Halo Collective Inc. (formerly Halo Labs Inc.)
Management Discussion and Analysis
For the three and nine months ended September 30, 2021

This "Management's Discussion and Analysis" ("MD&A") for Halo Collective Inc., an Ontario Corporation ("Halo Collective" or the "Company") has been prepared as at November 15, 2021 and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward looking statements

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

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

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

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

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

Overview of Halo Collective Inc.

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

In connection with the name change, the common shares started trading on the OTCQB under the trading symbol "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 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 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 September 30, 2021, no biological assets were transferred from Williams Wonder to the Company;

- On September 13, 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 September 30, 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 is building out Ukiah Ventures, a planned 30,000 sq. ft. indoor cannabis grow and processing facility, which will include up to an additional five acres of industrial land to expand the site;

- Additionally, 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 worked with its Nevada operating partner, Just Quality LLC ("Just Quality"), on the manufacture and sale of cannabis extracts pursuant to a management agreement with Just Quality, which was originally intended to be in place pending the acquisition by the Company of Just Quality's Nevada cannabis licenses pursuant to an asset purchase agreement. Due to economic conditions effected by the COVID-19 Virus, Halo has made the strategic decision to exit the Nevada market. The Company and Just Quality will dissolve the joint venture and cease Nevada operations. The

Company will return the licenses to Just Quality and Just Quality will return the shares received as consideration for the licenses to the Company.

Lesotho

On August 9, 2021, Bophelo received EU GCP certification, clearing a path to commercial export of medical cannabis from Africa. On September 15, 2021, Bophelo signed a processing and distribution agreement with Cantourage GmbH one of Europe's leading providers of medical cannabis. With this agreement, Bophelo has secured a path to market to the rapidly growing European medical cannabis market for products cultivated at its current 5-hectare campus with future expansion of 200 hectare in the Kingdom of Lesotho in Southern Africa. Bophelo plans to export cannabis starting material to Cantourage for processing into certified medical cannabis products with the first EU sales targeted for 2022. As at September 30, 2021, Bophelo did not carry biological assets.

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

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. The Medford facility also houses the Company's wholesale-licensed business, which occupies approximately 800 square feet and is one of the larger wholesalers in the state;

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 being used to produce bulk cannabis distillate to be used for vaping cartridges and disposable pens as well as manufacture live resin concentrates for sale to licensed distributors;

- Through its acquisition of MDT, the Company began to manage the operations of OGC, a Type N edibles manufacturer in California. In July 2020, the Company acquired the Type N license of OGC and its associated manufacturing space in order to launch its own edibles line in California. The 1,800 square foot space is adjacent to MDT, which also allows for additional space for packaging of its finished goods. Sales of the Company's edibles line commenced in California in September 2020. Halo is in the process of converting the Type N manufacturing license into a Type 6 manufacturing license and adding solventless hash and rosin production in conjunction with the acquisition of Nature's Best. Additionally, with Halo's recent partnership with Elegance Brands, OGC will start producing beverages in the first quarter of 2022.

Distribution (wholesale)

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

Oregon

- The Company's distribution (wholesale) business in Oregon has been focused almost exclusively on wholesaling the Company's products, however with the acquisition of Herban Industries OR LLC, the Company's distribution business has expanded to also represent other third-party brands. The Company currently employs 13 salespeople that actively do business with approximately 500 cannabis retailers in the state and dedicated delivery personnel to deliver products to these dispensary clients;

California

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

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. We pride ourselves on curating the highest quality, locally sourced cannabis products for everyone who wants a healthier, happier life. We are grateful and humbled to make our favorite plant, grown in our favorite state, available to every community that need a little more of the very best California has to offer. Budega will sell a curated mix of the industry’s best products including a 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 (“Franklin”), as well as its previous acquisition of a controlling interest of LKJ11 LLC (“LKJ11”), the Company expects to receive approval to open three dispensaries in Los Angeles, California. Halo Collective plans to open the flagship stores in Hollywood and Westwood adjacent to Beverly Hills. The third location will open in North Hollywood. These stores will increase distribution of Halo Collective’s products in California, as well as help market the Company's product lines in California. The Company has developed and trademarked a retail brand Budega.

- 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 December 2021;

- The Franklin / Hollywood site is moving forward. 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 have been submitted and approved and the site is currently under construction. In addition, application for change in ownership has been submitted to the City of Los Angeles. In a parallel path, an application with the Department of Cannabis Control for state licensure has been initiated. The store is expected to open in January 2022;

- The DCR has already approved ownership change for Halo’s stake in LKJ11 the winning applicant in this community plan. The Company plans to obtain temporary approval at the original site tied to LKJ’s application and has requested an inspection by the Los Angeles DCR. In a parallel path, the Company plans to identify a suitable site to move the license within the community plan to accommodate a larger delivery footprint in the longer term.. The store is expected to open in the second quarter of 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.

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

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

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

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

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

- Halo Cannalift Delivery Inc, a subsidiary of Halo, acquired Cannalift Delivery Inc. (" Cannalift "), a is developing a delivery application for smartphone or tablet as well as a mobile website that, once developed, is expected to provide consumers with a convenient method of obtaining cannabis products from their local dispensaries. Subject to local regulations, the application is also expected to enable customers to electronically interact with dispensaries, thereby reducing wait times and improving customer experience;

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

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

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

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 seeks 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 arguably 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.

- Immediately following the completion of the transaction, it is expected that Halo will own approximately 68.3% of the issued and outstanding Akanda shares before considering any Akanda shares to be issued pursuant to the Akanda financing.

- Closing of the Transaction is subject to customary conditions, including receipt of all necessary regulatory approvals. Closing of the transaction is also subject to a condition precedent in favour of the Company that Akanda has been provided with executed subscription agreements in respect of the purchase of Akanda shares for aggregate gross proceeds of not less than $5 million, which was achieved in October of 2021.

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:	
	September 30, 2021	***September 30, 2020***
Revenue	**$ 8,738,964**	$ 6,829,782
Reported gross profit	**1,639,196**	4,585,453
Gross margin	**18.8%**	67.1%
Unrealized fair value (gain) loss on growth of biological assets	**(891,530)**	(2,431,481)
Realized fair value (gain) loss included in the cost of inventory sold	**994,879**	-
Impairments included in the cost of goods sold	**570,300**	284,400
Gross profit excluding biological assets and impairments	**2,312,845**	2,438,372
Gross margin	**26.5%**	35.7%
Net loss	**(10,046,109)**	(3,167,055)
Comprehensive loss	**(11,674,870)**	(2,640,685)
Net loss per share (basic and diluted)	**$ (0.40)**	$ (0.56)
Weighted average number of outstanding common shares, basic and diluted	**24,918,579**	5,653,375

- Revenues in the three months ended September 30, of 2021 were $8,738,964 compared to $6,829,782 in the three months ended September 30, of 2020, a 28.0% increase. The Company completed the acquisitions of Halo Kushbar Retail Inc. and Food Concepts LLC. Organic revenue growth was 9.3%;

- Halo gained market share in a difficult market environment. Between April 1 and September 30, 2021, the Oregon retail market declined with 14.8% according to BDS data. Halo's revenues in Oregon declined with 6.5%. In California, the retail market declined with 17.9%, and Halo's revenues in California increased with 59.1%;

- Total sales were 9,241,224 grams (three months ended September 30, 2020: 1,283,087 grams), a 620% increase. Volumes increased across all categories for the three months ended September 30, 2021, compared with the three months ended September 30, 2020. Flower sales increased with 506.5% to 1,362,669 grams and sales of pre-rolls increased with 596.9% to 1,244,402 grams. Oils and extract sales increased with 157.1% to 1,420,061 grams and edibles sales increased with 22.6% to 179,376 grams. In the three months ended September 30, 2021, there was a large trim sale at Winberry of 5 million grams at a price of $0.23 per gram ($104 per pound). Except for edibles, sales increased for all categories compared with the three months ended September 30, 2020, which underlines the continuous momentum in the growth of our portfolio of products;

- ANM reported revenues of $3,742,087 for the three months ended September 30, 2021 (three months ended September 30, 2020: $3,981,316), a 6.0% decrease. MDT reported revenues of $3,081,932 for the three months ended September 30, 2021 (three months ended September 30, 2020: $2,177,676), a 41.5% increase, Coastal Harvest reported revenues of $704,399 for the three months ended September 30, 2021 (three months ended September 30, 2020: $717,269), a 1.8% decrease. Halo Winberry reported revenues of $3,105,918 for the three months ended September 30, 2021. Halo Winberry was not included in the three months ended September 30, 2020, as the operation was acquired in 2021;

- The Company reported a gross profit of $1,639,196 (three months ended September 30, 2020: gross profit $4,585,453). The difference is pre-dominantly explained by the large gain on the value of biological assets in the three months ended September 30, 2020, and a loss in the three months ended September 30, 2021. Adjusted for the loss on biological assets and impairments included in the costs of goods sold, gross profits were $2,312,845 (three months ended September 30, 2020: $2,438,374);

- The reported gross margin was 18.8% (three months ended September 30, 2020: 67.1%). Adjusted for gains and losses on the value of biological assets and impairments charged to the cost of goods sold, the gross margin was 26.5% (three months ended September 30, 2020: 35.7%);

- The trim run was 27,052 pounds at a yield of 11.8%, compared with a run of 5,088 pounds and a yield of 7.8% in the three months ended September 30, 2020. Trim, raw material input for extracts and oils, sold at $68 per pound compared with $54 per pound in the three months ended September 30, 2020. The 25.9% increase in the price of trim was more than offset by a 51.7%

improvement in the yield. As a result, the Company paid 17% less per unit of yield, which supported margins;

- The cash burn in the three months ended September 30, 2021, was $5,998,392, excluding an increase in working capital by $3,507,785;

- In the nine months ended September 30, 2021, the Company raised $32,579,661 from overnight and at-the-market public offerings. The Company raised $11,848,867 in the three months ended September 30, 2021. Cash inflow was $4,838,316 in the nine months ended September 30, 2021, and $2,034,615 in the three months ended September 30, 2021;

- As at September 30, 2021, the Company had unrestricted cash available in the amount of $7,994,749 and working capital of $14,344,685.

Expressed in US dollars

Path to profitability

For the three months ended September 30, 2021, the cash burn from cash used in operations was $5,988,392, excluding an increase in working capital by $3,507,785. Several cost reductions were identified to eliminate the cash loss. In addition, working capital should benefit from a release of biological assets following from the harvest at East Evans Creek. The table below sets out the steps to a reduction in quarterly cash burn to $2,788,081 million, and this can be eliminated through a release of working capital.

Path to profitability	
Net loss	$ (10,046,109)
Impairments in COGS	570,300
Non-cash items	3,487,417
Cash used in operations excluding working capital - Q3, 2021	(5,988,392)
Overhead reductions	
G&A	
Akanda	884,043
Halo impairments	970,195
	1,854,238
Salaries	
Akanda	895,331
Halo	1,486,240
	2,381,571
Professional fees	
Akanda	634,927
Halo	1,264,192
	1,899,119
Production overheads	573,168
Cash used in operations	(5,988,392)
Working capital	(3,507,785)
Total savings	6,708,096
Net cash flow in operations	$ (2,788,081)

Overheads

Management has identified $6.7 million of reductions in corporate overheads and production overheads (included in COGS). Once the overhead reductions are implemented, the cash burn is driven by movements in working capital. The overhead reductions that are implemented during the three months ending December 31, 2021, include a reduction in G&A of $1.8 million, salaries are reduced by $2.4 million and professional expenses are reduced by $1.9 million. Of total overheads, $2.4 million comes from the de-consolidation of Bophelo and Canmart, and $3.7 million comes from a reduction in corporate overheads.

- G&A expenses were $2,845,483 in the three months ended September 30, 2021 (three months ended September 30, 2020: $901,195). Adjusted for the write-down of accounts receivable of $970,195 and the G&A for Bophelo and Canmart of $884,043, quarterly G&A expenses are budgeted at $1 million. Compared to the three months ended September 30, 2021, the quarterly cost saving is $1.8 million, of which $0.9 million is cash;

- Salaries were $3,738,209 in the three months ended September 30, 2021 (three months ended September 30, 2020: $1,176,942). Quarterly corporate salaries paid in cash were $1,767,553 and they are reduced to $381,313, as salaries are paid in shares. Once the deconsolidation of Bohelo and Canmart occurs, overhead salaries of $895,331 are eliminated. The total quarterly cash saving compared to salaries in the three months ended September 30, 2021, is $2.4 million;

- Professional expenses were $2,862,570 in the three months ended September 30, 2021 (three months ended September 30, 2020: $789,372). There were finders' fees of $918,257 for the acquisitions of Food Concepts and Kushbar, which was charged to professional expenses. For the three months ended September 30, 2021, corporate legal fees in relation to M&A activity were $299,104 and consulting fees were $46,831. Professional expenses for Bophelo and Canmart were $634,927. Adjusted for M&A activity and professional fees in relation to Bophelo and Canmart, quarterly expenses are budgeted at $1 million. Compared with professional fees in the three months ended September 30, 2021, the quarterly cost saving is $1.9 million.

Production overheads

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

- Reduction of farm labor at East Evans Creek;

- Further post-merger integration of management and supervisory teams;

- Relocation of the central distribution hub in Medford to Portland;

- Consolidation of the distribution teams at ANM and Halo Winberry.

Overall, these cost reductions provide a total quarterly cost saving of $573,168 starting December 2021 (20% saving). All in all, 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 $1 million, of which $238,893 was spent as at September 30, 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. It is expected that Westwood turns cash flow positive six months after the anticipated opening in December 2021;

- The budget for the Hollywood dispensary (SDF11 LLC) is $1.3 million, of which $93,006 was spent as at September 30, 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. It is expected that the Hollywood dispensary turns cash flow positive six months after the anticipated opening in January 2022;

- The budget for the North Hollywood (LKJ11 LLC) dispensary is $0.9 million, of which nothing was spent as at September 30, 2021. It is expected that the North Hollywood dispensary turns cash flow positive six months after the anticipated opening in the second quarter 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 two months ended September 30, 2021, revenues were $533,545 and gross profit was $129,826 at a gross margin of 24.3% of revenue;

- After operating expenses of $153,412, a loss from operations of $23,586 was recorded for the two months ended September 30, 2021. KushBar's dispensaries have not reached their potential sales density. The objective is to be cash flow positive by the end of 2021.

Halo Tek

For the nine months ended September 30, 2021, the companies that become the subsidiaries of Halo Tek, did not use cash for operations or overheads, and there was no cash burn. 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. When Halo Tek is distributed to investors there is no negative impact on halo Collective. At the current share count, Halo's share capital is reduced by approximately 12%. Halo Tek's shares will be listed on a Canadian exchange to create liquidity for investors. We expect this to occur in the three months ending March 31, 2022.

Akanda

For the nine months ended September 30, 2021, Bophelo and Canmart did not contribute to revenues of the Company. Operating expenses were $3,323,282 for the nine months ended September 30, 2021, with a run-rate of $369,254 per month. As both companies are investing in growth, operating expenses in the three months ended September were $2,420,089, with a run-rate of $806,696 per month, which is likely to increase. Halo no longer cover these expenses and they are eliminated once Akanda is de-consolidated. We expect this to occur in the three months ending March 31, 2022

Corporate highlights

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.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed.

As at September 30, 2021, the carrying value of intangible assets was $2,931,724 net of amortization (December 31, 2020: Nil).

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. The closing is expected to occur in Q4 2021.

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.

Under IFRS 3, the transaction meets the definition of a business combination. Costs in relation to closing the transaction will be expensed.

Because the acquisition has not closed yet, as at September 30, 2021, the carrying value of intangible assets was Nil (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.

Under IFRS 3, the transaction met the definition of a business combination. Costs in relation to closing the transaction were expensed.

As at September 30, 2021, the carrying value of intangible assets was $6,371,176 net of amortization (December 31, 2020: Nil).

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

Selected financial information - expressed in US dollars		
	For the 3 months ended:	
	September 30, 2021	***September 30, 2020***
Revenue	**$ 8,738,964**	$ 6,829,782
Cost of finished cannabis inventory sold	**6,996,419**	4,675,810
Gross profit ex change in FV biological assets	**1,742,545**	2,153,972
Unrealized fair value (gain) loss on growth of biological assets	**(891,530)**	(2,431,481)
Realized fair value (gain) loss included in the cost of inventory sold	**994,879**	-
Gross profit	**1,639,196**	4,585,453
Net loss	**(10,046,109)**	(3,167,055)
Net comprehensive loss	**(11,674,870)**	(2,640,685)
Net loss per share, basic & diluted:	**$ (0.40)**	$ (0.56)
Weighted average number of outstanding common shares, basic and diluted	**24,918,579**	5,653,375

The following section provides details of the Company's financial performance for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. The Company's Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board ("IASB"). The information in this MD&A is presented on the same basis as the Condensed Interim Consolidated Financial Statements and should be read in conjunction with the Condensed Interim Consolidated Financial Statements and the accompanying notes.

Revenue

KPI's

	Flower		Pre-rolls		Trim & fresh frozen		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q3 2020	224,687	$ 1.13	178,572	1.54	-	$ -	551,916	$ 5.99	146,345	$ 5.14
Q2 2021	892,862	$ 1.45	196,697	6.99	1,411,954	$ 0.22	3,485,129	$ 3.50	226,693	$ 2.78
Q3 2021	1,362,669	$ 0.82	1,244,402	1.15	4,976,897	$ 0.23	1,420,061	$ 6.40	179,376	$ 2.37
Change YoY	506.5%	-27.8%	596.9%	-25.4%	N/A	N/A	157.3%	6.7%	22.6%	-53.8%
Change QoQ	52.6%	-43.6%	532.6%	-83.6%	252.5%	3.1%	-59.3%	83.0%	-20.9%	-14.6%

Revenues in the three months ended September 30, of 2021 were $8,738,964 compared to $6,829,782 in the three months ended September 30, of 2020, a 28.0% increase. Organic revenue growth was 9.3%. Total sales were 9,241,224 grams (three months ended September 30, 2020: 1,283,087 grams), a 620%

Expressed in US dollars

increase. Volumes increased across all categories for the three months ended September 30, 2021 compared with the three months ended September 30, 2020. Flower and pre-rolls showed strong growth with 506.5% to 1,362,669 grams and 596.9% to 1,244,402 grams, increases respectively, in the three months ended September 30, 2021. Oils and extract sales increased with 157.1% to 1,420,061 grams and edibles sales increased with 22.6% to 179,376 grams. In the three months ended September 30, 2021, there was a large trim sale at Winberry of 5 million grams at a price of $0.23 per gram.

Except for oils and extracts, prices of all categories declined in the three months ended September 30, 2021.

ANM

	Flower		Pre-rolls		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q3 2020	224,687	$ 1.13	178,572	$ 1.54	346,236	7.48	146,345	$ 5.14
Q2 2021	502,478	$ 1.21	107,122	$ 2.38	363,299	7.00	104,575	$ 4.90
Q3 2021	730,579	$ 0.85	605,757	$ 0.77	311,066	7.14	78,534	$ 4.31
Change YoY	225.2%	-24.5%	239.2%	-49.7%	-10.2%	-4.6%	-46.3%	-16.1%
Change QoQ	45.4%	-29.3%	465.5%	-67.4%	-14.4%	2.0%	-24.9%	-12.0%

ANM reported revenues of $3,742,087 for the three months ended September 30, 2021, a 6.0% decrease. MDT reported revenues of $3,081,932 for the three months ended September 30, 2021, an 41.5% increase, Coastal Harvest reported revenues of $704,399 for the three months ended September 30, 2021, a 1.8% decline compared with the three months ended September 30, 2020. Halo Winberry reported revenues of $3,105,918 for the three months ended September 30, 2021. Halo Winberry was not included in the three months ended September 30, 2020. Halo Kushbar Retail reported revenues of $533,545 for the three months ended September 30, 2021. Halo Kushbar Retail was not consolidated in 2020.

In the three months ended September 30, 2021, ANM, the facility in Oregon, sold 1,725,936 grams of shatter, cartridge oil, live resin, tinctures and gummies, flower, and pre-rolls (three months ended September 30, 2020: 895,840 grams), a 92.7% increase. Sales of oils and extracts were 311,066 grams (three months ended September 30, 2020: 346,236 grams), a 10.2% decrease. The wholesale price of oils and extracts decreased by 4.6% to $7.14 per gram (three months ended September 30, 2020: $7.48 per gram). Sales of edibles were 78,534 grams (three months ended September 30, 2020: 146,345 grams), a 46.3% decrease. The wholesale price of edibles decreased 16.1% to $4.31 per gram (three months ended September 30, 2020: $5.14 per gram). Flower sales in the three months ended September 30, 2021, were 730,579 grams (three months ended September 30, 2020: 224,687 grams), a 225.2% increase. The wholesale price of flower decreased by 24.5% to $0.85 per gram (three months ended September 30, 2020: $1.13 per gram). Pre-roll sales were 605,757 grams (three months ended September 30, 2020: 178,572 grams), a 239.2% increase. The wholesale price of pre-rolls decreased by 49.7% to $0.77 per gram (three months ended September 30, 2020: $1.54 per gram).

Expressed in US dollars

Winberry

	Flower			Pre-rolls			Oils & extracts			Edibles		
	Volume		Price	Volume		Price	Volume		Price	Volume		Price
Q3 2020	-	$	-	-	$	-	-	$	-	-	$	-
Q2 2021	366,868	$	1.61	68,660	$	14.83	673,673	$	2.74	113,520	$	0.72
Q3 2021	632,091	$	0.77	618,383	$	1.41	742,042	$	15.77	90,664	$	0.46
Change YoY	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A
Change QoQ	72.3%		-52.0%	800.7%		-90.5%	10.1%		475.2%	-20.1%		-35.6%

In the three months ended September 30, 2021, Halo Winberry sold 2,083,180 grams of oil and extracts, shatter, live resin, edibles, flower and pre-rolls. Halo Winberry was not consolidated in the three months ended September 30, 2020.

MDT

	Flower			Pre-rolls			Trim & fresh frozen			Oils & extracts			Edibles		
	Volume		Price	Volume		Price	Volume		Price	Volume		Price	Volume		Price
Q3 2020	-		-	-	$	-	-	$	-	-	$	-	-	$	-
Q2 2021	23,516	$	3.97	20,915	$	4.91	1,411,954	$	0.22	138,386	$	10.91	8,598	$	4.22
Q3 2021	-		-	20,262	$	4.22	4,976,897	$	0.23	138,386	$	9.69	10,177	$	4.44
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	-3.1%		-14.2%	252.5%		3.1%	0.0%		-11.2%	18.4%		5.1%

In the three months ended September 30, 2021, MDT, the facility in Ukiah, sold 5,203,541 grams of distillate, live resin, gummies and pre-rolls (three months ended September 30, 2020: 180,304 grams). MDT sold 4,976,897 grams of trim (three months ended September 30, 2020: Nil) at an average price of $0.23 per gram.

Cathedral City

	Oils & extracts		
	Volume		Price
Q3 2020	205,680	$	3.49
Q2 2021	104,272	$	2.26
Q3 2021	228,567	$	3.39
Change YoY	11.1%		-2.8%
Change QoQ	119.2%		50.0%

In the three months ended September 30, 2021, the facility in Coastal Harvest sold 228,567 grams of distillate and live resin (three months ended September 30, 2020: 205,680 grams), 11.1% increase. Distillate sales were 178,739 grams (three months ended September 30, 2020: 205,680 grams), a 13.1%

Expressed in US dollars

decrease. Live resin sales were 49,828 grams at an average price of $4.27 per gram. There were no live resin sales in the three months ended September 30, 2020.

Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was $6,996,419 in the three months ended September 30, 2021 (three months ended September 30, 2020: $4,675,810). The realized and unrealized loss in the value of biological assets was $103,349 in the three months ended September 30, 2021 (three months ended September 30, 2020: gain of $2,431,481). Impairments included in cost of goods sold were $570,300 in the three months ended September 30, 2021 (three months ended September 30, 2020: $284,400).

The Company reported a gross profit of $1,639,196 (three months ended September 30, 2020: gross profit $4,585,453). The difference is pre-dominantly explained by the large gain on the value of biological assets in the three months ended September 30, 2020, and a loss in the three months ended September 30, 2021. In addition, the achieved margin was lower in the three months ended September 30, 2021, in comparison with the three months ended September 30, 2020. Adjusted for the loss on biological assets and impairments included in the costs of goods sold, gross profits were $2,312,845 (three months ended September 30, 2020: $2,438,374).

The reported gross margin was 18.8% (three months ended September 30, 2020: 67.1%). Adjusted for gains and losses on the value of biological assets and impairments charged to the cost of goods sold, the gross margin was 26.5% (three months ended September 30, 2020: 35.7%). Production overhead reductions of $573,168 have been identified in Oregon.

Trim

	Yield	Trim Volume		Price
Q3 2020	7.8%	2,310,067	$	54
Q2 2021	9.2%	10,886,151	$	71
Q3 2021	11.8%	12,281,721	$	68
Change YoY	51.7%	431.7%		25.9%
Change QoQ	28.0%	12.8%		-4.5%

The trim run was 27,052 pounds at a yield of 11.8%, compared with a run of 5,088 pounds and a yield of 7.8% in the three months ended September 30, 2020. Trim, raw material input for extracts and oils, sold at $68 per pound compared with $54 per pound in the three months ended September 30, 2020. The 25.9% increase in the price of trim was more than offset by a 51.7% improvement in the yield. As a result, the Company paid 17% less per unit of yield, which supported margins. Trim is used at ANM's manufacturing facility. The average price of oils and extracts declined with 4.6% to $7.14 per gram (three months ended September 30, 2020: $7.48 per gram). The improvement in yield more than offset the small price decline in oils and extracts.

Operating expenses

Operating expenses - expressed in US dollars

	For the 3 months ended:	
	September 30, 2021	***September 30, 2020***
General and administration	**$ 2,845,483**	$ 901,195
Salaries	**3,738,209**	1,176,942
Professional fees	**2,862,570**	789,372
Sales and marketing	**1,316,825**	908,368
Investor relations	**7,843**	(366,862)
Loss on settlements and contigencies	**(12,522)**	(56,431)
Share-based compensation	**1,157,203**	333,233
Total operating expenses	**$ 11,915,611**	$ 3,685,817

The table sets forth operating expenses for the three months ended September 30, 2021, and 2020. In the three months ended September 30, 2021, operating expenses increased to $11,915,611 (three months ended September 30, 2020: $3,685,817).

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 $1,839,651 to operating expenses.

In order to reduce the cash burn, there has been a drive to reduce overhead expenses, in particular at the corporate center. In addition, operating expenses in relation to Bophelo and Canmart decrease once they are de-consolidated. The reduction in the quarterly cash burn is projected at $6.7 million once all cost savings in corporate overheads and production overheads (included in COGS) have been implemented:

- G&A expenses increased by 215.7%. Excluding acquisitions, G&A expenses increased by 170.7%. In addition, there was the write-down of accounts receivable of $970,195, which was charged to G&A. An amount of $120,208 was charged to ANM, $173,224 to Coastal Harvest, $108,600 to Winberry and $568,163 to MDT. Halo also incurred the sharp increase in G&A at Bophelo of $884,043 for the three months ended September 30, 2021, compared with $30,872 in the three months ended September 30, 2020. Bophelo and Canmart are in the process of being spun off to Akanda in exchange for Akanda shares to Halo. Halo's investment in Akanda will be below 50%, and operating expenses will no longer be consolidated. Excluding acquisitions, the write-down of accounts receivable and G&A of Bophelo, G&A decreased by 35.0%;

- Salaries increased by 217.6%. On a like for like basis, salaries increased by 197.9%. For the three months ended September 30, 2021, salaries at Bophelo and Canmart were $895,331. Excluding overheads at Bophelo and Canmart, salaries were $2,842,848. This includes $2,245,949 for corporate salaries and $322,231 for overheads at ANM. Of corporate salaries, $1,767,553 was paid in cash and the remainder was paid in shares. From October 1, 2021, quarterly corporate salaries paid in cash including pay-roll taxes are budgeted at $281,313 and. That provides a cash saving of $1.5 million;

- Professional expenses increased by 262.6% to $2,862,570. Like for like, professional expenses increased by 149.2%. This is explained by finders' fees of $918,257 for the acquisitions of Food Concepts and Kushbar, which was charged to professional expenses. For the three months ended September 30, 2021, corporate legal fees in relation to M&A activity were $299,104 and consulting fees were $46,831. Professional expenses for Bophelo and Canmart were $634,948. Once Bophelo and Canmart are spun off and M&A activity has slowed down, legal, consulting and finders' fees are expected to decrease;

- Sales and marketing expenses increased to $1,316,825 (three months ended September 30, 2020: $908,368), a 45.0% increase. This was pre-dominantly driven by sales commissions. New entities contributed $427,129 to sales and marketing expenses. On a like for like basis, sales and marketing expenses decreased by 2.1%;

- Investor relations activity was minimal in the three months ended September 30, 2021. However, a recovery of $366,862 in the three months ended September 30, 2020, caused an unfavorable comparison;

- The loss on settlements and contingencies constitutes the difference between fair market value and deemed value on share-based payments to staff, executives, directors, and consultants. It was a recovery of $12,522 in the three months ended September 30, 2021 (three months ended September 30, 2020: recovery of $56,431);

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

Biological assets

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

Biological assets are measured at their fair value less costs to sell ("FVLCS"). The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of finished cannabis inventory sold' on the Condensed Interim Consolidated Statement of Loss and

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

In terms of IFRS 13 Fair Value Measurement, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The measurement of the fair value of the asset must take into the condition of the asset as well as any restrictions on the sale of the asset. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value 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.

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

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

On August 9, 2021, Bophelo received EU GCP certification, clearing a path to commercial export of medical cannabis from Africa. On September 15, 2021, Bophelo signed a processing and distribution agreement with Cantourage GmbH one of Europe's leading providers of medical cannabis. With this agreement, Bophelo has secured a path to market to the rapidly growing European medical cannabis market for products cultivated at its current 5-hectare campus with future expansion of 200 hectare in the Kingdom of Lesotho in Southern Africa. Bophelo plans to export cannabis starting material to Cantourage for processing into certified medical cannabis products with the first EU sales targeted for 2022. As at September 30, 2021, Bophelo did not carry biological assets.

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 OLCC and subject to OLCC approvals, equipment, and related operating assets.

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 September 30, 2021, no biological assets were transferred from Williams Wonder to the Company.

On September 13, 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 September 30, no biological assets were transferred from Pistil Point to the Company.

Expressed in US dollars

Biological assets - East Evans Creek		
Balance December 31, 2020	$	-
Fair value change due to biological transformation		891,899
Production costs capitalized		1,720,309
Transferred to inventory upon harvest		-
Balance September 30, 2021	**$**	**2,612,208**

In the nine months ended September 30, 2021, the fair value change due to biological assets transformation in the cannabis plants model is $891,899 (nine months ended September 30, 2020: $2,531,510) and capitalized production costs are $1,720,309 (nine months ended September 30, 2020: $1,407,456) at East Evans Creek.

Biological assets - Bophelo		
Balance December 31, 2020	$	-
Fair value change due to biological transformation		171,592
Production costs capitalized		58,227
Transferred to inventory upon harvest		(229,819)
Balance September 30, 2021	**$**	**-**

As at September 30, 2021, there were no biological assets at Bophelo. The change in fair value due to the transformation of biological assets was $171,592 and capitalized production costs were $58,227. Transferred to inventory was $229,819.

Expressed in US dollars

Assumptions utilized in cannabis plant model - East Evans Creek

	Harvest season 2021			Harvest season 2020	
	Flower	**Trim**	**Fresh frozen**	**Flower**	**Trim**
Ratio flower vs. trim	31.0%	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;
- 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:

Expressed in US dollars

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 nine months ended September 30, 2021

Selected financial information - expressed in US dollars

		For the 9 months ended:		
		September 30, 2021		***September 30, 2020***
Revenue	**$**	**27,813,954**	$	16,521,841
Cost of finished cannabis inventory sold		**21,330,294**		13,098,695
Gross profit ex change in FV biological assets		**6,483,660**		3,423,146
Unrealized fair value (gain) loss on growth of biological assets		**(1,063,491)**		(2,017,002)
Realized fair value (gain) loss included in the cost of inventory sold		**1,749,707**		-
Gross profit		**5,797,444**		5,440,148
Net loss		**(30,364,869)**		(18,045,225)
Net comprehensive loss		**(31,284,000)**		(17,814,516)
Net loss per share, basic & diluted:	**$**	**(1.50)**	$	(4.12)
Weighted average number of outstanding common shares, basic and diluted		**20,277,238**		4,383,449
Total assets		**160,987,162**		80,407,689
Long-term financial liabilities		**12,337,227**		17,356,682

Revenue

For the nine months ended September 30, 2021, revenues were $27,813,954 (nine months ended September 30, 2020: $16,521,841), a 68.3% increase. The Company sold 18,793,561 grams of flower, pre-rolls, oils and extracts and edibles, a 68.3% increase compared with the nine months ended September 30, 2020.

ANM - Nine months ended September 30, 2021

	Flower			Pre-rolls			Oils & extracts		Edibles		
	Volume		Price	Volume		Price	Volume	Price	Volume		Price
Ytd 2020	1,328,081	$	1.08	369,606	$	1.38	1,190,710	6.91	408,985	$	5.09
Ytd 2021	1,939,026	$	1.08	810,917	$	1.14	1,070,876	7.04	303,010	$	4.76
Change YoY	46.0%		0.4%	119.4%		-17.3%	-10.1%	1.9%	-25.9%		-6.5%

For the nine months ended September 30, 2021, sales of flower and pre-roll showed strong growth. In contrast oils and extracts and edibles sales decreased during the same period. In the fourth quarter, proceeds from the East Evans Creek harvest will contribute.

Expressed in US dollars

Winberry - Nine months ended September 30, 2021

	Flower			Pre-rolls			Oils & extracts			Edibles		
	Volume		Price	Volume		Price	Volume		Price	Volume		Price
Ytd 2020	-	$	-	-	$	-	-	$	-	-	$	-
Ytd 2021	1,428,752	$	1.27	748,104	$	3.32	2,879,172	$	2.74	334,176	$	0.72
Change YoY	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A

For the nine months ended September 30, 2021, Winberry sold 5,390,204 grams of flower, pre-rolls, oils and extracts and edibles (nine months ended September 30, 2020: Nil).

MDT - Nine months ended September 30, 2021

	Flower			Pre-rolls			Trim & fresh frozen			Oils & extracts			Edibles		
	Volume		Price	Volume		Price	Volume		Price	Volume		Price	Volume		Price
Ytd 2020	-	$	-	-	$	-	-	$	-	-	$	-	-	$	-
Ytd 2021	23,516	$	3.97	63,293	$	5.75	6,388,851	$	0.23	487,809	$	9.84	36,816	$	4.73
Change YoY	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A

For the nine months ended September 30, 2021, MDT sold 7,000,284 grams of flower, pre-rolls, trim, fresh frozen, oils and extracts and edibles (nine months ended September 30, 2020: Nil).

Cathedral City - Nine months ended September 30, 2021

	Oils & extracts			Flower		
	Volume		Price	Volume		Price
Ytd 2020	205,680	$	3.49	-	$	-
Ytd 2021	359,250	$	2.82	1,473,738	$	0.14
Change YoY	74.7%		-19.1%	N/A		N/A

For the nine months ended September 30, 2021, sales of oils and extracts showed strong growth for Coastal Harvest, reflecting 50.4% growth of sales of distillate and live resin sales were 48,859 grams during the period. There were no distillate sales in the nine months ended September 30, 2020.

Gross profit and cost of goods sold

For the nine months ended September 30, 2021, the cost of finished cannabis inventory sold was $21,330,294 (nine months ended September 30, 202: $13,098,695).

Reported gross profits were $5,797,444 in the nine months ended September 30, 2021 (nine months ended September 30, 2020: $5,440,148) and the reported gross margin was 20.8% (nine months ended

September 30, 2020: 32.9%). The nine months ended September 30, 2021, included a gross profit contribution to the Company from Halo Winberry of $3,922,207.

Adjusted for the gain or loss in the value of biological assets, gross profit was $6,483,660 (nine months ended September 30, 2020: $3,423,146). The cost of goods sold included $570,300 of inventory impairments. Adjusted for the loss in the value of biological assets of $686,216 (nine months ended September 30, 2020: gain $2,017,002) and impairments of $570,300 (nine months ended September 30, 2020: $1,235,813). The adjusted gross profit excluding biological assets and impairments was $7,053,960 (nine months ended September 2020: $4,658,959). The gross margin was 25.4% (nine months ended September 30, 2020: 28.2%).

Operating expenses

Operating expenses - expressed in US dollars

	For the 9 months ended:	
	September 30, 2021	***September 30, 2020***
General and administration	**6,558,321**	2,012,695
Salaries	**9,139,730**	3,265,287
Professional fees	**7,240,884**	5,714,179
Sales and marketing	**4,269,940**	2,606,710
Investor relations	**515,596**	904,241
Loss on settlements and contigencies	**(84,628)**	216,357
Share-based compensation	**4,551,367**	1,170,211
Total operating expenses	**$ 32,191,210**	$ 15,889,680

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

For the nine months ended September 30, 2021, acquisitions added $4,415,348 to operating expenses.

For the nine months ended September 30, 2021, professional expenses in relation to M&A activity were $565,541. Consulting fees in relation to M&A activity were $154,684. These expenses will be reduced as M&A activity has slowed down.

For the nine months ended September 30, 2021, total operating expenses for Bophelo and Canmart were $3,323,282 (nine months ended September 30, 2020: $159,911). The Company will cease to carry those expenses once Bophelo and Canmart are no longer consolidated.

Summary of quarterly results

Summary of quarterly results **For three months to:**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**
Revenue	$ 2,727,416	$ 4,449,098	$ 5,242,961	$ 6,829,782	$ 5,119,611	$ 9,939,103	$ 9,135,887	$ 8,738,964
Cost of Cannabis inventory sold	4,833,397	4,331,725	4,091,160	4,675,810	5,508,948	7,738,533	6,595,342	6,996,419
Gross profit excluding FV changes	(2,105,980)	117,373	1,151,801	2,153,972	(389,337)	2,200,570	2,540,545	1,742,545
Realized and unrealized (gain) loss on biological assets	1,386,778	289,553	124,926	(2,431,481)	782,603	244,794	338,073	103,349
Gross profit / (loss)	(3,492,758)	(172,180)	1,026,875	4,585,453	(1,171,940)	1,955,776	2,202,472	1,639,196
Gross margin	*-128.1%*	*-3.9%*	*19.6%*	*67.1%*	*-22.9%*	*19.7%*	*24.1%*	*18.8%*
Net loss	(14,633,694)	(8,609,704)	(6,268,465)	(3,167,055)	(23,138,547)	(9,067,681)	(11,251,079)	(10,046,109)
Net loss per share	$ (5.92)	$ (3.10)	$ (1.46)	$ (0.56)	$ (2.45)	$ (0.56)	$ (0.57)	$ (0.40)
Weighted average number of outstanding common shares, basic and diluted	2,472,452	2,774,186	4,296,100	5,653,375	9,453,702	16,100,994	19,723,440	24,918,579
Total assets	$ 41,988,522	$ 47,508,892	$ 48,016,022	$ 80,407,689	$ 87,754,245	$ 133,903,098	$ 144,074,887	$ 160,987,162

The Company’s Condensed Interim 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 Condensed Interim Consolidated Financial Statements and should be read in conjunction with the statements and the accompanying notes. The fluctuation in the gross margin is explained by the timing of inventory movements, a change in the value of biological assets, and value adjustments of inventory.

Expressed in US dollars

Non-IFRS measures

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

	For the 3 months ended:		*For the 9 months ended:*	
	September 30, 2021	*September 30, 2020*	*September 30, 2021*	*September 30, 2020*
EBITDA	**$ (10,276,415)**	$ 899,636	**$ (26,393,766)**	$ (10,449,532)
Depreciation included in COGS	**340,442**	276,652	**960,655**	754,073
Impairments included in COGS	**570,300**	284,400	**570,300**	1,235,813
Impairments included in operating expenses	**970,195**	-	**970,195**	-
Share-based compensation for staff	**1,157,203**	333,233	**4,551,367**	1,170,211
Share-based payments for goods and services	**2,630,095**	1,097,608	**3,721,987**	6,133,996
(Gain) loss on the value of biological assets	**103,349**	(2,431,481)	**686,216**	(2,017,002)
Adjusted EBITDA	**$ (4,504,831)**	$ 460,048	**$ (14,933,046)**	$ (3,172,441)

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

Income or loss before undernoted items as reported is what is also known earnings before interest, tax, depreciation and amortization ("EBITDA"). Adjusted EBITDA is calculated as described above, adjusted for specific items that are significant but not reflective of the Company's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

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

Liquidity and capital resources

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

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

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

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

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

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

- Between September 17, 2020, and December 17, 2020, the Company issued 1,344,526 shares at an average price of C$5.20. Gross proceeds were C$7,000,000 and net proceeds were C$6,859,453. Commissions paid were C$140,000;

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

- On February 2, 2021, the Company closed an overnight marketed public offering of units of the Company for aggregate gross proceeds of $7,205,268 (C$9,217,699) (Note 17 Condensed Interim Consolidated Financial Statements);

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

- During the quarter ended September 30, 2021, a total of 806,651 shares were issued in connection to the ATM public offering for gross proceeds of $4,162,590 (C$5,093,844) (Note 17 Condensed Interim Consolidated Financial Statements).

As at September 30, 2021, the Company had continued losses and an accumulated deficit. There is no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company over the long term.

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

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

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

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

As at September 30, 2021, the Company had available cash in the amount of $7,994,749 and restricted cash in the amount of $523,432. As at September 30, 2021, the Company had continued losses, an accumulated deficit, and a working capital surplus of $14,344,685.

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, 2021.

Cash and working capital position - expressed in US dollars		
As at:	***September 30, 2021***	***December 31, 2020***
Cash (including restricted cash)	**$ 8,518,181**	$ 3,679,865
Working capital	**14,344,685**	18,714,311

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

Cash flow - expressed in US dollars		
		For the 9 months ended:
Cash provided by (used in):	***September 30, 2021***	***September 30, 2020***
Operating activities	**$ (28,246,520)**	$ (3,386,638)
Finance activities	**31,772,416**	1,167,073
Investing activities	**1,312,420**	(271,084)

Cash used in operating activities

In the nine months ended September 30, 2021, cash used in operating activities was $28,246,520 (nine months ended September 30, 2020: $3,386,638).

The cash used in operating activities was due to a net loss of $30,364,869 (nine months ended September 30, 2020: net loss $18,045,225), an increase in working capital of $10,544,774 (nine months ended September 30, 2020: decrease $1,252,325), and the reversal of non-cash items in the amount of $12,663,123 (nine months ended September 30, 2020: $13,406,262).

For the three months ended September 30, 2021, cash used in operating activities was $10,066,477 (three months ended September 30, 2020: cash generated $151,903).

Cash used in operating activities was due to a net loss of $10,046,109 (three months ended September 30, 2020: net loss $3,167,055) before impairments of $570,300, an increase in working capital by $3,507,785 (three months ended September 30, 2020: decrease $502,627), and a reversal of non-cash items of $3,487,417 (three months ended September 30, 2020: $2,816,331).

For the three months ended September 30, 2021, the cash burn in operations was $5,988,392 and there was an increase in working capital of $3,507,785.

Cash used in investing activities

In the nine months ended September 30, 2021, cash provided by investing activities was $1,312,420 (nine months ended September 30, 2020: used of $271,084). The Company received $1,445,000 in cash when it acquired the management companies B&C LLC and POI11 LLC in relation to the pending acquisitions of the SDF11 LLC and ZXC11 LLC dispensaries, and $250,000 as part of acquisition of Nature's Best, and $1,550,000 as part of acquisition of Food Concepts LLC. There was an increase in property, plant and equipment of $1,384,145. The details are disclosed in Notes 13 and 14 in the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

In the nine months ended September 30, 2021, an amount of $7,303,458 was added to property, plant and equipment (nine months ended September 30, 2020: $11,887,334). Production equipment increased with $1,341,173 (nine months ended September 30, 2020: $1,005,946). An amount of $343,769 was added at ANM Inc., $27,672 was added at Coastal Harvest LLC, $82,254 was added at Mendo Distribution & Transportation Inc., $208,788 was added at Bophelo Bioscience and Wellness, Pty. Ltd, $300,000 was added to Nature's Best, $304,909 was added to 1307296 B.C. Ltd and $73,781 was added at Halo Winberry.

An amount of $382,500 was added for vehicles (nine months ended September 30, 2020: $34,418). An amount of $101,553 was added at ANM Inc., $255,564 at Halo Winberry, and $25,383 at Bophelo Bioscience and Wellness, Pty. Ltd.

Leased assets in the amount of $4,681,236 were added (nine months ended September 30, 2020: $1,916,251). In the nine months ended September 30, 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.

Cash provided by financing activities

In the nine months ended September 30, 2021, cash generated from financing activities was $31,772,416 (nine months ended September 30, 2020: $1,167,073). The cash flow from financing activities in the nine months ended September 30, 2021, was comprised of net proceeds from issuance of common shares in the amount of $32,579,661 (nine months ended September 30, 2020: $1,242,673). The details are disclosed in Note 17 in the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021. In addition, there was an increase in loans in the amount of $1,965,853 (nine months ended September 30, 2020: $621,913). The details are disclosed in Note 18 in the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021. Furthermore, payments in relation to lease liabilities were $1,025,619 (nine months ended September 30, 2020; $566,013). The details are disclosed in Note 7 in the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021. An amount of $1,747,479 was paid as share issuance costs (nine months ended September 30, 2020: $131,500). The details are disclosed in Note 17 in the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

In the nine months ended September 30, 2021, cash inflow was $4,838,316 (nine months ended September 30, 2020: cash outflow $2,490,649).

In the three months ended September 30, 2021, cash inflow was $2,034,615 (three months ended September 30, 2020: $801,699).

Share capital

During the nine months ended September 30, 2021, the Company issued 14,535,778 common shares. The Company issued 6,013,824 shares in conjunction with two overnight public offerings and the ATM, 7,162,360 shares pursuant to acquisitions, 491,540 shares as finders' fees, 461 shares in conversion of debenture, 125,000 shares to retire debt, 699,733 in lieu of services and 42,860 on exercise of warrants and options. The details are disclosed in Note 17 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Use of proceeds

In the nine months ended September 30, 2021, the Company raised $32,579,661 from issuance of common shares (nine months ended September 30, 2020: $1,242,673). Proceeds were used for operating expenses and working capital. In the three months ended September 30, 2021, the Company raised $11,848,867 from issuance of common shares (three months ended September 30, 2020: $531,442).

Outstanding share data

As at November 15, 2021, 29,246,792 common shares were issued and outstanding, 1,795,710 stock options were outstanding, 2,044,711 warrants were outstanding and 126 convertible debentures were in issue which are convertible into an aggregate of 194,564 common shares.

Commitments

Contractual obligations as at September 30, 2021 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods are disclosed in Note 22 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Critical accounting estimates and judgements

The critical accounting estimates and judgements are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Changes in accounting policies

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 4 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Related party transactions

Related party transactions are disclosed in Note 15 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Off-balance sheet arrangements

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

Financial instruments

The following is a summary of the carrying values of the financial instruments as at September 30, 2021:

Financial Instruments - expressed in US dollars

	Amortized cost	FVPTL	FVOCI	Total
Financial assets:				
Cash	$ -	$ 7,994,749	$ -	**$ 7,994,749**
Restricted cash	-	523,432	-	**523,432**
Accounts receivable	3,776,731	-	-	**3,776,731**
Notes receivable	2,669,903	-	-	**2,669,903**
Investments	-	14,544,493	-	**14,544,493**
Financial liabilities:				
Accounts payable and accrued liabilities	11,164,864	-	-	**11,164,864**
Other loans	7,640,068	-	-	**7,640,068**
Debenture liability	10,734,648	-	-	**10,734,648**

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

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

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

At September 30, 2021, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent.

For a detailed discussion of the Company's financial instruments, we refer to Note 20 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Subsequent events

Subsequent events are disclosed in Note 23 of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021.

Controls and procedures

Disclosure controls and procedures ("DC&P")

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

Internal control over financial reporting ("ICFR")

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

Control framework

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

Changes in ICFR

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

Disclosures about risk

The Company's exposure to significant risks includes, but are not limited to currency risk, interest rate risk, credit risk, price risk, market risk and liquidity risk. For a complete discussion of the risks, refer to Note 20 of the Company's Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021 and the Annual Information Form available on the SEDAR website at www.sedar.com.

Additional information

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