cost of Cannabis inventory sold	8,005,913	6,148,873	4,833,397	4,331,725	4,091,160	4,675,810	5,508,948	7,738,533
Gross profit excluding FV changes	1,546,099	1,001,684	(2,105,980)	117,373	1,151,801	2,153,972	(389,337)	2,200,570
Realized and unrealized (gain) loss on biological assets	24,884	(1,902,086)	1,386,778	289,553	124,926	(2,431,481)	782,603	244,794
Gross profit / (loss)	1,521,215	2,903,770	(3,492,758)	(172,180)	1,026,875	4,585,453	(1,171,940)	1,955,776
Gross margin	*15.9%*	*40.6%*	*-128.1%*	*-3.9%*	*19.6%*	*67.1%*	*-22.9%*	*19.7%*
Net loss	(3,912,201)	(6,309,689)	(14,633,694)	(8,609,704)	(6,268,465)	(3,167,055)	(23,138,547)	(9,067,681)
Net loss per share	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of outstanding common shares, basic and diluted	182,418,186	191,194,200	247,245,179	277,418,561	429,610,021	565,337,479	945,370,158	1,610,099,430
Total assets	$ 38,338,127	$ 40,881,703	$ 41,988,522	$ 47,508,892	$ 48,016,022	$ 80,407,689	$ 87,754,245	$ 133,903,098

The Company's Condensed Interim 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 Condensed Interim 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.

Expressed in US dollars

Non-IFRS measures

Income (loss) before interest, tax, depraciation & amortization ("EBITDA")

	For the 3 months ended:	
	March 31, 2021	***March 31, 2020***
EBITDA	**$ (7,386,622)**	$ (7,387,049)
Depreciation included in COGS	**280,522**	234,818
Share-based compensation for staff	**829,236**	131,897
Share-based payments for goods and services	**-**	3,039,333
(Gain) / loss on the value of biological assets	**244,794**	(289,553)
Adjusted EBITDA	**$ (6,032,069)**	$ (4,270,554)

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.

Income or loss before undernoted items as reported is what is also known earnings before interest, tax, depreciation and amortization ("EBITDA"). Adjusted EBITDA is 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 Condensed Interim 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.

- 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);

- 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);

- On September 16, 2020, the Company announced that it established an at-the-market equity program (the "ATM Program") that allows the Company to issue and sell up to C$7,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion. All Common Shares sold under the ATM Program will be sold through the Neo Exchange Inc. or another marketplace (as defined in National Instrument 21-101 - *Marketplace Operation*) upon which the common shares are listed, quoted, or otherwise traded, at the prevailing market price at the time of sale. The volume and timing of distributions under the ATM Program, if any, will be determined in the Company's sole discretion. The ATM Program is designed to provide the Company with additional financing flexibility should it be required in the future. The Company intends to use the net proceeds from the ATM Program, if any, for general corporate purposes, working capital needs and capital expenditures, including the repayment of indebtedness. As Common Shares distributed under the ATM Program will be issued and sold at the prevailing market prices at the time of each sale, prices may vary among purchasers during the period of the ATM Program;

- Between September 17, 2020 and December 17, 2020, the Company issued 134,452,638 shares at an average price of C$0.052. Gross proceeds were C$7,000,000 and net proceeds were C$6,859,453. Commissions paid were C$140,000;

- On December 29, 2020, the Company closed a non-brokered private placement concurrent with the acquisition 1275111 B.C. Ltd, raising total gross proceeds of $1,764,567 (C$2,250,000);

- On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of $7,205,268 (Note 17 Condensed Interim Consolidated Financial Statements);

- On February 19, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of $9,115,649 (Note 17 Condensed Interim Consolidated Financial Statements).

As at March 31, 2021, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

In the United States, 36 states and the U.S. territories of the U.S. Virgin Islands and Puerto Rico allow the use of medical cannabis. 15 states and the U.S. territories of Guam and the Northern Mariana Islands have legalized the sale and adult-use of recreational cannabis. The District of Columbia and Vermont have legalized adult-use of recreational cannabis, but do not allow the sale of recreational cannabis.

At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

As at March 31, 2021, the Company had available cash in the amount of $10,319,375 and restricted cash in the amount of $932,030. As at March 31, 2021, the Company had continued losses, an accumulated deficit, and a working capital surplus of $22,499,128.

The Company's working capital consists of current assets including cash, minus current liabilities including short term loans and the current portion of long-term debt. The table below sets forth the cash and working capital position of the Company as at March 31, 2021.

Cash and working capital position - expressed in US dollars

As at:		***March 31, 2021***		***December 31, 2020***
Cash (including restricted cash)	**$**	**11,251,405**	$	3,679,865
Working capital		**22,499,128**		18,714,311

The table below sets forth the Company's cash flows for the three months ended March 31, 2021.

Cash flow - expressed in US dollars

	For the 3 months ended:	
Cash provided by (used in):	***March 31, 2021***	***March 31, 2020***
Operating activities	**(9,350,279)**	(2,439,269)
Finance activities	**15,902,657**	188,609
Investing activities	**1,019,162**	-

Cash used in operating activities

In the three months ended March 31, 2021, cash used in operating activities was $9,350,279 (three months ended March 31, 2020: $2,439,269).

The cash used in operating activities was due to a net loss of $9,067,681 (three months ended March 31, 2020: net loss $8,609,704), the reversal of non-cash items in the amount of $2,980,287 (three months ended March 31, 2020: $4,918,254) and an increase in working capital of $3,262,885 (three months ended March 31, 2020: decrease $1,252,181).

Cash used in investing activities

In the three months ended March 31, 2021, cash used for investing activities was income of $1,019,162 (three months ended March 31, 2020: Nil). The Company received $1,595,369 in cash when it acquired the management companies B&C111 LLC and POI111 LLC in relation to the pending acquisitions of the SDF11 LLC and ZXC11 LLC dispensaries. There was an increase in property, plant and equipment of $576,207. The details are disclosed in Notes 13 and 14 in the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Cash provided by financing activities

In the three months ended March 31, 2021, cash generated from financing activities was $15,902,657 (three months ended March 31, 2020: $188,609). The cash flow from financing activities in the three months ended March 31, 2021 was comprised of net proceeds from issuance of common shares in the amount of $16,419,356 (three months ended March 31, 2020: $510,856). The details are disclosed in Note 17 in the Condensed Interim Consolidated Financial Statements for the three months ended March

31, 2021. In addition, there was an increase in loans in the amount of $1,111,039 (three months ended March 31, 2020: decrease $129,078). The details are disclosed in Note 18 in the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021. Furthermore, payments in relation to lease liabilities were $284,469 (three months ended March 31, 2020; $181,481). The details are disclosed in Note 7 in the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021. An amount of $1,343,269 was paid as share issuance costs (three months ended March 31, 2020: $11,688). The details are disclosed in Note 17 in the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

In the three months ended March 31, 2021, cash inflow was $7,571,540 (three months ended March 31, 2020: cash outflow $2,250,660).

Share capital

During the three months ended March 31, 2021, the Company issued 483,982,524 common shares. The Company granted 167,956,350 warrants in conjunction with the overnight marketing capital raises and 1,000,100 warrants were exercised. The Company granted 23,756,943 options to staff, executives and directors. The details are disclosed in Note 17 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Use of proceeds

In the three months ended March 31, 2021, the Company raised $16,320,917 from private placements and $98,439 from the exercise of warrants. The Company raised $1,111,039 from of debt which was converted in shares at a fair market value of $1,775,306. Proceeds were used for operating expenses and working capital.

Outstanding share data

As at May 17, 2021, 1,955,666,754 common shares were issued and outstanding, 93,088,637 stock options were outstanding, 207,651,600 warrants were outstanding and 12,679 convertible debentures were in issue which are convertible into an aggregate of 19,506,178 common shares.

Commitments

Contractual obligations as at March 31, 2021 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods are disclosed in Note 22 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Critical accounting estimates and judgements

The critical accounting estimates and judgements are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Changes in accounting policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 4 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Related party transactions

Related party transactions are disclosed in Note 15 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Off-balance sheet arrangements

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

Financial instruments

The following is a summary of the carrying values of the financial instruments as at March 31, 2021:

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	$ -	$ 10,319,375	$ -	**$ 10,319,375**
Restricted cash	-	932,030	-	**932,030**
Accounts receivable	3,290,760	-	-	**3,290,760**
Notes receivable	846,879	-	-	**846,879**
Investments	-	8,883,031	-	**8,883,031**
Financial liabilities:				
Accounts payable and accrued liabilities	8,023,774	-	-	**8,023,774**
Other loans	7,054,069	-	-	**7,054,069**
Debenture liability	8,983,026	-	-	**8,983,026**

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.

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

At March 31, 2021, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

For a detailed discussion of the Company’s financial instruments, we refer to Note 20 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

Subsequent events

Subsequent events are disclosed in Note 23 of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021.

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 risk

The Company's exposure to significant risks includes, 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 20 of the Company's Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021 and the Annual Information Form available on the SEDAR website at www.sedar.com.

Additional information

Additional information relating to Halo Collective, including our Annual Information Form, is available on SEDAR at www.sedar.com.