Halo Collective Inc. (formerly Halo Labs Inc.)
Management Discussion and Analysis
For the year ended December 31, 2021

This "Management's Discussion and Analysis" ("MD&A") for Halo Collective Inc., an Ontario Corporation ("Halo Collective" or the "Company") has been prepared as at March 31, 2022, and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward looking statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding management's goal of creating shareholder value, the ability to fund future operating costs, the timing for future research and development of the Company's current and future technologies, sensitivity analysis on financial instruments that may vary from amounts disclosed, prices and price volatility of the Company's products and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although management has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Management believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and management undertakes no obligation to update publicly or revise any forward-looking information, whether because of new information, future events or otherwise, except as otherwise required by law. All the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Overview of Halo Collective Inc.

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

In connection with the name change, the common shares started trading on the OTCQB under the trading symbol "HCAND," 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 $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.

Effective October 8, 2021, the Company has consolidated its common shares based on one post-consolidation common share for every 100 pre-consolidation common shares. All share figures and references are retrospectively adjusted.

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 29.1 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. Following the focus on the core competence, management has decided to spin-off the international assets and the technology assets.

Cultivation (growing)

Oregon

- 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;

- On July 23, 2021, the Company entered into an asset purchase agreement, pursuant to which its wholly owned subsidiary ANM, Inc. will acquire the William's Wonder Farms cannabis cultivation business in Oregon, including all trademarks, light dep flower, licenses issued by the Oregon Liquor Control Commission ("OLCC") and subject to OLCC approvals, equipment, and related operating assets. ANM Williams Farm LLC, an indirect wholly owned subsidiary of Halo, will acquire three Tier II marijuana production licenses and related operating assets, including vegetative, cloning and other propagation equipment and shipping containers;

- Upon signing the asset purchase agreement, Halo will assist with the day-to-day operations of the William's Wonder Farms business under the terms of a services agreement and will purchase 100% of the product cultivated at the premises pursuant to an offtake agreement;

- The signing of the definitive agreements for William's Wonder Farms will increase Halo's total harvestable cannabis canopies in Oregon to eleven acres: three acres at William's Wonder Farms, six acres at East Evan's Creek in Jackson County, 1 additional acre of pre-purchased cannabis in the Applegate and one acre at Fall Creek's Winberry Farm. As at December 31, 2021, no biological assets were transferred from Williams Wonder to the Company;

- On September 1st, 2021, the Company closed the acquisition of Food Concepts LLC, the master tenant of an approximately 55,000 square foot indoor cannabis cultivation, processing, and wholesaling facility in Portland, Oregon operated under the Pistil Point name, and the related licenses issued by the OLCC and other operating assets owned by the entities doing business as Pistil Point. The Pistil Point Acquisition is subject to approval by the OLCC and is expected to close in early 2022. As at December 31, 2021, no biological assets were transferred from Pistil Point to the Company. As noted in the Services and Offtake agreement, Halo has taken over management of day-to-day operations of Food Concepts LLC and related entities.

California

- In California, the Company has decided not to build out Ukiah Ventures, and is looking to dispose of the assets it owns;

- The Company intends to continue to leverage its relationships with cannabis cultivators from the Emerald Triangle 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 received and paid for 271 provisional licenses from the California Department of Cannabis Control, the state regulator. Each license allows up to 10,000 square feet of canopy and implies state entitlements for 62.22 acres of canopy. Triangle is beginning the process of converting these to annual state licenses. Four additional licenses are in the process of being considered for annual licensure already, with a total of 275 licenses more to be converted. Additionally, the Farm has submitted an application to Lake County, California, for a local Major Use Permit to cultivate on the state approved acreage.

The local application contemplates two phases for build-out:

Phase one:

a) 63 A-type 3 medium outdoor cultivation licenses (62.2 acres);

b) 1 A-type 13 self distribution license.

Phase two (full build-out):

a) 43 A-type 3 medium outdoor cultivation licenses (42.7 acres);

b) 34 A-type 3B medium mixed light (greenhouse) cultivation licenses (17 acres);

c) 1 cannabis processing license for a new 60,000 square foot facility.

- 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.

Nevada

In Nevada, the Company has historically collaborated 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.

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 CEO and President 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, carbon dioxide and most recently solventless hash/rosin. The Company manufactures and sells a variety of products in the following categories: (i) concentrates – shatter, sauce, resin, and diamonds (THC-A crystals), hash and rosin; 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 and in glass jars. 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 2022 through the Company's indirectly owned subsidiary, Outer Galactic Chocolates LLC ("OGC").

Oregon

- 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. During the COVID-19 pandemic, the Medford facility began to utilize advanced automated packaging equipment to reduce our reliance on human capital and further reduce production labor and overheads.

California

- 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 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 has successfully converted the Type N manufacturing license into a Type 6 manufacturing license and has begun solventless hash and rosin production in conjunction with the acquisition of Nature's Best.

- At OGC, the company has begun offering white label services and is currently producing an average 240,000+ units of vape cartridges per quarter for dispensary and brand partners.

Distribution (wholesale)

During Q4 of 2021, concurrent with the acquisition and management agreement for Pistil Point (Food Concepts LLC) the Company relocated its licensed distribution business (wholesale) to Portland, Oregon. The Portland Distribution facility occupies 3,000 sqft of distribution space and allows for a 1- day SLA to 70% of the retail outlets in the state of Oregon. The company's wholesale licenses in Eugene (Winberry) and Medford (ANM) will now serve as cross dock locations, enabling Halo's distribution team to serve all regions of the state within 2 business days. Through MDT the company packages its own products and provides white label services

Oregon

- The Company's distribution (wholesale) business in Oregon has expanded greatly in 2021 distributing for over 20 licensed brands and farms and to more than 500 cannabis retailers. The Company currently employs 10 salespeople that actively cover all regions of the state. Halo PDX Distribution currently has 10 employees in warehousing, distribution, and fulfilment along with 7 full-time drivers and 9 delivery vehicles.

California

- In California, the Company's products are packaged in Ukiah, CA and distributed by MDT and NMC Organization, "Greenstone" NMC Organization has positioned the company's products into more than 63 new stores and currently serves 200+ retail outlets in the state and continues to grow the companies direct to dispensary sales in CA.

Retail (dispensaries)

The Company has developed and trademarked a retail brand named Budega™. Budega is inspired by the natural bounty of the land and the bold characters who make California, well California. They pride themselves on curating the highest quality, locally sourced cannabis products for everyone who wants a healthier, happier life. They are grateful and humbled to make their favorite plant available to every community that needs a little more of the best the plant has to offer. Budega will sell a curated mix of the industry's best products including its own line of Budega branded products including flower, pre-rolls and vape cartridges.

Los Angeles dispensaries

Through the Company's pending acquisitions of controlling interests in ZXC11 LLC ("Westwood") and SDF11 LLC ("Hollywood"), as well as its previous acquisition of a controlling interest of LKJ11 LLC ("North Hollywood"), the Company expects to receive regulatory 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. The third location will open in North Hollywood. These stores will increase distribution and market awareness of Halo Collective's proprietary brands and products in California.

- Westwood: Halo has filed the ownership change and temporary approval for the Westwood site. As the site has already been approved by the City of Los Angeles and Halo signed a lease, the Company has moved forward with construction plans and has completed more than fifty percent of the build out. The Company obtained a mural permit with the neighborhood council and a local artist has completed the exterior design. An application with the Department of Cannabis Control for state licensure has been initiated. The Westwood store is expected to open in the second quarter of 2022.

- Hollywood: The City of Los Angeles granted approval on the site change and the Company has moved from the lease contingency period with the landlord and locked in a long-term lease. Building plans were submitted and approved and the site is currently under construction. The Company obtained a mural permit with the neighborhood council and a local artist has completed the exterior design. In addition, application for change in ownership was submitted to the City of Los Angeles. In a parallel path, an application with the Department of Cannabis Control for state licensure was initiated. The store is expected to open in the second or third quarter of 2022.

- North Hollywood: The DCR has already approved ownership change for Halo's stake in LKJ11 the winning applicant in this community plan. The Company has obtained necessary regulatory approval at the original site tied to LKJ11's application. The Company plans to identify a suitable site to move the license within the community plan to accommodate a larger retail and delivery footprint in the longer term. The store at the original site opened in March 2022.

Alberta dispensaries

- On July 15, 2021, the Company announced the closing of the acquisition of three operating retail cannabis stores in the province of Alberta. The stores operate in Camrose, Morinville, and Medicine Hat. From acquisition in July 2021 through July of 2022 the company has signed a management services agreement while they establish their retail infrastructure. As of current, the company has built an internal team of experts who continue to build process and expect to regain operational control of these assets at the expiration of the services agreement. The company has plans to rebrand the Canadian assets to align with its US operating retail entities. They expect a positive community reception to the alignment of their US retail assets.

Halo Tek

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 ").

Halo Tek was incorporated by Halo on March 29, 2021, for the purpose of completing a distribution of capital to shareholders of Halo. Halo will effect a reorganization pursuant to which it will transfer to Halo Tek all of the outstanding shares of the subsidiaries described below and cash. The result of the reorganization will be that Halo Tek will be a wholly owned subsidiary of Halo until the completion of the distribution of capital. The subsidiaries will be wholly owned subsidiaries of Halo Tek and will be held by Halo Tek rather than by Halo.

Halo Tek is a software, device, and intellectual property company, which, following the completion of the reorganization, will fully own all of the assets and intellectual property associated with the subsidiaries. The assets attributable to the subsidiaries are intangible assets in relation to software and intellectual property that were acquired by Halo.

The subsidiaries are:

- Halo DispensaryTrack Software Inc.
- Halo AccuDab Holdings Inc.
- Halo Cannalift Delivery Inc.
- Halo Nasalbinoid Natural Devices Corp.
- 1265292 B.C. Ltd. (d/b/a Cannafeels)
- 1275111 B.C. Ltd.

DispensaryTrack is a cloud-based point-of-sale solution that offers retailers tools including inventory management, retail store management, cash drawer control, payment processing, purchase order management, customer profile access, accounting software integration and integration with point-of-sale hardware such as barcode scanner or receipt printer tools. DispensaryTrack will offer a fully integrated, e-commerce platform that allows retailers to manage in-store and online inventory, have a single view of customers and analyze multi-channel sales data.

The retail point-of-sale system offers multi-store capabilities such as inventory sync across all locations, while mobile extensions mean that associates can check on inventory and conduct sales from anywhere in the store via iPad. The retail point-of-sale solution offers inventory management tools which enable users to create, track and assign serial numbers to products as well as create product variations such as size, color and material using a matrix system. DispensaryTrack also offers some customer service features such as profiles, sales history logs, and customer insights. The application is being designed to be used on a smartphone or tablet and is expected to be available on the Apple and Android app stores for an ongoing monthly service fee.

AccuDab Holdings owns the intellectual property related to and is focused on the development of the AccuDab Pen. The AccuDab Pen takes the form of a discrete pen that will allow users to pre-select doses of measured THC or CBD in 0.1 mL increments from 0.01 mL to 0.60 mL for sublingual consumption; a level of accuracy that is unmatched in the cannabis industry. Through the convenient dial selection mechanism, the AccuDab Pen allows for precise dispensing of THC or CBD products to meet the consumer's specific dosing needs. The AccuDab Pen enables healthcare professionals to improve patient treatment through accurate dosing. As a result of more accurate dosing, healthcare professionals can more easily recognize potentially harmful drug interactions. Competitor products on the market use a simple drop system that can vary user to user making it difficult to track drug dosing in a medical environment.

Sublingual consumption of THC and CBD can be compared to inhalation in terms of bioavailability because, as in the case of absorption in the lungs, absorption from the mucous membrane under the tongue allows for the THC and CBD molecules to enter the bloodstream relatively fast and in an unmetabolized form. Studies performed by GW Pharmaceuticals, plc showed that concentrations of THC and CBD in the blood plasma following sublingual consumption were comparable to inhalation and can also be considered more consumer friendly as it removes unwanted side effects such as coughing that accompanies inhalation.

The AccuDab Pen's dial and push mechanism was designed by healthcare providers for custom cartridges and is reusable. While Halo Tek intends to sell the hardware for the AccuDab Pen, it is expected that it will work with licensed processors and manufacturers to produce re-fillable cartridges, which will not be sold directly by AccuDab Holdings or Halo Tek. The AccuDab Pen is also re-fillable, meaning that consumers can choose to fill the product with their own choice of THC or CBD concentrate.

Cannalift is a web-based delivery application that, once developed, will provide consumers with a convenient method of obtaining cannabis products from their local dispensaries. Subject to local regulations in Canada, the application will enable customers to electronically interact with dispensaries, thereby reducing wait times and improving customer experience. The application is being designed to be used on a smartphone or tablet. Cannalift will not stock any cannabis supply, but rather act as an intermediary between dispensaries and consumers. Consumers will order through the Cannalift application which will connect the dispensary to the consumer and a dispensary affiliated or third-party service to deliver the product. The application is expected to offer up-to-date supply inventory from partnering dispensaries, allowing customers to accurately find their desired products. The Cannalift application enables users to connect through the platform to vendors that provide the service in the users' geographic area, resulting in an unparalleled user ability to search for their ideal product without having to canvas different businesses for the particular product.

Nasalbinoid is focused on the development of personal nasal inhalers infused with CBD oil, while plans include THC formulations. Nasal inhalation is the newest method of consumption in the cannabis market and differs greatly from the smoking and vaporizing verticals. Nasalbinoid used the expertise of organic chemists to develop a product line that can provide a dose of CBD without irritating the sensitive nasal lining of the nose. Halo Tek intends to sell the hardware for the Nasalbinoid inhaler but does not expect to produce or sell consumable product for use with the inhaler. Nasalbinoid is designed to be used with CBD oil and does not require the consumer to buy custom cartridges or capsules.

Cannafeels is an online database that helps cannabis consumers discover new strains and track their purchasing history to aid both new and previous users in selecting the right strain for their intended use. Cannafeels' mission is to demystify cannabis for users. The Cannafeels application gathers consumer and institutional backed data to help establish best practice insight and connect consumers with effective options for their individual needs. The Cannafeels application helps users navigate through CBD, THC, terpene, and cannabinoid profiles to provide three (3) strain options determined by whether the consumer requires a recreational or medicinal benefit. Additionally, the application provides subcategories which allow for further choices such as energy, relaxation, pain, or nausea. The Cannafeels application suggests the most effective strain, administration method and dose. Cannafeels collects and uses consumer selection habits and strain profiles and helps make tailored recommendations based on consumer needs. Cannafeels helps users discover different strains offered by licensed producers and, in the future, may allow targeted strain advertising based on user selection. Cannafeels allows users to track their sessions to determine the effect of the strain, whether there are any noticeable benefits and how they are feeling. The user can register, allowing the application to collect and store user data; alternatively, a session may be started without registration. Consumer data is recorded to better understand user experience with strains, producing insights that can be sold back to licensed producers and educational institutes. The strain database will be based on data provided by licensed producers and users will have the option to add strains themselves when not available on the platform.

Cannafeels will look to develop an application that can be used to link patients with physicians for untreated medical conditions. Cannafeels will enable physicians to make real life recommendations to patients based on user generated data collected through the application.

1275111 is a Vancouver-based company that has developed a patent pending technology for cannabinoid filtration and purification technology, which Halo Tek intends to license to third party manufacturers and processors of cannabis products.

Specialized Skill and Knowledge

Halo Tek utilizes a centralized hub and spoke management system that accommodates the technologies and their corresponding divisions. The management team is core and addresses each business vertical on its development, intellectual property, marketing, production, and supply chain. Rather than using six (6) different teams, one for each division, Halo Tek maintains a single team.

Halo Tek outsources the implementation and maintenance of technology. Halo Tek has engaged with a contractor who, once hired, will sub-contract further with programmers and developers to roll out websites and mobile applications. The contractor is a technology firm for global clients specializing in state-of-the-art end-to-end design solutions in the domain of software engineering, machine learning, and managed information technology services. Its seasoned technology experts include software engineers (backend, frontend and mobile), solutions architects, data scientists, and business intelligence. The contractor is the technical and engineering partner for Halo Tek's core businesses.

The contractor's services include an e-commerce management platform that manages numerous products and listings with minimal overhead or costs. The contractor company will provide the online marketing funnel as follows: on-board product, digital content production, platform listings, account management, reporting and data insights and traffic flow optimizations.

The contractor will provide bespoke web development and digital media. The contractor company will subcontract the development of websites and mobile applications.

Marketing and Sales/Distribution Channels

Initially, Halo Tek expects to focus on the roll-out of the websites and applications associated with Cannalift, Cannafeels and DispensaryTrack, and the AccuDab Pen and Nasalbinoid inhaler in the California and Oregon markets, with an expected larger eventual roll-out in additional states and Canada.

To date, Halo Tek has not commenced sales or revenue generating operations. Halo Tek has created the infrastructure for:

- sales and marketing for each of the Subsidiaries with individual budgets managed at the corporate level;
- client relationships with dispensaries; and
- management and development of mobile applications and websites.

The following are key strategies for targeting and distributing Halo Tek's products and services:

- developing Halo Tek's e-commerce website, where products will be offered for sale to customers in the United States and Canada. Products will also be featured and advertised through the mobile application and linked for direct purchase via the e-commerce website. The e-commerce platform is expected to launch in August 2022, with the ability to fulfil direct sales to the United States and Canada;

- Halo Tek is working to establish and develop retail distribution agreements with dispensaries in the United States through Halo's network and will seek to establish retail distribution networks in Canada. Halo Tek will seek to gain market exposure and brand awareness. Halo Tek is affiliated with cannabis industry leaders and their professional networks within the cannabis industry. Promotions through established cannabis connoisseurs, reputable producers and leading cannabis retailers will help push growth through word-of-mouth;

- to drive revenue and awareness, Halo Tek plans to deploy a data-driven digital marketing strategy to promote the mobile applications, using a multi-layered and multi-channel approach, through social media, search, and the dispensary network, and;

- the product marketing program includes plans to engage in targeted advertising, influencer marketing and social media marketing. Additionally, Halo Tek intends to drive marketing campaigns through a variety of channels including targeted promotions and business development efforts; and

- Halo Tek will utilize the numerous trade shows that occur on a quarterly basis to meet new potential cannabis retailers and customers. Examples of trade shows are Lift & Co. Cannabis Expo, O'Cannabiz and The Cannabis Cup. By attending trade shows in different geographic locations, Halo Tek can further develop its expansion plan.

Intangible Properties

Halo Tek’s trade secrets are its most valuable intangible assets and are at the centre of Halo Tek’s intellectual property strategy. Halo Tek’s trade secrets are further protected because of copyright and trademark applications in connection with Halo Tek’s public facing products and services.

Trade secrets

Trade secret protection enables Halo Tek to protect its competitive advantage and to leverage intangible assets to advance a platform business model that connects diverse market participants to consumers. Halo Tek’s trade secrets primarily include the software coding of the mobile applications for Cannafeels, Cannalift, DispensaryTrack, and SEO.

Patent protection

1275111 has submitted a patent application for its filtration and purification technology. 1275111’s patent will serve as further protection of its trade secret assets. The patent application was filed on December 17, 2020, and is pending.

Copyright

Halo Tek intends to copyright their mobile application branding of Cannafeels, Cannalift and DispensaryTrack, the user interface/user experience, design, related marketing content and functionality. Halo Tek has not yet submitted applications for copyright protection.

Trademark registration

Halo Tek intends to apply for trademark protection of product and service names and potentially other go-to-market naming conventions with partners and other market participants, particularly in connection with Cannafeels, Cannalift, DispensaryTrack, AccuDab and Nasalbinoid. Trademarks are market facing and are intended to designate the origin of the product and service being offered. Halo Tek may enter into commercial agreements to display their trademarks on third party products or services. Halo Tek has not yet submitted applications for trademark registration.

Akanda

On July 30, 2021, Akanda announced the engagement of Boustead Securities, LLC as Akanda's exclusive financial advisor to explore financing and acquisition opportunities as it seeked to scale the African cultivation assets it is proposing to acquire from Halo Collective Inc. Boustead Securities is an investment banking firm that advises clients on capital raises, mergers and acquisitions, and restructuring assignments in a wide array of industries and circumstances, including in the cannabis sector.

- Akanda plans to 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 unmatched in the world today;

- Prior to the completion of the sale of Bophelo and Canmart to Akanda (the “Transaction”), Akanda completed an internal reorganization, pursuant to which each Bophelo and Canmart became, directly or indirectly, wholly owned subsidiaries of Cannaheath Limited (“Cannahealth”), which will be a direct wholly owned subsidiary of Akanda (the "Reorganization"). In accordance with the terms of the agreement, Halo Collective will exchange 100% of the issued and outstanding shares of Cannahealth to Akanda in exchange for 13,129,212 common shares in the capital of Akanda, representing aggregate consideration of US$13,129,212, which is equal to Halo's book value of Bophelo and Canmart;

- Halo funded Bophelo and Canmart for an amount of approximately $6.6 million, which is converted into Akanda shares at the time of the listing of Akanda Corp. on the NASDAQ and concurrent initial public offering, scheduled for March 2022. Boustead Securities is serving as Lead Underwriter for Akanda Corp. and its $16 million firm commitment Nasdaq IPO, priced at US$4.00 per share. Following the listing of Akanda on NASDAQ, the value of Halo’s investment in Akanda, is approximately $52.5 million at the IPO price of $4.00.

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, 2021	***December 31, 2020***	***December 31, 2021***	***December 31, 2020***
Revenue	**$ 8,365,976**	$ 5,119,611	**$ 36,179,930**	$ 21,641,452
Reported gross profit	**(1,345,783)**	(1,171,940)	**4,451,661**	4,268,208
Gross margin	**-16.1%**	-22.9%	**12.3%**	19.7%
Unrealized fair value (gain) loss on growth of biological assets	**617**	(208,645)	**(1,062,874)**	(2,225,647)
Realized fair value (gain) loss included in the cost of inventory sold	**181,208**	991,248	**1,930,915**	991,248
Impairments included in the cost of goods sold	**1,963,453**	925,139	**1,963,453**	2,161,354
Gross profit excluding biological assets and impairments	**799,495**	535,802	**7,283,155**	5,195,163
Gross margin	**9.6%**	10.5%	**20.1%**	24.0%
Net loss	**(66,543,691)**	(23,138,547)	**(96,908,560)**	(41,183,772)
Comprehensive loss	**(65,934,795)**	(22,255,353)	**(97,218,795)**	(40,069,869)
Net loss per share (basic and diluted)	**$ (2.44)**	$ (4.09)	**$ (4.22)**	$ (7.27)
Weighted average number of outstanding common shares, basic and diluted	**27,228,800**	5,653,375	**22,973,815**	5,662,422

- Revenues in the three months ended December 31, of 2021 were $8,365,976 net of inter-company eliminations, compared to $5,119,611 in the three months ended December 31, of 2020, a 63.4% increase. On a like for like basis, excluding acquisitions, revenues were unchanged;
- Total sales were 12,971,391 grams (three months ended December 31, 2020: 2,912,963 grams), a 345.3% increase. Flower sales increased by 83.4% to 1,525,764 grams (three months ended December 31, 2020: 831,986 grams), sales of pre-rolls increased by 3.5% to 171,755 grams (three months ended December 31, 2020: 166,021 grams), trim and fresh frozen sales increased by 473.7% to 6,930,106 grams (three months ended December 31, 2020: 1,207,871 grams), oils and extract sales increased by 127.0% to 1,164,698 grams (three months ended December 31, 2020: 513,001 grams) and edibles sales decreased by 40.8% to 114,852 grams (three months ended December 31, 2020: 194,084 grams);
- ANM reported revenues of $2,441,344 for the three months ended December 31, 2021 (three months ended December 31, 2020: $4,126,701), a 40.8% decrease. MDT reported revenues of $3,003,491 for the three months ended December 31, 2021 (three months ended December 31, 2020: $1,472,268), an 104.0% increase, Coastal Harvest reported revenues of $1,007,408 for the three months ended December 31, 2021 (three months ended December 31, 2020: reversal of $115,762). Halo Winberry reported revenues of $2,534,045 for the three months ended December 31, 2021. Halo Winberry was not included in the three months ended December 31, 2020, as the operation was acquired in 2021. Kushbar added revenues of $713,888 in the three months ended December 31, 2021. Kushbar was consolidated in July of 2021;

- The Company reported a gross loss of $1,345,783 (three months ended December 31, 2020: loss $1,171,940). Adjusted for the loss on biological assets of $181,208 and impairments of $1,963,453 included in the costs of goods sold, the gross profit was $799,495 (three months ended December 31, 2020: $535,802);
- The reported gross margin was -16.1% (three months ended December 31, 2020: -22.9%). Adjusted for gains and losses on the value of biological assets and impairments charged to the cost of goods sold, the gross margin was 9.6% (three months ended December 31, 2020: 10.5%);
- In the three months ended December 31, 2021, the loss before income tax was $66,487,278 (three months ended December 31, 2020; loss $23,427,547). Operating expenditures were $10,928,194 (three months ended December 31, 2020: $7,635,608) and impairments were $60,349,562 (three months ended December 31, 2020: $11,625,188);
- In the year ended December 31, 2021, the Company raised $32,579,661 from overnight and at-the-market public offerings and $3,968,604 from debt financing. Net of a reduction in lease obligations and share issuance costs, total capital raised was $33,179,694 (year ended December 31, 202: $10,382,940). In the three months ended December 31, 2021, the Company did not raise capital. Cash outflow was $1,841,241 in the year ended December 31, 2021 (year ended December 31, 2020: cash outflow $2,388,549). Cash outflow was $6,679,557 in the three months ended December 31, 2021 (three months ended December 31, 2020: cash inflow $102,100);
- As at December 31, 2021, the Company had unrestricted cash available in the amount of $1,711,677 and a working capital surplus of $5,428,912.

Path to profitability

Overheads

Management has identified $3.3 million of cash savings in overhead costs.

- In the three months ended December 31, 2021, G&A expenditure was $2,153,445 (three months ended December 31, 2020: $1,962,513). G&A expenses included $235,788 in relation to Bophelo and Canmart and $1,448,202 for the year until they were de-consolidated. The two companies were de-consolidated in November and vended into Akanda. Adjusted for Bophelo and Canmart, underlying G&A was $2.3 million in the three months ended December 31, 2021;
- In the three months ended December 31, 2021, salaries were $3,338,736 (three months ended December 31, 2020: $1,516,941). Corporate salaries were $2,182,127, of which non-cash salaries were $1,171,587. Salaries paid at Bophelo and Canmart were $124,525. The cash cost saving is $1.3 million. In the three months ended December 31, 2021, the cash payment for salaries was $2,217,149;
- In the three months ended December 31, 2021, professional expenses were $2,950,450. This included $1,628,838 of payments in shares to consultants. They are pre-dominantly in relation to M&A activity which has been reduced. Normalized expenditure at Bophelo and Canmart was $264,331, and legal expenses were $335,242. Expenditure at Bophelo and Canmart is no longer

covered by Halo, and with a recently appointed inhouse general counsel, legal expenses are expected to be reduced by 50%. As a result, professional fees paid in cash are projected at $0.9 million, a saving of more than $2 million.

Production overheads

In Oregon, Halo is continuing to focus on reducing production overheads at ANM, East Evans Creek and Halo-Winberry. A reduction of production overheads will be driven through:

- Investment in capital equipment to automate manufacturing and packaging lines
- Reduction of farm labor at East Evans Creek;
- Further post-merger integration of management and supervisory teams;

Overall, management estimates that these cost reductions provide a total quarterly saving of $573,168 starting December 2021 (20% saving). Overall, savings in the Oregon market amount to a 25% reduction in production overheads and a 12% improvement in the gross margin.

In California, production expansion at MDT and Coastal Harvest facilities will see a positive effect on the gross margin due to the impact of economies of scale on fixed production overheads. The growth of production units is due to the addition new white label clients/product lines and the expansion of existing owned SKUs. Coastal Harvest will continue to see an increase in volume output and a decrease in raw material costs driven through supply chain efficiencies, namely preferred raw material pricing in partnering with strategic farms. Coastal Harvest's business model has been modified to support the finished goods production at MDT by supplying all live resin and distillate needed for owned and white label manufacturing lines. The production at coastal harvest eliminates the need to source from external parties and contributes to a higher gross margin on all product lines.

Dispensaries

The path to profitability for the dispensaries in California is subject to the timing of licenses being granted to operate the stores.

- The budget for the Westwood dispensary (ZXC11 LLC) is $750,000, of which $495,961 was spent as at December 31, 2021. The acquisition of the management company POI LLC was concurrent with the acquisition of ZXC11 LLC. A condition of the closing of the acquisition of the management company was a $750,000 cash injection and Halo providing the additional capital. The first revenues are anticipated in March of 2022;
- The cash requirement to build out the Hollywood dispensary (SDF11 LLC) is $1.4 million, of which $218,658 was spent as at December 31, 2021. The acquisition of the management company B&C LLC was concurrent with the acquisition of SDF11 LLC. A condition of the closing of the acquisition of the management company was a $750,000 cash injection and Halo providing the additional capital. The first revenues are anticipated in April of 2022;
- The cash requirement to build out the North Hollywood (LKJ11 LLC) dispensary is $1 million, of which $118,663 was spent as at December 31, 2021. The first revenues are anticipated in February of 2022.

On July 15, 2021, the Company announced the closing of the acquisition of three operating retail cannabis stores from Hight Tide in the province of Alberta, Canada. Concurrently with the closing, Halo KushBar Retail and High Tide entered into a retail management agreement under which High Tide substantially oversees all aspects of its retail cannabis operations with respect to the portfolio.

- Halo KushBar Retail was consolidated from August 1, 2021. For the four months ended December 31, 2021, revenues were $1,247,433 and gross profit was $371,497 at a gross margin of 29.8% of revenue;
- After operating expenses of $336,208, Kushbar recorded positive cash flow from operations before working capital of $35,289. KushBar's dispensaries have not reached their potential sales density.

Halo Tek

For the year ended December 31, 2021, Halo Collective accrued $344,408 for legal and audit expenses in relation to the subsidiaries that are consolidated in Halo Tek Inc. and distributed to Halo Collective shareholders. The distribution of Halo Tek to Halo Collective shareholders will be effectuated through a re-purchase of shares in Halo Collective in exchange for shares in Halo Tek. The subsidiaries are transferred to Halo Tek at book value, including all costs associated with acquiring them.

Akanda

For the year ended December 31, 2021, Bophelo and Canmart did not contribute to revenues of the Company. Operating expenses were $3,577,318 for the year ended December 31, 2021. Bophelo and Canmart were de-consolidated in November of 2021.

Corporate highlights in 2021

Herban Industries OR LLC

On November 18, 2020, the Company entered into a definitive debt purchase agreement with Halo Winberry Holdings, LLC, Evolution Trustees Limited, sole trustee of SP1 Credit Fund, Herban Industries OR LLC, and Herban Industries, Inc., to purchase certain secured debt of Herban OR owed to Evolution Trustees Limited, which was in default. Upon completion of the acquisition of the purchased debt, Halo Winberry, a wholly owned subsidiary of the Company, became the senior secured creditor of Herban OR. Halo issued 1,699,163 common shares of the Company to Evolution Trust Limited for a total consideration of $7,972,022 and closing costs of $401,025, in exchange for the purchased debt. Immediately following the closing of the acquisition of the purchased debt, Halo Winberry entered into an asset purchase agreement to acquire substantially all of the assets of Herban OR. Completion of the acquisition of the Herban OR assets under the APA was subject to receipt of regulatory approval from the Oregon Liquor Control Commission.

The Company acquired fixed assets of $104,249 and working capital of $1,354,707. Intangible assets of $6,624,448 included the Herban OR licenses and Halo Winberry brands.

SDF11 LLC (Franklin Avenue)

On March 2, 2021, the Company issued 236,904 Halo common shares as a pre-closing non-refundable deposit in relation to the closing of the acquisition of SDF11 LLC, a dispensary license applicant on Franklin Avenue, LA. A subsidiary of Halo's subsidiary PSG Coastal Holdings LLC will merge with the limited liability company that owns 66 2/3% of SDF11. The SDF11 company majority member will survive, and PSG will then own 100% of the SDF11 company majority member. The remaining 33 1/3% of SDF11 will continue to be owned by the social equity applicant, as required under regulations issued by the Los Angeles Department of Cannabis Regulation (the "DCR"). The issuance of 153,865 Halo common shares is pending the closing of the acquisition. In addition, the issuance of 29,307 Halo common shares as a finders' fee is pending the closing of the acquisition.

As at December 31, 2021, a deposit of $2,814,476 was recorded in relation to the pending acquisition of SDF11 LLC. (December 31, 2020: Nil).

ZXC LLC (Santa Monica Blvd)

On March 2, 2021, the Company issued 236,903 Halo common shares as a pre-closing non-refundable deposit in relation to the closing of the acquisition of ZXC11 LLC, a dispensary license applicant on Santa Monica Blvd, LA. A subsidiary of Halo's subsidiary PSG Coastal Holdings LLC will merge with the limited liability company that owns 66 2/3% of ZXC11. The ZXC11 company majority member will survive, and PSG will then own 100% of the ZXC11 company majority member. The remaining 33 1/3% of ZXC11 will continue to be owned by the social equity applicant, as required under regulations issued by the Los Angeles Department of Cannabis Regulation (the "DCR"). The issuance of 153,865 Halo common shares is pending the closing of the acquisition. In addition, the issuance of 29,307 Halo common shares as a finders' fee is pending the closing of the acquisition.

As at December 31, 2021, a deposit of $2,814,476 was recorded in relation to the pending acquisition of ZXC11 LLC (December 31, 2020: Nil).

Black & Crimson LLC

On March 2, 2021, the Company issued 1,1512,395 Halo common shares for a consideration of $17,413,607 which included a finders' fee of 88,988 shares valued at $1,057,197 and closing costs of $39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC and Black & Crimson LLC ("B&C"), with B&C as the surviving company. 186,503 shares are subject to a pooling agreement and 100,000 Halo common shares were issued in escrow. The escrowed shares are released to the approved designees of the selling member upon the DCR approval and lease milestone or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing. The Company received cash of $722,500, net of fees of $27,500, and recorded intangible assets of $16,691,107.

POI11 LLC

On March 2, 2021, the Company issued 1,512,395 Halo common shares for a consideration of

$17,413,607, which included a finders' fee of 88,988 shares valued at $1,057,197 and closing costs of $39,992 in relation to the closing of the merger between a subsidiary of PSG Coastal Harvest LLC and POI LLC ("POI"), with POI as the surviving company. 186,503 shares are subject to a pooling agreement and 100,000 Halo common shares were issued in escrow. The escrowed shares are released to the approved designees of the selling member upon the DCR approval and lease milestone or returned to Halo if the DCR approval and lease milestone is not achieved within 18 months of the closing. The Company received cash of $722,500, net of fees of $27,500, and recorded intangible assets of $16,691,107.

Nature's Best Resources LLC.

On April 20, 2021, the Company issued 460,262 for a total consideration of $3,304,760, which included a finders' fee of 19,786 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 351,190 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 89,286 common shares has been released as at December 31, 2021, the selling member has repaid an outstanding $250,000 owed to Nature's Best. A total of 142,857 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 119,047 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.

An intangible asset of $2,504,760 was recorded. The intangible asset is the intellectual property in relation to the manufacturing process.

1307296 B.C. Ltd.

On June 21, 2021, the Company issued 1,390,517 shares for a total consideration of $7,304,909, which included a finders' fee of 97,013 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. Elegance is not a related party and the shares issued to the Company are valued at the latest available transaction price of $0.75 per share.

184,786 of the common shares issued to the vendor on closing are free-trading and not subject to contractual restrictions on transfer. The remaining 1,108,718 common shares issued to the vendor on closing are subject to contractual restrictions on transfer whereby 184,786 of such common shares in the case of the first release and 184,786 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 97,012 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. No intangible assets were recorded.

Halo KushBar Retail Inc.

On July 15, 2021, the Company announced the acquisition of three operating retail cannabis stores in the province of Alberta. In consideration for the purchase, the Company previously issued 134,615 common shares of the Company to High Tide as a deposit, and on closing issued a convertible promissory note to High Tide in the principal amount of $1,438,274 (C$1.8 million) with a conversion rate of C$16 per Halo share. Under the terms of the purchase agreement, the Company has also agreed to issue a convertible promissory note on the 12-month anniversary of closing in the principal amount of $400,000 with a conversion rate of $16 per Halo Share, provided that certain revenue thresholds are met.

Concurrently with closing, Halo KushBar and High Tide entered into a retail management agreement under which Halo KushBar will continue to engage High Tide to substantially oversee all aspects of its retail cannabis operations with respect to the portfolio and will pay High Tide ongoing royalties for regulatory advisory services and retail management through blended monthly payments.

The transaction included intangible assets of $1,094,834 and goodwill of $2,030,529.

Williams Wonder Farms LLC and Set Ventures LLC

On July 24, 2021, the Company entered into an asset purchase agreement, pursuant to which its wholly owned subsidiary ANM, Inc. will acquire the William's Wonder Farms cannabis cultivation business in Oregon, including all trademarks, light dep flower, licenses issued by the Oregon Liquor Control Commission (“OLCC”) and subject to OLCC approvals, equipment, and related operating assets. ANM Williams Farm LLC, an indirect wholly owned subsidiary of Halo, will acquire three Tier II marijuana production licenses and related operating assets, including vegetative, cloning and other propagation equipment and shipping containers.

Upon closing of the Transaction, ANM Williams Farms LLC will acquire the OLCC licenses and related operating assets from the two entities doing business as William's Farms: William's Wonder Farms LLC and Set Ventures LLC. The consideration payable by Halo for the acquisition of the assets from William's Wonder Entities is US$3.8 million, payable US$2.8 million in cash and common shares of Halo. US$500,000 of the purchase price will be placed into escrow to serve as a source for any potential indemnification claims against the selling parties. The closing of the transaction is subject to the approval of the NEO Exchange Inc. and the OLCC, as well as the satisfaction of other customary closing conditions.

Concurrently with signing the Asset Purchase Agreement, ANM and the William's Wonder Entities also entered into a Services Agreement pursuant to which ANM Williams Farms LLC will assist with the day-to-day operations of the business pending the closing of the acquisition. ANM Inc. also entered into an Offtake Agreement with the William's Wonder entities pursuant to which it will purchase 100% of the finished product produced at William's Wonder Farms pending the closing of the Transaction.

As at December 31, 2021, a deposit of $680,000 was recorded in relation to the pending acquisition of William's Wonder Farms LLC (December 31, 2020: Nil).

Food Concepts LLC

On September 1, 2021, the Company issued 2,581,565 shares for a total consideration of $8,200,000 in relation to the closing of the acquisition of Food Concepts LLC, the master tenant of a 55,000 square foot indoor cannabis cultivation, processing and wholesaling facility in Portland, Oregon. In connection with the transaction, Halo issued 196,765 common shares to the finder as a finder's fee valued at $625,000.

An intangible asset of $6,397,834 was recorded in relation to the transaction.

Simply Sweet Gummy Ltd.

On November 30, 2021, the Company closed the acquisition of Simply Sweety Gummy Ltd. pursuant to the terms of a share exchange agreement to which the Company acquired all the issued and outstanding shares of Simply Sweet Gummy Ltd. in exchange for an aggregate of 2,700,000 Halo common shares valued at $6,477,927. Costs in relation to closing the transaction in the amount of $485,845 were capitalized. Under IFRS 3, the transaction did not meet the definition of a business combination.

Simply Sweet is a health-conscious, low-sugar cannabis infused alternative confectionery company based in Vancouver, British Columbia. Simply Sweet has a portfolio of proprietary recipes made from natural ingredients that are healthy, vegan, low-sugar and free from sugar-alcohols. All of its products will be free of soy, gluten, nuts, and genetically modified organisms making them appealing to a wide market.

The total consideration of the transaction was $6,963,772 with $5,963,772 attributed to intangible assets. The nature of the intangible asset is the intellectual property in relation to the manufacturing process.

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

Selected financial information - expressed in US dollars

		For the 3 months ended:		
		December 31, 2021		**December 31, 2020**
Revenue	**$**	**8,365,976**	$	5,119,611
Cost of finished cannabis inventory sold		**9,529,934**		5,508,948
Gross profit ex change in FV biological assets		**(1,163,958)**		(389,337)
Unrealized fair value (gain) loss on growth of biological assets		**617**		(208,645)
Realized fair value (gain) loss included in the cost of inventory sold		**181,208**		991,248
Gross profit		**(1,345,783)**		(1,171,940)
Net loss		**(66,543,691)**		(23,138,547)
Net comprehensive loss		**(65,934,795)**		(22,255,353)
Net loss per share, basic & diluted:	**$**	**(2.44)**	$	(4.09)
Weighted average number of outstanding common shares, basic and diluted		**27,228,800**		5,653,375
Total assets		**104,796,919**		87,754,245
Long-term financial liabilities		**8,053,182**		18,154,708

The following section provides details of the Company's financial performance for the three months ended December 31, 2021, compared to the three months ended December 31, 2020. 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 in this MD&A 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.

Revenue

Revenues in the three months ended September 30, of 2021 were $8,365,976 compared to $5,119,611 in the three months ended September 30, of 2020, a 63.4% increase. Like for like revenues, revenues excluding acquisitions, were flat.

Expressed in US dollars

KPI's

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q4 2020	831,986	$ 1.32	166,021	$ 1.97	1,207,871	$ 0.11	513,001	$ 8.11	194,084	$ 3.14
Q3 2021	1,362,669	$ 0.82	701,074	$ 1.82	4,976,897	$ 0.23	1,056,062	$ 6.09	537,424	$ 0.91
Q4 2021	1,525,764	$ 0.90	171,755	$ 4.32	6,930,106	$ 0.05	1,164,698	$ 5.26	114,852	$ 1.48
Change YoY	83.4%	-31.8%	3.5%	118.6%	473.7%	-51.9%	127.0%	-35.2%	-40.8%	-52.9%
Change QoQ	12.0%	10.3%	-75.5%	137.3%	39.2%	-76.7%	10.3%	-13.7%	-78.6%	61.9%

Total sales were 12,971,391 grams (three months ended December 31, 2020: 2,912,963 grams), a 345.3% increase. Flower sales increased by 83.4% to 1,525,764 grams (three months ended December 31, 2020: 831,986 grams), sales of pre-rolls increased by 3.5% to 171,755 grams (three months ended December 31, 2020: 166,021 grams), trim and fresh frozen sales increased by 473.7% to 6,930,106 grams (three months ended December 31, 2020: 1,207,871 grams), oils and extract sales increased by 127.0% to 1,164,698 grams (three months ended December 31, 2020: 513,001 grams) and edibles sales decreased by 40.8% to 114,852 grams (three months ended December 31, 2020: 194,084 grams);

ANM reported revenues of $2,441,344 for the three months ended December 31, 2021 (three months ended December 31, 2020: $4,126,701), a 40.8% decrease. MDT reported revenues of $3,003,491 for the three months ended December 31, 2021 (three months ended December 31, 2020: $1,472,268), a 104.0% increase, Coastal Harvest reported revenues of $1,007,408 for the three months ended December 31, 2021 (three months ended December 31, 2020: reversal of $115,762). Halo Winberry reported revenues of $2,534,045 for the three months ended December 31, 2021. Halo Winberry was not included in the three months ended December 31, 2020, as the operation was acquired in 2021. Kushbar added revenues of $713,888 in the three months ended December 31, 2021. Kushbar was consolidated in July of 2021.

ANM - Three months ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q4 2020	831,986	$ 1.32	161,187	$ 1.78	-	$ -	322,127	7.29	123,042	$ 4.43
Q3 2021	730,579	$ 0.85	605,757	$ 0.77	-	$ -	311,066	7.14	78,534	$ 4.31
Q4 2021	504,233	$ 0.72	96,451	$ 1.85	-	$ -	280,674	6.45	41,410	$ 2.17
Change YoY	-39.4%	-45.7%	-40.2%	4.0%	N/A	N/A	-12.9%	-11.4%	-66.3%	-51.0%
Change QoQ	-31.0%	-16.0%	-84.1%	139.1%	N/A	N/A	-9.8%	-9.6%	-47.3%	-49.7%

In the three months ended December 31, 2021, ANM, the facility in Oregon, sold 922,767 grams of oil and extracts, flower, pre-rolls, trim and fresh frozen and edibles (three months ended December 31, 2020: 1,438,342 grams), a 35.8% decrease. Sales of oils and extracts were 280,674 grams (three months ended December 31, 2020: 322,127 grams), a 12.9% decrease. The wholesale price of oils and extracts decreased by 11.4% to $6.45 per gram (three months ended December 31, 2020: $7.29 per gram). Sales of edibles were 41,410 grams (three months ended December 31, 2020: 123,042 grams), a 66.3% decrease. The wholesale price of edibles decreased by 16.1% to $2.17 per gram (three months ended December 31, 2020: $4.43 per gram). Flower sales in the three months ended December 31, 2021, were 504,233 grams (three months ended December 31, 2020: 831,986 grams), a 39.4% decrease. The wholesale price of flower decreased by 45.7% to $0.72 per gram (three months ended December 31, 2020: $1.32 per gram). Pre-roll sales were 96,451 grams (three months ended December 31, 2020:

Expressed in US dollars

161,187 grams), a 40.2% decrease. The wholesale price of pre-rolls increased by 4.0% to $1.85 per gram (three months ended December 31, 2020: $1.78 per gram). There were no trim and fresh frozen sales in the period under review.

Winberry - Three months ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q4 2020	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Q3 2021	632,091	$ 0.77	75,055	$ 9.60	-	$ -	548,791	$ 3.26	448,713	$ 0.24
Q4 2021	995,118	$ 0.76	67,486	$ 7.74	-	$ -	582,268	$ 2.29	60,683	$ 0.51
Change YoY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change QoQ	57.4%	-2.0%	-10.1%	-19.4%	N/A	N/A	6.1%	-29.7%	-86.5%	115.8%

In the three months ended December 31, 2021, Halo Winberry sold 4,429,555 grams of flower, pre-rolls, oil and extracts and edibles. Halo Winberry was not consolidated in the three months ended December 31, 2020.

MDT - Three months ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q4 2020	-	$ -	4,834	$ 8.44	1,207,871	$ 0.11	190,874	$ 9.49	71,042	$ 0.91
Q3 2021	-	$ -	20,262	$ 4.22	4,976,897	$ 0.23	196,205	$ 8.74	10,177	$ 4.44
Q4 2021	26,413	$ 9.77	7,819	$ 5.16	6,930,106	$ 0.05	301,755	$ 6.76	12,759	$ 3.81
Change YoY	N/A	N/A	61.7%	-38.9%	473.7%	-51.9%	58.1%	-28.8%	-82.0%	319.7%
Change QoQ	N/A	N/A	-61.4%	22.4%	39.2%	-76.7%	53.8%	-22.6%	25.4%	-14.0%

In the three months ended December 31, 2021, MDT, the facility in Ukiah, sold 7,278,852 grams of distillate, live resin, gummies and pre-rolls (three months ended December 31, 2020: 1,474,621 grams). MDT sold 26,413 grams of premium flower (three months ended December 31, 2020: Nil) at an average price of $9.77 per gram, 7,819 grams of pre-rolls (three months ended December 31, 2020: 4,834 grams) at a price of $5.16 (three months ended December 31, 2020: $8.44 per gram), 6,930,106 grams of trim (three months ended December 31, 2020; 1,207,871 grams) at a price of $0.05 per gram (three months ended December 31, 2020: $0.11 per gram), 301,755 grams of oils and extracts (three months ended December 31, 2020; 190,874 grams) at a price of $6.78 (three months ended December 31, 2020: $9.49 gram) and 12,759 grams of concentrates in edibles (three months ended December 31, 2020: 71,042 grams) at a price of $3.81 (three months ended December 31, 2020: $0.91 per gram).

Cathedral City - Three months ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q4 2020	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Q3 2021	-	$ -	-	$ -	-	$ -	228,567	$ 3.08	-	$ -
Q4 2021	-	$ -	-	$ -	-	$ -	340,217	$ 2.75	-	$ -
Change YoY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change QoQ	N/A	N/A	N/A	N/A	N/A	N/A	48.8%	-10.8%	N/A	N/A

In the three months ended December 31, 2021, the facility in Coastal Harvest sold 340,217 grams of distillate and live resin (three months ended December 31, 2020: Nil) at a price of $2.75.

Expressed in US dollars

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $9,529,934 in the three months ended December 31, 2021 (three months ended December 31, 2020: $5,508,948). The realized and unrealized loss in the value of biological assets was a loss of $181,825 in the three months ended December 31, 2021 (three months ended December 31, 2020: loss of $782,603). Impairments included in cost of goods sold were $1,963,453 in the three months ended December 31, 2021 (three months ended December 31, 2020: impairment $925,139).

The Company reported a gross loss of $1,345,783 (three months ended December 31, 2020: loss $1,171,940). The difference is pre-dominantly explained by the loss on the value of biological assets in the three months ended December 31, 2020, in comparison with the loss in the three months ended December 31, 2021. In addition, the achieved margin was lower in the three months ended December 31, 2021, in comparison with the three months ended December 31, 2020. Adjusted for the loss on biological assets and impairments included in the costs of goods sold, the gross profit was $799,495 (three months ended December 31, 2020: gross profit $535,802).

The reported gross margin was -16.1% (three months ended December 31, 2020: -22.9%). Adjusted for gains and losses on the value of biological assets and impairments charged to the cost of goods sold, the gross margin was 9.6% (three months ended December 31, 2020: 10.5%).

Trim

	Yield	Trim Volume	Price	
Q4 2020	9.1%	12,837	$	73
Q3 2021	11.8%	27,052	$	68
Q4 2021	12.4%	22,151	$	58
Change YoY	36.6%	72.5%		-20.1%
Change QoQ	4.7%	-18.1%		-14.3%

The trim run was 22,151 pounds at a yield of 12.4%, compared with a run of 12,837 pounds and a yield of 9.1% in the three months ended December 31, 2020. Trim, raw material input for extracts and oils, sold at $58 per pound compared with $73 per pound in the three months ended December 31, 2020, and $68 per pound in the three months ended September 30, 2021. The 20.1% decrease in the price of trim was further supported by a 36.6% improvement in the yield. Trim is used at ANM’s manufacturing facility. The average price of oils and extracts decreased by 11.4% to $6.45 per gram (three months ended December 31, 2020: $7.29 per gram). The improvement in yield and the decrease in the price of trim more than offset the price decrease in oils and extracts.

Operating expenses

Operating expenses - expressed in US dollars

		For the 3 months ended:		
		December 31, 2021		***December 31, 2020***
General and administration	**$**	**2,282,520**	$	1,962,513
Salaries		**3,612,189**		1,516,941
Professional fees		**3,043,944**		1,709,912
Sales and marketing		**1,128,574**		931,735
Investor relations		**250,489**		92,258
Loss on settlements and contigencies		**15,240**		109,459
Share-based compensation		**595,238**		1,312,790
Total operating expenses	**$**	**10,928,194**	$	7,635,608

The table sets forth operating expenses for the three months ended December 31, 2021, and 2020. In the three months ended December 31, 2021, operating expenses increased to $10,928,194 (three months ended December 31, 2020: $7,635,608).

Acquisitions which were consolidated since the fourth quarter in 2020 include UVI, Canmart, Bophelo, Winberry, Bar-X, Halo KushBar Retail, Elegance, Nature's Best, POI11, Black & Crimson and Food Concepts. Acquisitions added $3,396,193 to operating expenses.

To reduce the cash burn, there has been a drive to reduce overhead expenses at the corporate center. In addition, operating expenses in relation to Bophelo and Canmart decreased when they were de-consolidated:

- In the three months ended December 31, 2021, G&A expenses increased by 19.3% and compared with the three months ended September 30, 2021, G&A decreased by 18.0%. Excluding acquisitions, G&A expenses decreased by 35.8%. The larger amounts included G&A of $366,820 at ANM, $195,915 at Coastal Harvest, $158,041 at Winberry, a reversal of $146,215 at MDT, $715,896 at Bar X, $234,045 at Bophelo and $568,867 for corporate. Bophelo and Canmart were de-consolidated in November of 2021;

- In the three months ended December 31, 2021, salaries increased by 138.1% and compared with the three months ended September 30, 2021, salaries decreased by 3.4%. On a like for like basis, salaries increased by 91.9%, and compared with the three months ended September 30, 2021, salaries decreased by 14.8%. For the three months ended December 31, 2021, salaries at Bophelo and Canmart were $124,525, compared with $895,331 in the three months ended September 30, 2021. This is explained by the de-consolidation in November of 2021. Corporate salaries were $2,182,127. Of corporate salaries, $1,171,587 was paid in shares;

- In the three months ended December 31, 2021, professional expenses increased by 78.0%, and compared with the three months ended September 30, 2021, professional fees increased by 6.3%. Like for like, professional expenses increased by 54.1%. For the three months ended December 31, 2021, corporate legal fees were $335,242 and consulting fees were $1,722,650, of which $1,628,838 was paid in shares;

- In the three months ended December 31, 2021, sales and marketing expenses were $1,128,574 (three months ended December 31, 2020: $931,735), a 21.1% increase. In comparison with the three months ended September 30, 2021, sales and marketing expenditure decreased by 14.3%. Excluding acquisitions, sales and marketing expenditure declined by 16.3% in comparison with the three months ended December 31, 2020. In comparison with the three months ended September 30, 2021, sales and marketing expenditure excluding acquisitions decreased by 11.6%;

- In the three months ended December 31, 2021, investor relations expenditure was $250,489 (three months ended December 31, 2020: $92,258);

- In the three months ended December 31, 2021, the loss on settlements and contingencies was $15,240 (three months ended December 31, 202: $109,459). They constitute the difference between fair market value and deemed value on share-based payments to staff, executives, directors, and consultants; and

- In the three months ended December 31, 2021, share-based compensation was $595,238 (three months ended December 31, 2020; $1,312,790). They constitute 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 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 ("FVLCS") 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.

Under 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 considers a market participant's ability to use that asset in its highest and best use. The highest and best use considers 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.

Expressed in US dollars

Biological assets East Evans Creek		
Balance at December 31, 2019	$	-
Fair value change due to biological transformation		2,225,647
Production costs capitalized		2,310,176
Transferred to investory upon harvest		(4,535,823)
Balance at December 31, 2020		-
Fair value change due to biological transformation		787,043
Production costs capitalized		1,919,200
Transferred to investory upon harvest		(2,706,243)
Balance at December 31, 2021	**$**	**-**

In the year ended December 31, 2021, at East Evans Creek, the fair value change due to biological assets transformation in the cannabis plants model was $787,043 and capitalized production costs were $1,919,200.

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	31.0%	49.0%	20.0%	16.0%	84.0%
Yield - pounds	6,396	10,030	4,142	2,546	13,364
Yield per plant - pounds	1.74	0.97	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;
- Number of plants harvested 9,233. Dry flower yield is 1.74 pounds, trim yield is 0.97 pounds, fresh frozen yield is 1.61 pounds;
- Total yield estimate is 20,568 pounds of biomass;
- 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 expected future sales;

Expressed in US dollars

- Costs to complete and sell is $0.34 per gram for flower, $0.03 for trim and $0.02 for fresh frozen;
- FVLCS of dry cannabis is $0.32 per gram for flower, $0.03 for trim and $0.02 for fresh frozen.

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 as follows:

Effect of a 10% change in the value of biological assets

Assumption:	**Input**	**10% Change**
Expected yields for cannabis plants (average pounds per plant)		
Dry flower	1.74 pounds per plant	$ 259,476
Trim	0.97 pounds per plant	
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	94%	$ 167,976
Estimated selling price (per pound)		
Dry flower	$ 311	$ 547,703
Trim	$ 51	
After harvest cost to complete and sell (per pound)		
Dry flower	$ 166	$ 288,227
Trim	$ 25	

The estimated selling price for dry flower represents the expected average selling price of flower.

The estimated selling price for trim represents the expected selling price of trim.

The impact on the fair value of a 10% change in the cannabis yield or a 10% change in the FVLCS includes East Evans Creek, based on the assumptions used in the cannabis plant model.

Results of operations for the year ended December 31, 2021

Selected financial information - expressed in US dollars

	For the year ended:		
	December 31, 2021	*December 31, 2020*	*December 31, 2019*
Revenue	**$ 36,179,930**	$ 21,641,452	28,148,488
Cost of finished cannabis inventory sold	**30,860,228**	18,607,643	25,262,113
Gross profit ex change in FV biological assets	**5,319,702**	3,033,809	2,886,375
Unrealized fair value (gain) loss on growth of biological assets	**(1,062,874)**	(2,225,647)	(737,971)
Realized fair value (gain) loss included in the cost of inventory sold	**1,930,915**	991,248	515,305
Gross profit	**4,451,661**	4,268,208	3,109,041
Net loss	**(96,908,560)**	(41,183,772)	(27,617,135)
Net comprehensive loss	**(97,218,795)**	(40,069,869)	(28,278,678)
Net loss per share, basic & diluted:	**$ (4.22)**	$ (7.27)	$ (14.06)
Weighted average number of outstanding common shares, basic and diluted	**22,973,815**	5,662,422	1,964,916
Total assets	**104,796,919**	87,754,245	41,988,522
Long-term financial liabilities	**8,053,182**	18,154,708	8,845,633

Revenue

KPI's - year ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
2020	2,160,067	$ 1.17	535,627	$ 1.57	1,207,871	$ 0.11	2,246,422	$ 7.43	603,069	$ 4.47
2021	6,431,625	$ 0.88	1,286,307	$ 3.39	16,489,211	$ 0.12	7,282,015	$ 3.31	1,031,179	$ 1.93
Change YoY	197.8%	-25.2%	140.1%	116.6%	1265.1%	3.3%	224.2%	-55.4%	71.0%	-56.8%

For the year ended December 31, 2021, revenues were $36,179,930 (year ended December 31, 2020: $21,641,452), a 67.2% increase. Excluding acquisitions revenues increased by 3.2%. The Company sold 32,520,336 grams of flower, pre-rolls, oils and extracts, trim and edibles, a 381.0% increase compared with the year ended December 31, 2020. Oils and extracts include lotions and creams, which were acquired with the acquisition of Winberry. The acquisition of Winberry also had an impact on the product-mix of edibles and the achieved price per gram equivalent.

ANM - Year ended December 31 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
2020	2,160,067	$ 1.17	530,793	$ 1.50	-	$ -	1,512,837	6.99	532,027	$ 4.94
2021	2,443,259	$ 1.01	907,368	$ 1.22	-	$ -	1,351,550	6.92	344,420	$ 4.45
Change YoY	13.1%	-14.0%	70.9%	-19.0%	N/A	N/A	-10.7%	-1.0%	-35.3%	-9.9%

Expressed in US dollars

In the year ended December 31, 2021, ANM sold 5,048,46,597 grams of flower, pre-rolls, trim and fresh frozen, oils and extracts and edibles, a 6.6% increase compared with the year ended December 31, 2020.

Winberry - Year ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
2020	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
2021	2,464,698	$ 1.07	307,828	$ 9.27	3,170,255	$ 0.02	4,441,434	$ 1.56	637,183	$ 0.36
Change YoY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

In the year ended December 31, 2021, Winberry sold 11,021,398 grams of flower, pre-rolls, oils and extracts and edibles. Winberry was first consolidated in the year 2021.

MDT - Year ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
2020	-	$ -	4,834	$ 8.44	1,207,871	$ 0.11	527,905	$ 10.25	71,042	$ 0.91
2021	49,929	$ 7.04	71,112	$ 5.69	13,318,956	$ 0.14	789,564	$ 8.66	49,575	$ 4.50
Change YoY	N/A	N/A	1370.9%	-32.6%	1002.7%	23.4%	49.6%	-15.5%	-30.2%	394.8%

In the year ended December 31, 2021, MDT sold 14,279,138 grams of flower, pre-rolls, trim, fresh frozen, oils and extracts and edibles This compares with 1,811,652 grams sold in the year ended December 31, 2020.

Cathedral City - Year ended December 31, 2021

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
2020	-	$ -	-	$ -	-	$ -	205,680	$ 3.49	-	$ -
2021	1,473,738	$ 0.14	-	$ -	-	$ -	699,466	$ 1.45	-	$ -
Change YoY	N/A	N/A	N/A	N/A	N/A	N/A	240.1%	-58.5%	N/A	N/A

Cathedral City was mothballed for most of the year 2020. In the year ended December 31, 2021, sales of flower, live resin and distillate were ramped up. Cathedral City sold 2,173,205 grams of flower, distillate and live resin. This compares with 205,680 grams of distillate sold in the year ended December 31, 2020.

Gross profit and cost of goods sold

For the year ended December 31, 2021, the cost of finished cannabis inventory sold was $30,860,228 (year ended September 30, 202: $18,607,643).

Reported gross profits were $4,451,661 in the year ended December 31, 2021 (year ended December 31, 2020: $4,268,208) and the reported gross margin was 12.3% (year ended December 31, 2020: 19.7%).

Adjusted for the gain or loss in the value of biological assets, gross profit was $5,319,702 (year ended December 31, 2020: $3,033,809). The cost of goods sold included $1,963,453 of inventory impairments. Adjusted for the loss in the value of biological assets of $868,041 (year ended December 31, 2020: gain $1,234,399) and impairments of $1,963,453 (year ended December 31, 2020: $2,161,354). The adjusted gross profit excluding biological assets and impairments was $7,283,155 (year ended December 31, 2020: $5,195,163). The gross margin was 20.1% (year ended December 31, 2020: 24.0%).

Operating expenses

Operating expenses - expressed in US dollars

		For the year ended:		
		December 31, 2021		***December 31, 2020***
General and administration		**8,840,841**		3,975,208
Salaries		**12,751,919**		4,782,228
Professional fees		**10,284,828**		7,424,091
Sales and marketing		**5,398,514**		3,538,445
Investor relations		**766,085**		996,499
Loss on settlements and contigencies		**(69,388)**		325,816
Share-based compensation		**5,146,605**		2,483,001
Total operating expenses	**$**	**43,119,404**	$	23,525,288

The table sets forth the development of operating expenses in the year ended December 31, 2021, and 2020.

In the year ended December 31, 2021, operating expenses were $43,119,404 (year ended December 31, 2020: $23,525,288). In the year under review, acquisitions added $12,989,104 to operating expenses.

In the year ended December 31, 2021, G&A expenditure included $2,254,877 from acquisitions completed in the year ended December 31, 2021.

In the year ended December 31, 2021, salaries were $12,751,919 (year ended December 31, 2020: $4,782,228), of which $1,717,969 were paid in shares. Salaries included $1,790,274 from acquisitions completed in the year ended December 31, 2021.

Professional expenditure included $5,089,970 from acquisitions, mostly related to consulting fees. In the year ended December 31, 2021, legal expenses, mostly in relation to M&A were $1,272,123. Consulting fees were $4,566,820, of which $3,207,930 were paid in shares.

Sales and marketing expenditure included $2,827,418 from acquisition completed in the year ended December 31, 2021.

For the year ended December 31, 2021, total operating expenses for Bophelo and Canmart were $3,571,562 (year ended December 31, 2020: $588,999). Bophelo and Canmart were transferred to Akanda in November of 2021 and going forward those costs are no longer covered by Halo.

Impairments in 2021

Annual impairment testing involves determining the recoverable amount of the cash generating unit ("CGU") to which goodwill is allocated and comparing this to the carrying value of the CGU. The impairment is first allocated to reduce the carrying amount of the goodwill, with the remaining losses then allocated to other assets in accordance with IAS 36 Impairment of Assets. The Company's CGUs to which goodwill has been allocated include Mendo Distribution and Transportation, LLC, Ukiah Ventures, Inc, and Halo Kushbar Retail Inc.

To estimate the recoverable amount of each CGU, management calculated the fair value less cost of disposal using an income approach. The key assumptions used in the calculation of the recoverable amount included detailed management's projection of future cash flows for one year period followed by three to five years of projections based on expected growth rate of revenues and cost categories with a terminal value thereafter and discount rates of 26.7% for OGC and 30% for Ukiah Ventures Inc. against risk adjusted cash flows.

For the year ended December 31, 2021, annual impairment tests were also conducted on the intangible assets, consisting of those acquired with:

- HLO Ventures (NV) LLC,
- Mendo Distribution & Transportation LLC,
- Ukiah Ventures Inc.,
- POI11 LLC,
- Black & Crimson LLC,
- Nature's Best Resources LLC,
- Food Concepts LLC,
- Simply Sweet Gummy Ltd., and
- Halo Kushbar Retail Inc.

Using discounted-cash-flow model based on the agreed upon royalty fee structure for Black & Crimson LLC and POI11 LLC, relief of royalty method for Nature's Best Resources LLC and Simply Sweet Gummy Ltd., management estimated that the carrying value of the intangible assets were higher than the recoverable amount for the year ended December 31, 2021.

At year ended December 31, 2021, the Company recorded total impairments of $52,885,669 (year ended December 31, 2020: $15,582,663).

- Impairments of intangible assets were $40,149,626 (year ended December 31, 2020: $5,367,939);
- Goodwill impairments were $12,736,043 (year ended December 2020: $10,214,724);

Impairments attributed to licenses were $29,379,899 (year ended December 31, 2020: $5,367,939) and to intellectual property $10,769,727 was attributed (year ended December 31, 2020: Nil).

Expressed in US dollars

The table below is a summary of the impairments of intangible assets and goodwill in the year ended December 31, 2021.

Intangibles and goodwill impairments in the year ended December 31, 2021

Subsidiary	Licenses and facility option	Brand names	Software	Intellectual property	Goodwiil	Total
HLO Ventures	330,072					**$ 330,072**
MDT	1,296,565				867,415	**2,163,980**
UVI					1,588,346	**1,588,346**
B&C	13,876,631					**13,876,631**
POI11	13,876,631					**13,876,631**
Nature's Best				2,504,760		**2,504,760**
Food Concepts					6,397,834	**6,397,834**
Winberry					3,882,448	**3,882,448**
Simply Sweet				5,963,772		**5,963,772**
Nasalbinoid				-		**-**
Cannafeels				2,301,195		**2,301,195**
Total	$ 29,379,899	$ -	$ -	$ 10,769,727	$ 12,736,043	**$ 52,885,669**

There were also impairments of $7,463,893 for acquisitions that had not yet closed and were recorded as deposits. The impairments included $5,628,952 for SDF11 LC and ZXC11 LLC, $1,772,183 was in relation to leasehold improvements advanced by Halo Collective, and $62,758 was in relation to cash advances to SDF11 and ZXC11.

Summary of quarterly results

Summary of quarterly results **For three months to:**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**
Revenue	$ 4,449,098	$ 5,242,961	$ 6,829,782	$ 5,119,611	$ 9,939,103	$ 9,135,887	$ 8,738,964	$ 8,365,976
Cost of Cannabis inventory sold	4,331,725	4,091,160	4,675,810	5,508,948	7,738,533	6,595,342	6,996,419	9,529,934
Gross profit excluding FV changes	117,373	1,151,801	2,153,972	(389,337)	2,200,570	2,540,545	1,742,545	(1,163,958)
Realized and unrealized (gain) loss on biological assets	289,553	124,926	(2,431,481)	782,603	244,794	338,073	103,349	181,825
Gross profit / (loss)	(172,180)	1,026,875	4,585,453	(1,171,940)	1,955,776	2,202,472	1,639,196	(1,345,783)
Gross margin	*-3.9%*	*19.6%*	*67.1%*	*-22.9%*	*19.7%*	*24.1%*	*18.8%*	*-16.1%*
Net loss	(8,609,704)	(6,268,465)	(3,167,055)	(23,138,547)	(9,067,681)	(11,251,079)	(10,046,109)	(66,543,691)
Net loss per share	$ (3.10)	$ (1.46)	$ (0.56)	$ (2.45)	$ (0.56)	$ (0.57)	$ (0.40)	$ (2.44)
Weighted average number of outstanding common shares, basic and diluted	2,774,186	4,296,100	5,653,375	9,453,702	16,100,994	19,723,440	24,918,579	27,228,800
Total assets	$ 47,508,892	$ 48,016,022	$ 80,407,689	$ 87,754,245	$ 133,903,098	$ 144,074,887	$ 160,987,162	$ 104,796,919

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as are issued by the International Accounting Standards Board 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, 2021	***December 31, 2020***	***December 31, 2021***	***December 31, 2020***
EBITDA	**$ (12,273,977)**	$ (8,807,548)	**$ (38,667,743)**	$ (19,257,080)
Depreciation included in COGS	**468,574**	235,274	**1,429,225**	989,349
Impairments included in COGS	**1,963,453**	925,139	**1,963,453**	2,161,354
Share-based compensation for staff	**595,238**	1,312,790	**5,146,605**	2,483,001
Share-based payments for goods and services	**1,948,416**	1,825,719	**5,670,403**	7,959,715
(Gain) loss on the value of biological assets	**181,825**	782,603	**868,041**	(1,234,399)
Adjusted EBITDA	**$ (7,116,471)**	$ (3,726,023)	**$ (23,590,016)**	$ (6,898,060)

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.

- 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 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.

- Between September 17, 2020, and December 17, 2020, a total of 1,344,526 shares were issued in connection to the ATM public offering for gross proceeds of $5,337,955 (C$7,000,000) (Note 17);

- 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 17);

- On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of $8,227,061 (C$9,217,699) (Note 17);

- 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 (C$11,500,029) (Note 17);

- Between May 26, 2021, and September 20, 2021, a total of 4,334,260 shares were issued in connection to the ATM public offering for gross proceeds of $15,673,736 (C$20,000,000) (Note 17).

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

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

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

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

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

As at December 31, 2021, the Company had available cash in the amount of $1,711,677 and restricted cash in the amount of $126,947. As at December 31, 2021, the Company had continued losses, an accumulated deficit, and a working capital surplus of $5,428,912.

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, 2021.

Cash and working capital position - expressed in US dollars

As at:	***December 31, 2021***	***December 31, 2020***
Cash (including restricted cash)	**$ 1,838,624**	$ 3,679,865
Working capital	**5,428,912**	18,714,311

The table below sets forth the Company's cash flows for the year ended December 31, 2021.

Cash flow - expressed in US dollars

		For the year ended:
Cash provided by (used in):	***December 31, 2021***	***December 31, 2020***
Operating activities	**$ (35,229,941)**	$ (10,044,230)
Finance activities	**33,179,694**	10,382,940
Investing activities	**209,006**	(2,727,259)

Cash used in operating activities

In the year ended December 31, 2021, cash used in operating activities was $35,229,941 (year ended December 31, 2020: $10,044,230).

The cash used in operating activities was due to a net loss of $96,308,560 (year ended December 31, 2020: net loss $41,183,772), an increase in working capital of $7,646,684 (year ended December 31, 2020: decrease $1,876,696), and non-cash items in the amount of $69,325,303 (year ended December 31, 2020: $29,262,846).

For the three months ended December 31, 2021, cash used in operating activities was $6,983,421 (three months ended December 31, 2020: cash used $6,657,592).

Cash used in operating activities was due to a net loss of $66,543,691 (three months ended December 31, 2020: net loss $23,138,547), a decrease in working capital by $2,898,090 (three months ended December 31, 2020: decrease $624,371), and non-cash items of $56,662,180 (three months ended December 31, 2020: $15,856,584).

For the three months ended December 31, 2021, the cash burn in operations was $6,983,421 (three months ended December 31, 2020: $6,657,592).

Cash used in investing activities

In the year ended December 31, 2021, cash provided by investing activities was $209,006 (year ended December 31, 2020: cash used $2,727,259). The Company received $3,399,293 in cash in relation to acquisitions. There was an increase in property, plant and equipment by $2,600,522 (year ended December 31, 2020: $3,573,149) and $589,765 was added to intangible assets (year ended December 31, 2020: Nil). The details are disclosed in Notes 13 and 14 in the Consolidated Financial Statements for the year ended December 31, 2021.

In the year ended December 31, 2021, an amount of $10,318,628 was added to property, plant and equipment (year ended December 31, 2020: $10,851,952).

Production equipment increased by $2,282,724 (year ended December 31, 2020: $944,788).

An amount of $559,600 was added for land and buildings (year ended December 31, 2020: $6,714,150).

An amount of $599,312 was added for leasehold improvements (year ended December 31, 2020: 1,166,763).

Leased assets of $6,250,293 were added (year ended December 31, 2020: $1,996,769). In the year ended December 31, 2021, leases were acquired on consolidation of Halo Winberry, Food Concepts LLC, Halo KushBar Retail Inc., and there were lease renewals at 130 Clark Street and East Evans Creek.

In the three months ended December 31, 2021, $4,057,925 was de-consolidated from tangible fixed assets in relation to the de-consolidation of Bophelo and Canmart. An amount of $9,612,612 was de-consolidated from intangible fixed assets in relation to the de-consolidation of Bophelo and Canmart.

Cash provided by financing activities

In the year ended December 31, 2021, cash generated from financing activities was $33,179,694 (year ended December 31, 2020: $10,382,940). The cash flow from financing activities in the year ended December 31, 2021, was comprised of net proceeds from issuance of common shares in the amount of $32,579,661 (year ended December 31, 2020: $7,878,962). The details are disclosed in Note 17 in the Consolidated Financial Statements for the year ended December 31, 2021. In addition, there was an increase in loans in the amount of $3,968,604 (year ended December 31, 2020: $3,509,919). The details are disclosed in Note 18 in the Consolidated Financial Statements for the year ended December 31, 2021. Furthermore, payments in relation to lease liabilities were $1,621,092 (year ended December 31, 2020; $853,300). The details are disclosed in Note 7 in the Consolidated Financial Statements for the year ended December 31, 2021. An amount of $1,747,479 was paid as share issuance costs (year ended December 31, 2020: $152,641). The details are disclosed in Note 17 in the Consolidated Financial Statements for the year ended December 31, 2021.

In the year ended December 31, 2021, cash outflow was $1,841,241 (year ended December 31, 2020: cash outflow $2,388,549).

In the three months ended December 31, 2021, cash outflow was $6,679,557 (three months ended December 31, 2020: cash inflow $102,100).

Share capital

During the year ended December 31, 2021, the Company issued 18,889,752 common shares. The Company issued 6,013,824 shares in conjunction with two overnight public offerings and the ATM, 9,862,360 shares pursuant to acquisitions, 694,040 shares in relation to finders' fees, 125,000 shares to retire debt, 1,014,181 in lieu of services, 637,472 in lieu of share-based compensation for staff, 499,554 on conversion of promissory notes and 42,860 on exercise of warrants and options. The details are disclosed in Note 17 of the Consolidated Financial Statements for the year ended December 31, 2021.

Use of proceeds

In the year ended December 31, 2021, the Company raised $32,579,661 from issuance of common shares (year ended December 31, 2020: $7,878,962). Proceeds were used for operating expenses and working capital.

Outstanding share data

As at March 31, 2022, 73,689,964 common shares were issued and outstanding, 1,774,710 stock options were outstanding, 3,988,969 warrants were outstanding and 9,221 convertible debentures were in issue which are convertible into an aggregate of 8,951,942 common shares.

Commitments

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

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, 2021.

Changes in accounting policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 3 of the Consolidated Financial Statements for the year ended December 31, 2021.

Related party transactions

Related party transactions are disclosed in Note 15 of the Consolidated Financial Statements for the year ended December 31, 2021.

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

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	$ -	$1,711,677	$ -	**$1,711,677**
Restricted cash	-	126,947	-	**126,947**
Accounts receivable	6,073,229	-	-	**6,073,229**
Notes receivable	7,775,433	-	-	**7,775,433**
Investments	-	19,275,132	-	**19,275,132**
Financial liabilities:				
Accounts payable and accrued liabilities	11,634,468	-	-	**11,634,468**
Other loans	6,875,442	-	-	**6,875,442**
Debenture liability	$9,661,212	$ -	$ -	**$9,661,212**

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

For a detailed discussion of the Company's financial instruments, we refer to Note 20 of the Consolidated Financial Statements for the year ended December 31, 2021.

Subsequent events

Subsequent events are disclosed in Note 25 of the Consolidated Financial Statements for the year ended December 31, 2021.

Controls and procedures

Disclosure controls and procedures ("DC&P")

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

Internal control over financial reporting ("ICFR")

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

Control framework

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

Changes in ICFR

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

Disclosures about risk

The Company's exposure to significant risks includes, but are not limited to currency risk, interest rate risk, credit risk, price risk, market risk and liquidity risk. For a complete discussion of the risks, refer to Note 20 of the Company's Consolidated Financial Statements for the year ended December 31, 2021, and the Annual Information Form available on the SEDAR website at www.sedar.com.

Additional information

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