

**Halo Collective Inc. (formerly Halo Labs Inc.)**  
**Management's Discussion and Analysis**  
*For the three and six months ended June 30, 2023*

This "Management's Discussion and Analysis" ("MD&A") for Halo Collective Inc., an Ontario Corporation ("Halo Collective", "Halo" or the "Company") has been prepared as of August 14, 2023, and should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023, 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 and the other risks disclosed in the Company's annual information form dated August 8, 2023 and other disclosure documents available on the Company's profile at [www.sedar.com](http://www.sedar.com).

Specifically, this MD&A includes, but is not limited to, forward-looking statements and assumptions 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, the intended product mix for Budega stores, the ability of the Company's retail stores to increase distribution and market awareness, the Halo Tek (as defined herein) reorganization and the intended operations of the businesses to be owned by Halo Tek.

Readers are cautioned that the above risk 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 of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## **Overview of Halo Collective Inc.**

Effective October 8, 2021, the Company consolidated its common shares, with one post-consolidation common share for every 100 pre-consolidation common shares. Effective June 22, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 20 pre-consolidation common shares. Effective October 27, 2022, the Company consolidated its common shares, with one post-consolidation common share for every 5 pre-consolidation common shares. All share figures and references have been retrospectively adjusted.

The Company is an Ontario corporation and a reporting issuer in all of the provinces and territories of Canada.

Halo Collective is a cannabis company operating cultivation, manufacturing, distribution, and retail assets in Oregon, and California. The Company grows, extracts, and processes quality cannabis flower, oils, and concentrates. 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 and structure its North American assets including developing retail assets in California and distribution in Oregon. To focus on the Company's core competencies, management has decided to spin-off the international and technology assets.

### **Cultivation (growing)**

#### **Oregon**

- In Oregon, the Company holds and cultivates on four Oregon Liquor Control Commission ("OLCC") tier 2 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, pursuant to the acquisition and management agreement for Pistil Point (Food Concepts LLC), the Company also acquired a tier 2 indoor producer license that was issued by the OLCC to ANM, Inc. ("ANM") and presently cultivates cannabis in a 200 flowering light grow in the Portland facility. The Company's Oregon cultivation sites help ensure a consistent supply of high-quality raw material for its manufacture of cannabis oils and concentrates. The Company also maintains its cultivation operations in Oregon as a hedge against price volatility for raw cannabis materials. The Company 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 under a producer license granted by the OLCC.
- On September 1st, 2021, the Company closed the acquisition of Food Concepts LLC, the master tenant of an approximately 55,000 square foot indoor cannabis cultivation, processing, and wholesaling facility in Portland, Oregon operated under the Pistil Point name, and the related licenses issued by the OLCC and other operating assets owned by the entities doing business as

Pistil Point. All the biological assets under Pistil Point's licenses were transferred to Halo by September 30, 2022.

- On April 29, 2022, Halo Collective subsidiary ANM, Inc. (ANM) brought a lawsuit against former business partner William's Wonder Farms, LLC (WWF) and its principal William Earl Hill, alleging that WWF and Hill had unjustifiably sought to terminate an asset purchase agreement for WWF's assets, and related claims. Prompt action was taken to protect six OLCC licenses associated with the three acres of production at the WWF site, which were moved to other Halo Oregon locations pending the outcome of the dispute with WWF. WWF has brought counterclaims against Halo as well. The dispute prevented access to WWF's three acres of production for the 2022 season. Although ANM denies any liability, the respective claims between ANM and WWF roughly equal each other in dollar value.
- On June 10, 2022, Halo Collective and its subsidiaries brought a lawsuit against its former business partner Decibel Farms, Inc., an Oregon corporation, and its president and a former employee for breach of business contracts by soliciting Halo's employees and violating non-compete respectively. The lawsuit is pending in the court and ordered to be solved by arbitration. The Company expects to file arbitration claims in Oregon. The case does not have significant financial impact on Halo and its subsidiaries, but it might affect Halo's market share and business strategies in Oregon.
- On September 22, 2022, Halo has completed the acquisition of all of the substantial assets of Pistil Point in Oregon which collectively hold multiple cannabis licenses (one indoor tier 2 license, one processor license and one wholesale license.) With this transaction, Halo now has full ownership of a range of indoor and outdoor cultivation, manufacturing, and distributions assets, along with an expanded library of genetics that is expected to allow the Company to continue to execute its vertically integrated strategy in Oregon with enhanced competitiveness and economics as it penetrates additional retail dispensaries in the state. This transaction follows the acquisition of Food Concepts LLC in 2021.

## California

- In California, the Company has decided not to build out Ukiah Ventures, and has sold the land associated with it. The sale of the land closed on June 30, 2022;
- The Company intended to cultivate cannabis plants from the Emerald Triangle a region in Northern California comprising Humboldt, Lake, Mendocino and Trinity. As previously announced in September 2021, 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;
- The Company temporarily ceased its operations and investment in Triangle Cannab Corp. ("Triangle Canna") and its operations which were supposed to happen in Lake County, California. The Company further ceased to partner with Green Matter which holds 44% of membership interest in Triangle Canna.

The Company and Green Matter have been seeking a global resolution so that Green Matter can exit LCNH and the Company has also been working on the settlement of all financial liabilities that Triangle owed to the Company and LCNH. The Company has also been actively working on releasing the liens against LCNH or the property that it holds. It is expected that the mechanics liens and judgment liens should be all cleared by the end of year 2023.

### 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 has been involved in cannabis manufacturing since 2013. The Company's philosophy with respect to the extraction and manufacturing of cannabis oils and concentrates is to be platform-agnostic, given the rapid evolution of technology and consumer preferences.

The Company has operated numerous extraction platforms (or methods) including utilizing butane, propane, hexane, ethanol, carbon dioxide and most recently solventless hash/rosin. The Company manufactures and sells a variety of products in the following categories: (i) concentrates – shatter, sauce, resin, diamonds (THC-A crystals), hash and rosin; and (ii) oils – both in raw and distilled form in a variety of strains and flavors, as well as THC, CBD and blends. The Company packages and sells the oils primarily in glass cartridges and in glass jars. The Company also sells various edible products including single and multi-piece chews (Hush) and a syrup-based drink (Hush Sizzurp) in the state of Oregon and similar edible lines in California in 2022 through the Company's indirectly owned subsidiary, Outer Galactic Chocolates LLC ("OGC").

### Oregon

- The Company's Oregon manufacturing facility is in Medford, Oregon. The facility has approximately 12,000 square feet of indoor manufacturing space, as well as an enclosed courtyard of approximately 7,200 square feet. Within the 12,000 square foot indoor facility, approximately 1,400 square feet is a segregated C1D1 explosive-proof room for volatile extraction. The Company has utilized all the extraction methods noted above in its Medford facility. During the COVID-19 pandemic, the Medford facility began to utilize advanced automated packaging equipment to reduce our reliance on human capital and further reduce production labor and overheads.
- Through the transaction of acquiring substantial assets of Pistil Point and Food Concept, the Company now holds an active OLCC processor license in City of Portland.

### 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. Effective, April 22, 2022, the Company decided to cease operations at Coast Harvest to

reduce expenditures, consolidate operations to MDT and vacate the leased premises located in Cathedral City.

- 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 2021. Halo has successfully converted the Type N manufacturing license into a Type 6 manufacturing.
- At OGC, the company has begun offering white label services for dispensary and brand partners.

#### Distribution (wholesale)

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

#### Oregon

- As of June 30, 2023, the Company's distribution (wholesale) business in Oregon is distributing for over eight licensed brands and farms and to 392 cannabis retailers. Since January 2021, the Company has sold to over 500 cannabis retailers. As of June 30, 2023, the Company employs seven salespeople that actively cover all regions of the state. Halo PDX Distribution ("Halo PDX") employs seven employees in warehousing, distribution, and fulfillment along with five full-time drivers and nine delivery vehicles.

#### California

- In California, the Company's products are packaged in Ukiah and distributed by MDT and NMC Organization, "Greenstone" NMC Organization has positioned the Company's products into more than 230+ retail outlets in the state and continues to grow the companies direct to dispensary sales in California.

#### 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. Budega prides itself on curating the highest quality, locally sourced cannabis products for everyone who wants a healthier, happier life. It is grateful and humbled to make its favorite plant available to every community that needs a little more of the best the plant has to offer. Budega will sell a curated mix products including its own line of Budega branded products including flower, pre-rolls and vape cartridges.

## Los Angeles dispensaries

Through the Company's acquisitions of controlling interests in ZXC11 LLC ("Westwood"), SDF11 LLC ("Hollywood"), and LKJ11 LLC ("North Hollywood"), the Company received regulatory approval to open three dispensaries in Los Angeles, California. The first location opened on March 14, 2022, in North Hollywood. The Westwood store opened on May 27, 2022. Halo plans to open the flagship store in Hollywood in the latter half of 2023. These stores will increase distribution and market awareness of Halo Collective's proprietary brands and products in California.

## 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 from High Tide Inc. ("High Tide"). The stores operate in Camrose, Morinville, and Medicine Hat (the "Stores"). The Company signed a management services agreement, which was effective from the date of the acquisition in July 2021 through to July of 2022, during which the Company established its retail infrastructure. The purchase price for the Stores was paid by the Company, on behalf of Halo Kushbar Retail Inc. ("Kushbar"), by way of issuance to High Tide of shares in the capital of the Company and a convertible promissory note (the "Note"). The debt owing under the Note was secured by, among other things, a share pledge of the Company in respect of the shares it held in Kushbar (the "Share Pledge").

Due to a dispute between the Company and High Tide with respect to certain payments in respect of the Stores, the Company did not perform certain of its obligations under the asset purchase agreement. In determining not to perform certain of its obligations, the Company considered a variety of factors, including (1) that the Stores were not generating the revenue or profits the Company expected them to, (2) the only recourse available to High Tide under the Note was to enforce the Share Pledge, and (3) the Company's desire to focus on its west coast US cannabis operations. Accordingly, the Company allowed High Tide to enforce the Share Pledge and gain control of Kushbar and the Stores. As of July 28, 2022, High Tide enforced the Share Pledge and now controls the Stores.

## Halo Tek

On April 1, 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 named Halo Tek Inc. ("Halo Tek").

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

On April 28, 2022, the Company filed a preliminary long form prospectus with the securities regulatory authorities in each of the provinces and territories of Canada, other than Québec, for the purpose of qualifying the distribution by Halo to holders of Halo's common shares of all of the issued and outstanding common shares in the capital of Halo Tek (the "Halo Tek Shares") as a return of capital (the "Distribution"). Subsequently on July 27, 2022, the Company filed an amended and restated preliminary long form prospectus with the securities regulatory authorities.

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

The subsidiaries are:

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

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

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

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

Sublingual consumption of THC and CBD can be compared to inhalation in terms of bioavailability because, as in the case of absorption in the lungs, absorption from the mucous membrane under the tongue allows for the THC and CBD molecules to enter the bloodstream relatively fast and in an

unmetabolized form. Studies performed by GW Pharmaceuticals, plc showed that concentrations of THC and CBD in the blood plasma following sublingual consumption were comparable to inhalation and can also be considered more consumer friendly as it removes unwanted side effects such as coughing that accompanies inhalation.

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

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

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

**Cannafeels** is an online database that helps cannabis consumers discover new strains and track their purchasing history to aid both new and previous users in selecting the right strain for their intended use. Cannafeels' mission is to demystify cannabis for users. The Cannafeels application gathers consumer and institutional backed data to help establish best practice insight and connect consumers with effective options for their individual needs. The Cannafeels application helps users navigate through CBD, THC, terpene, and cannabinoid profiles to provide three (3) strain options determined by whether the consumer requires a recreational or medicinal benefit. Additionally, the application provides subcategories which allow for further choices such as energy, relaxation, pain, or nausea. The Cannafeels application suggests the most effective strain, administration method and dose. Cannafeels collects and uses consumer selection habits and strain profiles and helps make tailored recommendations based on consumer needs. Cannafeels helps users discover different strains offered by licensed producers and, in the future, may allow targeted strain advertising based on user selection. Cannafeels allows users to track their sessions to determine the effect of the strain, whether there are any noticeable benefits and how they are feeling. The user can register, allowing the application to collect and store user data; alternatively, a session may

be started without registration. Consumer data is recorded to better understand user experience with strains, producing insights that can be sold back to licensed producers and educational institutes. The strain database will be based on data provided by licensed producers and users will have the option to add strains themselves when not available on the platform.

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

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

## 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 sought to scale the African cultivation assets it was proposing to acquire from Halo. Boustead Securities, LLC 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, a 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, a UK-based fully approved pharmaceutical importer and distributor which supplies pharmacies and clinics within the UK;
- 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 Cannahealth Limited ("Cannahealth"), which will be a direct wholly owned subsidiary of Akanda (the "Reorganization"). In accordance with the terms of the agreement, Halo Collective exchanged 100% of the issued and outstanding shares of Cannahealth to Akanda in exchange for 13,129,212 common shares in the capital of Akanda, representing aggregate consideration of US\$13,129,212, which is equal to Halo's book value of Bophelo and Canmart;
- Halo funded Bophelo and Canmart for an amount of approximately \$6.6 million, which was converted into Akanda shares at the time of the listing of Akanda Corp. on the NASDAQ.
- On March 14, 2022, Akanda completed its initial public offering of 4,000,000 common shares at a price of \$4.00 per share to the public for a total of \$16,000,000 of gross proceeds to Akanda (the "Offering"), prior to deducting underwriting discounts, commissions, and other Offering expenses.
- During the six months ended June 30, 2023, the Company sold all its investment in Akanda. As at June 30, 2023, the Company has no investment in Akanda.

## Overall performance

The following table summarizes the Company's results of operations for the period indicated:

### Results of operations for the three months ended June 30, 2023

#### Summary Condensed Interim Consolidated statement of income - expressed in US dollars

	<i>For the 3 months ended:</i>	
	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Revenue	\$ 3,568,662	\$ 6,869,983
Reported gross profit	1,832,239	2,194,203
Gross margin	51.3%	31.9%
Net loss	<b>(6,845,467)</b>	(11,433,042)
Net comprehensive loss	<b>(6,567,249)</b>	(11,563,290)
Net loss per share, basic and diluted	\$ (0.05)	\$ (8.18)
Weighted average number of outstanding common shares, basic and diluted	<b>150,809,659</b>	1,397,401

- Revenues in the three months ended June 30, 2023 were \$3,568,662 net of inter-company eliminations, compared to \$6,869,983 in the three months ended June 30, 2022, a 48.1% decrease. Revenues were affected by the decrease in pricing in the overall cannabis markets for both Oregon and California. Both Oregon and California markets have experienced an over-supply in cannabis flower, which has created downward pricing pressure;
- Total sales in the three months ended June 30, 2023 were 1,377,052 grams (three months ended June 30, 2022: 2,011,096 grams), a 31.5% decrease. Flower sales decreased by 10.2% to 1,016,572 grams (three months ended June 30, 2022: 1,131,944 grams), sales of pre-rolls decreased by 68.0% to 82,213 grams (three months ended June 30, 2022: 257,245 grams), oils and extract sales decreased by 54.8% to 270,109 grams (three months ended June 30, 2022: 597,088 grams) and edibles sales decreased by 67.1% to 8,158 grams (three months ended June 30, 2022: 24,820 grams);
- In the three months ended June 30, 2023, Oregon generated \$2,739,822 in revenue (three months ended June 30, 2022: revenue of \$3,758,072), a 27.1% decrease. In the three months ended June 30, 2023, the California wholesale business generated \$471,986 in revenue (three months ended June 30, 2022: \$2,118,828), a 77.7% decrease. In the three months ended June 30, 2023, LKJ11 generated \$139,894 in revenue (three months ended June 30, 2022: revenue of \$289,307), a 51.6% decrease. In the three months ended June 30, 2023, ZXC11 generated \$216,960 in revenue (three months ended June 30, 2022: revenue of \$15,790), a 1274.0% increase as operation was started in May 2022;

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- In the three months ended June 30, 2023, the Company reported a gross profit of \$1,832,239 (three months ended June 30, 2022: gross profit of \$2,194,203), a 16.5% decrease;
- In the three months ended June 30, 2023, the reported gross margin was 51.3% (three months ended June 30, 2022: gross margin was 31.9%);
- In the three months ended June 30, 2023, the loss before interest, tax, depreciation & amortization and adjusted for non-cash items ("adjusted EBITDA<sup>1</sup>") was a loss of \$4,546,367 (three months ended June 30, 2022: loss \$4,119,872). Operating expenditures were \$3,326,734 (three months ended June 30, 2022: \$10,215,020), a 67.4% decrease;
- In the three months ended June 30, 2023, the Company raised \$Nil in debt financing. Net of a reduction \$460,663 in lease obligations, total capital used was \$460,663 (three months ended June 30, 2022: used \$167,767). Cash outflow was \$432,014 in the three months ended June 30, 2023 (three months ended June 30, 2022: cash outflow \$2,754,447); and
- As of June 30, 2023, the Company had no unrestricted cash available.

KPIs

	Flower		Pre-rolls		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q2 2022	1,131,944	\$ 0.73	257,245	\$ 1.31	597,088	\$ 7.40	24,820	\$ 4.84
Q1 2023	1,132,636	\$ 0.77	87,658	\$ 2.31	402,084	\$ 7.46	24,622	\$ 4.44
Q2 2023	1,016,572	\$ 0.95	82,213	\$ 2.14	270,109	\$ 1.69	8,158	\$ 3.83
Change YoY	-10.2%	29.8%	-68.0%	63.1%	-54.8%	-77.1%	-67.1%	-20.9%
Change QoQ	-10.2%	24.1%	-6.2%	-7.1%	-32.8%	-77.3%	-66.9%	-13.6%

Total sales in the three months ended June 30, 2023 were 1,377,052 grams (three months ended June 30, 2022: 2,011,096 grams), a 31.5% decrease. Flower sales decreased by 10.2% to 1,016,572 grams (three months ended June 30, 2022: 1,131,944 grams), sales of pre-rolls decreased by 68.0% to 82,213 grams (three months ended June 30, 2022: 257,245 grams), oils and extract sales decreased by 54.8% to 270,109 grams (three months ended June 30, 2022: 597,088 grams) and edibles sales decreased by 67.1% to 8,158 grams (three months ended June 30, 2022: 24,820 grams).

In the three months ended June 30, 2023, ANM, the facility in Oregon, sold no grams of flower, pre-rolls, trim and fresh frozen, oil and extracts and edibles. Sales operation has been moved to PDX in 2022 Q2.

In the three months ended June 30, 2023, Halo Winberry sold no grams of flower, pre-rolls, trim and fresh frozen, oil and extracts and edibles. Sales operation has been moved to PDX in 2022 Q2.

<sup>1</sup> Adjusted EBITDA is a non-IFRS financial measure. Please refer to the section entitled "Reconciliation of Non-GAAP Financial Measures".

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MDT - Three months ended June 30, 2023

	Flower		Pre-rolls		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q2 2022	-	\$ -	14,736	\$ 2.58	343,678	\$ 6.01	23,148	\$ 1.56
Q1 2023	4,743	\$ 0.91	14,200	\$ 2.09	149,734	\$ 7.05	11,771	\$ 3.36
Q2 2023	-	\$ -	13,280	\$ 0.99	71,348	\$ 6.42	2,908	\$ 2.86
Change YoY	NA	NA	-9.9%	-61.6%	-79.2%	6.7%	-87.4%	83.0%
Change QoQ	-100.0%	-100.0%	-6.5%	-52.6%	-52.4%	-8.9%	-75.3%	-15.0%

In the three months ended June 30, 2023, MDT, the facility in Ukiah, sold 87,536 grams of distillate, live resin, gummies and pre-rolls (three months ended June 30, 2022: 381,562 grams), a 77.1% decrease. MDT sold no grams of premium flower (three months ended June 30, 2022: Nil grams), 13,280 grams of pre-rolls (three months ended June 30, 2022: 14,736 grams), a 9.9% decrease, at an average price of \$0.99 per gram (three months ended June 30, 2022: \$2.58 per gram), 71,348 grams of oils and extracts (three months ended June 30, 2022: 343,678 grams), a 79.2% decrease, at an average price of \$6.42 per gram (three months ended June 30, 2022: \$6.01 per gram), and 2,908 grams of concentrates in edibles (three months ended June 30, 2022: 23,148 grams), a 87.4% decrease, at an average price of \$2.86 per gram (three months ended June 30, 2022: \$1.56 per gram).

Halo-PDX - Three months ended June 30, 2023

	Flower		Pre-rolls		Oils & extracts		Edibles	
	Volume	Price	Volume	Price	Volume	Price	Volume	Price
Q2 2022	1,131,944	\$ 0.73	242,509	\$ 1.24	253,410	\$ 9.27	1,672	\$ 50.29
Q1 2023	1,127,894	\$ 0.76	73,457	\$ 2.35	252,350	\$ 7.70	12,851	\$ 5.42
Q2 2023	1,016,572	\$ 0.95	68,933	\$ 2.36	198,761	\$ 8.17	5,250	\$ 4.37
Change YoY	-10.2%	29.8%	-71.6%	91.2%	-21.6%	-12.0%	214.1%	-91.3%
Change QoQ	-9.9%	24.2%	-6.2%	0.7%	-21.2%	6.1%	-59.1%	-19.4%

Halo PDX is a new distribution company in Oregon. Halo PDX sales started in January 2022. In the three months ended June 30, 2023, Halo PDX sold 1,289,516 grams of flower, pre-rolls, oil and extracts and edibles rolls (three months ended June 30, 2022: 1,629,534 grams), a 20.9% decrease. PDX sold 1,016,572 grams of flower (three months ended June 30, 2022: 1,131,944 grams), a 10.2% decrease, at an average price of \$0.95 per gram (three months ended June 30, 2022: \$0.73 per gram), 68,933 grams of pre-rolls (three months ended June 30, 2022: 242,509 grams), a 71.6% decrease, at an average price of \$2.36 per gram (three months ended June 30, 2022: \$1.24 per gram), 198,761 grams of oils and extracts (three months ended June 30, 2022: 253,410 grams), a 21.6% decrease, at an average price of \$8.17 per gram (three months ended June 30, 2022: \$9.27 per gram), and 5,250 grams of concentrates in edibles (three months ended June 30, 2022: 1,672 grams), a 214.1% increase, at an average price of \$4.37 per gram (three months ended June 30, 2022: \$50.29 per gram).

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Trim

	Yield	Trim Volume	Price
Q2 2022	13.4%	22,996	\$ 27
Q1 2023	0.0%	-	\$ -
Q2 2023	0.0%	-	\$ -
Change YoY	-100.0%	-100.0%	-100.0%
Change QoQ	N/A	N/A	N/A

In the three months ended June 30, 2023, there was no processing of trim, compared with a run of 22,996 pounds at a yield of 13.4% and sold at \$27 per pound in the three months ended June 30, 2022, a 100% decrease.

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Selected financial information by region – expressed in US dollars

Disclosure by Region - three months ending June 30, 2022

	Oregon	California	US Others	Kushbar	Others	Corporate	Total
Revenue	\$ 3,758,072	\$ 2,118,828	\$ 305,097	\$ 687,986	\$ -	\$ -	\$ 6,869,983
Cost of Cannabis inventory sold	2,351,179	1,614,193	234,723	475,685	-	-	4,675,780
Gross profit excluding FV changes	1,406,893	504,635	70,374	212,301	-	-	2,194,203
Realized and unrealized (gain) loss on biological assets	-	-	-	-	-	-	-
Gross profit (loss)	1,406,893	504,635	70,374	212,301	-	-	2,194,203
Gross margin	37.4%	23.8%	23.1%	30.9%	0.0%	0.0%	31.9%
Net loss	(606,104)	121,041	(3,064,739)	(42,916)	(197,961)	(7,642,363)	(11,433,042)
Adjusted EBITDA	(9,148)	322,658	(1,837,538)	1,241	(197,961)	(2,399,124)	(4,119,872)
Total assets	27,369,499	9,782,024	19,102,682	3,972,814	18,764,757	37,224,004	116,215,780
Long-term financial liabilities	\$ 2,141,147	\$ 114,869	\$ 3,513,050	\$ 411,095	\$ -	\$ 9,673,273	\$ 15,853,434

Disclosure by Region - three months ending June 30, 2023

	Oregon	California	US Others	Kushbar	Others	Corporate	Total
Revenue	\$ 2,739,822	\$ 471,986	\$ 356,854	\$ -	\$ -	\$ -	\$ 3,568,662
Cost of Cannabis inventory sold	1,171,487	432,269	132,667	-	-	-	1,736,423
Gross profit excluding FV changes	1,568,335	39,717	224,187	-	-	-	1,832,239
Realized and unrealized (gain) loss on biological assets	-	-	-	-	-	-	-
Gross profit (loss)	1,568,335	39,717	224,187	-	-	-	1,832,239
Gross margin	57.2%	8.4%	62.8%	NA	NA	NA	51.3%
Net loss	587,214	(120,687)	(251,617)	-	-	(7,060,377)	(6,845,467)
Adjusted EBITDA	1,066,075	48,866	(98,326)	-	-	(5,562,982)	(4,546,367)
Total assets	16,990,882	2,888,504	13,502,644	-	5,692,551	5,117,051	44,191,632
Long-term financial liabilities	\$ 1,454,288	\$ 163,860	\$ 3,086,618	\$ -	\$ -	\$ 7,550,409	\$ 12,255,175

Disclosure by Region - six months ending June 30, 2022

	Oregon	California	US Others	Kushbar	Others	Corporate	Total
Revenue	\$ 8,626,016	\$ 4,142,629	\$ 337,894	\$ 1,325,569	\$ -	\$ -	\$ 14,432,108
Cost of Cannabis inventory sold	6,380,338	3,231,436	304,017	908,245	-	-	10,824,036
Gross profit excluding FV changes	2,245,678	911,193	33,877	417,324	-	-	3,608,072
Realized and unrealized (gain) loss on biological assets	166,753	-	-	-	-	-	166,753
Gross profit (loss)	2,078,925	911,193	33,877	417,324	-	-	3,441,319
Gross margin	24.1%	22.0%	10.0%	31.5%	0.0%	0.0%	23.8%
Net loss	(1,793,790)	15,879	(4,312,735)	(86,028)	(253,764)	(18,787,592)	(25,218,030)
Adjusted EBITDA	(521,055)	425,673	(2,687,701)	2,919	(253,764)	(4,990,231)	(8,024,159)
Total assets	27,369,499	9,782,024	19,102,682	3,972,814	18,764,757	37,224,004	116,215,780
Long-term financial liabilities	\$ 2,141,147	\$ 114,869	\$ 3,513,050	\$ 411,095	\$ -	\$ 9,673,273	\$ 15,853,434

Disclosure by Region - six months ending June 30, 2023

	Oregon	California	US Others	Kushbar	Others	Corporate	Total
Revenue	\$ 5,771,481	\$ 1,590,313	\$ 827,121	\$ -	\$ -	\$ -	\$ 8,188,915
Cost of Cannabis inventory sold	2,865,116	1,368,740	422,187	-	-	-	4,656,043
Gross profit excluding FV changes	2,906,365	221,573	404,934	-	-	-	3,532,872
Realized and unrealized (gain) loss on biological assets	4,586	-	-	-	-	-	4,586
Gross profit (loss)	2,901,779	221,573	404,934	-	-	-	3,528,286
Gross margin	50.3%	13.9%	49.0%	NA	NA	NA	43.1%
Net loss	219,319	(1,036,270)	(820,900)	-	-	(11,376,380)	(13,014,231)
Adjusted EBITDA	1,329,573	(697,896)	(497,974)	-	-	(4,475,719)	(4,342,016)
Total assets	16,990,882	2,888,504	13,502,644	-	5,692,551	5,117,051	44,191,632
Long-term financial liabilities	\$ 1,454,288	\$ 163,860	\$ 3,086,618	\$ -	\$ -	\$ 7,550,409	\$ 12,255,175

## Results of operations for the six months ended June 30, 2023

### Selected financial information - expressed in US dollars

	<i>For the 6 months ended:</i>	
	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Revenue	\$ 8,188,915	\$ 14,432,108
Cost of finished cannabis inventory sold	4,656,043	10,824,036
Gross profit ex change in FV biological assets	3,532,872	3,608,072
Realized fair value loss included in the cost of inventory sold	4,586	166,753
Gross profit	3,528,286	3,441,319
Net loss	(13,014,231)	(25,218,030)
Net comprehensive loss	(12,051,111)	(24,715,961)
Net loss per share, basic and diluted	\$ (0.10)	\$ (26.65)
Weighted average number of outstanding common shares, basic and diluted	135,846,038	946,140
Total assets	44,191,632	116,215,780
Long-term financial liabilities	12,255,175	15,853,434

The following section provides details of the Company's financial performance for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The Company's Condensed Interim Consolidated Financial Statements have been prepared in accordance with IFRS as are issued by the IASB. The information in this MD&A is presented on the same basis as the Condensed Interim Consolidated Financial Statements and should be read in conjunction with the Condensed Interim Consolidated Financial Statements and the accompanying notes.

### Revenue

Revenues in the six months ended June 30, 2023, were \$8,188,915 compared to \$14,432,108 in six months ended June 30, 2022, a 43.3% decrease.

The Company reported a gross profit of \$3,528,286 (six months ended June 30, 2022: gross profit \$3,441,319), a 2.5% increase.

The reported gross margin in the six months ended June 30, 2023, was 43.1% (six months ended June 30, 2022: gross margin 23.8%).

## Gross profit and cost of goods sold

The cost of finished cannabis inventory sold was \$4,656,043 in the six months ended June 30, 2023 (six months ended June 30, 2022: \$10,824,036), a 57.0% decrease. The realized and unrealized loss in the value of inventory sold was a loss of \$4,586 in the six months ended June 30, 2023 (six months ended June 30, 2022: loss of \$166,753). Impairments included in cost of goods sold were \$141,127 in the six months ended June 30, 2022 (six months ended June 30, 2022: impairments \$Nil).

## Operating expenses

### Operating expenses - expressed in US dollars

	<i>For the 6 months ended:</i>	
	<i>June 30, 2023</i>	<i>June 30, 2022</i>
General and administration	<b>2,395,379</b>	3,340,231
Salaries	<b>2,058,006</b>	6,647,583
Professional fees	<b>3,278,070</b>	8,180,670
Sales and marketing	<b>1,665,398</b>	2,028,582
Investor relations	<b>12,455</b>	231,176
(Gain) Loss on settlements and contingencies	<b>1,855</b>	(307,462)
Share-based compensation	-	719,900
<b>Total operating expenses</b>	<b>\$ 9,411,163</b>	<b>\$ 20,840,680</b>

The table sets forth operating expenses for the six months ended June 30, 2023, and 2022. In the six months ended June 30, 2023, operating expenses were \$9,411,163 (six months ended June 30, 2022: \$20,840,680), a 54.8% decrease.

To reduce the cash burn, there has been a drive to reduce overhead expenses at the corporate center.

- In the six months ended June 30, 2023, G&A expenses decreased by 28.3% to \$2,395,379 (six months ended June 30, 2022: \$3,340,231);
- In the six months ended June 30, 2023, salaries decreased by 69.0% to \$2,058,006 (six months ended June 30, 2022: \$6,647,583). For the six months ended June 30, 2023, salaries at corporate were \$1,514,833;
- In the six months ended June 30, 2023, professional expenses decreased by 59.9% to \$3,278,070 (six months ended June 30, 2022: \$8,180,670). For the six months ended June 30, 2023, corporate professional fees were \$2,844,098 included corporate legal fees of \$484,598, other professional fees of \$741,481 and consulting fees of \$1,618,019, of which \$639,329 were paid in shares;
- In the six months ended June 30, 2023, sales and marketing expenses decreased by 17.9% to 1,665,398 (six months ended June 30, 2022: \$2,028,582);

- In the six months ended June 30, 2023, investor relations expenditure decreased by 94.6% to \$12,455 (six months ended June 30, 2022: \$231,176);
- In the six months ended June 30, 2023, the loss on settlements and contingencies was \$1,855 (six months ended June 30, 2022: gain \$307,462). They constitute the difference between fair market value and deemed value on share-based payments to staff, executives, directors, and consultants; and
- In the six months ended June 30, 2023, share-based compensation was \$Nil (six months ended June 30, 2022: \$719,900). They constitute the share-based compensation to staff, executives, and directors. It is a non-cash item.

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## Summary of quarterly results

### Summary of quarterly results

For three months to:	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Revenue	\$ 8,738,964	\$ 8,365,976	\$ 7,562,125	\$ 6,869,983	\$ 5,541,144	\$ 4,565,601	\$ 4,620,253	\$ 3,568,662
Cost of Cannabis inventory sold	6,996,419	9,529,934	6,148,256	4,675,780	3,816,905	4,004,355	2,919,620	1,736,423
Gross (profit) loss excluding FV changes	1,742,545	(1,163,958)	1,413,869	2,194,203	1,724,239	561,246	1,700,633	1,832,239
Realized and unrealized (gain) loss on biological assets	103,349	181,825	166,753	-	23,377	516,010	4,586	-
Gross profit / (loss)	1,639,196	(1,345,783)	1,247,116	2,194,203	1,700,862	45,236	1,696,047	1,832,239
Gross margin	18.8%	-16.1%	16.5%	31.9%	30.7%	1.0%	36.7%	51.3%
Net loss	(10,046,109)	(66,543,691)	(13,784,988)	(11,433,042)	(5,817,395)	(53,683,067)	(6,168,764)	(6,845,467)
Net loss per share	\$ (40.32)	\$ (2.44)	\$ (0.28)	\$ (1.64)	\$ (0.23)	\$ (2.77)	\$ (0.22)	\$ (0.05)
Weighted average number of outstanding common shares, basic and diluted	249,186	272,288	490,049	1,397,401	5,061,126	19,410,787	28,650,343	150,809,659
Total assets	\$ 160,987,162	\$ 104,796,919	\$ 117,737,829	\$ 116,215,780	\$ 110,968,692	\$ 56,891,507	\$ 51,406,454	\$ 44,191,632

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.

## Reconciliation of Non-GAAP Financial Measures

A reconciliation of EBITDA and adjusted EBITDA to the most directly comparable measure determined under GAAP is set out below.

	For the 3 months ended:		For the 6 months ended:	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Income (loss) before interest, tax, depreciation &amp; amortization (EBITDA and adjusted EBITDA)</b>				
<b>Net loss</b>	<b>(6,845,467)</b>	(11,433,042)	<b>(13,014,231)</b>	(25,218,030)
Interest expense	228,043	754,335	462,396	2,577,014
(Gain) loss on foreign exchange	420,395	(1,138,202)	(281,746)	(37,751)
Income tax	-	-	3,875	-
Depreciation	314,052	558,127	628,309	1,120,468
Share of loss from investment in associates	-	1,184,920	-	2,169,440
Loss on sale of marketable securities	868,362	-	6,818,139	-
Realized loss on sale of land	-	867,770	-	867,770
Other (income) expense	(91,650)	499,134	(210,621)	141,250
Accretion expense	202,520	672,751	394,397	967,088
<b>EBITDA</b>	<b>(4,903,745)</b>	(8,034,207)	<b>(5,199,482)</b>	(17,412,751)
Depreciation included in COGS	357,378	379,616	711,753	757,147
Impairments included in COGS	-	-	141,127	-
Share-based compensation for staff	-	74,114	-	719,900
Share-based payments for goods and services	-	3,460,605	-	7,744,792
Loss on the value of biological assets	-	-	4,586	166,753
<b>Adjusted EBITDA</b>	<b>\$ (4,546,367)</b>	\$ (4,119,872)	<b>\$ (4,342,016)</b>	\$ (8,024,159)

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

EBITDA represents net income (loss) before interest expense, provision for income taxes, depreciation and amortization. Adjusted EBITDA is calculated by subtracting from or adding to EBITDA items of income or expense described above. EBITDA and adjusted EBITDA do not represent net income, as that term is defined under IFRS, and should not be considered as an alternative to net income (loss) as an indicator of operating performance.

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 non-recurring transactions are excluded.

## **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 January 17, 2022, the Company entered into a C\$14,000,000 (US\$11,272,142) financing with Alpha Blue Ocean, a family-office created in 2017 by Pierre Vannineuse, Hugo Pingray and Amaury Mamou-Mani. The financing structure involves C\$14,000,000 (US\$11,272,142) unsecured loan facility in two tranches of C\$7,000,000 (US\$5,636,071) each, backed by a convertible debenture facility.
- On March 16, 2022, the Company entered into an additional financing agreement of C\$65,000,000 (US\$51,096,612) with Alpha Blue Ocean (ABO) in the form of convertible debentures.
- On September 7, 2022, the Company and ABO agreed to an early termination of the loan and convertible debentures with ABO.

As of June 30, 2023, the Company had 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 2021 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, 37 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.

The table below sets forth the Company's cash flows for the six months ended June 30, 2022.

**Cash flow - expressed in US dollars**

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<b>Cash provided by (used in):</b>	<b>For the 6 months ended:</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Operating activities	\$ (4,058,842)	\$ (12,100,741)
Finance activities	946,848	10,221,979
Investing activities	3,430,098	1,609,758

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### Cash used in operating activities

In the six months ended June 30, 2023, cash used in operating activities was \$4,058,842 (six months ended June 30, 2022: used \$12,100,741).

In the six months ended June 30, 2023, the Company used cash in operating activities included a net loss of \$13,014,231 (six months ended June 30, 2022: net loss \$25,218,030), an increase in working capital of \$520,553 (six months ended June 30, 2022: increase \$3,060,646), and non-cash items in the amount of \$9,475,942 (six months ended June 30, 2022: \$16,177,935).

### Cash raised in investing activities

In the six months ended June 30, 2023, cash raised in investing activities was \$3,430,098 (six months ended June 30, 2022: cash raised \$1,609,758).

In the six months ended June 30, 2023, the Company received \$3,430,098 from the sale of Akanda shares. In the six months ended June 30, 2022, the Company used \$60,000 in relation to acquisition,

purchased \$680,242 of property, plant and equipment, and received \$2,350,000 proceeds from the sale of land.

#### Cash raised in financing activities

In the six months ended June 30, 2023, cash raised from financing activities was \$946,848 (six months ended June 30, 2022: \$10,221,979).

In the six months ended June 30, 2023, the Company raised \$1,864,861 from debt financing (six months ended June 30, 2022: raised \$1,507,242) and raised \$Nil from convertible debentures (six months ended June 30, 2022: \$9,683,676). Net of a reduction of \$918,013 in lease obligations (six months ended June 30, 2022: \$968,939). The details are disclosed in Note 12 and 13 in the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

In the six months ended June 30, 2023, cash inflow was \$318,104 (six months ended June 30, 2022: cash outflow \$269,004).

#### Share capital

In the six months ended June 30, 2023, the Company issued 100,849,514 common shares. The Company issued 2,340,000 shares in conversion of convertible debentures, issued 98,510,139 on conversion of promissory notes, and returned 625 shares to treasury. The details are disclosed in Note 13 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

#### Use of proceeds

In the six months ended June 30, 2023, the Company raised \$1,864,861 from debt financing (six months ended June 30, 2022: raised \$1,507,242) and raised \$Nil from convertible debentures (six months ended June 30, 22: \$9,683,676). Proceeds were used for operating expenses and working capital.

#### Outstanding share data

As at June 30, 2023, 150,809,570 common shares were issued and outstanding, 5,626 stock options were outstanding, 1,549,297 warrants were outstanding and 9,512 convertible debentures were in issue which are convertible into an aggregate of 92,305 common shares.

#### Commitments

The Company's contractual obligations As of June 30, 2023, and the effects that such obligations are expected to have on our liquidity and cash flows in future periods are disclosed in Note 17 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

## **Critical accounting estimates and judgements**

The critical accounting estimates and judgements are disclosed in Note 2 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

## **Changes in accounting policies**

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 3 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

## **Related party transactions**

Related party transactions are disclosed in Note 11 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

## **Off-balance sheet arrangements**

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

## **Financial instruments**

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

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

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Expressed in US dollars

The following is a summary of the carrying values of the financial instruments As of June 30, 2023:

**Financial Instruments - expressed in US dollars**

	Amortized cost	FVPTL	FVOCI	Total
<b>Financial assets:</b>				
Cash	\$ -	\$1,262,446	\$ -	\$1,262,446
Restricted cash	-	-	-	-
Accounts receivable	1,706,635	-	-	1,706,635
Notes receivable	3,175,366	-	-	3,175,366
Investments	-	-	-	-
<b>Financial liabilities:</b>				
Accounts payable and accrued liabilities	7,649,391	-	-	7,649,391
Other loans	3,045,285	-	-	3,045,285
Debenture liability	\$ -	\$ -	\$ -	\$ -

The following is a summary of the carrying values of the financial instruments As of December 31, 2022:

**Financial Instruments - expressed in US dollars**

	Amortized cost	FVPTL	FVOCI	Total
<b>Financial assets:</b>				
Cash	\$ -	\$ 944,342	\$ -	\$ 944,342
Restricted cash	-	-	-	-
Accounts receivable	2,723,858	-	-	2,723,858
Notes receivable	1,749,872	-	-	1,749,872
Investments	-	10,248,237	-	10,248,237
<b>Financial liabilities:</b>				
Accounts payable and accrued liabilities	9,623,601	-	-	9,623,601
Other loans	2,662,496	-	-	2,662,496
Debenture liability	\$ -	\$ -	\$ -	\$ -

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

At June 30, 2023, both the carrying and fair value amounts of all the Company's financial instruments are equivalent.

For a detailed discussion of the Company's financial instruments, we refer to Note 16 of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023.

#### Subsequent events

Subsequent events are disclosed in Note 19 of the Condensed Interim Consolidated Financial Statements the three and six months ended June 30, 2023.

### **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 16 of the Company's Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2023, and the Annual Information Form available on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

## **Additional information**

Additional information relating to Halo Collective, including our Annual Information Form, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).