Halo Collective Inc. (formerly Halo Labs Inc.)
Management Discussion and Analysis
For the year ended December 31, 2020

NOTICE TO READER

Halo Collective Inc. (the "Company") is re-filing its management's discussion and analysis for the year ended December 31, 2020 (the "MD&A") in connection with the re-filing of the Company's annual audited financial statements for the years ended December 31, 2020 and 2019. The MD&A has been updated to account for events occurring since the initial date of filing. All other information contained in the attached MD&A remains the same as the management's discussion and analysis previously filed on April 5, 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 April 13, 2021 and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2020 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward looking statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to 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 over 9.0 million grams of cannabis flower and 7.7 million grams of 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 indirect subsidiary of the Company, which will be followed by the closing of purchase of substantially all of the assets of Herban OR by Halo Winberry in exchange for the cancellation of a portion 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) a Temporary Authority to Operate 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 Temporary Authority to Operate an OLCC 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.

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 indirectly-owned 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 strongly consider acquisition 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 harvest on two hoop houses with one hoop house already on the hanging racks. There are still five hoop houses growing auto flowers with an expected harvest 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 has manufactured and sold over 7.7 million grams of cannabis oil and concentrates since April 2016. 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 vape 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. Further, the Company also manages a distribution facility located in Eugene, Oregon under a Temporary Authority to Operate 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.

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 the 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; and
- 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:		*For the year ended:*	
	December 31, 2020	*December 31, 2019*	*December 31, 2020*	*December 31, 2019*
Revenue	**$ 5,119,611**	$ 2,727,416	**$ 21,641,452**	$ 28,148,488
Reported gross profit	**(1,171,940)**	(3,492,759)	**4,268,208**	3,109,041
Gross margin	**-22.9%**	-128.1%	**19.7%**	11.0%
Unrealized fair value (gain) loss on growth of biological assets	**(306,663)**	(1,164,115)	**2,225,647**	737,971
Realized fair value (gain) loss included in the cost of inventory sold	**(475,940)**	(222,663)	**(991,248)**	(515,305)
Impairments	**(925,139)**	-	**(2,161,354)**	-
Gross profit excluding biological assets and impairments	**535,802**	(2,105,981)	**5,195,163**	2,886,375
Gross margin	**10.5%**	-77.2%	**24.0%**	10.3%
Net loss	**(23,138,547)**	(14,633,693)	**(41,183,772)**	(27,617,135)
Comprehensive loss	**(22,255,353)**	(15,135,802)	**(40,069,869)**	(28,278,678)
Net loss per share (basic and diluted)	**$ (0.02)**	$ (0.05)	**$ (0.07)**	$ (0.14)

- Revenues in the three months ended December 31, 2020 were $5,119,611, an 87.7% increase compared to $2,727,416 in the three months ended December 31, 2019. Total sales were 2,912,963 grams (three months ended December 31, 2019: 903,907 grams), a 222.3% increase. The average mix price was $1.86 per gram (three months ended December 31, 2019: $3.02 per gram), a 38.2% decline, explained by a higher proportion of lower priced sales of flower, trim and fresh frozen.

- Organic revenue growth was 34.7%, which was particularly strong considering the absence of revenues from Coastal Harvest for most of 2020. ANM Inc. ("ANM") in Oregon and MDT in California reported strong performances in the period under review. ANM reported revenues of $4,126,701, a

116.7% increase. MDT reported revenues of $1,472,268. MDT was not included in the three months ended December 31, 2019.

- The Company reported a gross loss of $1,171,940 in the three months ended December 31, 2020 (three months ended December 31, 2019: gross loss $3,492,759). Adjusted for impairments in the amount of $925,139 and the loss on biological assets, gross profits were $535,802 (three months ended December 31, 2019: loss $2,105,981). The adjusted gross margin was 11.5% (three months ended December 31, 2019: -77.2%).

- The loss before interest, tax, depreciation & amortization ("EBITDA") was $8,807,548 (three months ended December 31, 2019: loss $13,778,569). Operating expenses decreased to $7,635,608 (three months ended December 31, 2019: $10,285,810). Adjusted for non-cash items in cost of goods sold and overheads, EBITDA was a loss of $3,726,022 for the three months ended December 31, 2020.

- As at December 31, 2020, the Company had un-restricted cash available in the amount of $2,758,119 and working capital in the amount of $18,714,311. Cash used in operations in the three months ended December 31, 2020 was $6,657,592, cash used for investing was $2,456,175 and cash raised from finance activities was $9,215,867. Total cash inflow was $102,100 in the three months ended December 31, 2020.

Corporate highlights.

On January 9, 2020, the Company closed its acquisition of MDT for consideration of 20,907,553 common shares in the capital of Halo Collective. Pursuant to the terms of the acquisition agreement, 8,446,985 common shares were issued to MDT Holdings, LLC, the previous sole member of MDT, upon closing, and 12,460,568 Common Shares were deposited into escrow.

On January 15, 2020, the Company completed the exercise of MDT's option to purchase OGC, holder of a Type N manufacturing license.

On March 10, 2020, the Company completed the acquisition of Cannalift Delivery Inc. ("Cannalift") through its wholly-owned subsidiary, 1242899 B.C. Ltd., for 31,000,000 common shares of Halo Collective. 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 products from local dispensaries to consumers through an intuitive application and website, subject to regulatory approvals. Concurrent to the closing of this transaction, Halo Collective closed a non-brokered private placement of Halo Collective common shares for aggregate gross proceeds of approximately CAD $700,000. The Halo Collective 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 Collective also issued an aggregate of 2,480,000 common shares of the Company as a finder's fee to an arm's-length consultant.

On April 17, 2020, the Company completed the acquisition of all the common shares of Nasalbinoid Natural Devices Corp ("Nasalbinoid"). The Company, through its wholly-owned subsidiary, 1245316 B.C.

Ltd., acquired all the issued and outstanding shares in the capital of Nasalbinoid in exchange for 34,000,000 common shares of the Company. As a condition to closing, Halo Collective closed the concurrent non-brokered private placement of common shares of Halo Collective at a price of CAD $0.11 per share for aggregate gross proceeds of approximately CAD $425,000. Proceeds of the concurrent financing will be used for general working capital. Furthermore, in connection with the acquisition, Halo Collective has issued an aggregate of 3,400,000 common shares of the Company as a finder's fee to an arm's-length finder.

On July 6, 2020, the Company closed the following acquisitions:

- 66 2/3% controlling membership interest in LKJ11 a winning Los Angeles dispensary applicant; and

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

On July 6, 2020, Halo Collective acquired a company holding a 66 2/3% interest in LKJ11 in exchange for 42,881,646 Halo Collective common shares. To effectuate the LKJ11 transaction, the majority member of LKJ11 merged with Halo Collective's MFT11 Merger Sub, Inc. with the majority member, MFT11 LLC remaining as the surviving entity whollyowned by PSG. Upon closing, Halo Collective issued 8,576,329 common shares to the vendors. A further 34,305,317 Halo Collective common shares are still to be issued as follows:

- 17,152,659 Halo Collective common shares to be issued when LKJ11 is licensed by all applicable state and local regulatory agencies and the first legal sale of cannabis is made; and

- 17,152,658 Halo Collective common shares to be issued when LKJ11 is granted a lease extension for an aggregate of five years or a new location lease for a term of 5 years from the closing date.

Crimson & Black LLC ("C&B") acquisition

On July 6, 2020, Halo Collective acquired 100% of the outstanding membership interest in Crimson & Black LLC ("C&B"), the management company of LKJ11, in exchange for 6,432,247 Halo Collective common shares. To effectuate the C&B transaction, C&B merged with and into Halo Collective's C&B Merger Sub, Inc. and C&B remains the surviving entity and is wholly-owned by PSG.

The Halo Collective common shares will be issued as follows:

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

- 3,216,123 Halo Collective common shares when LKJ11 is granted a lease extension for an aggregate of 5 years or a new location lease for a term of at least 5 years from the closing date.

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

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

On August 3, 2020, the Company entered into a letter of intent to establish a joint venture and strategic alliance with Terphogz, LLC, doing business as Zkittlez. The joint venture will establish and operate a state- and locally licensed commercial cannabis cultivation facility at Ukiah Ventures Inc.

On August 9, 2020, the Company closed the acquisition of all the issued and outstanding shares of Ukiah in exchange for securities of the Company. Prior to the transaction, the Company held a 17.5% equity stake in Ukiah because of the Company's initial investment in Ukiah in December 2019. The Company acquired the remaining issued and outstanding 7,725,007 Ukiah Shares, and will therefore own 100% of the total outstanding 9,058,340 Ukiah Shares. The purchase price was satisfied by issuing 71,881,607 common shares of Halo Collective.

On August 7, 2020, Bophelo entered into a C$30,000,000 offtake agreement with Medcan Ltd. for the sale of bulk cannabis biomass, primarily into the European market. The contract specifies initial deliveries of up to 10,000 kilograms. The term of the agreement is for a period commencing on August 3, 2020, and ended on the earlier of: (i) the date on which Medcan has purchased the full specified volume biomass from Bophelo; or (ii) the seventh anniversary of the effective date.

On August 26, 2020, the Company entered into a second amended and restated promissory note for a principal amount of up to C$15,000,000. The second A&R promissory note increases the committed funds available to the company from C$10 million to C$15 million. To date, the Company has drawn down an aggregate of C$1 million of this committed amount. The second A&R promissory note also contains an additional commitment fee of C$35,000, to be satisfied through the issuance of 291,666 common shares in the capital of the Company. All the other terms and conditions contained in the original A&R promissory note remain unchanged.

On September 1, 2020, the Company entered into an amended and restated asset purchase agreement with High Tide, to amend the terms of the previously announced asset purchase agreement dated February 14, 2020. Under the amended agreement, High Tide will sell its three operating KushBar retail cannabis stores to Halo Collective, payable in the form of: (a) a deposit of C$3,500,000, which has already been paid to High Tide by way of the issuance of 13,461,538 Halo Collective common shares to High Tide; (b) a convertible promissory note to be issued by Halo Collective on closing in the principal amount of C$1,800,000 with a conversion rate of C$0.16 per Halo Collective common share; and (c) a convertible promissory note to be issued by Halo Collective on the 12-month anniversary of closing in the principal amount of C$400,000 with a conversion rate of C$0.16 per Halo Collective common share, provided that certain revenue thresholds are met. If the portfolio has produced aggregate revenue of less than the set threshold during the prior 12 months, then the principal amount of the earnout note will be reduced dollar for dollar.

On September 7, 2020, the Company entered into a membership interest purchase agreement to acquire a 25% membership interest in Feel Better, LLC, doing business as FlowerShop* in exchange for 15,447,992 Halo Collective common shares. The acquisition closed on September 9, 2020. The Company and FlowerShop* have executed a licensing, manufacturing, and distribution agreement for FlowerShop* branded products. In connection with the License Agreement, the Company also issued 1,500,000 common share purchase warrants exercisable at a price of C$0.135. The warrants will vest quarterly over twelve months and expires on September 8, 2022.

On September 16, 2020, the Company entered into an equity distribution agreement with PI Financial Corp. pursuant to which the Company established an “at-the-market” equity program (“ATM”) that allows the Company to issue and sell up to C$7,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion. All common shares sold under the ATM program will be sold through the Neo Exchange Inc. or another marketplace (as defined in National Instrument 21-101 -- Marketplace Operation) upon which the common shares are listed, quoted, or otherwise traded, at the prevailing market price at the time of sale. Between September 17, 2020 and December 17, 2020, the Company issued 134,452,638 shares for gross proceeds of C$7,000,000 and net proceeds were C$6,859,453. Commissions paid were C$140,000.

On September 18, 2020, the Company issued 15,566,078 common shares of the Company to certain independent consultants, director, employees, and suppliers of the Company, in lieu of cash consideration, at a price of C$0.10 per compensation share, being the closing price of the common shares of the Company on September 18, 2020. The Company has also issued 2,000,000 warrants to an independent consultant. The compensation warrants have an exercise price of C$0.10 and have an expiry date of one year from the date of issuance.

On September 30, 2020, the Company entered into a definitive share exchange agreement with 1265292 B.C. Ltd., doing business as Cannafeels and the shareholders of Cannafeels, pursuant to which the Company acquired all the issued and outstanding shares of Cannafeels in exchange for common shares of Halo Collective. Pursuant to the terms of the share exchange agreement, Halo Collective acquired 100% of Cannafeels’ outstanding common shares from the shareholders by the issuance of 93,000,000 Halo Collective common shares. In connection with the acquisition, Halo Collective also issued an aggregate of 6,975,000 common shares as a transaction fee to an arm’s length consultant of the Company.

On September 26, 2020, the Company announced that its wholly owned-subsidiary, PSG, together with Green Matter , founded a real estate holding company on August 18, 2020 each with 50% ownership. Under IFRS 11, LCNH qualifies as a joint arrangement and is partially consolidated. The purchase price of $6,000,000 and closing costs of $79,845 were financed and recognized by the Company at 50%. The details of the loans are as follows for the Company's proportion:

- A down payment made by LCNH of $500,000, which was contributed evenly between the Company and GMH as 50/50 partners;

- A mortgage of $1,050,000 from a real estate fund. The general terms of this loan include interest only at an annual rate of 8.75%, a 36-month term, and a first deed of trust as collateral; and,

- A second mortgage of up to $2,275,000 from a syndication of lenders. The general terms of this second mortgage include interest only at an annual rate of 15% (half paid current monthly and half paid at maturity), a twenty-four-month term with two six months extensions, and a second deed of trust as collateral. Additionally, the lending syndicate shall be due, at maturity of the second mortgage, a success fee equivalent to the amount borrowed under the second mortgage, subject to the successful approval and receipt by LCNH of a minimum of 100 licenses issued by the Bureau of Cannabis Control.

On September 28, 2020, LCNH completed the purchase of the Bar X Ranch in Lake County, California from an unrelated party.

On November 10, 2020, the Company closed the acquisition of Canmart Ltd. The Company issued an aggregate of 135,416,666 Halo Collective common shares to the holders of all the issued and outstanding common shares in the capital of Canmart. Of the total number of shares issued, 83,333,332 shares were escrowed and will be released upon achieving certain milestones within two years from the closing of the acquisition. In connection with the closing of the acquisition, Halo Collective also issued an aggregate of 10,156,250 common shares as a transaction fee to Anmoho LLC an arm's length consultant of the Company. The consulting services Anmoho LLC provided include general and advisory review, due diligence, the preparation of a valuation and supporting the Company in negotiations with the vendor.

On November 18, 2020, the Company, through Halo Winberry, entered into a definitive debt purchase agreement with Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban OR, and Herban Industries, Inc., to purchase certain secured debt of Herban OR owed to Evolution Trustees Limited, totaling approximately $18,440,000 of principal and accrued interest, which is in default. Upon completion of the acquisition of the purchased debt, Halo Winberry became the senior secured creditor of Herban OR. Pursuant to the debt purchase agreement, Halo Collective issued 169,916,339 common shares of the Company to Evolution Trustees Limited for a total consideration of $8,373,047, including closing costs of $405,978, in exchange for the purchased debt. Immediately following closing of the debt purchase agreement, Halo Winberry entered into an asset purchase agreement pursuant to which it will acquire certain assets of Herban OR in exchange for the cancellation of a portion of the purchased debt.

On December 30, 2020, the Company closed the acquisition of 1275111 B.C. Ltd. pursuant to the terms of a share exchange agreement to which the Company acquired all the issued and outstanding shares of 1275111 B.C. Ltd. in exchange for an aggregate of 147,475,343 common shares of the Company. 1275111 B.C. Ltd. has developed certain patent pending intellectual property relating to cannabinoid filtration and purification. The consideration for the acquisiti was $5,762,376, and closing costs of $10,246.

Results of operations for the three months ended December 31, 2020

Selected financial information - expressed in US dollars

		For the 3 months ended:		
		December 31, 2020		***December 31, 2019***
Revenue	**$**	**5,119,611**	$	2,727,416
Cost of finished cannabis inventory sold		**5,508,948**		4,833,397
Gross profit ex change in FV biological assets		**(389,337)**		(2,105,981)
Unrealized fair value (gain) loss on growth of biological assets		**(306,663)**		(1,164,115)
Realized fair value (gain) loss included in the cost of inventory sold		**(475,940)**		(222,663)
Gross profit		**(1,171,940)**		(3,492,759)
Net loss		**(23,138,547)**		(14,633,693)
Net comprehensive loss		**(22,255,353)**		(15,135,802)
Net loss per share, basic & diluted:	**$**	**(0.02)**	$	(0.05)
Weighted average number of outstanding common shares, basic and diluted		**945,370,158**		277,522,815
Total assets		**87,754,245**		41,988,522
Long-term financial liabilities		**18,154,708**		8,845,633

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

Revenue

Revenues in the three months ended December 31, of 2020 were $5,119,611 compared to $2,727,416 in the three months ended December 31, of 2019, an 87.7% increase. Total sales were 2,912,963 grams (three months ended December 31, 2019: 903,907 grams), a 222.3% increase. The average mix price was $1.86 (three months ended December 31, 2019: $3.02 per gram), a 38.2% decline, explained by sales of lower priced flower ($1.35 per gram), pre-rolls ($1.78 per gram), trim ($0,15 per gram) and fresh frozen ($0.09 per gram) which were 76% of total sales.

Organic revenue growth was 34.7%, which was particularly strong considering the absence of revenues from Coastal Harvest for most of 2020. ANM in Oregon and MDT in California reported strong performances in the period under review. ANM reported revenues of $4,126,701, a 116.7% increase. MDT reported revenues of $1,445,301. MDT was not included in the three months ended December 31, 2019.

In the three months ended December 31, 2020, ANM, the facility in Oregon, sold 1,438,342 grams of shatter, cartridge oil, live resin, tinctures and gummies, flower, and pre-rolls (three months ended December 31, 2019: 752,377 grams), a 91.1% increase. Flower sales in the three months ended December 31, 2020 were 831,986 grams (three months ended December 31, 2019: 394,299), a 111% increase. The average achieved mix-price across all products was $2.87 per gram equivalent (three months ended December 31, 2019: $2.53 per gram), a 13.4% increase. Flower sales were 57.8% of total sales at ANM and sold at $1.35 per gram. This had an impact on the achieved mix-price.

In the three months ended December 31, 2020, MDT, the facility in Ukiah, sold 1,474,621 grams of distillate, gummies, trim, and pre-rolls (three months ended December 31, 2019: Nil) at an average price of $1.39 (three months ended December 31, 2019: NA). Trim sales represented 31% of total sales and sod at $0.15 per gram. Fresh frozen represented 51% of sales and sold at $0.09 per gram. This had an impact on the achieved mix-price.

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $5,508,948 in the three months ended December 31, 2020 (three months ended December 31, 2019: $4,833,397). The loss in the value of biological assets was $925,139 in the three months ended December 31, 2020 (three months ended December 31, 2019: loss of $1,386,778). In the three months ended December 31, 2020, impairments included in cost of goods sold were $925,139. Inventory was impaired in the amount of $434,278 at ANM, $220,136 at HLO Ventures (NV), LLC (“HLO Ventures”), $26,963 at Coastal Harvest and $248,642 at MDT.

The Company reported a gross loss of $1,171,940 (three months ended December 31, 2019: gross loss $3,492,759). Adjusted for impairments in the amount of $925,139 and the loss on biological assets, gross profits were $535,802 (three months ended December 31, 2019: loss of $2,105,981). The adjusted gross margin was 10.5% (three months ended December 31, 2019: -77.2%).

At ANM, $411,476 of charges were booked in December, which should have been charged to August and September of 2020. Halo Collective’s gross margin was 18.5% when adjusting for these charges.

The trim run was 12,837 pounds at a yield of 9.1%. Trim, raw material input for extracts and oils, sold at $73 per pound in comparison with $54 per pound in the three months ended September 30, 2020 and $42 per pound in the three months ended December 31, 2019. The price increase reflects the higher quality of trim. The conversion yields were 7.8% in the three months ended September 30, 2020 and 6.5% in the three months ended December 31, 2019.

Operating expenses

Operating expenses - expressed in US dollars

	For the 3 months ended:	
	December 31, 2020	***December 31, 2019***
General and administration	**$ 1,962,513**	$ 1,647,667
Salaries	**1,516,941**	1,246,141
Professional fees	**1,709,912**	5,990,535
Sales and marketing	**931,735**	820,578
Investor relations	**92,258**	535,187
Loss on settlements and contigencies	**109,459**	57,171
Share-based compensation	**1,312,790**	(11,469)
Total operating expenses	**$ 7,635,608**	$ 10,285,810

The table sets forth operating expenses for the three months ended December 31, 2020 and 2019. Operating expenses decreased to $7,635,608 in the three months ended December 31, 2020, compared with $10,285,810 in the three months ended December 31, 2019.

G&A expenses increased with 19.1% to $1,962,513 (three months ended December 31, 2019: $1,647,667). G&A expenses include first time contributions from Ukiah Ventures Inc. ("UVI"), MDT and Bophelo. On a like for like basis, G&A expenses decreased with 13.8%. G&A expenses decreased at the corporate center, Coastal Harvest and HLO Ventures. Expenses increased at ANM. In addition to first time contributions from UVI, MDT and Bophelo, there was a first-time contribution from LCNH, the real estate company in which Halo Collective is a 50% partner.

Salaries increased with 21.7% to $1,516,941 (three months ended December 31, 2019: $1,246,141). On a like for like basis, salaries increased with 3.6%. Of total salaries, 21.5% is non-cash as they are paid in Halo Collective common shares. Salaries at ANM, HLO Ventures, and the corporate center decreased. Salaries at Coastal Harvest increased.

Professional expenses decreased with 71.5% to $1,709,912 (three months ended December 31, 2019: $5,990,535). On a like for like basis professional fees decreased with 78.0%. The significant decrease in professional fees is primarily explained by sharply lower professional expenses at the corporate center.

Sales and marketing expenses increased with 13.5% to $931,735 (three months ended December 31, 2019: $820,578). Like for like sales and marketing expenses decreased with 55.4%. Sales and marketing expenses increased 57.9% to $628,035 in Oregon, explained by commissions paid on the 116.7% increase in revenues in Oregon. The remainder of sales and marketing expenses is pre-dominantly explained by commissions paid at MDT. MDT was not included in the three months ended December 31, 2019.

Expressed in US dollars

Investor relations activity was significantly less in the three months ended December 31, 2020 compared with the three months ended December 31, 2019.

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. Although it increased, it is a non-cash item.

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

Biological assets

Biological assets East Evans Creek		
Balance at December 31, 2018	$	-
Fair value change due to biological transformation		737,971
Production costs capitalized		978,778
Transferred to inventory upon harvest		(1,716,749)
Balance at December 31, 2019		-
Fair value change due to biological transformation		2,225,647
Production costs capitalized		2,310,176
Transferred to inventory upon harvest		(4,535,823)
Balance at December 31, 2020	$	-

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 like the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies and labor used in the growing process.

Biological assets are measured at their fair value less costs to sell in the Consolidated Statement of Financial Position. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of finished cannabis inventory sold' on the Consolidated Statement of Loss and Comprehensive Loss in the period that the related product is sold. Unrealized fair value gains/losses on the growth of biological assets are recorded in a separate line in the Consolidated Statement of Loss and Comprehensive Loss.

All material harvested during the year ended December 31, 2020 was used for processing and direct sales of flower to third parties. As at December 31, 2020, the Company did not carry any value of biological assets. The fair value change due to biological assets transformation in the cannabis plants model was

Expressed in US dollars

$2,225,647 at East Evens Creek, and capitalized production costs were $2,310,176. Transferred to inventory was $4,535,823. There was no transfer to inventory of the Bophelo harvest in the year ended December 31, 2020.

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

The table below shows the assumptions used in the biological assets model for the harvest in the year ended December 31, 2020.

Assumptions utilized in cannabis plant model

			Year ended: December 31, 2020		Year ended: December 31, 2019
	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	0.72	0.99	5.20
Selling price per gram	$ 0.66	$ 0.06	$ 0.04	$ 0.99	$ 0.20
Total costs to complete and sell	$ 0.34	$ 0.03	$ 0.02	$ 0.14	$ 0.03
FVLCS - $ per gram	$ 0.32	$ 0.03	$ 0.02	$ 0.85	$ 0.17

The valuation model 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 at East Evans Creek;
- Wholesale selling price of flower is estimated at $0.66 per gram (year ended December 31, 2019: 0.99) based on historical and expected future sales at East Evans Creek. Wholesale prices of trim and fresh frozen are estimated at $0.06 per gram (year ended December 31, 2019: $0.20) and $0.04 per gram (year ended December 31, 2019: NA) at East Evans Creek;
- Total yield for the year ended December 31, 2020 of 20,568 pounds of biomass (year ended December 31, 2019: 15,910 pounds) at East Evans Creek;
- Total harvest yield of 6,396 pounds of flower (year ended December 31, 2019: 2,546 pounds), 10,030 pounds of trim (year ended December 31, 2019: 13,364 pounds) and 4,142 pounds of fresh frozen (year ended December 31, 2019: NA);

Expressed in US dollars

- Harvest yield of flower of 1.11 pounds per plant (year ended December 31, 2019: 0.99 pounds per plant) at East Evans Creek, net of wastage, based on historical results; Harvest yields of trim and fresh frozen per plant at East Evans Creek of 1.74 pounds (year ended December 31, 2019: 5.20 pounds) and 0.78 pounds per plant (year ended December 31, 2019: NA);

- Costs to complete and sell at $0.34 per gram for flower (year ended December 31, 2019: $0.14), $0.03 for trim (year ended December 31, 2019: $0.03) and $0.02 for fresh frozen (year ended December 31, 2019: NA) at East Evans Creek;

- FVLCS of dry cannabis from the 2020 harvest of $0.32 per gram for flower (year ended December 31, 2019: $0.85), $0.03 for trim (year ended December 31, 2019: $0.17) and $0.02 for fresh frozen (year ended December 31, 2019: NA) at East Evans Creek.

Bophelo's 2020 harvest was not recognized in the year ended December 31, 2020, because a Good Agricultural and Collection Practices (GACP) certificate was not yet received in 2020. The GACP certificate is a condition for selling the Bophelo harvest. There was no fair value change due to the transformation of biological assets at Bophelo, and there were no capitalized production costs. There was no transfer to inventory in the year ended December 31, 2020.

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

Effect on the fair value of biological assets East Evens Creek - December 31, 2020

Sensitivity		**+ 10%**		**- 10%**
Change in expected yield for cannabis plants	$	328,602	$	(328,602)
Change in FVLCS		108,562		(108,562)

Based on the realized yield, a 10% increase or decline in the yield has a $328,602 impact on revenues (year ended December 2019: $234,832).

Based on the realized FVLCS, a 10% increase or decline in FVLCS has a $108,562 impact on revenues (year ended December 31, 2019: $199,503).

Because Bophelo did not recognize the 2020 harvest, there were no yield and FVLCS in the year ended December 31, 2020.

Results of operations for the year ended December 31, 2020

The following section provides details of the Company's financial performance for the year ended December 31, 2020 compared to the year ended December 31, 2019 and 2018. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as are issued by the International Accounting Standards Board (IASB). The information is presented on the same basis as the Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Selected financial information - expressed in US dollars

	For the year ended:		
	December 31, 2020	***December 31, 2019***	***December 31, 2018***
Revenue	**$ 21,641,452**	$ 28,148,488	$ 10,898,277
Cost of finished cannabis inventory sold	**18,607,643**	25,262,113	10,990,078
Gross profit ex change in FV biological assets	**3,033,809**	2,886,375	(91,801)
Unrealized fair value (gain) loss on growth of biological assets	**2,225,647**	737,971	(176,393)
Realized fair value (gain) loss included in the cost of inventory sold	**(991,248)**	(515,305)	-
Gross profit	**4,268,208**	3,109,041	(268,194)
Net loss	**(41,183,772)**	(27,617,135)	(13,717,796)
Net comprehensive loss	**(40,069,869)**	(28,278,678)	(13,645,377)
Net loss per share, basic & diluted:	**$ (0.07)**	$ (0.14)	$ (0.22)
Weighted average number of outstanding common shares, basic and diluted	**566,242,172**	196,491,587	62,501,637
Total assets	**87,754,245**	41,988,522	19,391,988
Long-term financial liabilities	**18,154,708**	8,845,633	-

Revenue

Revenues for the year ended December 31, 2020 were $21,641,452, a 23.1% decline in comparison with $28,148,488 in the year ended December 31, 2019. Total sales were 6,760,873 grams (year ended December 31, 2019: 3,915,541 grams), a 72.7% increase. The average mix-price was $3.20 per gram, a 55.5% decline in comparison with $7.19 per gram in the year ended December 31, 2019. The increase in sales of lower priced flower, pre-rolls, trim and fresh frozen had an impact on the lower total average achieved price of grams equivalent sold.

In the year ended December 31, of 2020, ANM, the facility in Oregon, sold 4,735,723 grams of shatter, cartridge oil, live resin, tinctures and gummies and pre-rolls, a 125.2% increase in comparison of 2,102,622 grams sold in the year ended December 31, 2019. The average achieved mix-price across all products was $3.41 per gram equivalent (year ended December 31, 2019: $5.19 per gram).

In the year ended December 31, 2020, Coastal Harvest, the facility in Cathedral City, sold 205,680 grams of distillate (year ended December 31, 2019: 1,738,959 grams). In the year ended December 31, 2020 sales were generated only in the third quarter compared with sales in each three months period in 2019. The achieved price for distillate was $3.49 (year ended December 31, 2019: $8.78 per gram).

In the year ended December 31, 2020, MDT, the facility in Ukiah, sold 1,811,652 grams of distillate, live resin, gummies, trim, fresh frozen and pre-rolls (year ended December 31, 2019: Nil) at an average price of $3.12 (year ended December 31, 2019: NA). Live resin sales were discontinued in the fourth quarter of 2020. Sales of gummies, fresh frozen, trim and pre-rolls started in the fourth quarter 2020. The average achieved price was $3.12 per gram in the year ended December 31, 2020. New sales in the fourth quarter of 2020, achieved a much lower average price of $1.39 because of sales of trim at $0.15 per gram and fresh frozen at $0.09 per gram.

Gross profit and cost of goods sold

Gross profits were $4,268,208 in the year ended December 31, 2020 (year ended December 31, 2019: $3.109,041). The gross margin was 19.7% (year ended December 31, 2019: 11.0%). The year ended December 31, 2020, included $2,161,354 in inventory impairments included in COGS (year ended December 31, 2019: Nil) There was a gain of $1,234,399 in the value of biological assets in the year ended December 31, 2020 (year ended December 31, 2019: $222,666).

Adjusted for the gain in the value of biological assets and impairments, gross profit was $5,195,163 (year ended December 31, 2019: $2,886,375). The adjusted gross margin was 24.0% (year ended December 31, 2019: 10.3%).

Operating expenses

The development of operating expenses in the year ended December 31, 2020 compared with the year ended December 31, 2019 should be read in conjunction with the section "operating expenses" in the three months ended December 31, 2020" in this MD&A.

Operating expenses - expressed in US dollars

		For the year ended:
	December 31, 2020	***December 31, 2019***
General and administration	**3,975,208**	5,086,112
Salaries	**4,782,228**	4,654,804
Professional fees	**7,424,091**	9,946,007
Sales and marketing	**3,538,445**	2,782,148
Investor relations	**996,499**	1,819,992
Loss on settlements and contigencies	**325,816**	1,277,880
Share-based compensation	**2,483,001**	1,405,665
Total operating expenses	**$ 23,525,288**	$ 26,972,608

In the year ended December 31, 2020, G&A expenses declined to $3,975,208 (year ended December 31, 2019: 5,086,112), a 21.8% decrease. Adjusted for first time consolidated operations, G&A expenses decreased with 40.4%.

In the year ended December 31, 2020, salaries increased to $4,782,228 (year ended December 31, 2019: $4,654,804), a 2.7% increase. Adjusted for first time consolidations, salaries decreased with 7.5%.

Professional expenses decreased with 25.3% to $7,266,091 (year ended December 31, 2019: $5,990,535). On a like for like basis professional fees decreased with 32.2%. The significant decrease in professional fees is primarily explained by sharply lower professional expenses at the corporate center.

In the year ended December 31, 2020, sales and marketing expenses increased to $3,538,445 (year ended December 31, 2019: $2,782,148), a 27.2% increase. Adjusted for first time consolidated operations, sales and marketing expenses decreased with 9.4%.

Investor relations activity decreased in the year ended December 31, 2020 to $996,499 (year ended December 31, 2019: $1,819,992).

The loss on settlements and contingencies declined to $325,816 (year ended December 31, 2019: $1,277,880). 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 is a non-cash item.

Share-based compensation increased to $2,483,001 (year ended December 31, 2019: $1,405,665). Share-based compensation constitutes the share-based compensation to staff, executives, and directors. It is a non-cash item.

Summary of quarterly results

Summary of quarterly results - expressed in US dollars

For three months to:	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**
Revenue	8,718,503	9,552,012	7,150,557	2,727,416	4,449,098	5,242,961	6,829,782	5,119,611
Cost of Cannabis inventory sold	6,273,930	8,005,913	6,148,873	4,833,397	4,331,725	4,091,160	4,675,810	5,508,948
Gross profit excluding FV changes	2,444,573	1,546,099	1,001,684	(2,105,980)	117,373	1,151,801	2,153,972	(389,337)
Realized and unrealized (gain) loss on biological assets	(267,758)	(24,884)	1,902,086	(1,386,778)	(289,553)	(124,926)	2,431,481	(782,603)
Gross profit / (loss)	2,176,815	1,521,215	2,903,770	(3,492,758)	(172,180)	1,026,875	4,585,453	(1,171,940)
Gross margin	*25.0%*	*15.9%*	*40.6%*	*-128.1%*	*-3.9%*	*19.6%*	*67.1%*	*-22.9%*
Net loss	(2,761,551)	(3,912,201)	(6,309,689)	(14,633,694)	(8,609,704)	(6,268,465)	(3,167,055)	(23,138,547)
Net loss per share	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of outstanding common shares, basic and diluted	160,386,434	182,418,186	191,194,200	247,245,179	277,418,561	429,610,021	565,337,479	945,370,158
Total assets	25,691,649	38,338,127	40,881,703	41,988,522	47,508,892	48,016,022	80,407,689	87,754,245

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 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:		For the year ended:	
	December 31, 2020	*December 31, 2019*	*December 31, 2020*	*December 31, 2019*
EBITDA	**$ (8,807,548)**	$ (13,778,569)	**$ (19,257,080)**	$ (23,863,567)
Depreciation included in COGS	**235,274**	238,588	**989,349**	889,591
Impairments included in COGS	**925,139**	-	**2,161,354**	-
Share-based compensation for staff	**1,312,790**	(11,469)	**2,483,001**	1,405,665
Share-based payments for goods and services	**1,825,719**	1,577,553	**7,959,715**	7,130,220
(Gain) / loss on the value of biological assets	**782,603**	(1,386,778)	**(1,234,399)**	222,666
Adjusted EBITDA	**$ (3,726,022)**	$ (13,360,675)	**$ (6,898,060)**	$ (14,215,426)

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 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 $15,842,620 (or CAD $21,163,000);

- On September 18, 2019, the Company entered into an unsecured debt financing agreement with a private lender for a principal amount of up to C$10,000,000. The agreement is for an initial twelve-month term with interest accruing at a rate of 9%. As at September 30, 2020, the balance owing on the debt financing was C$1,000,000 excluding accrued interest. On June 9, 2020, the Company entered an amended and restated promissory note (the "A&R promissory note") for a principal amount of up to C$10,000,000. The A&R promissory note amends and restates the unsecured debt financing agreement that the Company entered with a private arm's-length lender. Pursuant to the terms of the A&R promissory note, the lender may convert the principal amount outstanding under the A&R promissory note into common shares in the capital of the Company at a conversion price equal to the greater of: (i) 80% of the closing market price of the common shares on the Neo exchange on the day preceding the date on which the lender delivers a conversion notice to the Company; and (ii) $0.10. On August 26, 2020, the Company entered a second amended and restated promissory note for a principal amount of up to C$15,000,000. The second A&R promissory note increases the committed funds available to the Company from C$10,000,000 to C$15,000,000. To date, the Company has drawn down an aggregate of C$1,000,000 of this committed amount. The second A&R promissory note also contains an additional commitment fee of C$35,000, to be satisfied through the issuance of 291,666 common shares in the capital of the Company. All the other terms and conditions contained in the original A&R promissory note remain unchanged (Note 16 of the Financial Statements);

- On October 17, 2019, the Company closed a private placement raising total gross proceeds of $3,003,129 (C$3,965,843) and on December 31, 2019, the Company closed a second private placement with gross proceeds of $769,842 (C$1,000,000) (Note 15 of the Financial Statements);

- In December 2019, the Company completed a private placement of 3,333,334 Halo Collective common shares for approximately C$1,000,000. On March 29, 2019, the Company filed a short form prospectus in connection with a best effort offering of convertible debenture units of the Company at a price of $1,000 per initial unit. The Company raised $15,842,620 (C$21,163,000), and after fees, proceeds were $13,229,175 (C$18,188,293). As at September 30, 2020, $1,263,939 remains held in escrow at the transfer agent for future interest payments on the debenture (Note 14 of the Financial Statements);

- 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) (Note 15 of the Consolidated Financial Statements for the year ended December 31, 2020);

- 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) (Note 15 of the Consolidated Financial Statements for the year ended December 31, 2020);

- 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) (Note 15).

As at December 31, 2020, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. 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 December 31, 2020, the Company had available cash in the amount of $2,835,722 and restricted cash in the amount of $921,746. As at December 31, 2020, the Company had continued losses, an accumulated deficit, and a working capital surplus.

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

Cash and working capital position - expressed in US dollars

As at:	***December 31, 2020***	***December 31, 2019***
Cash (including restricted cash)	**$ 3,679,865**	$ 6,068,414
Working capital	**18,714,311**	15,283,403

The table below sets forth the Company’s cash flows for the year ended December 31, 2020 and 2019.

Cash flow - expressed in US dollars

		For the year ended:
Cash provided by (used in):	***December 31, 2020***	***December 31, 2019***
Operating activities	**$ (10,044,230)**	$ (14,721,121)
Finance activities	**10,382,940**	21,921,702
Investing activities	**(2,727,259)**	(1,854,816)

Cash used in operating activities

In the year ended December 31, 2020, cash used in operating activities was $10,044,230 (year ended December 31, 2019: $14,721,121).

The cash used in operating activities was due to a net loss of $41,183,772 (year ended December 31, 2019: net loss $27,617,135), the reversal of non-cash items in the amount of $29,262,846 (year ended December 31, 2019: $13,636,698) and a decrease in working capital of $1,876,696 (year ended December 31, 2019: increase $740,684). Working capital decreased with $624,371 in the three months ended December 31, 2020 (three months ended December 31, 2019: decrease $7,267,340).

Cash provided by financing activities

In the year ended December 31, 2020, cash generated from financing activities was $10,382,940 (year ended December 31, 2019: $21,921,702). The cash flow from financing activities in the year ended December 31, 2020 was comprised of net proceeds from issuance of common shares in the amount of $7,878,962 (year ended December 31, 2019: $24,119,432). The details are disclosed in Note 17 in the Consolidated Financial Statements for the three and twelve months ended December 31, 2020. In addition, there was an increase in loans in the amount of $3,509,919 (year ended December 31, 2019: Nil). The details are disclosed in Note 16 in the Consolidated Financial Statements for the three and twelve months ended December 30, 2020. Furthermore, there were lease payments of $853,300 (year ended December 31, 2019; $718,111). The details are disclosed in Note 7 in the Consolidated Financial Statements for the three and twelve months ended December 31, 2020. An amount of $152,641 was paid as share issuance costs (year ended December 31, 2019: $1,479,619). The details are disclosed in Note 17 in the Consolidated Financial Statements for the three and twelve months ended December 31, 2020.

Cash used in investing activities

In the year ended December 31, 2020, cash used for investing activities was $2,727,259 (year ended December 31, 2019: $1,854,816). The details are disclosed in Notes 13 and 14 in the Consolidated Financial Statements for the year ended December 31, 2020.

Share capital

During the year ended December 31, 2020, the Company issued 1,133,509,552 common shares. 22,560,312 warrants were granted as payment for services, 1,000,000 warrants were exercised, and 123,831,495 warrants were cancelled as they expired. 84,850,000 options were issued to staff, executives and directors and 1,033,672 options forfeited or were cancelled. The details are disclosed in Note 17 of the Consolidated Financial Statements for the year ended December 31, 2020.

Use of proceeds

In the year ended December 31, 2020, the Company raised $2,469,538 from private placements. The Company also raised $5,341,045 from the ATM, which was launched on September 17, 2020. Proceeds from share issuances in private placements and the ATM were used for working capital.

Outstanding share data

As at April 13, 2021, the Company has 1,953,688,145 common shares issued and outstanding, 104,845,580 stock options outstanding, 375,607,450 warrants outstanding and 12,679 convertible debentures which are convertible into an aggregate of 19,506,178 common shares.

Commitments

Contractual obligations as at December 31, 2020 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 Consolidated Financial Statements for the year ended December 31, 2020.

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, 2020.

Changes in accounting policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 4 of the Consolidated Financial Statements for the year ended December 31, 2020.

Related party transactions

Related party transactions are disclosed in Note 15 of the Consolidated Financial Statements for the year December 31, 2020.

Off-balance sheet arrangements

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

Financial instruments

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 the notes receivable from Aftermath and the fair value of convertible promissory notes at time of issue are determined using Level 3 of the hierarchy.

At December 31, 2020, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

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

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	-	2,758,119	-	**2,758,119**
Restricted cash	-	921,746	-	**921,746**
Accounts receivable	1,785,372	-	-	**1,785,372**
Notes receivable	9,629,553	-	-	**9,629,553**
Investments	-	3,188,071	-	**3,188,071**
Financial liabilities:				
Accounts payable and accrued liabilities	8,662,179	-	-	**8,662,179**
Other loans	7,034,751	-	-	**7,034,751**
Debenture liability	8,398,727	-	-	**8,398,727**

For a detailed discussion of the Company’s financial instruments, refer to Note 20 of the Consolidated Financial Statements for the year ended December 31, 2020.

Subsequent events

Subsequent events are disclosed in Note 23 of the Consolidated Financial Statements for the year ended December 31, 2020.

Controls and procedures

Disclosure controls and procedures (“DC&P”)

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

Internal control over financial reporting ("ICFR")

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

Control framework

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

Changes in ICFR

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

Disclosures about 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 Consolidated Financial Statements for the year ended December 31, 2020 and the Annual Information Form for the year ended December 31, 2020, 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.