GTEC
— CANNABIS CO. —

April 28, 2020

Management's Discussion & Analysis

For the Three Month Period Ended February 29, 2020

(Expressed in Canadian Dollars)

Introduction

This Management's Discussion and Analysis ("MD&A") dated April 28, 2020 should be read in conjunction with the condensed interim consolidated financial statements (the "Interim Financial Statements") of GTEC Holdings Ltd. (the "Company" or "GTEC") for the three months ended February 29, 2020 ("first quarter of 2020" or "Q1 2020") and the audited consolidated financial statements for the year ended November 30, 2019 (the "Annual Financial Statements"), including the accompanying notes thereto.

Financial data in this MD&A is based on the Interim Financial Statements of the Company for the three months ended February 29, 2020, is expressed in thousands of Canadian dollars ("$"), except for share and per share calculations, references to $ millions, per gram ("g") or kilogram ("kg") of dried flower, and is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise stated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators.

Cautionary Statement Regarding Forward-Looking Information

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: the Company will achieve full production capacity which is expected to drive increased revenue growth in the second and third quarter 2020; the Company will increase average selling prices and gross margins by transitioning from bulk B2B cannabis sales to CPG cannabis sales (via Provincial sales channels); the Company will continue to have demand for BLK MKT branded products; the Company will achieve profitability or significant growth each quarter; the Company will be able to settle its outstanding liabilities and debt obligations in the 2020 fiscal year; production and sales will increase quarter-over-quarter; Grey Bruce and Tumbleweed will enter into full production; management will be successful in further reducing expenditures; the Company will be able to reduce expenditures in the 2020 fiscal year and strengthen its balance sheet; the Company will become cash flow positive; production, capacity or efficiency estimates or sales projections will be met; the Company's selling price and gross margin will increase; unforeseen construction, harvest or delivery delays will not occur; the Company's combined annual output will meet expectations; the Company's genetic portfolio will deliver a sustainable competitive advantage and provide favourable gross margins or that the Company will be able to establish long-term brand equity and consumer loyalty; and there will be continued demand for the Company's flower. Forward-looking information contained herein is made as of the date of this MD&A and, other than as required by law, the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Accordingly, readers should not place undue reliance on forward-looking information.

The global pandemic related to an outbreak of the novel coronavirus disease ("COVID-19") has cast uncertainty on each of these assumptions. There can be no assurance that they continue to be valid. Given the rapid pace of change, it is premature to make further assumptions about these matters. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on our business is not known at this time. These impacts could include, amongst others, an impact on our ability to obtain debt or equity financing, increased credit risk on receivables, impairment of investments, impairments in the value of our long-lived assets, or potential future decreases in revenue or profitability of our ongoing operations. See "Risk Factors".

Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws. The forward-looking statements contained herein are based on information available as of April 14, 2020.

Company Overview

GTEC Holdings Ltd. ("GTEC", "the Company") is a consolidated entity under the laws of the province of British Columbia with the principal business activity is pursuing opportunities in the cannabis industry and has the goal to identify and consolidate licensed producers of premium cannabis under Health Canada's Cannabis Act & Regulations ("CA&R"). The Company is a publicly traded company listed on the TSX Venture Exchange ("TSXV") under the symbol "GTEC". The Company's head office is located in Kelowna, British Columbia.

Key Financial Highlights of the First Quarter of 2020

- Revenue increased to $2.4 million for first quarter of 2020 compared to $1.15 million in the previous fourth quarter of 2019, representing an increase of 105%, from the sale of 391 kilograms ("KG") of cannabis. For the comparative first quarter of 2019, revenue was $93,000
- Gross margin before fair value adjustments was $965,000, or 41% for the first quarter of 2020 compared to $290,000 in the previous fourth quarter of 2019, or 26%. The comparative first quarter of 2019, gross margin was $25,000, or 26%. The increase in gross margin was due to the Company transitioning to recreational CPG sales
- Operating expenses increased 13% for the first quarter of 2020 compared to the previous fourth quarter of 2019, as the Company invested capital into the launch of its recreational cannabis brand portfolio. Operating expenses decreased by 46% compared to the first quarter of 2019. *(excluding non-cash items such as depreciation, amortization and share based payments)*
- Net loss from operations for the first quarter of 2020 was $815,000 compared to a net loss from operations of $2.6 million in the previous fourth quarter of 2019. The comparative first quarter of 2019 net loss from operations was $2.4 million
- Adjusted EBITDA for the first quarter of 2020 was $5,000, compared to negative adjusted EBITDA of $646,000 in the previous fourth quarter of 2019 and negative adjusted EBITDA of $1.9 million in the comparative first quarter of 2019

Key Operating Highlights of the First Quarter of 2020

- Production increased by 15% to 502 KG of cannabis over the previous fourth quarter of 2019
- Weighted average per gram selling prices of:
  - $9.42 for recreational sales and $4.77 for B2B wholesale
  - Total weighted average selling price of $6.24 per gram
- Three licensed cultivation facilities, totaling approximately 39,000 square feet, are now operating at full capacity, with second quarter harvests expected to drive increased revenue growth during the second and third quarter of 2020
- Completed the successful transition from commercial cultivars to unique premium cultivars, resulting in the Company entering the second quarter of 2020 solely producing its unique premium cultivars, which is projected to increase the Company's average selling price and gross margins

Liquidity and Capital Resources

As at the date of this MD&A, the Company had a cash balance of approximately $960,000. The Company previously reported that it had sufficient financial resources to fulfil all debt obligations due in the second half of fiscal 2020, without further equity financing or assuming additional debt obligations. However, cash flows from operations have been negatively impacted by longer receivable collection periods on revenue; as well as, lower than anticipated production during the ramp up periods. As a result, the Company's board of directors has elected to pursue a financing in an effort to mitigate risk associated with near-term debt obligations. Subsequent to the period ended February 29, 2020, the Company announced that it entered into a non-binding term sheet with Trichome Financial for a $4.5 million debt financing. The agreement still remains subject to close as at the date of this MD&A.

The Company has three licensed facilities, with production and sales increasing quarter-over-quarter as its facilities operated by Grey Bruce Farms Incorporated ("Grey Bruce") and Tumbleweed Farms Corp. ("Tumbleweed") enter into full production. The Company is expecting a current annualized output of 4,000 kg [A] from the existing facilities.

During the first quarter of 2020 and subsequent to the period ended February 29, 2020, the Company completed two early payments of $1.3 million towards its $5 million senior secured convertible debenture resulting in an outstanding balance remaining of $3.7 million as at the date of this MD&A.

As previously announced, the Company has taken a strategic review of non-core / non-operational assets in order to strengthen the balance sheet and reduce expenditures in preparation to repay its debt obligations due in the third and fourth quarter of 2020. As a result, the Company entered into a non-binding letter of intent with a party interested in purchasing 1203648 BC Ltd. The primary asset being a 4,000 square foot leased retail space. As at the date of this MD&A, the agreement is still in negotiations. Additionally, the Company entered into a contract of sale for commercial real estate for the sale of a commercial building and land. As at the date of this MD&A, the agreement has been terminated.

The Company had anticipated completing construction at Greentec Bio-Pharmaceuticals ("GBP") during the fourth quarter of 2019. However, after completing an extensive financial review, the Company has temporarily suspended construction, in order to conserve capital for other priorities. The Company has the flexibility to adjust its development schedules based on available cash flows and may further defer development if required.

The Company will continue to review its non-performing assets and investments; while exploring strategic opportunities with the objective to utilize its cash flow to re-invest in near term accretive assets.

Note (A): This estimate is consistent with historical output based on an output of 200 to 235 grams per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest).

Outlook and Strategy for the 2020 year

The Company's objective to produce, market and distribute premium quality indoor cannabis is being accomplished through the determination and execution of the GTEC team. The Company commenced with the development of five cultivation facilities across Canada, of which three are now licenced and operational. As a result, the Company is now generating positive adjusted EBITDA with production growth expected to increase significantly throughout the upcoming fiscal quarters.

The Company has divested of non-core / non-operational assets and continues to divest the remaining non-core assets to strengthen its balance sheet, while focusing the organization's resources on the cultivation of premium indoor flower and its derivatives, with the mandate to establish long-term brand equity and consumer loyalty by distributing premium quality cannabis products.

The Company's objective for the 2020 year is to achieve full production capacity utilization at its Alberta Craft Cannabis Inc. ("ACC"), Grey Bruce and Tumbleweed operations and to bring 3PL Ventures Inc. ("3PL") into production by the end of fiscal 2020 or early 2021.

Overview of Business

GTEC Holdings Ltd. is a specialized cannabis company which produces and distributes premium cannabis products in Canada. The Company has four licensed and operational assets and is currently distributing cannabis through medical and recreational sales channels.

GTEC's exclusive cultivar collection includes rare and unique phenotypes, which are not currently available from other Licenced Producers. GTEC's premium product portfolio includes; BLK MKT™, Tenzo™, GreenTec™, Cognōscente™ and Treehugger™.

The Company wholly owns operations in BC, Alberta and Ontario, and is licensed by Health Canada for the following: sales into recreational supply chains, direct sales to medical patients, bulk sales to other Licenced Producers, extraction, and analytical testing.

GTEC is a publicly traded corporation, listed on the TSX Venture Exchange (GTEC), OTCQB Venture Market (GGTTF) and Frankfurt Stock Exchange (1BUP). The Company's headquarters is based out of Kelowna, British Columbia.

Cultivation Facilities

	GTEC CONSOLIDATED	ACC	GREY BRUCE	TUMBLEWEED	GBP	3PL
Location	**Canada**	Alberta	Ontario	BC	BC	BC
Total Size (Sq ft)	**119,000**	14,000	15,000	10,000	20,000	60,000
Production Output (g)	**12.1 million[1]**	1.3 million	1.64 million	1 million	2.15 million	6 million
Est Completion		Complete	Complete	Complete	On hold	2020
Licence(s)		Cultivation, Processing, Sales (Medical)	Cultivation	Cultivation Processing, Sales (Medical)	-	-
Expansion Potential (Sq ft)	**840,000**	NIL	500,000	100,000	60,000	180,000

Note (1) Total production output from all operating facilities is 12.1 million grams. This estimate is consistent with historical output based on an output of 200 to 236 grams per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest). The Company's share of the total output is 9.09 million grams, due to the Company's 49% ownership in 3PL.

Alberta Craft Cannabis Inc. ("ACC")

Alberta Craft Cannabis Inc. received its updated license from Health Canada under the Cannabis Act, permitting business-to-Business ("B2B") cannabis sales on November 28, 2018. ACC received its Standard Processing License and Medical Sales License, issued by Health Canada on July 26, 2019. The Standard Processing License authorizes the sale of cannabis plants, cannabis plant seeds, fresh cannabis and dried cannabis products. The Medical Sales License authorizes the sale of cannabis for medical purposes. This provides ACC with the ability to sell into provincial recreational supply chains and facilitates direct sales to medical cannabis clients.

ACC has a fully built and operational 14,000 square foot cannabis production facility capable of producing 1.3 million grams of dried cannabis flower annually.

ACC is located in Edmonton, Alberta.

Grey Bruce Farms Incorporated ("Grey Bruce")

Grey Bruce Farms Incorporated received its Standard Cultivation License pursuant to the *Cannabis Act and Regulations* by Health Canada on July 5, 2019. Grey Bruce has a fully built and operational 15,000 square foot cannabis production facility capable of producing 1.64 million grams of dried cannabis annually. Grey Bruce is ramping up to full production and completed its first harvest during the fourth quarter of 2019.

Grey Bruce is located in Kincardine, Ontario and the property sits on 6 acres of land with significant future expansion capabilities.

Tumbleweed Farms Corp. ("Tumbleweed")

Tumbleweed Farms Corp. received its Standard Cultivation, Standard Processing and Medical Sales Licenses, pursuant to the *Cannabis Act and Regulations* by Health Canada on August 16, 2019. Tumbleweed has a fully built and operational 10,000 square foot cannabis production facility capable of producing 1 million grams of dried cannabis annually. Tumbleweed is ramping up to full production and completed its first harvest during the first quarter of 2020.

Tumbleweed is located in Chase, British Columbia and the property sits on 23 acres of land with significant future expansion capabilities.

GreenTec Bio-Pharmaceuticals Inc. ("GBP")

The GBP facility has a total capacity of 80,000 square feet and will be developed in phases with the first phase of development to be 20,000 square feet ("GBP Phase One"). The facility is located in Kelowna, British Columbia and will serve as GTEC's flagship cultivation facility. GBP Phase one is expected to produce 2.15 million grams of cannabis annually, and upon completing the facility expansion, can produce up to 10 million grams of cannabis annually.

The Company has spent $3.8 million as at the period ended February 29, 2020.

Previously, the Company had anticipated completing the facility during the fourth quarter of 2019; however, after completing an extensive financial review, the Company has temporarily suspended construction, in order to conserve capital for other priorities. The Company has the flexibility to adjust its development schedules based on available cash flows and may further defer development if required.

3PL Ventures Inc. ("3PL")

The Company is in a joint venture with 3PL Ventures Inc., a privately-owned corporation incorporated in British Columbia. The Company owns 49% of 3PL, which is in development to be a Licensed Producer, under Health Canada's Cannabis Act, with a phase one 60,000 square foot building currently being retrofitted with room for significant expansion. 3PL is projected to produce 6 million grams of cannabis annually.

The facility is approximately 75% complete and is expected to be completed during the second or third quarter of 2020 and commence the licensing process. The Company is expected to spend $1 million in the second or third quarter of 2020 upon completion of construction to earn its 49% share of production.

Lab and Extraction Facilities

	GTEC CONSOLIDATED	ZENALYTIC LABS	SPECTRE LABS
Location	**Canada**	BC	BC
Total Size (Sq Ft)	**7,500**	2,500	5,000
Production Output (g)	**+ 8.5 million (oil)**	TBD (oil)	8.5 million (oil)
Est Completion	**Complete / TBD**	Lab complete / Extraction under construction	TBD
License	**Licensed / In Progress**	Standard Processing	In Progress

Zenalytic Laboratories Ltd. ("Zen Labs")

Zenalytic Laboratories Ltd. Is a full-service chemical and microbiological diagnostics laboratory for soil, water, and cannabis. On July 13, 2018, Zen Labs received its Dealers License from Health Canada under the Narcotic Control Regulations. Additionally, on September 6, 2018, Zen Labs received approval from Health Canada to expand the scope of its license to include authorization to process cannabis flower into cannabis oil for the Company's subsidiaries.

Zen Labs conducts the following tests; Cannabinoids (THC, CBD, CBN, CBG); metals; residual solvents and terpenes; and Aflatoxins and Mycotoxin. Zen Labs utilizes the following equipment to test for the above-mentioned; HPLC (High Performance Liquid Chromatography); ICP-MS (Inductively Coupled Plasma Mass Spectrometry); GC-MS (Gas Chromatography-Mass Spectrometry); and LC-MS (Liquid Chromatography-Mass Spectrometry)

In addition to cannabis testing, ZenLabs will offer analytical testing services for non-cannabis clients. These packages can include, among other things, basic water quality testing, microbial testing, metals screening, agricultural contamination screening, organic contaminant testing, soil fertility testing, metals and heavy metals testing, and manure and compost testing.

ZenLabs was developed to be an internal on-demand resource for the Company; however, it also has the capabilities to offer commercialized services to other cannabis and non-cannabis related operations. Zen Labs is currently revenue generating.

Spectre Labs Inc. ("Spectre")

Spectre Labs Inc. intends to be a cannabis extraction and processing facility. This will allow the Company to create various value-added cannabis products, upon licensing.

Spectre Labs' Acceptance of Application for a Controlled Drugs and Substances Dealer's License was received by Health Canada on July 7, 2018 and accepted for review on July 17, 2018. The application is still pending with Health Canada.

During the period ended February 29, 2020, the Company entered into a contract of sale for commercial real estate. The agreement was in the amount of $1,125,000 for the sale of a commercial building and land and as at the date of this MD&A, the agreement had been terminated and the asset is recorded as assets held for sale, within the condensed interim consolidated financial statements.

Retail and Distribution

The Company has divested non-core / non-operational assets to strengthen its balance sheet, while focusing the organization's resources on the cultivation and extraction of premium indoor flower and its derivatives, with the mandate to establish long-term brand equity and consumer loyalty by marketing its premium quality cannabis products.

Following a strategic review, management concluded that the Company cannot generate adequate risk-adjusted returns in its retail cannabis operations. Moreover, the Company does not believe that it can achieve sustainable competitive advantage in the retail cannabis space, competing against larger competitors with a stronger presence in this sector. Accordingly, management seeks to divest its retail assets based on receiving appropriate offers.

1203648 B.C. Ltd. – 100% Ownership

In May 2019, the Company completed its acquisition of 1203648 B.C. Ltd. for an aggregate purchase price of $2,113,000. The primary asset of 1203648 B.C. Ltd.is a 4,000 square foot leased retail space, which was designed specifically for cannabis retail and located in an affluent and diverse neighborhood in Vancouver, B.C.

During the period ended February 29, 2020, the Company entered into a non-binding letter of intent with a party interested in purchasing 1203648 BC Ltd. As at the date of this MD&A, the agreement is still in negotiations and the lease asset and liability have been recorded as assets held for sale, within the condensed interim consolidated financial statements.

GreenTec Retail SK Inc. ("GTEC Sask") - 75% Ownership

On November 29, 2019, the Company sold 100% of its interest in GreenTec Retail SK Inc. for total proceeds of $365,000, of which $66,700 was received in cash and $298,300 was settled through the issuance of a promissory note receivable due on March 1, 2020.

Subsequent to the period ended February 29, 2020, on March 6, 2020, $290,000 was received in full satisfaction of the promissory note and a corresponding adjustment was made to the final purchase price to account for working capital adjustments after the close of the sale.

SELECTED FINANCIAL INFORMATION

Quarterly Trend Analysis

The following table presents financial information for the first quarter of 2020, compared to the previous fourth quarter of 2019 and the prior year comparative first quarter of 2019.

	Q1 20	Q4 19	Change %	Q1 19	Change %
Revenue	$ 2,354	$ 1,149	105%	$ 93	2,431%
Excise taxes	(23)	(21)	-	-	-
Net Revenue	2,331	1,128	107%	93	2,406%
Cost of sales	(1,366)	838	63%	(68)	1,909%
Gross margin before fair value adjustments	965	290	233%	25	3,760%
Unrealized loss on changes in fair value of biological assets	(122)	(989)		520	
Gross margin	843	(699)	221%	545	55%
Operation expenses					
Administration and general	149	31		485	
Business fees and licenses	122	46		48	
Consulting fees	-	-		21	
Depreciation and amortization	216	578		183	
Depreciation, right-of-use	106	-		-	
Investor relations	-	-		43	
Management fees	57	108		-	
Marketing and advertising	111	99		175	
Professional fees	110	106		404	
Salaries and wages	472	504		477	
Share based payments	275	358		762	
Travel	40	42		104	
	1,658	1,871	-11%	2,902	-43%
Net loss from operations	$ (815)	$ (2,571)	68%	$ (2,357)	65%

Three Month and Fiscal Operating Results

The following table presents financial information for the first quarter of 2020 compared to the prior year first quarter 2019.

	February 29, 2020	February 28, 2019
Revenue	$ 2,354	$ 93
Excise taxes	(23)	-
Net Revenue	2,331	93
Cost of sales	(1,366)	(68)
Gross margin before fair value changes	965	25
Changes in fair value of biological assets	(122)	520
Gross margin	843	545
Operating expenses		
Administration and general	149	485
Business fees and licenses	122	48
Consulting fees	-	98
Depreciation and amortization	216	183
Depreciation, right-of-use asset	106	-
Investor relations	-	43
Management fees	57	123
Marketing and advertising	111	175
Professional fees	110	404
Salaries and wages	472	477
Share based payments	275	762
Travel	40	104
	1,658	2,902
Net loss from operations	(815)	(2,357)
Other income (expenses)		
Equity loss on investment in associate	(88)	(34)
Financing costs	(70)	-
Interest and accretion	(325)	(312)
Loss on sale of asset	-	(108)
Gain on investments	261	-
Net loss before income tax	(1,037)	(2,811)
Deferred income tax recovery	-	(54)
Net loss from continuing operations	(1,037)	(2,865)
Net loss from discontinued operations	(144)	-
Net loss and comprehensive loss	(1,181)	(2,865)
Net loss and comprehensive loss attributed:		
Shareholders of the Company	(1,181)	(2,856)
Non-controlling interest	-	(9)
Net loss per common share		
Basic and fully diluted	(0.01)	(0.03)

Gross Margin

The Company recognized a gross margin before fair value adjustments of $965,000, or 41% of net revenue for the first quarter of 2020. For the comparative first quarter of 2019, the Company recognized a gross margin before fair value adjustments of $25,000, or 26% of net revenue.

During the period ended February 29, 2020, 391 kg of cannabis was sold at a weighted average selling price of $6.24 per gram and a weighted average cash cost of production of $2.22 per gram (excluding depreciation and amortization, packaging and freight). Of the total sales, 188 kg was sold into the recreational supply chain at a weighted average selling price of $9.42 per gram and 203 kg was sold to B2B customers at a weighted average selling price of $4.77 per gram.

Operating Expenses

For the period ended February 29, 2020, operating and corporate expenses decreased by 46% over the comparative first quarter of 2019 (excluding depreciation, amortization and share based payments). Management has made significant efforts to decrease operating and corporate expenses in order to achieve profitability. The changes in operating expenses during the first quarter of 2020 over the comparative first quarter of 2019, details as follows:

- Administration and general decreased by $336,000 as the Company continued to reduce non-essential expenses;
- Business fees and licences increased $74,000 as the Company had licensing and insurance requirements for its subsidiaries, as well as various listing fees;
- Consulting fees decreased by $98,000 to $nil due to the Company's discontinued reliance on third party consultants;
- Depreciation and amortization increased by $33,000 as additional assets at operating facilities became available for use upon receiving licences;
- Depreciation, right-of-use asset increased by $106,000 as the Company adopted IFRS 16, which resulted in the recognition of a right-of-use asset and corresponding depreciation over the term of the lease;
- Management fees decreased by $66,000 due to the Company's continued increase in operational management positions, which are now included under salaries and wages;
- Marketing and advertising expenses decreased by $64,000 as the Company focused its efforts on production at three of the licensed operating facilities. Prior year expenses related to one-time marketing initiatives;
- Professional fees decreased by $294,000 as the prior year included various expenses related to M&A transactions and related financings. Current period expenses relate to ongoing corporate activity;
- Salaries and wages decreased by $5,000 due to facility salaries and wages being capitalized as part of inventory and cost of goods sold. The net effect of capitalizing facility salaries and wages was offset by an increase in the number of corporate head office salaried employees;
- Share based payments decreased by $487,000 as there was less reliance on outside consultants. Current period expense relates to employee share based payments, consulting services and the fair value of stock options vested in the period;
- Travel decreased by $64,000 as the prior year expenses related to the operations team travelling between facilities during construction, as well as, certain travel related to M&A and related financings.

Other Income and Expense

Other income and expenses were directly related to the Company's debt instruments and investments, as well as one-time non-reoccurring transactions, as follows:

- Equity loss on investment in associate, relates to the Company's 49% ownership over 3PL;
- Financing costs relates to the Company adopting IFRS 16, which resulted in the recognition of lease liabilities and corresponding interest expense (financing costs);
- Interest and accretion relate to the $3.7 million Convertible Debenture and accrued interest on the $2.5 million Convertible Debenture (see note 15 of the condensed interim consolidated financial statements for the period ended February 29, 2020);
- Gain on investments, relates to the transfer of shares held in Fire & Flower Holding Corp. (see note 12 of the condensed interim consolidated financial statements for the period ended February 29, 2020).

Quarterly Results

The following table presents certain financial information for each of the previous nine quarters up to and including the quarter ended February 29, 2020. The information has been derived from the Company's unaudited condensed interim consolidated financial statements for each of the below quarters:

	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Revenue	$ 2,354	$ 1,149	$ 1,031	$ 109	$ 93	$ 58	$ -	$ -	$ -
Excise tax	(23)	(21)	-	-	-	-	-	-	-
Net Revenue	2,331	1,128	1,031	109	93	58	-	-	-
Cost of sales	1,366	838	392	34	68	42	-	-	-
Gross margin before fair value adjustments	965	290	639	75	25	16	-	-	-
Unrealized gain (loss) on changes in fair value of biological assets	(122)	(989)	(106)	1,120	520	(67)	228	-	-
Gross margin	843	(699)	533	1,195	545	(51)	228	-	-
Operating expenses	1,658	1,872	1,680	2,686	2,140	2,753	2,515	1,490	1,301
Net loss from operations	(815)	(2,571)	(1,147)	(1,491)	(1,595)	(2,804)	(2,287)	(1,490)	(1,301)
Other income (expense)	(222)	361	(1,107)	(826)	(1,217)	(2,906)	(191)	2	(2,023)
Net loss before income tax	(1,037)	(2,210)	(2,254)	(2,317)	(2,812)	(5,710)	(2,478)	(1,488)	(3,324)
Deferred income tax	-	74	-	-	(54)	2,414	-	-	-
Net loss from continuing operations	(1,037)	(2,136)	(2,254)	(2,317)	(2,866)	(3,296)	(2,478)	(1,488)	(3,324)

LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of the Company's cash flows as at February 29, 2020 and February 28, 2019.

	February 29, 2020	February 28, 2019
Cash used in operating activities:		
- Before changes in non-cash working capital items	$ (20)	$ (2,022)
- After changes in non-cash working capital items	(1,129)	(2,495)
Cash flows from (used) investing activities	(218)	(368)
Cash flows from (used) financing activities	(124)	6,317
Net cash inflows (outflows)	(1,471)	3,454
Cash and cash equivalents balance	498	4,372

Management intends to finance operating costs over the next twelve months with current cash on hand, cash flow from operations, proceeds from the exercise of warrants and stock options, and potentially raising additional capital and/or entering into a financing. There is no assurance that the Company will be successful in raising additional capital or securing a financing on commercially reasonable terms or at all. See "Risks Factors".

Operating activities

Net cash used in operating activities for the three month period ended February 29, 2020, was $1,129,000 as a result of an increase in non-cash working capital of $1,109,000, resulting in cash used in operations before non-cash working capital items of $20,000, after various non-cash items have been removed.

During the comparative period for the three month ended February 28, 2019, net cash used in operating activities was $2,495,000, resulting in cash used in operations before non-cash working capital items of $2,022,000, after various non-cash items have been removed.

The decrease in cash used in operating activities over the comparative period is related to the increase in revenues and decrease in operating expenses for the period ended February 29, 2020.

Investing activities

Net cash used in investing activities for the three month period ended February 29, 2020, was $218,000 as a result of the acquisition of property, plant and equipment in the amount of $210,000 and deposits of $8,000. During the comparative three month ended February 28, 2019, the net cash used was $368,000 as a result of the acquisition of property, plant and equipment in the amount of $2,616,000, promissory notes advanced of $280,000, deposit of $13,000 and the sale of assets held for sale in the amount of $2,541,000

Financing activities

Net cash used in financing activities for the three month period ended February 29, 2020 was $124,000 as a result of proceeds from the exercise of options of $45,000, share issuance costs of $12,000 and lease liability payments of $157,000. During the comparative three month ended February 28, 2019, the net cash received from financing activities was $6,317,000 as a result of proceeds received from the issuance of common shares for $5,900,000, proceeds from the exercise of options for $304,000, proceeds from the issuance of convertible debentures for $500,000, share issuance costs of $388,000 and payments of $800 to a related party.

Capital recourses

The Company manages its capital structure and adjusts it based on the funds available to the Company in order to maintain operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity. The Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable

ADJUSTED EBITDA (non-IFRS measure)

This is a non-IFRS measure and the Company calculated adjusted EBITDA from continuing operations as net income (loss) before interest expense, income taxes, depreciation and amortization (per the statement of cash flows), unrealized gain (loss) on changes in fair value of biological assets, equity loss on investment in associate, loss on sale of assets, investment loss, share based payments and certain one-time or non-operating expenses. Management determined that the exclusion of the fair value adjustment is an alternative representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure to adjusted EBITDA (excluding fair value adjustment to biological assets and inventory) calculated in accordance with IFRS is net income (loss) from continuing operations.

Adjusted EBITDA has increased 100% from the prior year comparative first quarter of 2019 and has increased 101% from the previous fourth quarter of 2019, due to the ramp up of revenue and reduction in overhead and corporate costs.

	Q1 20	Q4 19	Change %	Q1 19	Change %
Net loss before income tax and discontinued operations	**$ (1,037)**	$ (2,210)	53%	$ (2,811)	63%
Adjustments:					
Depreciation and amortization (per statement of cash flows)	**317**	578		183	
Depreciation, right-of-use asset	**106**	-		-	
Equity loss on investment in associate	**88**	44		34	
Financing costs	**70**	-		-	
(Gain) loss on sale of assets or investments	**(261)**	(1,272)		108	
Interest and accretion	**325**	348		312	
Share based payments	**275**	358		762	
Unrealized gain loss on changes in fair value of biological assets	**122**	989		(520)	
Unrealized loss on investments	**-**	519		-	
Adjusted EBITDA	**$ 5**	$ (646)	**101%**	$ (1,932)	**100%**

FINANCIAL POSITION

The following table provides a summary of the Company's financial position as at February 29, 2020 and February 28, 2019.

	2020	2019
Total assets	**$ 45,441**	$ 44,455
Total liabilities	**9,931**	8,416
Share capital	**68,926**	53,368
Deficit	**(33,416)**	(17,329)

PROPERTY, PLANT AND EQUIPMENT – SEGMENTED

The following table provides a summary of the Company's segmented property, plant and equipment as at February 29, 2020:

	ACC	Grey Bruce	Tumbleweed	GBP	Corporate	Laboratory	TOTAL
Land	-	195	160	19	1,452	-	1,826
Buildings	-	4,733	4,230	-	385	3	9,351
Equipment	1,183	906	566	1,152	64	338	4,209
Other	687	24	50	-	103	33	897
Construction in process	-	-	-	2,657	-	-	2,657
Reclassification to Assets held for sale	-	-	-	-	(883)	-	(883)
	$ 1,870	$ 5,858	$ 5,006	$ 3,828	$ 1,121	$ 374	$ 18,057

SHAREHOLDERS' EQUITY

As of the date of this MD&A, the Company has 136,616,595 common shares issued and outstanding; 38,552,602 share purchase warrants and 10,082,189 share options vested and exercisable into common shares.

Escrow shares

As at February 29, 2020, there were 14,820,048 common shares held in escrow. The following is a summary of escrow shares to be released:

Escrow release date	Escrow shares released (000's)	Balance (000's)
June 18, 2020	2,668	12,152
December 18, 2020	2,628	9,524
June 18, 2021	6,176	3,348

Of the common shares held in escrow summarized in the table above, as at February 29, 2020 there were:

i. 1,719,167 common shares held in escrow pursuant to the share purchase agreement described in Note 5 of the consolidated financial statements for the year ended November 30, 2019, which will be released contingent upon the occurrence of future events
ii. 1,628,571 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.

Share purchase warrants

At February 29, 2020, the following share purchase warrants were outstanding:

Number of share purchase warrants (000's)	Exercise price per share C$	Expiry date
252	1.50	June 11, 2020
9,032	1.20	September 8, 2020
2,650	1.20	November 20, 2020
9,939	1.20	January 19, 2021
2,943	2.50	April 27, 2021
167	1.50	May 9, 2021
1,110	2.50	May 9, 2021
598	0.90	February 28, 2021
5,563	0.90	February 28, 2021
507	0.90	March 21, 2021
5,791	0.90	March 21, 2021
38,552	**1.24**	

Stock options

At February 29, 2020, the following stock options were outstanding:

Number of shares (000`s)	Vested (000`s)	Exercise price per share C$	Expiry date
1,825	1,825	0.20	Sep-Nov 2020
5,824	5,824	0.60 – 1.07	Jan-Nov 2021
350	200	0.30	Dec 2021
950	950	0.60	Jan 2022
423	403	0.57 – 0.70	Mar-Apr 2022
2,226	680	0.34	Aug 2024
800	200	0.30	Oct 2024
12,398	**10,082**		

RELATED PARTY TRANSACTIONS

Key management compensation

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers.

Key management compensation for the three months ended February 29, 2020 and February 28, 2019 consists of the following:

	February 29, 2020	February 28, 2019
Salaries and wages	151	33
Consulting fees	-	57
Share-based payments	-	120
	$ 151	$ 210

Related party balances

As at February 29, 2020, $30,000 (February 28, 2019: $Nil) was due to the Company's Vice President and Director, Mr. Michael Blady ("Mr. Blady") in connection with management services.

Related party transactions

Refer to Note 22 of the condensed interim financial statements for a summary of related party transactions related to outstanding commitments. Refer to Note 20 of the consolidated financial statements for the year ended November 30, 2019 for a summary of related party transactions.

COMMITMENTS

The Company has the following outstanding commitments based on achieving certain milestones.

Grey Bruce Farms

In connection with the achievement of certain milestones, the Company paid $250,000 to the vendors of Grey Bruce on May 6, 2019, and also issued 2,222,222 common shares valued $1,000,000 on July 8, 2019.

As at February 29, 2020, the Company has committed to issue common shares valued at $2,750,000 contingent on future events as follows:

Trigger event	
Grey Bruce obtaining a license to sell cannabis under the CA&R	1,250
Upon Grey Bruce's first harvest having passed quality assurance and quality control tests as set out by Health Canada	300
Upon Grey Bruce's second harvest having passed quality assurance and quality control tests as set out by Health Canada	300
Upon Grey Bruce's third harvest having passed quality assurance and quality control tests as set out by Health Canada	300
Upon Grey Bruce's fourth harvest having passed quality assurance and quality control tests as set out by Health Canada	300
Upon Grey Bruce's fifth harvest having passed quality assurance and quality control tests as set out by Health Canada	300
	$ 2,750

As at February 29, 2020 Grey Bruce has completed five harvests that have passed quality assurance and quality control tests as set out by Health Canada, thereby triggering the contingent consideration which became payable at period end. The Company has recorded shares issuable of $1,500,000 as part of contributed surplus on the unaudited condensed consolidated statement of changes in equity for the period ended February 29, 2020.

Subsequent to the period ended February 29, 2020, the Company entered into an amending agreement dated March 13, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated September 15, 2017, which have been replaced by the following achievement of certain milestones. Subsequent to the period ended February 29, 2020, the Company issued 381,818 common shares valued at $210,000, in satisfaction of the first and second harvests having passed quality assurance and quality control test. The Company intendeds to issue an additional 381,818 common shares valued at $210,000, in satisfaction of the third and fourth harvests having passed quality assurance and quality control test. The Company intends to issue the remaining fifth harvest shares on June 30, 2020, in satisfaction with the above mentioned milestone.

Additionally, the Company intends to issue the Company's Chief Executive Officer and Director, Mr. Norton Singhavon ("Mr. Singhavon") such number of common shares equivalent to a value of $1,000,000, upon the sale of 1,500 kg of dry cannabis, in lieu of the original entitlement of $1,787,500. This reduces the amount owing as Mr. Singhavon was owed approximately 65% of the remaining contingent consideration.

In addition to the above, the amending agreement raised the floor price of the common shares in the capital of the Company to be issued to the vendors of Grey Bruce Farms (excluding Mr. Singhavon).

The numbers of common shares issuable upon the occurrence of future events are to be based on the greater of (A) the then ten-day volume-weighted average trading price of the Company's common share and (B) the last commercial financing undertaken by the Company, currently $0.55 per common share of the Company. Mr. Singhavon has also agreed to raise the floor price of the Common Shares to be issued in connection with the Cannabis Sales Milestone to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Common Shares, and (B) $1.00. In consideration for entering into the Amending agreement the Company has agreed to pay the vendors a one-time cash payment of $25,010 of which Mr. Singhavon will receive $10.

1118157 B.C. Ltd. ("1118 BC") and Tumbleweed Farms Corp. ("Tumbleweed)

In connection with the achievement of certain milestones, the Company issued 367,647 common shares valued at $250,000 on April 23, 2019 to the vendors of 1118 BC.

As at February 29, 2020, the Company has committed to issue common shares valued at $500,000 contingent on future events as follows:

Trigger event	
Tumbleweed obtaining a license to produce cannabis under CA&R	250
Tumbleweed obtaining a license to sell cannabis under the CA&R	250
	$ 500

Subsequent to the period ended February 29, 2020, the Company entered into an amending agreement dated March 13, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated November 22, 2017. As such, the Vendors of 1118157 B.C. Ltd. ("1118 BC"), Mr. Blady and Mr. Singhavon have agreed to waive all entitlement to the remaining milestone payments.

The Company also assumed certain commitments of 1118 BC through its acquisition of Tumbleweed.

On March 4, 2019, the Company entered into an agreement with the vendors (the "Amending Agreement"), amending certain terms and conditions of the definitive share purchase agreement, dated August 12, 2017, as amended. The Amending Agreement replaced, among other things, the previous cash milestone payments with the following:

- Upon the Company submitting an evidence package in connection with its application for a licence for cultivation from Health Canada, the Company is to issue $2,250,000 worth of common shares of the Company at a deemed price equal to the 30-day VWAP.
- Upon the Company completing the construction of and receiving an occupancy permit for a Health Canada-approved cannabis production facility in compliance with the Regulations, the Company is to make a cash payment of $250,000.

In connection with the Amending Agreement, on March 22, 2019 the Company issued an aggregate of 3,759,319 of common shares and paid $250,000 in satisfaction of the above-mentioned milestone payment to the vendors of Tumbleweed.

On February 4, 2020, the Company entered into an amending agreement, amending certain terms and conditions of the definitive share purchase agreement, dated August 12, 2017. As such, the Company issued 7,500,000 common shares valued at $1,350,000 in satisfaction of achieving certain milestones. As per the amended terms, the revised milestone payments for each of the first four harvests were valued at $300,000 each and the milestone payment for the fifth harvest was valued at $150,000. The issuance of these shares will be the final share issuance relating to milestone payments for the Tumbleweed acquisition and there will be no further payments, whether in cash or shares.

GreenTec Bio-Pharmaceuticals Inc.

As at February 29, 2020, the Company has committed to issue common shares valued at $8,250,000 contingent on future events as follows:

Trigger event	
Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the CA&R	1,000
GBP obtaining a license to produce cannabis under the CA&R	1,500
GBP obtaining a license to sell cannabis under the CA&R	2,000
GBP obtaining approval form Health Canada to increase cannabis production by at least 8,500 kg and completing construction to accommodate such increased production (the "Expansion")	1,500
GBP obtaining an amendment to its cannabis sales license from Health Canada to reflect the Expansion	2,250
	$ 8,250

Subsequent to the period ended February 29, 2020, on March 13, 2020, the Company entered into an amending agreement with the vendors of GBP amending certain terms and conditions of the definitive share purchase agreement, dated November 15, 2017. The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP are reduced by $5,750,000. In addition to reducing the milestone payments, the vendors of GBP agreed to restructure the remaining milestones and raise the floor price of the Common Shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) $1.00. Of the $5,750,000 reduction to the Company's payment obligations, $5,615,000 of the remaining milestone payments was waived by Mr. Singhavon.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and apply judgment affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period.

The areas involving higher degrees of judgement, or areas where assumptions and estimates are significant to the financial statements are:

Biological assets and inventory
In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Estimated useful lives and impairment considerations
Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business combinations
Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value

and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Investments in associates
Management exercises judgment in determining whether the Company has acquired significant influence over an entity. An assessment of significant influence is performed at the inception of a relationship between any entity and the Company. When performing this assessment, the Company considers all facts and circumstances, and it must reassess whether it still has significant influence over an investee if facts and circumstances indicate there are changes to one or more of the conditions of significant influence.

Share-based compensation and warrants
In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the common share, and the risk-free interest rate.

Deferred tax assets and liabilities
The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assess whether it is probably that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Discount rate used for convertible debentures
The carrying value of the convertible debentures is subject to management's estimates in determining an appropriate discount rate based on similar instruments with no conversion features.

Going concern
Management applies judgment in its evaluation of the Company's ability to continue as a going concern.

ADOPTION OF NEW ACCOUNTING POLICIES

Adoption of IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019 IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. For leases where the Company is the lessee, it recognizes a right-of-use asset and a lease liability for its office premises leases previously classified as operating leases.

The Company chose to adopt the modified retrospective approach on transition to IFRS 16 on January 1,2019, and has chosen not to restate comparative information in accordance with the transitional provisions in IFRS16. As a result, the comparative information continues to be presented in accordance with the Company's previous accounting policies.

The adoption of IFRS 16 resulted in the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the consolidated statements of financial position. An amortization expense on the right-of-use asset and an interest expense on the lease liability has replaced the operating lease expense. IFRS 16 has changed the presentation of cash flows relating to leases in the Company's unaudited condensed consolidated interim statements of cash flows, however, it does not cause a difference in the amount of cash transferred between the parties of the lease. In accordance with the transition of IFRS 16, as at December 1, 2019 the Company recognized the right-of-use asset of $1,579,737 and lease liabilities of $1,579,737. When measuring lease liabilities, the Company incremental borrowing rate applied was 18% per annum.

Operating lease commitments as at November 30, 2019	$	2,592
Discount of future commitments as at December 1, 2019		(1,012)
Lease liabilities recognized as at December 1, 2019	**$**	**1,580**

Lease Agreements

As at February 29, 2020, the minimum lease payments for the lease liabilities are as follows:

Year ending:		
2020	$	316
2021		404
2022		421
2023		304
2024		30
		1,475
Less: Interest expense on lease liabilities		(496)
Total present value of minimum lease payments	**$**	**979**

As at February 29, 2020, the minimum lease payments for the lease liabilities, assets held for sale are as follows:

Year ending:		
2020	$	164
2021		225
2022		231
2023		238
2024		101
		959
Less: Interest expense on lease liabilities		(445)
Total present value of minimum lease payments	**$**	**514**

From time to time, the Company enters into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice.

FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

The Company's financial instruments consist of cash, receivable and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Market Risk
Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and commodity price risk.

Foreign Currency Risk
The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its financial institutions.

Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported consolidated net loss and comprehensive consolidated net loss for the period.

Commodity Price Risk
The Company is exposed to price risk with respect to commodity prices of medical cannabis. As a result, commodity price risk may affect the Company's ability to operate profitably, completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Credit Risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.
As at February 29, 2020, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Currency Risk
The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

Maturity Risk

1) The Company's cash and cash equivalents balance at February 29, 2020 was in the amount of $497,660. At February 29, 2020, the Company had accounts receivable of $2,857,179, accounts payable and accrued liabilities of $1,990,942, current lease liabilities of $200,762, current lease liabilities, assets held for sale $513,790 interest and short-term debt payable of $6,446,593 and long term lease liabilities of $778,062. All accounts payable and accrued liabilities are current.
2) As at February 29, 2020, the Company did not have derivative financial liabilities with contractual maturities.
3) Management of liquidity risk: Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments in (1) and (2) for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The following table summarizes the maturities of the Company's financial liabilities as at November 30, 2019 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	$ 1,991	$ 1,991	$ 1,991	$ -
Lease liabilities	979	1,475	316	1,159
Lease liabilities, assets available for sale	514	959	164	795
Short-term payable	6,447	7,037	7,037	-
	$ 9,931	$ 11,462	$ 9,508	$ 1,954

SUBSEQUENT EVENTS

Refer to Note 23 of the condensed interim consolidated financial statements for the period ended February 29, 2020.

NON-IFRS PERFORMANCE MEASUREMENT

The financial information in this MD&A contains certain financial performance measures that are not defined by and do not have any standardized meaning under IFRS; and are used by management to assess the financial and operational performance of the Company. These include, but are not limited to, the following:

- Yield per plant (in grams)
- Target production capacity
- Cost of cultivation or production (both "cash" and "all-in")
- Adjusted gross margin (excluding fair value adjustments)
- Adjusted EBITDA

Cash cost of production is a financial performance measure used by the Company, which is not defined by and does not have any standardized meaning under IFRS. Cash costs to produce dried cannabis per gram is equal to production costs of dried cannabis less amortization, packaging costs and distribution costs divided by gram equivalents of cannabis produced in the quarter. Management believes this measure provides useful information as it removes noncash amortization and packaging costs and provides a benchmark of the Company against its competitors.

The Company believe that these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance and prospects in a similar manner to the Company's management.

As there are no standardized methods of calculating these non-IFRS measures, the Company's approaches may differ from those used by others, and accordingly, the use of these measures may not be directly comparable. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

COVID-19

The Company's business is dependent on a number of key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemic. In particular, major health issues and pandemics, such as the global impact of COVID-19. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 outbreak on the Company's business, which may be adversely affected or cause disruption. These risk factors are out of the Company's control.

Liquidity and Additional Financing
The Company has limited financial resources and revenues. There can be no assurance that additional funding will be available to it for further development of its assets or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could cause the Company to reduce or terminate its operations.

Reliance on Licenses
The Company's ability to grow, store cannabis in Canada is dependent on maintaining its license with Health Canada. All licenses are, or will be, subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licenses, to maintain its licenses, and to renew the licenses after their expiry dates would have a material adverse impact on the business, financial condition and operating results of the Company.

Although the Company believes that it will meet the requirements of the CA&R for future extensions or renewals of any required licenses, there can be no assurance that Health Canada will extend or renew the licenses or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew existing licenses should it renew existing license on different terms, or should it refuse applications for new licenses, the business, financial condition and operating results of the Company would be materially adversely affected.

Regulatory Risks
The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the future sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operations and financial condition.

Change in Laws, Regulations and Guidelines
The Company's business is subject to particular laws, regulations, and guidelines. The production and distribution of cannabis is a highly regulated field, and although the Company intends to comply with all laws and regulations, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

Limited Operating History, History of Losses, and No Assurance of Profitability
The Company was incorporated and began operations in June 2017 and as of the date of this MD&A had not generated material revenue from the sale of its products or services. The Company is subject to all of the business risks and uncertainties associated with any early-staged enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues.

The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Unfavourable Publicity or Consumer Perception
The success of the cannabis industry may be significantly influenced by the public's perception of cannabis's medicinal and recreational applications. Cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favourable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis may have a material adverse effect on our operational results, consumer base and financial results.

Competition
The market for the Company's product does appear to be sizeable and Health Canada has only issued a limited number of licenses under the CA&R to produce and sell cannabis. Because of the early stage of the industry in which the Company

operates, the Company expects to face additional competition from new entrants. A large number of companies appear to be applying for production licenses, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

Should the size of the cannabis market increase as projected, the demand for product will increase as well, and in order for the Company to be competitive, it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition and operations.

The Canadian Federal Government legalized recreational cannabis in Canada on October 17, 2018 . This regulatory change and access for recreational use may not be implemented in a timely fashion. The introduction of a recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in the existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates. There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop and execute on the Company's business strategies and manage its ongoing operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key personnel or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Conflicts of Interest

Certain of the Company's directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company interests. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business, which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

Agricultural Operations
Since the Company's business will revolve mainly around the growth of agricultural products, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although the Company expects to grow its product in climate controlled, monitored, indoor locations, there is no guarantee that changes in outside weather and climate will not adversely affect production.

Transportation Disruptions
The Company will depend on fast, cost-effective and efficient transportation services to distribute its product. Any prolonged disruption of these services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with transportation services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Fluctuating Prices of Raw Materials
The Company revenues, if any, are expected to be in large part derived from the production, sale and distribution of agricultural products or products related to the growth of such agricultural products. The price of production, sale and distribution of these products will fluctuate widely and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Environmental and Employee Health and Safety Regulations
The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water and air, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to obtain required environmental approvals or otherwise comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Political and Economic Instability
The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR") is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

NI 52-109 requires the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Proposed Transactions
There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of potential business relationships.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A.

Other Requirements

Additional disclosure of the Company's material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.