Halo Labs Inc.
Management Discussion and Analysis
For the three and nine months ended September 30, 2020

This "Management's Discussion and Analysis" ("MD&A") for Halo Labs Inc., an Ontario Corporation ("Halo Labs" or the "Company") has been prepared as at November 13, 2020 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward looking statements

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

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

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

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

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

Overview of Halo Labs Inc.

Halo Labs Inc. is an Ontario corporation and a reporting issuer in British Columbia, Alberta, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, listed on the Neo Exchange Inc. (the "NEO") under the symbol "HALO", and on the OTCQX Best Market under the symbol "AGEEF". The Company's registered office is located at 77 King Street West, Suite 400, Toronto, ON, M5K 0A1.

Halo is a cannabis cultivation, manufacturing and distribution company that grows and extracts and processes quality cannabis flower, oils, and concentrates and has sold over 5 million grams of oils and concentrates since inception. Additionally, Halo has continued to evolve its business through delivering value with its products and now via verticalization in key markets in the United States with planned expansion into Africa, European and Canadian markets. With a consumer-centric focus, Halo markets innovative, branded, and private label products across multiple product categories.

The Company is currently operating in California and Oregon, as well as in Nevada with our partner Just Quality, LLC, and in Lesotho under its strategic partnership with Bophelo Bioscience & Wellness (Pty.) Ltd. ("Bophelo").

Business strategy

The regulated cannabis market continues to mature at an increasingly fast pace. While this has led to testing trading conditions in the short-term, Halo welcomes the positive transformation that is occurring in the cannabis sector overall.

Following on its year end strategic assessment whereby the Company shifted its vision from a concentrates manufacturer to a selectively vertically integrated multi-country operator, Halo is creating a more balanced portfolio and is expanding into higher-growth end markets, thus driving forward its transformation into a leading cannabis company.

While many competitors are struggling to adapt their models to meet these challenges, Halo Labs continues to take a number of strategic steps to reposition itself. One strategy utilized was a targeted approach to acquire distressed assets in share-based transactions, to verticalize the Company's operating footprint while preserving its cash position.

Acquisition philosophy

Halo continues to identify a pipeline of acquisitions, which have the potential to contribute immediately to the Company's bottom line. Where many companies in the cannabis sector have found that capital markets have dried up for them, Halo continues to leverage its robust balance sheet.

Some of these acquisitions, which Halo either started and/or completed in 2020, as well as those that currently remain pending, include:

In January 2020, the Company acquired Mendo Distribution & Transportation LLC ("MDT") in a share-based transaction. MDT is based out of a 4,500 sq ft facility in Ukiah and holds a Type 11 cannabis distribution licenses, as well as manages a Type N on site for the production of edible cannabis products. This was an all-stock transaction.

In January 2020, the Company, through MDT, exercised its option to purchase award winning Outer Galactic Chocolates LLC, holder of a Type N manufacturing license. This license will allow Halo to produce infused and edible products in California.

In March 2020, the Company acquired Cannalift Delivery Inc. ("Cannalift") in an all stock deal. Cannalift is a software company that is developing a delivery application to be used on a smart phone or tablet and a web-based platform that, once developed, is expected to provide consumers with a convenient method of obtaining cannabis products from their local dispensaries.

In April 2020, the Company acquired Nasalbinoid Natural Devices Corp for Halo common shares. Nasalbinoid is focused on the development of an innovative line of all-natural personal nasal inhalers infused with CBD, and under Halo's leadership, soon to be THC.

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

- 66 2/3% controlling membership interest in LKJ11 LLC ("LKJ") a winning Los Angeles dispensary applicant; and

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

On July 16, 2020, the Company completed the acquisition of Bophelo Bioscience & Wellness Pty. Ltd. ("Bophelo").

On July 31, 2020, Halo closed its acquisition of Outer Galactic Chocolates, LLC ("OGC"), holder of a Type N manufacturing license in Mendocino County.

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

On August 5, 2020, the Company entered into a definitive agreement pursuant to which the Company will acquire all the issued and outstanding shares of Ukiah in exchange for securities of the Company. Prior to the transaction, the Company holds a 17.5% equity stake in Ukiah as a result of the Company's initial investment in Ukiah in December 2019.

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

On September 1, 2020, the Company entered into an amended and restated asset purchase agreement with High Tide to amend the terms of the previously announced asset purchase agreement dated February 14, 2020. Under the amended agreement, High Tide will sell its three operating KushBar retail cannabis stores.

On September 9, 2020, the Company completed the Membership Interest Purchase Agreement and acquired the 25% membership interest in Feel Better, LLC, doing business as FlowerShop*.

On September 30, 2020, the Company entered into a definitive share exchange agreement with 1265292 BC Ltd. ("Cannafeels") and the shareholders of Cannafeels, pursuant to which the Company acquired all the issued and outstanding shares of Cannafeels in exchange for common shares of Halo.

On September 28, 2020, the Company announced that its wholly owned subsidiary PSG Coastal Holdings, LLC together with Green Matter Holding, Inc ("GMH") founded a real estate holding company on August 18, 2020 each with 50% ownership. The newly created company, Lake County Natural Health LLC ("LCNH"), completed the purchase of the Bar X Ranch in Lake County.

U.S. business overview

Halo continues to be primarily focused on verticalizing the Company's core U.S. markets, which may in the future include selective expansion into regulated "limited license" recreational markets through partnerships, licensing deals and acquisitions. The Company continues to focus on Oregon and California through increasing cultivation capacity and reviewing potential retail dispensary locations.

- California

  With increased sales velocity of Halo-branded products in California, management believes the brand may be poised for significant growth. The Company completed acquisitions related to a Type N license in Mendocino County, a retail license in the City of Los Angeles, and its investment in FlowerShop*, which should all accelerate the growth of the Company in California. The Company continues to take further steps to secure its supply chain after recently adding a minority stake in a post-harvest cultivation processing, co-packing, and distribution company.

  The Company expects that its supply chain integration and revenue stream diversification will continue to provide revenue and gross margin improvement in California throughout 2020 and beyond. This includes the rollout of edibles and other infused products in California, as well as a significant push towards white labeling. The Company is also planning to increase revenue and distribution through the acquisition of brick and mortar retail locations, such as the planned Los Angeles North Hollywood dispensary, among other potential retail acquisitions in the pipeline.

- Oregon

  With the OLCC having lifted the ban on non-cannabis derived terpenes, this allowed for a repositioning of the Company's vape cartridges. Halo now offers numerous strains of cannabis derived terpene distillate in Exhale, botanical terpene blended distillate in Hush, and live resin cartridges in Mojave. The Company expects this differentiation to reduce the cannibalization of its cartridge brands.

The Company continues to be well positioned as it has secured ample biomass for production. This material ranges from shatter-grade material to that which can backfill live resin lines and provide raw materials for an amplified pre-roll business. Furthermore, the Company continues to invest in its cultivation operations to improve quality and create additional revenue streams. The Company has previously signed a licensing agreement with OG DNA Genetics and cultivation of their award-winning strains is underway. Additionally, the Company has installed two greenhouses at East Evans Creek to initiate a wholesale clones business, as well as augment current propagation capabilities.

- Nevada

  The Company has scaled down operations in Nevada and existing inventory continues to be sold off.

International business overview

Globally, Halo's portfolio now has exposure across markets with a combined value of $5 billion according to New Frontier data[1]. (Oregon, California, Nevada) excluding the international export market into Europe from Lesotho. Europe's 2019 legal cannabis market was valued at $42.9 billion alone according to New Frontier data[2]. The market for cannabis in Africa alone is currently estimated at $37.3 billion with the neighboring South African legal cannabis market expected to be worth $1.9 billion by 2023[3].

The Company believes that the international market continues to be critical as countries worldwide legalize at the national level. Currently, the Company continues to remain focused on developing the manufacturing site in Lesotho, Africa. This transaction has the potential to unlock a 200+ hectare cultivation operation, which would make Halo one of the world's largest growers and suppliers of medicinal-grade cannabis. Not to mention, the cost of production in Lesotho is among the world's lowest.

The Halo team is already operating in Lesotho and the first harvest of 350 plants has been completed. The Company is almost nearing completion of Phase 1 build out of 1.2 hectares and once full-to-capacity will house 3 acres of canopy or approximately 120,000 square feet. Halo expects to finance the development of Bophelo through third party funding and through the securing of commercial offtake

[1] https://newfrontierdata.com/cannabis-insights/europes-medical-cannabis-programs-countries-to-watch/

[2] https://newfrontierdata.com/cannabis-insights/europes-medical-cannabis-programs-countries-to-watch/

[3] https://prohibitionpartners.com/2019/11/07/key-insights-from-the-global-cannabis-report/

agreements. Additionally, Bophelo has signed an agreement with OG DNA Genetics for exclusive cultivation and development rights in Lesotho of DNA's world-renowned strains.

To capitalize on the growing export market, Bophelo is still undergoing a quality manufacturing program to meet Good Agricultural and Collection Practice ("GACP") guidelines in order to ship flower from Lesotho to United Kingdom and a range of European countries including Spain, Greece, Malta as well as Australia and Israel. With the export of GACP approved cannabis, the Company expects improvement in revenue and profitability in 2020.

Moving forward

As the Executive and Management team at Halo reflects on the turbulent time in cannabis, across all industries, the public markets, and the world, it believes in continuing to focus on a 3-year plan versus a reactive month-to-month plan. The Company's focus is on profitable growth and areas of future opportunity. The Company believes it is positioned to capitalize on the opportunities a globalized industry brings. Operating principles to strengthen its long-term position in the global cannabis market include:

Continue to build verticalized assets, through share-based deals at attractive valuations, in core markets and across a global distribution network, mainly Oregon, California, Lesotho, and the UK.

Lesotho: complete build out of phase 1 canopy project and build regional and international distribution for Lesotho flower and concentrates through supply agreements in federally legal countries in the EU, Australia, Israel, and intra-continent across Africa.

Oregon: Annex more outdoor and greenhouse growing capacity to increase quality of extracts and allow sales force to offer year-round availability of packaged flower.

California: Enter indoor flower and retail verticals to secure supply chain, garner customer loyalty, and avoid paying exorbitant shelving fees. Enter into licensing or purchase agreements for premium genetics and brands with consumer loyalty.

Identify and acquire brands with cult following and customer loyalty. Brand dispensaries and packaged flower products to increase revenue, margin, and customer stickiness.

Strengthen statement of financial position such that current assets are greater than current liabilities and every month increase cash on the statement of financial position in comparison to the previous month.

Continue to cut costs by rationalizing corporate overheads, cost of goods sold, and operating expenses.

With this new direction, the Company continues to postpone any capital-intensive build outs and instead focus on low-risk, cash flow generating propositions, such as licensing or white-labeling opportunities.

Halo continues to lay a firm foundation for accelerated future growth. The Company's ambitious leadership has positioned the business to benefit greatly from the structural changes the global cannabis market is contending with.

Overall performance

The following table summarizes the Company's results of operation for the period indicated (in US$ except otherwise noted):

Summary consolidated statement of income - expressed in US dollars

		For the 3 months ending:		
		September 30, 2020		***September 30, 2019***
Revenue	**$**	**6,829,782**	$	7,150,557
Reported gross profit		**4,585,453**		2,903,770
Gross margin		**67.1%**		40.6%
Unrealized fair value gain on growth of biological assets		**2,431,481**		1,902,086
Impairments		**(284,000)**		-
Gross profit excluding biological assets and impairments		**2,437,972**		1,001,684
Gross margin		**35.7%**		14.0%
Operating expenses		**(3,685,817)**		(7,924,134)
Operating income (loss)		**899,636**		(5,020,364)
Net loss		**(3,167,055)**		(5,887,772)
Comprehensive loss		**(2,640,685)**		(6,309,689)
Net loss per share (basic and diluted)	**$**	**(0.01)**	$	(0.03)

- Revenues in the three months ended September 30, 2020 were $6,829,782, a 4.5.% decrease compared to $7,150,557 in the three months ended September 30, 2019. In comparison with the three months ended June 30, 2020, revenues increased with 30.3%, reflecting a strong recovery at Coastal Harvest and a near doubling of revenues at MDT. In 2020 revenues have increased each quarter compared with the previous three months period.

- Gross profits were $4,585,453 (three months ended September 30, 2019: $2,903,770). The gross margin was 67.1% (three months ended September 30, 2019: 40.6%), explained by a further improvement in gross margins at ANM to 44.3% (three months ended September 30, 2019: 26.1%) and a gain in the value of biological assets. The gross margin at Coastal Harvest recovered to 21.1% adjusted for an inventory markdown (three months ended September 30, 2019: 7.3%) and 25.1% at MDT (three months ended September 30, 2019: NA).

- Earnings before interest, tax and depreciation (EBITDA or operating income) was $899,636 (three months ended September 30, 2019: negative $5,020,364) and was positive for the first time in the

Company's history and ahead of the Company's target. There was a significant reduction in overhead costs to $3,685,817 (three months ended September 30, 2019: $7,924,134).

- In the three months ended September 30, 2020, the acquisitions of Ukiah Ventures Inc., Bophelo Bioscience Wellness Pty. Ltd. and Cannafeels were completed. Once Bophelo receives a Good Agricultural and Collection Practices ("GACP") certification, its biological assets are included in the consolidated figures. Ukiah Ventures Inc. provides a platform for a 30,000 square foot indoor grow that is currently under construction.

- As at September 30, 2020, the Company had cash available in the amount of $2,313,826 and working capital in the amount of $13,061,599. Cash generated from operations in the three months ended September 30, 2020 was $151,903, cash used for investing was $88,293 and cash raised from finance activities was $738,090. Total cash inflow was $801,700.

Corporate highlights

On January 9, 2020, the Company announced that, further to the press release dated November 25, 2019, it has closed its acquisition of MDT. The consideration was 20,907,553 common shares in the capital of Halo at the fair value of $0.22 per share. Pursuant to the terms of the MDT acquisition agreement 8,446,985 Common Shares were issued to MDT Holdings, LLC, the previous sole member of MDT, upon closing, and 12,460,568 Common Shares were deposited into escrow.

On January 15, 2020, the Company announced that it has exercised MDT's option to purchase award winning Outer Galactic Chocolates LLC ("OGC"), holder of a Type N manufacturing license. MDT was acquired by the Company through merger on January 9, 2020.

On January 16, 2020, the Company entered into two Letters of Intent concerning the proposed acquisition of a controlling interest in a North Hollywood ("NOLA") cannabis dispensary applicant and 100% interest in a retail management company and leasehold for a total combined consideration of $11.5 million. The Acquisition will be paid on the completion of designated performance milestones using common shares of Halo.

On February 12, 2020, the Company announced that Katharyn M. Field has been promoted to President of the Company effective February 12, 2020. She was previously the Chief Strategy Officer of the Company.

On February 14, 2020, the Company announced that it had completed an asset purchase agreement with High Tide Inc. for purchase of three licensed retail cannabis stores, five development permits to build new cannabis stores in Alberta, and a number of trademarks, copyrights and digital assets. The total purchase price is expected to be CAD $12 million payable in common shares of Halo Labs Inc. On February 18, 2020 the Company issued 13,461,538 common shares as a deposit per the terms of the agreement. The Transaction is subject to the review and approval of the Alberta, Gaming, Liquor, and Cannabis Commission ("AGLC") and the satisfaction or waiver of other customary conditions.

On March 10, 2020, the Company completed the acquisition of Cannalift through its wholly owned subsidiary 1242899 B.C. Ltd. for 31,000,000 common shares of Halo Labs Inc. at a fair value of CAD 0.11 per share. Cannalift is a software company that is developing an application to introduce a new and convenient method for obtaining cannabis products. Once functional, the application will deliver any products from local dispensaries to consumers through an intuitive application and website, subject to regulatory approvals. Concurrent to the closing of this transaction, Halo closed a non-brokered private placement of Halo common shares at a price of CAD $0.11 per share for aggregate gross proceeds of approximately CAD $700,000. The Halo common shares issued in connection with this concurrent financing are subject to a four month and one day statutory hold period pursuant to applicable securities laws. Proceeds from the concurrent financing will be used for general working capital. In connection with the acquisition, Halo also issued an aggregate of 2,480,000 common shares of the Company as a finder's fee to an arm's-length consultant at a fair value of $0.08 (C$0.12) per share.

On March 27, 2020, the Company announced that it plans to launch a pilot distillate manufacturing remediation program in California for distillate, live resin, fats and waxes, tails and terpenes. Additionally, the Company is re-opening bulk distillate manufacturing operations in Cathedral City.

On April 3, 2020, the Company announced that it has entered into a definitive agreement to acquire all of the common shares of Nasalbinoid Natural Devices Corp. in Halo common shares. The common shares issued by Halo in conjunction with the planned acquisition will be subject to certain sale restrictions.

On April 17, 2020, the Company announced it has entered into a letter of intent to acquire a 25% membership interest in Feel Better, LLC, dba FlowerShop*, payable in Halo common shares. Up to $400,000 of the consideration may be payable in cash in four monthly installments following the closing to help support the working capital requirements of FlowerShop*. Halo and FlowerShop* will also execute a licensing, manufacturing, and distribution agreement for FlowerShop* branded products.

On April 17, 2020, the Company completed the acquisition of all of the common shares of Nasalbinoid Natural Devices Corp. The Company, through its wholly owned subsidiary, 1245316 B.C. Ltd. acquired all of the issued and outstanding shares in the capital of Nasalbinoid in exchange for 34,000,000 common shares of the Company at a fair value of CAD $0.11 per share. As a condition to closing, Halo has closed the concurrent non-brokered private placement of common shares of Halo at a price of CAD $0.11 per share for aggregate gross proceeds of approximately CAD $425,000. Proceeds of the Concurrent Financing will be used for general working capital. Furthermore, in connection with the acquisition, Halo has issued an aggregate of 3,400,000 common shares of the Company as a finder's fee to an arm's-length finder at a fair value of CAD 0.11 per share.

On April 24, 2020, the Company announced that it made its first sale of distillate that was cleaned using the Company's proprietary Superfiltration Pilot Program at Coastal Harvest in Cathedral City, California. Halo Labs intends to scale this process up to one hundred liters per week, which triples current capacity.

On April 28, 2020, the Company announced it had agreed to a second extension of the binding letter of intent to acquire all the common shares of Canmart Limited, a licensed importer and distributor of cannabis-based products for medicinal use. Having experienced delays related to the COVID-19 global pandemic, the signing of a definitive agreement is imminent.

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

- 66 2/3% controlling membership interest in LKJ11 LLC ("LKJ") a winning Los Angeles dispensary applicant; and

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

LKJ11 acquisition

On July 6, 2020, Halo acquired a company holding a 66 2/3% interest in LKJ11 in exchange for 42,881,646 Halo common shares. To effectuate the LKJ11 transaction, the majority member of LKJ11 merged with and into Halo's MFT11 Merger Sub, Inc. and the majority member remains the surviving entity is wholly owned by PSG Coastal Holdings LLC ("PSG"), an indirect wholly owned subsidiary of Halo. Upon closing, Halo issued 8,576,329 Halo common shares to the vendors. 34,305,317 Halo shares are still to be issued as follows:

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

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

Crimson & Black ("C&B") acquisition

On July 6, 2020, Halo acquired 100% of the outstanding membership interest in C&B in exchange for 6,432,247 Halo shares. To effectuate the C&B transaction, C&B merged with and into Halo's C&B Merger Sub, Inc. and C&B remains the surviving entity and is wholly owned by PSG.

The Halo shares will be issued as follows:

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

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

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

On July 31, 2020, Halo closed its acquisition of Outer Galactic Chocolates, LLC ("OGC"), holder of a Type

N manufacturing license in Mendocino County in exchange for 1,981,825 Halo common shares. The acquisition gives Halo a license to produce infused and edible cannabis products adjacent to the Mendo Distribution and Transportation LLC ("MDT") facility in Ukiah, California. To effectuate the acquisition, OGC Merger Sub, Inc., an indirect wholly owned subsidiary of Halo, merged with and into OGC. OGC remains the surviving entity and will be wholly owned by PSG Coastal Holdings LLC, an indirect wholly owned subsidiary of Halo. Upon closing, Halo issued 495,457 Halo Shares (25% of the total consideration) to OGC's owner. The remainder of the Halo Shares will be paid in twelve equal installments of 123,864 Halo Shares, deliverable on the first day of each of the twelve months immediately following the closing.

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

On August 5, 2020, the Company entered into a definitive agreement pursuant to which the Company will acquire all the issued and outstanding shares of Ukiah in exchange for securities of the Company. Prior to the transaction, the Company held a 17.5% equity stake in Ukiah as a result of the Company's initial investment in Ukiah in December 2019. The Company acquired the remaining issued and outstanding 7,725,007 Ukiah Shares, and will therefore own 100% of the total outstanding 9,058,340 Ukiah Shares. The purchase price was satisfied by issuing 71,881,607 common shares of Halo. On August 19, 2020, the Company completed the acquisition and issued the aforementioned shares at fair market value of $0.09 (C$0.12).

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

On August 18, 2020, the Company, through its wholly owned subsidiary PSG Coastal Holdings, LLC, together with Green Matter Holdings, Inc. ("GMH") founded a real estate holding company each with 50% ownership, Lake County Natural Health LLC.

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

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

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

On September 16, 2020, the Company entered into an equity distribution agreement with PI Financial Corp. pursuant to which the Company established an “at-the-market” equity program (“ATM”) that allows the Company to issue and sell up to C$7,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion. All common shares sold under the ATM program will be sold through the Neo Exchange Inc. or another marketplace (as defined in National Instrument 21-101 -- Marketplace Operation) upon which the common shares are listed, quoted or otherwise traded, at the prevailing market price at the time of sale. Between September 17, 2020 and September 30, 2020, the Company issued 9,750,000 shares in relation to proceeds from the ATM at an average price of C$0.07. Gross proceeds were C$709,050 and net proceeds were C$694,689.

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

On September 30, 2020, the Company entered into a definitive share exchange agreement with 1265292 B.C. Ltd., doing business as Cannafeels and the shareholders of Cannafeels, pursuant to which the Company acquired all the issued and outstanding shares of Cannafeels in exchange for common shares of Halo. Pursuant to the terms of the share exchange agreement, Halo acquired 100% of Cannafeels’ outstanding common shares from the shareholders by the issuance of 93,000,000 Halo common shares. The shares were issued on September 30 at a fair market value of $0.06 (C$0.08). In connection with the acquisition, Halo also issued an aggregate of 6,975,000 common shares as a transaction fee to an arm’s length consultant of the Company.

On September 22, 2020, the Company entered into a definitive share exchange agreement with 1265292 BC Ltd. (“Cannafeels”) and the shareholders of Cannafeels, pursuant to which the Company will acquire all the issued and outstanding shares of Cannafeels in exchange for 93,000,000 common shares of Halo.

Completion of the acquisition is subject to customary closing conditions, including receipt of approval from the NEO Exchange. In connection with the acquisition, Halo also plans to issue an aggregate of 6,975,000 common shares as a transaction fee to an arm's-length consultant of the Company.

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

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

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

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

On September 28, 2020, the newly created company, Lake County Natural Health LLC (“LCNH”), completed the purchase of the Bar X Ranch in Lake County, California from an unrelated party.

Results of operations

The following section provides details of the Company's financial performance for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board (IASB). The information is presented on the same basis as the audited Consolidated Financial Statements and should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes. Operating income or loss in the selected financial information is the same as income or loss before undernoted items in the audited Consolidated Financial Statements.

Selected financial information - expressed in US dollars

	For the 3 months ending:	
	September 30, 2020	***September 30, 2019***
Revenue	**$ 6,829,782**	$ 7,150,557
Cost of finished cannabis inventory sold	**4,675,810**	6,148,873
Gross profit ex change in FV biological assets	**2,153,972**	1,001,684
Unrealized fair value gain on growth of biological assets	**2,431,481**	1,902,086
Gross profit	**4,585,453**	2,903,770
Operating expenses	**(3,685,817)**	(7,924,134)
Operating income	**899,636**	(5,020,364)
Net loss	**(3,167,055)**	(5,887,772)
Net comprehensive loss	**(2,640,685)**	(6,309,689)
Net loss per share, basic & diluted:	**$ (0.01)**	$ (0.03)
Weighted average number of outstanding common shares, basic and diluted	**565,337,479**	191,194,200
Total assets	**80,407,689**	41,988,522
Long-term financial liabilities	**17,356,682**	8,845,633

Revenue

Revenues in the three months ended September 30, of 2020 were $6,829,782 compared to $7,150,557 in the three months ended September 30, of 2019, a 4.5% decline. Total sales were 1,058,895 grams (three months ended September 30, 2019: 977,716 grams) at an average mix-price of $6.24 (three months ended September 30, 2019: $7.31 per gram).

In the three months ended September 30, of 2020, ANM, the facility in Oregon, sold 671,647 grams of shatter, cartridge oil, live resin, tinctures and gummies and pre-rolls (three months ended September 30, 2019: 426,969 grams). There were no flower sales in the three months ended September 30, 2020 (three months ended September 30, 2019: Nil). The average achieved mix-price across all products was $5.93 per gram equivalent (three months ended September 30, 2019: $7.77 per gram).

In the three months ended September 30, 2020, Coastal Harvest, the facility in Cathedral City, sold 205,680 grams of distillate (three months ended September 2019: 533,112 grams). The is the first quarter year to date that Cathedral City contributed to sales. The achieved price for distillate was $3.49 (three months ended September 30, 2019: $6.24 per gram).

In the three months ended September 30, 2020, MDT, the facility in Ukiah, sold 180,304 grams of distillate and live resin (three months ended September 30, 2019: Nil) at an average price of $11.12 (three months ended September 30, 2019: NA).

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $4,675,810 in the three months ended September 30, 2020 (three months ended September 30, 2019: $6,148,873). The gain in the value of biological assets was $2,431,481 in the three months ended September 30, 2020 (three months ended September 30, 2019: gain of $1,902,086).

The gross profit for the three months ended September 30, of 2020 was $4,585,453 including a net gain on biological assets of $2,431,481. The reported gross margin was 67.1% (three months ended September 30, 2019: 40.6%). Excluding the gain on biological assets, the gross profit was $2,153,972. The gross margin was 31.5%. (three months ended September 30, 2019: 14.0%). There was a markdown of inventory at Coastal Harvest in the amount of $284,000. Adjusted for the markdown the gross margin was 35.7% for the three months ended September 30, 2020 (three months ended September 30, 2019: 14.0%).

The trim run was 12,425 pounds at a yield of 8.6%. Trim, raw material input for extracts and oils, sold at $29 per pound (three months ended September 30, 2019: $53 per pound).

Income or loss before undernoted items

The table below sets forth expenses included in income or loss before undernoted items for the three months ended September 30, of 2020 and 2019.

Operating expenses - expressed in US dollars

		For the 3 months ending:		
		September 30, 2020		***September 30, 2019***
General and administration	**$**	**901,195**	$	1,642,480
Salaries		**1,176,942**		1,227,678
Professional fees		**789,372**		2,901,064
Sales and marketing		**908,368**		774,647
Investor relations		**(366,862)**		59,094
Loss on settlements and contigencies		**(56,431)**		1,220,709
Share-based compensation		**333,233**		98,462
Total operating expenses	**$**	**3,685,817**	$	7,924,134

Operating expenses decreased in most areas following the continuous focus to cut costs. The decrease in G&A is explained by reductions in G&A at Coastal Harvest and MDT. There were first time contributions of Ukiah Ventures and Bophelo to G&A.

Salaries declined following declines at ANM in Oregon and at the corporate center. Salaries paid in shares are on a declining trend as more salaries are paid in cash. There was a first-time contribution of Bophelo in the three months ended September 30, 2020.

Professional expenses decreased, following from a sharp decline at the corporate center. This reflects a slowing down in M&A activity and related legal and advisory costs. Although there was in increase in legal expenses, there was a reversal in non-cash consulting fees. There were first time contributions of Ukiah Ventures and Bophelo.

Sales and marketing expenses increased because of higher commissions paid in California at Coastal Harvest and MDT, and MDT was not included in the three months ended September 30, 2019. There was virtually no marketing spending at the corporate center in the three months ended September 30, 2020.

Share-based compensation was $333,233 (three months ended September 30, 2019: $98,462). Share-based compensation is a non-cash expense.

Income or loss before income taxes

Included in the loss on intangibles is an impairment of $2,470,253 in relation to the acquisition of Cannafeels.

Expressed in US dollars

Biological assets

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

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

Biological assets		
Balance at December 31, 2019	$	-
Fair value change due to biological transformation	$	2,531,510
Production costs capitalized	$	1,407,456
Transferred to investory upon harvest	$	(21,211)
Balance at September 30, 2020	**$**	**3,917,755**

All material harvested during the year ended December 31, 2019 was transferred to the Company and used for processing and direct sales of flower to third parties.

As at December 31, 2019, the Company did not carry any value of biological assets. The fair value change due to biological assets transformation in the cannabis plants model is $2,531,510 and capitalized production costs are $1,386,245 at East Evans Creek. Transferred to inventory is $21,211 at East Evans Creek. As at September 30, 2020, there were no biological assets at Bophelo. The change in the fair value due to the transformation of biological assets was -$41,981 at Bophelo. Capitalized production costs were $41,981 at Bophelo.

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

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

- Number of weeks in the growing cycle (from propagation to harvest) is 14 weeks at East Evans Creek and Bophelo based on historical results;

Expressed in US dollars

- Wholesale selling price of premium flower is $1.98 per gram and $1.38 per gram for flower based on historical and expected future sales at East Evans Creek and $3.00 at Bophelo. Wholesale prices of trim and fresh frozen are $0.15 per gram and $0.09 per pound at east Evans creek;

- Harvest yield of flower is 0.80 pounds per plant at East Evans Creek and 0.45 pounds per plant at Bophelo, net of wastage, based on historical results. Harvest yield of premium flower is 0.26 pounds per plant;

- Harvest yields of trim and fresh frozen per plant at East Evans Creek are 0.32 pounds and 1.38 pounds per plant. Bophelo does not harvest trim;

- Costs to complete and sell are $0.63 for premium flower, $0.50 per gram for flower, $0.05 for trim and $0.03 for fresh frozen at East Evans Creek and $0.04 per gram for flower at Bophelo.

The table below shows the assumptions used in the biological assets model for the current harvest year.

Assumptions utilized in cannabis plant model

	Year ended December 31, 2020							
		Premium		**Bud**		**Trim**		**Fresh frozen**
East Evans Creek								
Ratio flower vs. trim		7.2%		22.5%		31.7%		38.6%
Yield - pounds		1,816		5,676		7,991		9,742
Yield per plant - pounds		0.26		0.80		0.32		1.38
Selling price per gram	$	1.98	$	1.38	$	0.15	$	0.09
Total costs to complete and sell	$	0.63	$	0.50	$	0.05	$	0.03
FVLCS - $ per gram	$	1.35	$	0.88	$	0.10	$	0.06
Bophelo								
Ratio flower vs. trim		-		59.9%		40.1%		-
Selling price per gram		-	$	3.00	$	3.00		-
Total costs to complete and sell		-	$	0.33	$	0.33		-
FVLCS - $ per gram		-	$	2.67	$	2.67		-

The estimated FVLCS of dry cannabis used in the biological assets model is $1.35 per gram for premium flower, $0.88 for bud, $0.10 for trim and $0.06 for fresh frozen at East Evans Creek The estimated FVLCS of flower at Bophelo is $2.96 per gram. The estimated total yield for the year ending December 31, 2020 is 25,225 pounds of biomass (2019: 15,910 pounds) at East Evans Creek and 496 pounds at Bophelo (2019: Nil). The ratio premium - flower – trim – fresh frozen is 7.2% - 22.5% - 31.7% - 38.6% (2019: flower – trim 16% - 84%). Bophelo harvests 59.9% flower and 40.1% trim (2019: Nil).

The harvest from East Evans Creek is transferred to the Medford facility, tested and packaged and thereafter sold to dispensaries in Oregon. On August 7, 2020, Bophelo entered into a C$30,000,000 offtake agreement with Medcan Ltd. in Malta for the sale of bulk cannabis biomass, primarily into the European market.

Expressed in US dollars

The above inputs 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 on the fair value of biological assets - September 30, 2020				
Sensitivity		**+ 10%**		**- 10%**
Change in expected yield for cannabis plants	$	673,846	$	(673,846)
Change in FVLCS		453,932		(453,932)

Nine months ended September 30, 2020

The following section provides details of the Company's financial performance for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board (IASB). The information is presented on the same basis as the audited Consolidated Financial Statements and should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes.

The development of revenues in the nine months ended September 30, 2020 compared with the nine months ended September 30, 2019 should be read in conjunction with the section "results of operations" in this MD&A, which discusses the results of operations for the three months ended September 30, 2020, and the same section in the MD&A for the three months ended June 30, 2020 and three months ended March 31, 2020.

Revenues for the nine months ended September 30, 2020 were $16,521,841, a 35.0% decline in comparison with the nine months ended September 30, 2019. Total sales were 3,623,717 grams (nine months ended September 30, 2019: 3,011,634 grams) at an average mix-price of $4.56 per gram (nine months ended September 30, 2019: $8.49 per gram).

In the nine months ended September 30, of 2020, ANM, the facility in Oregon, sold 3,073,188 grams of shatter, cartridge oil, live resin, tinctures and gummies and pre-rolls (nine months ended September 30, 2019: 1,350,245 grams). The average achieved mix-price across all products was $3.92 per gram equivalent (nine months ended September 30, 2019: $6.75 per gram).

In the nine months ended September 30, 2020, Coastal Harvest, the facility in Cathedral City, sold 205,680 grams of distillate (nine months ended September 2019: 1,596,333 grams). The achieved price for distillate was $3.49 (nine months ended September 30, 2019: $9.22 per gram).

In the nine months ended September 30, 2020, MDT, the facility in Ukiah, sold 337,031 grams of distillate and live resin (nine months ended September 30, 2019: Nil) at an average price of $10.67 (nine months ended September 30, 2019: NA).

Selected financial information - expressed in US dollars

	For the 9 months ending:	
	September 30, 2020	***September 30, 2019***
Revenue	**$ 16,521,841**	$ 25,421,072
Cost of finished cannabis inventory sold	**13,098,695**	20,428,716
Gross profit ex change in FV biological assets	**3,423,146**	4,992,356
Unrealized fair value gain on growth of biological assets	**2,017,002**	1,609,444
Gross profit	**5,440,148**	6,601,800
Operating expenses	**(15,889,680)**	(16,686,798)
Operating income	**(10,449,532)**	(10,084,998)
Net loss	**(18,045,225)**	(12,983,442)
Net comprehensive loss	**(17,814,516)**	(13,142,875)
Net loss per share, basic & diluted:	**$ (0.04)**	$ (0.08)
Weighted average number of outstanding common shares, basic and diluted	**438,344,858**	155,030,836
Total assets	**80,407,689**	41,988,522
Long-term financial liabilities	**17,356,682**	8,845,633

Gross profits were $5,440,148 in the nine months ended September 30, 2020 and the gross margin was 32.9% (nine months ended September 30, 2019: 26.0%). The nine months ended September 30, 2020, included $951,813 in impairments in relation to MDT included in COGS in the three months ended March 31, 2020. In the three months ended September 30, 2020, there was an impairment charge of $284,000 in relation to the mark-down of inventory at Coastal Harvest. Total impairments for the nine months ended September 30, 2020 were $1,235,813. There was a gain of $2,017,002 in the value of biological assets in the nine months ended September 30, 2020.

Adjusted for the gain or loss in the value of biological assets, gross profit was $3,423,146 (nine months ended September 30, 2019: $4,992,356) and the gross margin was 20.7% (nine months ended September 30, 2019: 19.6%). Adjusted for non-recurring items and impairments, the gross profit was $4,658,959 (nine months ended September 30, 2019: $4,992,356) and the gross margin was 28.8% (nine months ended September 30, 2019: 19.6%).

Operating expenses - expressed in US dollars

	For the 9 months ending:	
	September 30, 2020	*September 30, 2019*
General and administration	**2,012,695**	3,438,445
Salaries	**3,265,287**	3,408,663
Professional fees	**5,714,179**	3,955,472
Sales and marketing	**2,606,710**	1,961,570
Investor relations	**904,241**	1,284,805
Loss on settlements and contigencies	**216,357**	1,220,709
Share-based compensation	**1,170,211**	1,417,134
Total operating expenses	**$ 15,889,680**	$ 16,686,798

The development of expenses included in income or loss before undernoted items in the nine months ended September 30, 2020 compared with the nine months ended September 30, 2019 should be read in conjunction with the section “income or loss before undernoted items” under “results from operations” in this MD&A, which discusses the operating expenses for the three months ended September 30, 2020, and the same section in the MD&A for the three months ended June 30, 2020 and three months ended March 31, 2020.

In the nine months ended September 30, 2020, G&A, expenses declined, IR and public relations expenses decreased, share issuance costs were lower and share-based compensation was lower. Sales and marketing expenses increased in the nine months ended September 30, 2020 following from higher commissions paid on sales at Coastal Harvest and MDT, and MDT was not included in the nine months ended September 30, 2019. In addition, there were marketing expenses at the corporate center. They were 76% non-cash as they were paid in shares. Although professional fees increased for the nine months ended September 30, 2020, they declined in the three months ended September 30, 2020.

Summary of quarterly results

Summary of quarterly results - expressed in US dollars

For three months to:	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**
Revenue	3,039,926	8,718,503	9,552,012	7,150,557	2,727,416	4,449,098	5,242,961	6,829,782
Cost of Cannabis inventory sold	3,336,069	6,273,930	8,005,913	6,148,873	4,833,397	4,331,725	4,091,160	4,675,810
Gross profit excluding FV changes	(296,143)	2,444,573	1,546,099	1,001,684	(2,105,980)	117,373	1,151,801	2,153,972
Changes in value of biological assets	(635,849)	(267,758)	(24,884)	1,902,086	(1,386,778)	(289,553)	(124,926)	2,431,481
Gross profit / (loss)	(931,992)	2,176,815	1,521,215	2,903,770	(3,492,758)	(172,180)	1,026,875	4,585,453
Gross margin	*-30.7%*	*25.0%*	*15.9%*	*40.6%*	*-128.1%*	*-3.9%*	*19.6%*	*67.1%*
Net loss	(4,443,868)	(2,761,551)	(3,912,201)	(6,309,689)	(14,633,694)	(8,609,704)	(6,268,465)	(3,167,055)
Net loss per share	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.01)	$ (0.01)
Weighted average number of outstanding common shares, basic and diluted	157,905,223	160,386,434	182,418,186	191,194,200	247,245,179	277,418,561	429,610,021	565,337,479
Total assets	19,391,988	25,691,649	38,338,127	40,881,703	41,988,522	47,508,892	48,016,022	80,407,689

The Company's quarterly consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board ("IASB") and are reported in U.S. dollars. The above quarterly information is presented on the same basis as the audited consolidated financial statements and should be read in conjunction with the statements and the accompanying notes. The fluctuation in the gross margin is explained by the timing of inventory movements, a change in the value of biological assets, and value adjustments of inventory.

Non-IFRS measures

Adjusted EBITDA - expressed in US dollars

	For the 3 months ending:		*For the 9 months ending:*	
	September 30, 2020	*September 30, 2019*	*September 30, 2020*	*September 30, 2019*
EBITDA	**$ 899,636**	$ (5,020,364)	**$ (10,449,532)**	$ (10,084,998)
Depreciation included in COGS	**276,652**	232,568	**754,073**	629,845
Impairments included in COGS	**284,000**	-	**1,335,813**	-
Share-based compensation for staff	**333,233**	98,462	**1,170,211**	1,417,134
Share-based payments for goods and services	**1,097,608**	5,552,667	**6,133,996**	5,552,667
(Gain) loss on values of biological assets	**(2,431,481)**	(1,902,086)	**(2,017,002)**	(1,609,444)
Adjusted EBITDA	**$ 459,649**	$ (1,038,753)	**$ (3,072,441)**	$ (4,094,796)

Management evaluates the Company's performance using a variety of measures. The non-IFRS measures should not be considered as an alternative to or to be more meaningful than net revenue or net loss. These measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

EBITDA and Adjusted EBITDA are calculated as described above, adjusted for specific items that are significant but not reflective of the Company's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Company's operating performance before income taxes, depreciation and amortization, and certain other income and expenses. Income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Management believes that presentation of this non-IFRS measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses Adjusted EBITDA to compare financial results among reporting periods and to evaluate the Company's operating performance and ability to generate funds from operating activities. In calculating Adjusted EBITDA, certain non-cash and nonrecurring transactions are excluded. Adjusted EBITDA excludes non-cash expenses related to share-based compensation and foreign exchange gains and losses.

Liquidity and capital resources

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund operating and organic growth requirements.

The Consolidated Financial Statements have been prepared on a going concern basis, which assume that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and continuing to manufacture its products. Having been prepared giving effect to the going concern assumption, these financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

Historically, management has been successful in obtaining enough funding for operating and capital requirements.

In April 2019, the Company closed a financing through convertible debentures with gross proceeds of $15,842,620 (or CAD $21,163,000).

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

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

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

On March 10, 2020, the Company closed a private placement concurrent with the acquisition of Cannalift, raising total gross proceeds of $510,856 (C$700,000) (Note 15 of the Financial Statements);

On April 17, 2020, the Company closed a private placement concurrent with the acquisition of Nasalbinoid, raising total gross proceeds of $301,070 (C$425,000) (Note 15 of the Financial Statements).

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

Between September 17, 2020 and September 30, 2020, the Company issued 9,750,000 shares at an average price of C$0.07. Gross proceeds were C$709,050 and net proceeds were C$694,689. Commissions paid were C$14,361.

As at September 30, 2020, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

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

In the United States, 33 states and the U.S. territories of Guam, the U.S. Virgin Islands, and Puerto Rico allow the use of medical cannabis. Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, the Northern Mariana Islands, Oregon, and Washington have legalized the sale and adult-use of recreational cannabis. The District of Columbia and Vermont have legalized adult-use of recreational cannabis, but do not allow the sale of recreational cannabis.

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

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

As at September 30, 2020, the Company had available cash in the amount of $2,313,826 and restricted cash in the amount of $1,263,902. As at September 30, 2020, the Company had continued losses, an accumulated deficit and a working capital surplus, but for the first time, in the three months ended September 30, 2020, the Company reported positive income before undernoted items. 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 September 30, 2020. Working capital as at December 31, 2019 includes investments and marketable securities. As at September 30, 2020, the Company no longer holds marketable securities and investments have been reclassified as long-term investments.

Cash and working capital position - expressed in US dollars

As at:		***September 30, 2020***		***December 31, 2019***
Cash (including restricted cash)	**$**	**3,577,765**	$	6,068,414
Working capital		**13,061,599**		15,283,403

The table below sets forth the Company's cash flows for the nine months ended September 30, 2020 and 2019.

Cash flow - expressed in US dollars

				For the 9 months ending:
Cash provided by (used in):		***September 30, 2020***		***September 30, 2019***
Operating activities	**$**	**(3,386,638)**	$	(12,270,943)
Finance activities		**1,167,073**		18,446,165
Investing activities		**(271,084)**		(1,102,705)

Cash used in operating activities

For the nine months ended September 30, 2020, cash used in operating activities was $3,636,638 (nine months ended September 30, 2019: $12,270,943). For the three months ended September 30, 2020, cash generated from operating activities was $151,903 (three months ended September 30, 2019: cash used in operations $3,038,903).

The decrease in cash used in operating activities was due to a net loss of $18,045,225 (nine months ended September 30, 2019: net loss $12,983,442), the reversal of non-cash items in the amount of $13,406,264 (nine months ended September 30, 2019: $8,720,523) and a decrease in working capital of $1,252,324 (nine months ended September 30, 2019: increase $8,008,024). Working capital decreased with $502,626 in the three months ended September 30, 2020 (three months ended September 30, 2019: increase $2,874,906).

Cash provided by financing activities

For the nine months ended September 30, 2020, cash generated from financing activities was $1,167,073 (nine months ended September 30, 2019: $18,446,165). The cash flow from financing activities in the nine months ended September 30, 2020 was comprised of net proceeds from issuance of common shares in the amount of $1,242,673 (nine months ended September 30, 2019: $18,938,459), an increase in loans in the amount of $621,913 (nine months ended September 30, 2019: $Nil), lease payments of $566,013 (nine months ended September 30, 2019; $Nil) and $131,500 was paid as share issuance costs (nine months ended September 30, 2019: $492,294).

Cash used in investing activities

For the nine months ended September 30, 2020, cash used for investing activities was $271,084 (nine months ended September 30, 2019: $1,102,705).

Share capital

During the nine months ended September 30, 2020, the Company issued 476,333,753 common shares. 4,560,312 warrants were issued as payment for services and 34,538,797 warrants were cancelled as they expired. 25,500,000 options were issued to staff, executives and directors and 1,033,672 options forfeited or were cancelled. The details are disclosed in Note 15 of the Consolidated Financial Statements for the three and nine months ended September 30, 2020.

Use of proceeds

In the nine months ended September 30, 2020, the Company raised $711,231 from private placements. The Company also raised $531,442 from the ATM, which was launched on September 17, 2020. Proceeds from share issuances in private placements and the ATM were used for working capital.

Outstanding share data

As at November 13, 2020, the Company has 979,942,984 common shares issued and outstanding, 33,738,637 stock options outstanding, 120,175,896 warrants outstanding and 12,679 convertible debentures which are convertible into an aggregate of 19,506,178 common shares.

Commitments

Contractual obligations as at September 30, 2020 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods are disclosed in Note 20:

Critical accounting estimates and judgements

The critical accounting estimates and judgements are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020.

Changes in accounting policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020.

Related party transactions

Related party transactions are disclosed in Note 13 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020.

Off-balance sheet arrangements

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

Financial instruments

The following is a summary of the carrying values of the financial instruments as at September 30, 2020:

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	-	2,313,826	-	**2,313,826**
Restricted cash	-	1,263,939	-	**1,263,939**
Accounts receivable	2,369,085	-	-	**2,369,085**
Notes receivable	1,210,389	-	-	**1,210,389**
Investments	-	1,211,765	-	**1,211,765**
Financial liabilities:				
Accounts payable and accrued liabilities	7,460,396	-	-	**7,460,396**
Other loans	6,683,769	-	-	**6,683,769**
Debenture liability	7,926,531	-	-	**7,926,531**

All financial assets and financial liabilities are initially recognized at fair value. The fair value of financial instruments is measured using inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two includes inputs that are observable other than quoted prices included in Level One.
- Level Three includes inputs that are not based on observable market data.

All are recognized as Level One measurements except for debenture liability which is classified as Level Two. There have been no transfers between fair value levels during the period.

For a detailed discussion of the Company's financial instruments, refer to Note 18 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020.

Subsequent events

Subsequent events are disclosed in Note 21 of the Condensed Interim Consolidated Financial Statements.

Controls and procedures

Disclosure controls and procedures ("DC&P")

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

Internal control over financial reporting ("ICFR")

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

Control framework

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

Changes in ICFR

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

Disclosures about risks

The Company's exposure to significant risks include, but are not limited to currency risk, interest rate risk, credit risk, price risk, market risk and liquidity risk. For a complete discussion of the risks, refer to Note 17 of the Company's Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2020 and the Annual Information Form for the year ended December 31, 2019 available on the SEDAR website at www.sedar.com.

Additional information

Additional information relating to Halo, including our annual information form, is available on SEDAR at www.sedar.com.