Halo Collective Inc. (formerly Halo Labs Inc.)
Management Discussion and Analysis
For the three and six months ended June 30, 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 August 13, 2021 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the six months ended June 30, 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 19.9 million grams of cannabis flower, oils and concentrates through 57 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.

Business Strategy

The Company's focus is to develop the North American assets, in particular cultivation in Oregon and California and dispensaries in California.

On April 21, 2021, the Company announced a plan to pursue a spin-off of certain of its software, device and intellectual property assets into a standalone company to be named Halo Tek Inc. (" Halo Tek "). The transaction is expected to result in the Tek Assets being spun-off into Halo Tek, which will initially be a wholly owned subsidiary of Halo. As part of the transaction, Halo intends to complete a distribution of shares of Halo Tek to the shareholders of Halo. In connection with the transaction, Halo has entered into a subscription agreement with an arms-length investor who has committed to purchase shares of Halo Tek for an aggregate purchase price of $1 million and at a pre-financing valuation. Halo Tek anticipates using the proceeds from the private placement to develop and commercially launch the software, finalize the designs of the devices, and perfect patent applications in respect of the Tek assets.

The proposed spin-off of the Company's software, device and intellectual property assets is a potential first step in unlocking greater value for shareholders. These assets can be licensed to multiple cannabis companies worldwide.

Halo Tek will take ownership of all the assets and intellectual property associated with the following existing subsidiaries of Halo:

- Halo Dispensary Track Software Inc., a subsidiary of Halo, acquired Cannpos Services Corp. (" Cannpos "), a software company that is developing an application to alleviate customer flow constraints currently experienced by dispensaries. Subject to state and local regulations, once fully functional, the application is expected to enable customers to electronically interact with dispensaries, thereby reducing wait times and improving customer experience. Dispensaries may also use the application to display in-store specials, advertise specific products, and track customers' purchasing patterns. The application's tracking capabilities will enable dispensaries to gather business intelligence on end customers in compliance with privacy laws. The application is being designed to be used on a smartphone or tablet and will be available for private distribution once tested and complete. Halo intends to rebrand the application as "DispensaryTrack" and offer it to its retail partners for an ongoing monthly service fee.

- Halo AccuDab Holdings Inc., a subsidiary of Halo, acquired Precisa Medical Instruments Corp., a medical device company that owns the intellectual property related to and is focused on the development of the Accu-Dab THC and CBD oil oral delivery device. The Accu-Dab takes the form of a discrete pen that will allow users to pre-select various doses of measured THC or CBD from 0.01 mL to 0.60 mL for sublingual oral consumption. The Accu-Dab allows for precise dispensation of THC or CBD products accurately and repeatedly to meet the consumer's specific dosing needs through its convenient dial selection mechanism.

- Halo Cannalift Delivery Inc, a subsidiary of Halo, acquired Cannalift Delivery Inc. (" Cannalift "), a software company that is developing a delivery application to be used on a smartphone or tablet and a web-based platform that, once developed, is expected to provide consumers with a convenient method of obtaining cannabis products from their local dispensaries. Subject to local regulations, the application is also expected to enable customers to electronically interact with dispensaries, thereby reducing wait times and improving customer experience.

- Halo Nasalbinoid Natural Devices Corp., a subsidiary of Halo, acquired Nasalbinoid Natural Devices Corp., an ancillary device company that is developing a new innovative delivery device in the form of a nasal inhaler as an alternative to vaping. Various formulations have already been tested and developed.

- Halo acquired 1265292 B .C. Ltd. dba "Cannafeels" (" Cannfeels "), a software company developing an online application to provide consumers with relevant, web-sourced, and curated information about cannabis strains. The application is expected to feature content that can support patients and consumers as they research cannabis strains on their computers, tablets, and smartphones. Through the application, patients and consumers will be able to access this strain-related content before, during, or after visits to clinics and dispensaries, helping them understand how different strains address a range of health issues, as well as beneficial psychological and bodily effects that recreational users may seek.

- Halo acquired 1275111 B .C. Ltd., a company that has developed certain patent-pending intellectual property relating to cannabinoid filtration and purification. The technology filters and purifies the extraction process to result in higher potency levels on a more consistent basis. It has already been implemented at one of Halo's facilities in the first quarter of 2021.

On June 25, 2021, the company announced the reorganization of its non-U.S. operations, Bophelo Bioscience & Wellness Pty. Ltd. ("Bophelo") and Canmart Ltd. ("Canmart"), into a newly formed Alberta corporation called Akanda Corp. ("Akanda").

Akanda will combine the scaled production capabilities of Bophelo, Halo's Lesotho -based cultivation and processing campus, located in the world's first Special Economic Zone (SEZ) containing a cannabis growth operation, with distribution and route-to-market through Canmart, Halo's UK-based fully approved pharmaceutical importer and distributor which supplies pharmacies and clinics within the UK. With a potential maximum licensed canopy area of 200 hectares, Bophelo has scalability that is arguably unmatched in the world today.

The separation of Halo's U.S. and international businesses through the formation of Akanda is the initial step to capitalize on the significant growth opportunities in global cannabis markets and to unlock significant unrealized value for all of Halo's stakeholders.

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 to produce 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 cultivates cannabis 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 has signed a definitive agreement with Williams Wonder Farms in Oregon. William's Wonder Farms lies on fertile soil near freshwater from the Applegate River with well-established water rights. The William's Wonder brand is well-known and established in the Portland market, where more than 70% of William's sales in Oregon occur. The signing of the definitive agreements for William's Wonder Farms will increase Halo's total harvestable cannabis canopies in Oregon to eleven acres for the 2021 season: three acres at William's Wonder Farms, six acres at East Evan's Creek in Jackson County, one additional acre of pre-purchased cannabis in the Applegate through an offtake agreement with Sidhu

& Sons and one acre at Fall Creek's Winberry Farm. The Company is also close to entering into a definitive agreement to purchase an indoor grow in Oregon.

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. Due to economic conditions effected by the COVID-19 Virus, Halo has made the strategic decision to exit the Nevada Market. The Company and Just Quality will dissolve the joint venture and cease Nevada operations. The Company will return the licenses to Just Quality and Just Quality will return the shares received as consideration for the licenses to the Company.

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”) have been approved for 194 state cannabis cultivation licenses by the California Department of Food and Agriculture and expects the remaining 81 submitted applications to be approved within the next 30 days. In total, Triangle Canna expects to be approved for 275 California state cannabis cultivation licenses. Triangle Canna has also submitted an application to Lake County, California, for a cannabis cultivation permit which would entitle Triangle Canna to cultivate up to 62 acres of outdoor canopy on 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 have 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.

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 and multi-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 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. Halo is in the process of converting the Type N manufacturing license into a Type 6 manufacturing license and adding solventless hash and rosin production in conjunction with our acquisition of Nature's Best. Additionally, with Halo's recent partnership with Elegance Brands, OGC will start producing beverages in Q4 of 2021.

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, the Company's distribution business has expanded to also represent other third-party brands. The Company currently employs 13 salespeople that actively do business with approximately 500 cannabis retailers in the state and dedicated delivery personnel 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 Distribution"). The outsourcing of distribution to NMC organization quantify cost reduction if possible.

The operations in UK occupy a 30,000 sq ft logistics warehouse in SE England. It has the ability to import low cost medical cannabis to supply the patients.

Proposed retail activities (Dispensaries)

Through the Company's pending acquisitions of controlling interests in ZXC11 LLC ("Westwood") and SDF11 LLC ("Franklin"), 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.

Halo has filed the ownership change and temporary approval for the Westwood site. In the next week Halo intends to file for state licensure with the BCC as well. As the site has already been approved by the City of Los Angeles and Halo signed a lease, the Company has been able to move forward with construction plans. The progress to date has been submittal of a package to the building department for permitting. In addition, a construction bid for the build out has been accepted and work will commence in a parallel path. The build out should take approximately 4 weeks and it is expected to complete by the middle of October.

The Franklin / Hollywood site is moving forward. The City of Los Angeles granted approval on the site change which means we can move past the lease contingency period with the landlord and towards site build out. In addition, application for change in ownership has been submitted to the City of Los Angeles. Now that the new address is officially approved, the site plan can be finalized, and the Company can move forward with a temporary approval application with the City of Los Angeles. In a parallel path, an application with the BCC for state licensure will be submitted. 4-6 weeks have been allocated to the design phase and pull permits are expected in September 2021 thus allowing for construction to begin in October 2021.

For LKJ11, ownership change has already been approved. However, the City cannot grant temporary approval and state licensure until a compliant site is secured within the North Hollywood community plan. The Company is pursuing all avenues to identify a suitable site and may consider a PCN process to move the license to a new community plan. No definitive date is available for build out.

On July 15, 2021, the Company announced the acquisition of three operating retail cannabis stores in the province of Alberta.

The Company signed an LOI for large dispensary chain in California and is currently doing due diligence.

Moving forward in 2021

Oregon

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

- 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 sales force to include an exclusive “Flower Sales Team”
- Expand the offering of third-party brands to the Company's dispensary customer base; and
- Acquire indoor cultivation and more outdoor and greenhouse cultivation.
- Reduce overhead costs through consolidation of management teams.
- Invest in automated production lines in order to decrease liability risk of labor force.

California

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

- Launch Hush Live resin cartridges into the CA 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 in partnership with Green Matter.

International

Akanda anticipates undertaking the following activities to expand its international operations further:

- Obtain the Good Agricultural and Collection Practices (GACP) certification;

- Build out and development of 2.1 hectares shade cloth grow;
- Build out and development of 40,000 sq ft green house by the end of the 2021 year and further expanding the green house grow to an additional 60,000 sq ft in 2022;
- Installation of 360 sq ft (700kg/year) Butane extraction unit in Lesotho;
- Developing and implementing a business plan to secure sales to patients at Canmart in the UK while also planning the build out of 5,000 sq ft eGMP facility for processing cannabis;
- Get an EU GMP certified post harvest facility and testing lab.

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:		
		June 30, 2021		***June 30, 2020***
Revenue	**$**	**9,135,887**	$	5,242,961
Reported gross profit		**2,030,511**		1,026,875
Gross margin		**22.2%**		19.6%
Unrealized fair value (gain) loss on growth of biological assets		**167,111**		-
Realized fair value (gain) loss included in the cost of inventory sold		**342,923**		124,926
Gross profit excluding biological assets and impairments		**2,540,545**		1,151,801
Gross margin		**27.8%**		22.0%
Net loss		**(11,423,040)**		(6,268,465)
Comprehensive loss		**(11,039,009)**		(6,470,348)
Net loss per share (basic and diluted)	**$**	**(0.01)**	$	(0.01)

- Revenues in the three months ended June 30, of 2021 were $9,135,887 compared to $5,242,961 in the three months ended June 30, of 2020, an 74.2% increase. Total sales were 4,349,317 grams (three months ended June 30, 2020: 1,083,066 grams), a 302% increase, following the consolidation of Halo Winberry. Organic revenue growth was 36%.

- ANM reported revenues of $3,934,825 for the three months ended June 30, 2021 (three months ended June 30, 2020: $4,096,008), a 3.9% decrease. MDT reported revenues of $1,904,058 for the three months ended June 30, 2021 (three months ended June 30, 2020: $1,140,523), a 66.9% increase, Coastal Harvest reported revenues of $312,075 for the three months ended June 30, 2021, compared to Nil for the three months ended June 30, 2020. Halo Winberry reported revenues of $3,548,279 for the three months ended June 30, 2021. Halo Winberry was not included in the three months ended June 30, 2020 as the operation was acquired in 2021;

- The Company reported a gross profit of $2,540,545 (three months ended June 30, 2020: gross profit $). Adjusted for the loss on biological assets, gross profits were $2,202,472 (three months ended June 30, 2020: $1,026,875);

- The reported gross margin was 24.1% (three months ended June 30, 2020: 19.6%). Adjusted for gains and losses on the value of biological assets the gross margin was 27.8% (three months ended June 30, 2020: 40.1%);

- ANM's gross margin was 15.1%, MDT reported 20.7%, Coastal Harvest reported -89.1% and Winberry's gross margin was 43.6%;

- The Company completed the acquisitions of Nature's Best Resources LLC and 1307296 B.C. Ltd. and an investment in the capital of Elegance Brands, Inc.

- The loss before interest, tax, depreciation & amortization and adjusted for non-cash items ("adjusted EBITDA") was $4,396,146 (three months ended June 30, 2020: loss $892,451). Although gross profits more than doubled, operating expenses increased to $10,933,201, a 119.1% increase (three months ended June 30, 2020: $4,988,991). Cash based operating expenses increased to $8,440,379, a 107.2% increase (three months ended June 30, 2020: $4,073,148);

- As at June 30, 2021, the Company had un-restricted cash available in the amount of $5,945,479 and working capital of $10,997,891. Cash raised from finance activities was $20,434,194 for the six months ended June 30, 2021 from capital raised from at-the-market public offerings. Total cash inflow was $2,803,701 in the six months ended June 30, 2021.

Corporate highlights

Nature's Best Resources LLC.

On April 20, 2021, the Company issued 46,026,228 for a total consideration of $3,304,760, which included a finders' fee of 1,978,609 shares valued at $149,093 and closing costs of $33,918 in relation to the closing of the acquisition of Nature's Best Resources LLC ("Nature's Best"). The closing of the agreement was subject to certain closing conditions, including the contribution by the selling member to Nature's Best of $250,000 and standard operating procedures detailing the manufacturing of rosin products by Nature's Best.

A total of 35,119,047 common shares were placed into escrow to be released to the selling member upon the satisfaction of certain predetermined milestones by Nature's Best. A total of 8,928,570 common shares will be released on or before June 1, 2021, provided the selling member has repaid an outstanding $250,000 owed to Nature's Best. A total of 14,285,715 additional common shares will be released on or before October 1, 2021, provided that specific equipment has been delivered to Nature's Best. The remaining 11,904,762 common shares will be released on or before March 1, 2022, provided that Nature's Best has produced and sold a batch of hash or hash rosin in each of Oregon and California, measuring 100 grams total. If any milestone is not satisfied by the date specified for its completion, the corresponding number of common shares will be returned to the Company. The common shares are subject to volume transfer restrictions that prohibit the sale of any number of common shares through any stock exchange that would exceed ten percent of the prior trading day's total volume of the common shares.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were amortized.

As at June 30, 2021, the carrying value of intangible assets was $2,504,760 net of amortization (December 31, 2020: Nil).

1307296 B.C. Ltd.

On June 21, 2021, the Company issued 139,051,746 shares for a total consideration of $7,304,909, which included a finders' fee of 9,701,285 shares valued at $509,645 in relation to the closing of the acquisition of 100% of a subsidiary of Elegance Brands Inc., 1307296 B.C. Ltd.

1307296 B.C. Ltd. entered into a license agreement with Elegance whereby Elegance has provided 1307296 B.C. Ltd. with an exclusive license to the intellectual property rights for Elegance's THC brands and has agreed to provide support to 1307296 B.C. Ltd. on operations and manufacturing technology for the manufacture and sale of certain THC-infused beverage products in exchange for a 2% royalty on all sales generated from these brands. 1307296 B.C. Ltd. also holds manufacturing equipment custom-built for THC beverage production and 9,333,333 class A shares in the capital of Elegance, representing approximately 6% of the outstanding shares of Elegance on a fully diluted basis. In connection with the transaction, Elegance also issued class A share purchase warrants to Halo, which allow Halo to acquire up to 5,000,000 Elegance shares, with each warrant exercisable at a price of $0.75 per Elegance share for a period of 18 months from the closing of the transaction.

18,478,638 of the common shares issued to the vendor on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 110,871,823 common shares issued to the vendor on closing are subject to contractual restrictions on transfer whereby 18,478,638 of such common shares in the case of the first release and 18,478,637 common shares thereafter will be released from such restrictions and become freely tradeable on the 21st day of each calendar month following closing until all of such common shares have been released.

In connection with the transaction, Halo issued 9,701,285 common shares to the finder as a finder's fee, being the number of common shares equal to 7.5% of the aggregate number of common shares issued to the vendor in connection with the transaction. The finder's fee shares are subject to a statutory hold period of 4 months and one day.

Under IFRS 3, the transaction did not meet the definition of a business combination. Costs in relation to closing the transaction were amortized. As at June 30, 2021, no intangible assets were recorded.

Results of operations for the three months ended June 30, 2021

Selected financial information - expressed in US dollars

		For the 3 months ended:		
		June 30, 2021		**June 30, 2020**
Revenue	**$**	**9,135,887**	$	5,242,961
Cost of finished cannabis inventory sold		**6,595,342**		4,091,160
Gross profit ex change in FV biological assets		**2,540,545**		1,151,801
Unrealized fair value (gain) loss on growth of biological assets		**(4,850)**		-
Realized fair value (gain) loss included in the cost of inventory sold		**342,923**		124,926
Gross profit		**2,202,472**		1,026,875
Net loss		**(11,251,079)**		(6,268,465)
Net comprehensive loss		**(11,039,009)**		(6,470,348)

The following section provides details of the Company's financial performance for the three months ended June 30, 2021 compared to the three months ended June 30, 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 June 30, of 2021 were $9,135,887 compared to $5,242,961 in the three months ended June 30, of 2020, an 74.2% increase. Total sales were 4,349,317 grams (three months ended June 30, 2020: 1,083,066 grams), a 302% increase. The average mix price was $2.10 (three months ended June 30, 2020: $4.84 per gram), a 56.6% decline, explained by a higher proportion of lower priced flower, pre-rolls, trim and fresh frozen in comparison with the three months ended June 30, 2020. Organic revenue growth was 36%.

ANM reported revenues of $3,934,825 for the three months ended June 30, 2021, a 3.9% decrease. MDT reported revenues of $1,904,058 for the three months ended June 30, 2021, an 66.9% increase, Coastal Harvest reported revenues of $312,075 for the three months ended June 30, 2021, compared to Nil for the three months ended June 30, 2020. Halo Winberry reported revenues of $3,548,279 for the three months ended June 30, 2021. Halo Winberry was not included in the three months ended June 30, 2020.

In the three months ended June 30, 2021, ANM, the facility in Oregon, sold 1,104,474 grams of shatter, cartridge oil, live resin, tinctures and gummies, flower, and pre-rolls (three months ended June 30, 2020: 963,091 grams), an 14.7% increase. Sales of oil and extracts were 467,874 grams (three months ended

June 30, 2020: 571,389 grams), a 18.1% decrease. The wholesale price of oils, extracts and edibles increased by 3.0% to $6.57 (three months ended June 30, 2020: $6.38 per gram). Flower sales in the three months ended June 30, 2021 were 502,478 grams (three months ended June 30, 2020: 270,357 grams), a 85.9% increase. The whole sale price of flower increased by 12.7% to $1.21 per gram (three months ended June 30, 2020: $1.07 per gram). Pre-roll sales were 134,122 grams (three months ended June 30, 2020: 121,345 grams), 10.5% increase. The whole sale price of pre-rolls increased by 41.6% to $1.90 (three months ended June 30, 2020: $1.34 per gram). The average achieved mix-price across all products was $3.56 per gram equivalent (three months ended June 30, 2020: $4.25 per gram), a 16.2% decrease.

In the three months ended June 30, 2021, Halo Winberry sold 1,223,679 grams of oil and extracts, shatter, live resin, edibles, flower, pre-rolls and trim at an average mix-price of $2.90. Prices ranged from $14.26 per gram for oil, $13.02 for live resin, $0.36 for extracts (balm, lotions), $0.72 for edibles, $1.61 for flower, $14.83 for pre-rolls to $0.33 per gram for trim.

In the three months ended June 30, 2021, MDT, the facility in Ukiah, sold 1,603,369 grams of distillate, live resin, gummies and pre-rolls (three months ended June 30, 2020: 119,464). The average price decreased with 88.2% to $1.19 (three months ended June 30, 2020: $10.09).

In the three months ended June 30, 2021, the facility in Coastal Harvest sold 417,795 grams of distillate, live resin and flower at an average price of $0.75 per gram. There were no sales in the three months ended June 30, 2020. There was a large sale of flower at a price of $0.24 per gram in June of 2021, representing 75% of total sales for the three months ended June 30, 2021.

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $6,595,342 in the three months ended June 30, 2021 (three months ended June 30, 2020: $4,091,160). The realized and unrealized loss in the value of biological assets was $342,923 in the three months ended June 30, 2021 (three months ended June 30, 2020: loss of $124,926). In the three months ended June 30, 2021, there were no impairments included in cost of goods sold (three months ended June 30, 2020: $951,813).

The Company reported a gross profit of $2,202,472 (three months ended June 30, 2020: gross profit $1,026,875). Adjusted for the loss on biological assets, gross profits were $2,540,545 (three months ended June 30, 2020: $1,151,801).

The reported gross margin was 24.1% (three months ended June 30, 2020: 19.6%). Adjusted for gains and losses on the value of biological assets the gross margin was 27.8% (three months ended June 30, 2020: 40.1%).

The trim run was 23,978 pounds at a yield of 9.2%, compared with a run of 12,002 pounds and a yield of 9.4% in the three months ended June 30, 2020. Trim, raw material input for extracts and oils, sold at $71 per pound in comparison with $37 per pound in the three months ended June 30, 2020.

Operating expenses

Operating expenses - expressed in US dollars

		For the 3 months ended:		
		June 30, 2021		***June 30, 2020***
General and administration	**$**	**2,095,046**	$	678,929
Salaries		**3,410,036**		1,000,778
Professional fees		**1,439,291**		1,434,947
Sales and marketing		**1,445,729**		949,485
Investor relations		**50,277**		9,009
Loss on settlements and contigencies		**(72,106)**		210,763
Share-based compensation		**2,564,928**		705,080
Total operating expenses	**$**	**10,933,201**	$	4,988,991

The table sets forth operating expenses for the three months ended June 30, 2021 and 2020. In the three months ended June 30, 2021, operating expenses increased by 119.1% to $10,933,201 (three months ended June 30, 2020: $4,988,991). The first-time contribution from new operations (Ukiah Ventures Inc. ("UVI"), Halo Winberry, Bophelo, CanMart and Bar-X) added $2,246,110 to operating expenses. Excluding the first-time consolidation of Halo Winberry, Bophelo and Bar-X and the increase of share-based compensation, operating expenses increased with 40.9%. 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 208.6% to $2,095,046 (three months ended June 30, 2020: $678,929). G&A expenses include first time contributions from UVI, Bar X, Halo Winberry, CanMart and Bophelo. On a like for like basis, G&A expenses increased by 101.3%. G&A expenses increased in particular at ANM, MDT and at the corporate center due to expansion of the Company.

Salaries increased by 240.7% to $3,410,036 (three months ended June 30, 2020: $1,000,778). On a like for like basis, salaries increased with 166.0% due mainly to increase in headcounts in corporate salaries as a result of the Company's expansion.

Professional expenses increased by 0.3% to $1,439,291 (three months ended June 30, 2020: $1,434,947).

Sales and marketing expenses increased to $1,445,729 (three months ended June 30, 2020: $949,485). New entities contributed $526,543 sales and marketing expenses. On a like for like basis, sales and marketing expenses decreased by 3.2%.

Investor relations activity was significantly higher in the three months ended June 30, 2021 compared with the three months ended June 30, 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 a recovery of $72,106 in the three months ended June 30, 2021 (three months ended June 30, 2020: expense of $210,763).

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.

Expressed in US dollars

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.

All biological assets available at Bophelo were transferred to inventory. All material harvested at Bophelo during the six months ended June 2021 was used for direct sales of flower to third parties in the local market.

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	(223,817)
Balance June 30, 2021	-

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;

Expressed in US dollars

- 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 June 30, 2021. No biological assets were transferred to inventory at East Evans Creek in the three months ended June 30, 2021.

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.

Results of operations for the six months ended June 30, 2021

Selected financial information - expressed in US dollars

	For the 6 months ended:			
		June 30, 2021		***June 30, 2020***
Revenue	**$**	**19,074,990**	$	9,692,059
Cost of finished cannabis inventory sold		**14,333,875**		8,422,885
Gross profit ex change in FV biological assets		**4,741,115**		1,269,174
Unrealized fair value (gain) loss on growth of biological assets		**(171,961)**		-
Realized fair value (gain) loss included in the cost of inventory sold		**754,828**		414,479
Gross profit		**4,158,248**		854,695
Net loss		**(20,318,760)**		(14,878,171)
Net comprehensive loss		**(19,609,130)**		(15,173,832)
Net loss per share, basic & diluted:	**$**	**(0.01)**	$	(0.04)
Weighted average number of outstanding common shares, basic and diluted		**1,793,910,497**		373,282,250
Total assets		**144,074,887**		**87,754,245**
Long-term financial liabilities		**11,888,041**		**18,154,708**

Gross profits were $4,158,248 in the six months ended June 30, 2021 (six months ended June 30, 2020: $854,695) and the gross margin was 21.8% (six months ended June 30, 2020: 8.8%). The six months ended June 30, 2021, included gross profit contribution to the Company from Halo Winberry of $2,797,417.

Adjusted for the gain or loss in the value of biological assets, gross profit was $4,741,115 (six months ended June 30, 2020: $1,269,174) and the gross margin was 24.9% (six months ended June 30, 2020: 13.1%).

Operating expenses

Operating expenses - expressed in US dollars		
	For the 6 months ended:	
	June 30, 2021	***June 30, 2020***
General and administration	**3,712,838**	1,111,500
Salaries	**5,401,521**	2,088,345
Professional fees	**4,378,314**	4,924,807
Sales and marketing	**2,953,115**	1,698,342
Investor relations	**507,753**	1,271,103
Loss on settlements and contigencies	**(72,106)**	272,787
Share-based compensation	**3,394,164**	836,978
Total operating expenses	**$ 20,275,599**	$ 12,203,862

The table sets forth the development of operating expenses in the six months ended June 30, 2021 and 2020.

In the six months ended June 30, 2021, G&A, salaries, sales and marketing and share-based compensation expenses increased as a result of expansion in the Company's operations. The new operations included Halo Winberry, Bar-X, UVI and Bophelo. The increase in share-based compensation was due to higher number of stock options outstanding.

Summary of quarterly results

Summary of quarterly results For three months to:	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Revenue	$ 7,150,557	$ 2,727,416	$ 4,449,098	$ 5,242,961	$ 6,829,782	$ 5,119,611	$ 9,939,103	$ 9,135,887
Cost of Cannabis inventory sold	6,148,873	4,833,397	4,331,725	4,091,160	4,675,810	5,508,948	7,738,533	6,595,342
Gross profit excluding FV changes	1,001,684	(2,105,980)	117,373	1,151,801	2,153,972	(389,337)	2,200,570	2,540,545
Realized and unrealized (gain) loss on biological assets	(1,902,086)	1,386,778	289,553	124,926	(2,431,481)	782,603	244,794	338,073
Gross profit / (loss)	2,903,770	(3,492,758)	(172,180)	1,026,875	4,585,453	(1,171,940)	1,955,776	2,202,472
Gross margin	*40.6%*	*-128.1%*	*-3.9%*	*19.6%*	*67.1%*	*-22.9%*	*19.7%*	*24.1%*
Net loss	(6,309,689)	(14,633,694)	(8,609,704)	(6,268,465)	(3,167,055)	(23,138,547)	(9,067,681)	(11,251,079)
Net loss per share	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)
Weighted average number of outstanding common shares, basic and diluted	191,194,200	247,245,179	277,418,561	429,610,021	565,337,479	945,370,158	1,610,099,430	1,972,343,981
Total assets	$ 40,881,703	$ 41,988,522	$ 47,508,892	$ 48,016,022	$ 80,407,689	$ 87,754,245	$ 133,903,098	$ 144,074,887

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:		*For the 6 months ended:*	
	June 30, 2021	*June 30, 2020*	*June 30, 2021*	*June 30, 2020*
EBITDA	**$ (8,902,690)**	$ (3,962,116)	**$ (16,289,312)**	$ (11,349,167)
Depreciation included in COGS	**339,690**	242,603	**620,213**	477,421
Share-based compensation for staff	**2,564,928**	705,080	**3,394,164**	836,978
Share-based payments for goods and services	**1,091,892**	1,997,056	**1,091,892**	5,036,388
(Gain) loss on the value of biological assets	**510,034**	124,926	**754,828**	414,479
Adjusted EBITDA	**$ (4,396,146)**	$ (892,451)	**$ (10,428,215)**	$ (4,583,901)

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 (C$9,217,699) (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).

- During the quarter ended June 30, 2021, a total of 80,665,090 shares were issued in connection to the ATM public offering for gross proceeds of $4,162,590 (C$5,093,844) (Note 17 Condensed Interim Consolidated Financial Satements).

As at June 30, 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 June 30, 2021, the Company had available cash in the amount of $5,945,479 and restricted cash in the amount of $538,087. As at June 30, 2021, the Company had continued losses, an accumulated deficit, and a working capital surplus of $10,997,891.

The Company's working capital consists of current assets including cash, minus current liabilities including short term loans and the current portion of long-term debt. The table below sets forth the cash and working capital position of the Company as at June 30, 2021.

Cash and working capital position - expressed in US dollars		
As at:	***June 30, 2021***	***December 31, 2020***
Cash (including restricted cash)	**$ 6,483,566**	$ 3,679,865
Working capital	**10,997,891**	18,714,311

The table below sets forth the Company's cash flows for the three months ended June 30, 2021.

Cash flow - expressed in US dollars		
		For the 6 months ended:
Cash provided by (used in):	***June 30, 2021***	***June 30, 2020***
Operating activities	**$ (18,180,043)**	$ (3,538,541)
Finance activities	**20,434,194**	428,984
Investing activities	**549,550**	(182,791)

Cash used in operating activities

In the six months ended June 30, 2021, cash used in operating activities was $18,180,043 (six months ended June 30, 2020: $3,538,541).

The cash used in operating activities was due to a net loss of $20,318,760 (six months ended June 30, 2020: net loss $14,878,171), the reversal of non-cash items in the amount of $9,175,106 (six months ended June 30, 2020: $10,589,931) and a decrease in working capital of $7,036,989 (six months ended June 30, 2020: increase $749,699).

Cash used in investing activities

In the six months ended June 30, 2021, cash provided by investing activities was $549,550 (six months ended June 30, 2020: used of $182,791). The Company received $1,445,000 in cash when it acquired the management companies B&C LLC and POI11 LLC in relation to the pending acquisitions of the SDF11 LLC and ZXC11 LLC dispensaries and $250,000 as part of acquisition of Nature's Best. There was an increase in property, plant and equipment of $1,295,819. The details are disclosed in Notes 13 and 14 in the Condensed Interim Consolidated Financial Statements for the three months ended June 30, 2021.

Cash provided by financing activities

In the six months ended June 30, 2021, cash generated from financing activities was $20,434,194 (six months ended June 30, 2020: $428,984). The cash flow from financing activities in the six months ended June 30, 2021 was comprised of net proceeds from issuance of common shares in the amount of $20,483,507 (six months ended June 30, 2020: $711,231). The details are disclosed in Note 17 in the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2021.

In addition, there was an increase in loans in the amount of $1,772,944 (six months ended June 30, 2020: decrease $67,186). The details are disclosed in Note 18 in the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2021. Furthermore, payments in relation to lease liabilities were $624,912 (six months ended June 30, 2020; $198,561). The details are disclosed in Note 7 in the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2021. An amount of $101,363 was paid as share issuance costs (six months ended June 30, 2020: $16,500). The details are disclosed in Note 17 in the Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2021.

In the six months ended June 30, 2021, cash inflow was $2,803,701 (six months ended June 30, 2020: cash outflow $3,292,348).

Share capital

During the six months ended June 30, 2021, the Company issued 764,887,723 common shares. The Company issued 248,621,440 shares in conjunction with the overnight public offering, 487,556,994 shares pursuant to acquisitions, 12,500,001 shares to retire debt, 11,877,135 in lieu of services and 4,286,000 on exercise of warrants and options. The details are disclosed in Note 17 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2021.

Use of proceeds

In the six months ended June 30, 2021, the Company raised $20,483,507 from issuance of common shares. Proceeds were used for operating expenses and working capital.

Outstanding share data

As at August 13, 2021, 2,417,162,348 common shares were issued and outstanding, 181,680,456 stock options were outstanding, 207,246,600 warrants were outstanding and 12,649 convertible debentures were in issue which are convertible into an aggregate of 19,506,178 common shares.

Commitments

Contractual obligations as at June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 2021.

Related party transactions

Related party transactions are disclosed in Note 15 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 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 June 30, 2021:

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	$ -	$ 5,945,479	$ -	**$ 5,945,479**
Restricted cash	-	538,087	-	**538,087**
Accounts receivable	3,919,049	-	-	**3,919,049**
Notes receivable	1,330,919	-	-	**1,330,919**
Investments	-	15,818,906	-	**15,818,906**
Financial liabilities:				
Accounts payable and accrued liabilities	8,931,849	-	-	**8,931,849**
Other loans	7,514,029	-	-	**7,514,029**
Debenture liability	9,236,202	-	-	**9,236,202**

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 June 30, 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 and six months ended June 30, 2021.

Subsequent events

Subsequent events are disclosed in Note 23 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 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 and six months ended June 30, 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.