

# GTEC

— CANNABIS CO. —

April 28, 2021

## Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed  
in Canadian dollars)

First Quarter – February 28, 2021



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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying condensed interim consolidated financial statements of GTEC Holdings Ltd. ("GTEC" or the "Company") have been prepared by the Company's management in accordance with International Financial Reporting Standards and contain estimates based on management's judgement. Internal control systems are maintained by management to provide reasonable assurance that assets are safe-guarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed interim consolidated financial statements and the accompanying management discussion and analysis.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by a company's auditor.

*"Norton Singhavon"*

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Norton Singhavon  
Chief Executive Officer

*"Kendra Blackford"*

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Kendra Blackford  
Chief Financial Officer

**GTEC HOLDINGS LTD.****Condensed Interim Consolidated Statements of Financial Position**

As at February 28, 2021 and November 30, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note	February 28, 2021	November 30, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,649	\$ 625
Accounts receivable	6	2,057	2,067
Prepaid expenses	7	312	251
Biological assets	8	2,726	1,884
Inventory	9	5,795	4,973
Assets held for sale	10	-	541
		<b>12,539</b>	<b>10,341</b>
Property, plant and equipment	11	17,169	17,471
Deposits	7	195	195
Goodwill	12	1,092	1,092
Intangible assets	12	8,102	8,102
Investment in associate	13	2,870	2,666
Promissory notes receivable	15	107	107
Right-of-use assets	16	718	826
<b>Total assets</b>		<b>\$ 42,792</b>	<b>\$ 40,800</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	22	\$ 2,456	\$ 2,488
Convertible notes	17	-	276
Current portion of long-term debt	18	1,550	1,686
Due to related parties	22	639	602
Lease liabilities	16	272	267
Lease liabilities, assets held for sale	16	-	596
		<b>4,917</b>	<b>5,915</b>
Convertible notes	17	-	1,592
Deferred income tax		1,199	1,199
Long-term debt	18	3,286	3,025
Lease liabilities	16	548	649
<b>Total liabilities</b>		<b>9,950</b>	<b>12,380</b>
<b>Shareholders' equity</b>			
Share capital	19	65,964	62,214
Subscriptions		858	85
Contributed surplus		6,047	6,526
Accumulated deficit		(40,027)	(40,405)
<b>Total shareholders' equity</b>		<b>32,842</b>	<b>28,420</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 42,792</b>	<b>\$ 40,800</b>

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 25)

Subsequent events (Note 26)

Approved on behalf of the Board on April 28, 2021:

/s/ Norton Singhavon, Director and CEO/s/ Michael Blady, Director**The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements**

**GTEC HOLDINGS LTD.****Condensed Interim Consolidated Statements of Comprehensive Income (Loss)**

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note	February 28, 2021	February 29, 2020
Revenue		\$ 2,229	\$ 2,354
Excise taxes		(259)	(23)
Net revenue		1,970	2,331
Cost of sales	9	1,159	1,366
Gross margin before fair value changes		811	965
Unrealized gain (loss) on changes in fair value of biological assets		927	(122)
<b>Gross margin</b>		<b>1,738</b>	<b>843</b>
<b>Operating expenses</b>			
Administration and general		90	149
Business fees and licenses		173	122
Depreciation and amortization	11	215	216
Depreciation, right-of-use asset	16	69	106
Management fees		65	57
Marketing and advertising		92	111
Professional fees		127	110
Salaries and wages		443	472
Share based payments	19	76	275
Travel		20	40
		<b>1,370</b>	<b>1,658</b>
<b>Net income (loss) from operations</b>		<b>368</b>	<b>(815)</b>
<b>Other income (expense)</b>			
Canadian emergency wage subsidy	6	515	-
Financing costs		(37)	(70)
Equity loss on investment in associate	13	(130)	(88)
Gain on sale of assets and investments	14	-	261
Interest and accretion		(463)	(325)
<b>Net income (loss) before income tax</b>		<b>253</b>	<b>(1,037)</b>
Deferred income tax (expense) recovery		-	-
<b>Net income (loss) from continuing operations</b>		<b>253</b>	<b>(1,037)</b>
Net income (loss) from discontinued operations	10	562	(144)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 815</b>	<b>\$ (1,181)</b>
<b>Gain (loss) per common share</b>			
Basic and fully diluted		\$ 0.01	\$ (0.01)
<b>Weighted average shares outstanding</b>			
Basic and fully diluted		134,742,959	100,757,197

**GTEC HOLDINGS LTD.****Condensed Interim Consolidated Statements of Changes in Equity**

For the periods ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Attributable to equity holders of the Company					Total
	Shares (000's)	Share capital	Subscriptions received	Contributed Surplus	Deficit	
<b>Balance at November 30, 2020</b>	<b>140,724 \$</b>	<b>62,214 \$</b>	<b>85 \$</b>	<b>6,526 \$</b>	<b>(40,405) \$</b>	<b>28,420</b>
Net income for the period	-	-	-	-	815	815
Subscriptions received	-	-	858	-	-	858
Shares issued for contingent consideration for acquisitions	795	437	-	-	(437)	-
Share-based compensation	-	-	-	76	-	76
Exercise of warrants	1,091	600	-	-	-	600
Exercise of stock options	1,143	377	(85)	-	-	292
Shares issued for debt settlement	3,651	2,336	-	(555)	-	1,781
<b>Balance at February 28, 2021</b>	<b>147,404 \$</b>	<b>65,964 \$</b>	<b>858</b>	<b>6,047 \$</b>	<b>(40,027) \$</b>	<b>32,842</b>
<b>Balance at November 30, 2019</b>	<b>126,686 \$</b>	<b>59,912 \$</b>	<b>85 \$</b>	<b>6,096 \$</b>	<b>(29,685) \$</b>	<b>36,408</b>
Net loss for the period	-	-	-	-	(1,181)	(1,181)
Share issuance costs	-	(12)	-	-	-	(12)
Shares issued and issuable for contingent consideration	7,500	1,350	-	1,200	(2,550)	-
Exercise of stock options	150	45	-	-	-	45
Share based payments	1,900	57	-	193	-	250
<b>Balance at February 29, 2020</b>	<b>136,236 \$</b>	<b>61,352 \$</b>	<b>85 \$</b>	<b>7,489 \$</b>	<b>(33,416) \$</b>	<b>35,510</b>

**GTEC HOLDINGS LTD.****Condensed Interim Consolidated Statements of Cash Flows**

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

	February 28, 2021	February 29, 2020
<b>Cash flows from operating activities</b>		
Net income (loss) from continuing operations	\$ 815	\$ (1,181)
Items not affecting cash:		
Accretion expense	163	325
Depreciation and amortization	333	317
Amortization, right-of-use	100	106
Equity loss on investment in associate	130	88
Financing costs (lease)	54	70
Loss on discontinued assets	-	144
Gain on lease modification	(62)	-
Share based payments	-	193
Shares issued for services	76	57
Unrealized gain on biological assets	(927)	122
Gain on investment	-	(261)
	<b>682</b>	<b>(20)</b>
Change in non-cash operating working capital:		
Accounts and advances receivable	10	(1,285)
Prepaid expenses	(61)	77
Biological assets	85	(283)
Inventory	(822)	375
Accounts payable and accrued liabilities	(32)	256
Interest payable	-	(249)
Net cash flows used in operating activities	<b>(138)</b>	<b>(1,129)</b>
<b>Cash flows from investing activities</b>		
Deposits paid	-	(8)
Investments in associates	(334)	-
Purchase of property and equipment	(32)	(210)
	<b>(366)</b>	<b>(218)</b>
<b>Cash flows from financing activities</b>		
Options and warrants exercised for cash	892	45
Lease liability payments	(134)	(157)
Proceeds from subscriptions received	858	-
Repayment of convertible debentures	(125)	-
Due to related parties	37	-
Share issuance cost	-	(12)
	<b>1,528</b>	<b>(124)</b>
Increase (decrease) in cash and cash equivalents	<b>1,024</b>	<b>(1,471)</b>
Cash and cash equivalents – beginning of period	<b>625</b>	<b>1,969</b>
<b>Cash and cash equivalents – end of period</b>	<b>\$ 1,649</b>	<b>\$ 498</b>

# **GTEC HOLDINGS LTD.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

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### **1 Nature and continuance of operations**

GTEC Holdings Ltd. (the “Company”) was originally incorporated under the Canada Business Corporations Act and continued under the British Columbia Business Corporations Act effective as of July 28, 2017 as a Capital Pool Company (“CPC”). On June 12, 2018, the Company completed its Qualifying Transaction and Business Combination with GreenTec Holdings Ltd. and 1155425 BC Ltd. (the “Transaction”) and changed its name from Black Birch Capital Acquisition III Corp. to GTEC Holdings Ltd.

The Company’s principal business activity is pursuing opportunities in the cannabis industry. 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 at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred losses since its inception and has an accumulated deficit of \$40,026,580 as at February 28, 2021, that has been funded primarily by issuance of equity, convertible debentures and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company’s ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future.

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (“COVID-19”), a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The production and sale of cannabis have been recognized as essential services across Canada; however, COVID-19 related challenges have persisted, including, but not limited to, reduced staffing levels, production inefficiencies resulting from increased health and safety measures, and limited supply chain issues.

Due to the ongoing developments and uncertainty surrounding COVID-19, it is not possible to predict the continuing impact that COVID-19 will have on the Company, its financial position, and/or its operating results in the future. In addition, it is possible that estimates in the Company’s consolidated financial statements will change in the near-term as a result of COVID-19, and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangible assets and goodwill. The Company is closely monitoring the impact of COVID-19 on all aspects of its business.

### **2 Basis of presentation**

#### **Statement of compliance and basis of measurement**

The consolidated financial statements of the company have been prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value and biological assets that are measured at fair value less cost to sell, as detailed by the Company’s accounting policies. The functional and presentation currency of the Company is the Canadian dollar.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company on April 28, 2021.



# GTEC HOLDINGS LTD.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

### Basis of consolidation

These consolidated financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Percentage of ownership
Alberta Craft Cannabis Inc. ("ACC")	100%
GreenTec Bio-Pharmaceuticals Inc.	100%
GreenTec Retail Ventures Inc.	100%
Grey Bruce Farms Incorporated ("Grey Bruce")	100%
Spectre Labs Inc.	100%
Tumbleweed Farms Corp. ("Tumbleweed")	100%
Zenalytic Laboratories Ltd.	100%
1203648 B.C. Ltd. ("1203648")	100%

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

## 3 Summary of Significant Accounting Policies

### a) Significant accounting judgments and estimate

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### Inventory

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. Cost is determined using the weighted average method. The capitalized cost of inventory includes the capitalization of pre-harvest costs, rent, supplies and operational expenses of the respective facilities which are initially capitalized to biological assets prior to transfer to inventory. The costs capitalized include labour, amortization expense for machinery and shop equipment. These costs are recognized within the cost of goods sold upon the sale of inventory.

## **GTEC HOLDINGS LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

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#### Biological assets

Biological assets recognized by the Company are cannabis plants that are in the flowering stage but not yet harvested. The Company capitalizes costs related to the cultivation of cannabis including labour, direct overheads, amortization of machinery and shop equipment and growing materials in addition to indirect costs such as utilities and other overhead costs attributable to cultivation. All costs are transferred to inventory at the point of harvest at the fair value less cost to sell. There are 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.

#### 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.

#### Intangible assets

The Company recognizes externally acquired licenses, permits and applications to have an indefinite life. Therefore, the intangible assets are not being amortized. Intangible assets are assessed annually for potential impairment losses and carried net of these losses.

#### Goodwill

The excess of the purchase price paid for the acquisition of a subsidiary over the fair value of the net tangible assets and the intangible assets acquired is classified to goodwill. Goodwill is assessed annually for potential impairment losses and carried net of these losses.

#### 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.

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

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#### 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 probable 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.

#### Going concern

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

#### **b) Biological Assets**

The Company's biological assets, consisting of cannabis plants, are within the scope of IAS 41 Agriculture; the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, utilities, facilities costs, etc.

The Company measures biological assets, at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statement of comprehensive loss for the related period.

#### **c) Inventory**

The Company values inventories at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined using the weighted average cost basis.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price, then the amount of the write down previously recorded is reversed. Indirect administrative overhead, and certain other selling costs related to inventories are expensed in the period incurred.

#### **d) Impairment of long-lived assets**

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

#### **e) Intangible assets**

Intangible assets consist mainly of licenses acquired by the Company. Acquired licenses are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the consolidated statement of comprehensive loss but increases in intangible asset values are not recognized. The Company acquired certain licenses through its acquisition of Alberta Craft Cannabis Inc. during the year ended November 30, 2018, which have been deemed to have an indefinite life.

## **GTEC HOLDINGS LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

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Estimated useful lives of intangible assets are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The Company does not have any intangible assets with a definite life.

At each consolidated financial statement date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

#### **f) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration.

Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that can create outputs.

During the year ended November 30, 2019, the Company completed a transaction described in Note 5 and concluded that the transaction did not qualify as a business combination under IFRS 3 – Business Combinations.

#### **g) Goodwill**

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

#### h) Property and equipment

Property and equipment is measured at cost less accumulated amortization and impairment losses. The Company uses the following amortization rates for its property and equipment:

Buildings	20 years	Straight line
Computer equipment	2 years	Straight line
Computer software	2 years	Straight line
Office equipment	5 years	Straight line
Vehicles	8 years	Straight line
Leasehold improvements	5 years	Straight line
Laboratory and manufacturing	5-8 years	Straight line

Certain of the Company's property and equipment have not yet been put into use and as a result useful lives have not yet been determined and no amortization has been recorded to date on this property and equipment.

Costs of assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property and equipment and amortization commences when the asset is available for its intended use.

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in profit or loss.

#### i) Investments in associates

The Company has interests in associates. Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for associates using the equity method of accounting. Interests in associates accounted for using the equity method are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date. In instances where the Company does not exercise significant influence, the investments are initially recognized at cost and subsequent to initial recognition, the carrying value of the investment is assessed for impairment using the cost method.

#### j) Revenue recognition

The Company's revenue is comprised of sales of its product line which consists of cannabis.

IFRS 15 – Revenue from Contracts with Customers ('IFRS 15'), establishes a five-step model to account for revenue arising from contracts with customers. The Company recognizes revenues on product sales when the performance obligations relating to the sale of its products are satisfied. The performance obligations are satisfied at a point in time when the customer obtains control of the product, which occurs under IFRS 15 when the product has been delivered to the customer.

Amounts disclosed as net revenue are net of sales tax, excise tax, duty tax, allowances, discounts and rebates.

#### k) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

#### l) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

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Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

#### m) Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

##### Classification and subsequent measurement

The following table shows the classification of the Company's financial instruments under IFRS 9:

<b>Financial Instrument</b>	<b>Classification</b>
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Amortized cost
Investments	Fair value through profit or loss
Promissory notes receivable	Amortized cost
Deposits	Amortized cost
Due to associate	Amortized cost
Accounts payable	Amortized cost
Convertible notes	Amortized cost
Long-term debt	Amortized cost
Due to related parties	Amortized cost
Lease liabilities	Amortized cost

##### Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment, FVOCI - equity investment or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

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This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Subsequent measurement and gains and losses*

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of comprehensive loss.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of comprehensive loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of comprehensive loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of loss and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of comprehensive loss.

#### Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive loss.

#### Derecognition

##### *Financial assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

##### *Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

#### **n) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units.

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#### o) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

#### p) Provisions

The Company recognizes a provision when all of these conditions are met:

- an entity has present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

In certain asset acquisitions, the Company provides consideration that is contingent on uncertain future events of which the existence will be confirmed only by the occurrence or non-occurrence of one or more future events. These events are typically in control of management and as a result do not meet the definition of a financial liability until the events have occurred. As a result, a contingent consideration in these situations is not measured until the event occurs.

#### q) Share-based payments

The fair value of stock options granted is measured at the grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards expected to ultimately vest is computed. The movement in cumulative expense is recognized in the consolidated statement of comprehensive loss with a corresponding entry within equity, against share based compensation reserve. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in share based compensation reserve is credited to share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

#### r) Reclassification

Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current year's presentation on the consolidated statements of financial position and comprehensive loss.

#### s) Adoption of new pronouncements

During the year ended November 30, 2020, the Company adopted IFRS 16 – Leases ("IFRS 16"). The impact of the adoption of IFRS 16 has been described below in Note 4.

A number of new standards and amendment to standards and interpretations, are not yet effective for the period ended February 28, 2021, and have not been applied in preparing the condensed interim consolidated financial statements. The new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

## 4 Application of new accounting standards

### IFRS 16 Leases ("IFRS 16")

The company adopted IFRS 16 effective December 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.



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The Company chose to adopt the modified retrospective approach on transition to IFRS 16 and has chosen not to restate comparative information in accordance with the transitional provisions in IFRS 16. 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 consolidated 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 \$1,851,180 and lease liabilities of \$1,851,180. When measuring lease liabilities, the Company's incremental borrowing rate applied was 18% per annum.

The following table reconciles the operating lease commitments as at November 30, 2019 to the opening balance of lease liabilities at December 1, 2019:

Operating lease commitments as at November 30, 2019	\$	2,592
Discount of future commitments as at December 1, 2019		(741)
<b>Right-of-use assets and lease liabilities recognized as at December 1, 2019</b>	<b>\$</b>	<b>1,851</b>

## 5 Acquisitions

1203648 B.C. Ltd. ("1203648")

On April 10, 2019, the Company executed a share purchase agreement with the shareholders of 1203648 whereby the Company acquired 100% of the issued and outstanding common shares of 1203648 in exchange for cash consideration of \$47,706 and the issuance of 3,438,333 common shares. Of the total shares issued, 1,719,167 common shares were held in escrow and were to be released upon the realization of a retail opportunity when 1203648 receives all government approvals necessary to purchase, possess, store and sell cannabis and cannabis products, enabling it to open and operate premises for the sale of cannabis and cannabis products.

The Company accounted for the purchase as an asset acquisition as 1203648 did not meet the definition of a business under IFRS 3, "Business Combinations". The fair value of the common shares not held in escrow was determined to be \$1,031,500. As 1203648 was a related party due to common control, the control of the assets acquired did not change. Therefore, the Company recorded the initial assets and liabilities at their book values of \$Nil and charged \$1,079,206 to deficit during the year ended November 30, 2019.

In accordance with IAS 37, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company did not ascribe a value to the 1,719,167 common shares issued and held in escrow in relation to this transaction, as the release from escrow is contingent on future events, and accordingly the Company did not record any contingent consideration related to the acquisition of 1203648. During the year ended November 30, 2020, the company cancelled the 1,719,167 shares held in escrow as the release terms were not met.

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## 6 Accounts receivable

As of February 28, 2021 and November 30, 2020, accounts receivable consisted of:

	February 28, 2021	November 30, 2020
Trade accounts receivable	\$ 1,516	\$ 1,497
Government assistance receivable (a)	537	566
Other receivables	4	4
	\$ 2,057	\$ 2,067

a) During the period ended February 28, 2021, the Company applied for the Canada Emergency Wage Subsidy (“CEWS”). The Company recorded other income of \$515,078 in relation to the CEWS. As at February 28, 2021, the Company had a balance receivable of \$537,319.

## 7 Prepaid expense and deposit

As of February 28, 2021 and November 30, 2020, prepaid expenses consisted of:

	February 28, 2021	November 30, 2020
Insurance and other	\$ 312	\$ 251

As of February 28, 2021 and November 30, 2020, deposits consisted of:

	February 28, 2021	November 30, 2020
Other	\$ 195	\$ 195

## 8 Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

The changes in the carrying value of biological assets for the periods ended February 28, 2021 and November 30, 2020 are as follows:

	February 28, 2021	November 30, 2020
Carrying amount, Opening	\$ 1,884	\$ 809
Production costs	1,808	6,727
Changes in fair value less costs to sell due to biological transformation	226	4,539
Transferred to inventory upon harvest	(1,192)	(10,191)
	\$ 2,726	\$ 1,884

The significant assumptions used to determine the fair value of the cannabis plants include:

- Expected yield by strain of plant;
- Wastage of plants;
- Duration of the production cycle;
- Percentage of costs incurred to date compared to the total costs expected to be incurred;
- Percentage of costs incurred for each stage of plant growth; and
- Market value less selling costs.

The Company's estimates are, by their nature, subject to change and differences from anticipated yield which will be reflected in the gain or loss on biological assets in future periods.

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On average, the growth cycle is between 14 to 17 weeks and the Company expects average yield per plant to be between 45 to 82 grams of harvested flower and 10 to 41 grams of harvested trim. As at February 28, 2021, it is estimated that the Company's biological assets will yield approximately 535,811 grams of flower and 189,371 grams of trim when harvested.

The Company has determined the average fair value less cost to sell to be \$5 per gram of flower and \$0.25 per gram of trim. As of February 28, 2021, a change of 10% or less in the estimated yield per plant, growth cycle and selling price of dry cannabis would not result in a significant variance in the fair value of biological assets or inventory.

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

## 9 Inventory

The Company's inventories are comprised of the following balances as at February 28, 2021:

	<b>Capitalized Cost</b>	<b>Fair Value Adjustment</b>	<b>Carrying Value</b>
Dry cannabis			
Available for packaging	2,284	2,639	<b>4,923</b>
Packaged inventory	312	410	<b>722</b>
Trim	769	(619)	<b>150</b>
	<b>\$ 3,365</b>	<b>\$ 2,430</b>	<b>\$ 5,795</b>

As at February 28, 2021, the Company had dry cannabis with a carrying value of \$5,644,983 (November 30, 2020: \$4,826,794) and harvested trim with a carrying value of \$149,537 (November 30, 2020: \$146,327).

The Company holds 1,661,818 grams of harvested cannabis (November 30, 2020: 1,439,239), which is comprised of 1,063,669 grams of harvested flower and 598,149 grams of harvested trim.

During the period ended February 28, 2021, the Company recorded \$1,808,369 of production costs. Included in the production costs for the period ended February 28, 2021 is \$149,447 of amortization of property and equipment and right-of-use assets.

The Company's cost of sales on the condensed interim consolidated statement of comprehensive income (loss) are reported net of fair value gain on sale of inventory of \$763,732 for the period ended February 28, 2021.

## 10 Assets held for sale

As at February 28, 2021 and November 30, 2020, assets classified as held for sale are comprised of the following:

	<b>February 28, 2021</b>	<b>November 30, 2020</b>
Right-of-use asset (a)	<b>\$ -</b>	<b>\$ 541</b>

(a) Assets held for sale comprise of the Company's wholly owned subsidiary, 1203648. During the period ended February 28 2021, the Company sold the assets of 1203648 for gross proceeds of \$500,000. The primary asset was a 4,000 square foot leased retail space, for which a right-of-use asset of \$514,938 and a lease liability of \$576,684 were recorded on the condensed interim consolidated statements of financial position. During the period ended February 28, 2021, a lease modification gain of \$61,748 was included within net income from discontinued operations.

**GTEC HOLDINGS LTD.****Notes to the Condensed Interim Consolidated Financial Statements**

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**11 Property, plant and equipment**

	Land	Buildings	Construction in-process	Growing & processing equipment	Other	Total
<b>Cost</b>						
Balance - November 30, 2019	1,826	9,935	3,070	4,313	1,476	20,620
Additions	-	141	379	187	54	761
Disposals	(478)	(484)	-	(64)	(146)	(1,172)
Reclassification	-	(388)	(534)	922	-	-
Balance - November 30, 2020	1,348	9,204	2,915	5,358	1,384	20,209
Additions	-	-	3	25	4	32
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Balance – February 28, 2021	1,348	9,204	2,918	5,383	1,388	20,241
<b>Accumulated amortization</b>						
Balance - November 30, 2019	-	(473)	-	(562)	(394)	(1,429)
Additions	-	(483)	-	(534)	(292)	(1,309)
Balance - November 30, 2020	-	(956)	-	(1,096)	(686)	(2,738)
Additions	-	(121)	-	(143)	(70)	(334)
Balance – February 28, 2021	-	(1,077)	-	(1,239)	(756)	(3,072)
<b>Net book value</b>						
<b>November 30, 2020</b>	<b>\$ 1,348</b>	<b>\$ 8,248</b>	<b>\$ 2,915</b>	<b>\$ 4,262</b>	<b>\$ 698</b>	<b>\$ 17,471</b>
<b>February 28, 2021</b>	<b>1,348</b>	<b>8,127</b>	<b>2,918</b>	<b>4,144</b>	<b>632</b>	<b>17,169</b>

During the period ended February 28, 2021, the Company allocated \$118,668 (February 28, 2020: \$100,900) of amortization expense to cost of inventory.

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## 12 Intangible assets and goodwill

	Intangible asset	Goodwill
<b>Cost</b>		
Balance - November 30, 2020	8,102	1,092
Impairment	-	-
<b>Balance – February 28, 2021</b>	<b>8,102</b>	<b>1,092</b>
<b>Accumulated amortization</b>		
Balance - November 30, 2020	-	-
Additions	-	-
<b>Balance – February 28, 2021</b>	<b>-</b>	<b>-</b>
Net book value		
November 30, 2020	\$ 8,102	\$ 1,092
<b>February 28, 2021</b>	<b>\$ 8,102</b>	<b>\$ 1,092</b>

The Company's intangible asset and goodwill were acquired through the acquisition of ACC during the year ended November 30, 2018. The Company's intangible asset, a license to sell cannabis, is indefinite lived. The Company completed its annual assessment of the recoverable amount of the goodwill and intangible asset during the year ended November 30, 2020. The recoverable amount of the ACC CGU, to which indefinite lived intangible assets and goodwill are allocated, was determined based on fair value less costs of disposal ("FVLCD") model using level 3 inputs in a discounted cash flow ("DCF") analysis. Management determined that the recoverable amount of the ACC CGU was lower than the carrying value as at November 30, 2020. Accordingly, the Company allocated an impairment loss of \$1,798,000 to the intangible asset and \$6,586,000 to goodwill for the year ended November 30, 2020.

Significant assumptions are used in calculating the recoverable amount of the CGU tested for impairment. The significant assumptions in the DCF analysis were as follows:

- Discount rate: The Company used post-tax discount rates of 17% to 18% which is reflective of an industry Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium, a size premium and company specific risk, and after-tax cost of debt based on corporate bond yields.
- Projected cash flows: The estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. The estimated cash flows were projected based on the assumption that the facility and equipment would be operated at its full capacity and was based on estimated sales prices per gram ranging from \$5.93 declining to \$4.77 and cost per gram ranging from \$3.54 to \$2.85 declining over a period of five years.
- Terminal value growth rate: The Company applied a terminal growth rate of 2.5% which is based on historical and projected consumer inflation, historical and projected economic indicators and projected industry growth.
- Tax rate: The tax rates used in determining the future cash flows were those substantively enacted at the respective valuation date.

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### 13 Investment in associate

	February 28, 2021	November 30, 2020
Opening balance	\$ 2,666	\$ 1,747
Cash advanced under shareholder loan	334	1,345
Equity loss on investment	(130)	(426)
	\$ 2,870	\$ 2,666

During the year ended November 30, 2018, the Company acquired 49% of the issued and outstanding common shares of 3PL Ventures Inc. ("3PL"). The Company paid \$49 cash and issued 1,225,490 common shares of the Company pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL (together, the "Purchase Agreement") with its one other shareholder. Pursuant to the Purchase Agreement, 3PL is in the process of constructing a production facility to meet Health Canada standards for a licensed cannabis cultivation facility in accordance with the CA&R. The other shareholder of 3PL shall provide a maximum of up to \$9,000,000 in funding for 3PL through shareholder loans to finance the build out and equipping of the facility being constructed.

Pursuant to the Purchase Agreement, on April 23, 2019, the Company issued an additional 1,953,125 common shares to the other shareholder. The fair value of the common shares issued was determined to be \$1,250,000. In addition, the Company also has the option to purchase the remaining 51% interest from the other shareholder upon receipt of 3PL's sales license from Health Canada.

The Company committed to advance a shareholder loan of up to \$1,000,000 to fund the completion of the facility. As of February 28, 2021, the Company has advanced \$1,679,732 (November 30, 2020: \$1,345,000) to 3PL.

The following is a summary of the aggregate financial information for 3PL:

Statement of Financial Position as at	February 28, 2021	November 30, 2020
Cash and cash equivalents	\$ 21	\$ 6
Other current assets	51	9
Property, plant and equipment	10,655	10,204
Right-of-use asset	1,084	1,201
Current liabilities	696	1,253
Non-current liabilities	12,946	12,690

Statement of loss and comprehensive loss for the period ended	February 28, 2021	November 30, 2020
General and administrative expenses	\$ (265)	\$ (869)
Net loss and comprehensive loss	(265)	(869)

The Company records its investment in 3PL on the equity basis. 3PL has lease commitments over the next five years as follows:

Year ending:		
2021	\$	481
2022		662
2023		386
2024		-
2025 and thereafter		-
	\$	1,529

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#### 14 Gain on sale of assets and investments

	February 28, 2021	February 29, 2020
1203648 B.C. Ltd. (a)	500	-
Fire & Flower Holding Corp. (b)	-	261
	\$ 500	\$ 261

- (a) On February 11, 2021, the Company sold the assets of 1203648 for gross proceeds of \$500,000. The primary asset was a 4,000 square foot leased retail space, for which a right-of-use asset of \$514,938 and a lease liability of \$576,684 were recorded on the condensed interim consolidated statements of financial position. During the period ended February 28, 2021, a lease modification gain of \$61,748 was included within the condensed interim consolidated statements of comprehensive income (loss) under net income from discontinued operations
- (b) On December 11, 2019, the Company transferred 585,436 common shares of Fire and Flower Holdings Corp. as a repayment of \$800,000 principal payment for a convertible note (see Note 17 (b)). The company recorded a gain of \$261,399 as a result of this transaction.

#### 15 Promissory notes receivable

	February 28, 2021	November 30, 2020
Cannabis Cowboy Inc. (a)	\$ 107	\$ 107

- (a) During the year ended November 30, 2019, the Company sold its interest in Cannabis Cowboy Inc. for an aggregate price of \$1,010,000, of which \$800,000 was settled in 585,436 common shares of Fire & Flower Holdings Corp. (see Note 14 (b)) and the balance of \$210,000 was settled by receipt of a promissory note receivable due on October 4, 2021. As at November 30, 2020, the Company recorded a provision for doubtful receivables against the promissory note receivable of \$106,298 reducing the balance to \$106,298.

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## 16 Right-of-use assets and Lease liability

### *Right-of-use Assets*

The following is the continuity of the cost and accumulated depreciation of right-of-use assets, for the period ended February 28, 2021:

	<b>2021</b>
Recognition upon adoption of IFRS 16	1,851
Reclassification to assets held for sale	(700)
Depreciation expense for the year	(325)
<b>Balance – November 30, 2020</b>	<b>826</b>
Lease modification – change in lease terms	(35)
Depreciation expense for the period	(73)
<b>Balance – February 28, 2021</b>	<b>718</b>

### *Right-of-use Assets – Assets held for sale*

	<b>2021</b>
Reclassification to assets held for sale	700
Depreciation expense for the year	(159)
<b>Balance – November 30, 2020</b>	<b>541</b>
Depreciation expense for the period	(27)
Lease modification – sale of leased assets	(514)
<b>Balance – February 28, 2021</b>	<b>-</b>

### *Lease liability*

The following is the continuity of lease liability, for the period ended February 28, 2021:

	<b>2021</b>
Recognition upon adoption of IFRS 16	1,851
Reclassification to assets held for sale	(700)
Lease payments	(418)
Interest expense on lease liability	183
<b>Balance – November 30, 2020</b>	<b>916</b>
Lease payments	(99)
Lease modification – change in lease terms	(34)
Interest expense on lease liability	37
<b>Balance – February 28, 2021</b>	<b>820</b>
<b>Current portion</b>	<b>272</b>
<b>Long-term portion</b>	<b>548</b>

The Company recognized right-of-use assets and a corresponding lease liability upon the adoption of IFRS 16 related to its facility premises and corporate office (see Note 4). Amortization on the right-of-use asset is calculated over the term of the lease. Interest expense of \$36,675 (February 29, 2020: \$69,532) is included in financing costs and payments are applied against the lease liability.



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*Lease liability – Assets held for sale*

	<b>2021</b>
Reclassification to assets held for sale	700
Lease payments	(218)
Interest expense on lease liability	114
<b>Balance – November 30, 2020</b>	<b>596</b>
Lease payments	(35)
Interest expense on lease liability	17
Lease modification – sale of leased assets	(514)
Lease modification – gain on lease modification	(62)
<b>Balance – February 28, 2021</b>	<b>-</b>

As at February 28, 2021, the minimum lease payments for the lease liabilities are as follows:

Year ending:	
2021	292
2022	403
2023	286
2024	39
	1,020
Less: Interest expense on lease liabilities	(200)
<b>Total present value of minimum lease payments</b>	<b>820</b>

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## 17 Convertible note

The Company's convertible debentures outstanding balance consists of:

	February 28, 2021	November 30, 2020
Principal amount	\$ 1,990	\$ 7,500
Liability amount, beginning of year	1,868	7,168
Principal and interest payments	(169)	(6,050)
Conversion of debt to common shares	(1,780)	-
Transaction costs and other	-	(231)
Interest and accretion expense	81	981
Carrying value, end of period	-	1,868
Equity portion, beginning of year	555	709
Reallocation of equity portion upon maturity or settlement	(555)	(436)
Loss on modification recorded in contributed surplus	-	282
Deferred income tax liability	-	-
Equity portion, end of year	-	555
Effective interest rate	-	-
Short-term portion	-	276
Long-term portion	\$ -	\$ 1,592

- a) On October 17, 2018, the Company issued convertible debentures to Invictus MD Strategies Corp. ("Invictus") for gross proceeds of \$2,000,000 under the following terms: (i) a maturity date of October 17, 2020; (ii) an interest rate of 8% per annum, payable monthly; and (iii) convertible at \$1.50 per share, subject to adjustment in certain events, at the option of the holder.

On December 3, 2018, the Company issued additional convertible debentures to Invictus for gross proceeds of \$500,000 under the following terms: (i) a maturity date of October 17, 2020; (ii) an interest rate of 8% per annum, payable monthly; and (iii) convertible at \$1.50 per share, subject to adjustment in certain events, at the option of the holder.

On October 30, 2020, the Company amended the terms of its unsecured convertible debentures with Invictus, which were to mature on October 17, 2020 (the "Amended Agreement"). Under the Amended Agreement, the principal terms of the convertible debentures were amended as follows: (i) principal repayment of \$510,000 due on October 30, 2020; (ii) annual interest rate to increase from 8% to 10% on the remaining principal balance of \$1,990,000; (iii) maturity date extended to February 28, 2022, with certain months being interest-only payments and others being principal plus interest, such that the balance will have been fully repaid upon the maturity date; and (iv) price of conversion from \$1.50 to (a) \$0.35 per share on the first \$250,000 of the outstanding principal balance and (b) \$0.55 per share on the remaining principal balance outstanding at the time of conversion. The convertible debenture remained unsecured and pursuant to the Amended Agreement, the Company paid \$65,000 in transaction costs. The Company recorded a gain on debt modification of \$164,911 which was offset by a loss on debt modification of \$282,468 resulting from additional shares issuable upon conversion which was recorded to the consolidated statement of comprehensive loss and allocated to contributed surplus.

During the period ended February 28, 2020, Invictus converted \$1,990,000 of the outstanding principal balance at a conversion price of \$0.35 for the first \$250,000 and \$0.55 for the remainder balance. The Company issued 3,650,646 common shares.

- b) On June 11, 2018, the Company issued 5,000 convertible debenture units at a price of \$1,000 per unit for gross proceeds of \$5,000,000 under the following terms: (i) a maturity date of June 10, 2020; (ii) an interest rate of 8% per annum, payable semi-annually; and (iii) convertible at \$1.50 per share, subject to adjustment in certain events, at the option of the holder. Each unit consists of \$1,000 principal amount of convertible debentures and 222 warrants to purchase common shares of the Company at a price of \$2.50 for a period of two years from the closing of the offering. In connection with the transaction, the Company incurred issuance costs of \$296,248 and issued 166,666 broker warrants exercisable for one common share of the Company at a price of \$1.50 for a period of two years from the earlier of: (a) the completion

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of the Qualifying Transaction and (b) the date that the shares become listed for trading on a recognized stock exchange. The fair value of the broker warrants was \$57,300, using the Black-Scholes option-pricing model.

During the year ended November 30, 2020, the Company fully repaid its \$5,000,000 convertible debenture to MMCAP Canadian Fund LP. On December 11, 2019 and on March 6, 2020, the Company made early payments towards the principal balance in the amounts of \$800,000 and \$500,000. On June 8, 2020, the remaining principal balance and interest in the amount of \$3,838,736 was paid through the transfer of funds from a non-brokered senior secured debt financing of \$3,950,000 with NFS Leasing Canada Ltd. Refer to Note 18 for further details.

#### Accounting treatment

For accounting purposes, the above noted convertible debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated rate of 18.50% for debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debentures at effective rates noted above. The Company also recorded a deferred income tax liability that was recognized in equity relating to the difference between the Company's accounting and tax basis.

During the period ended February 28, 2021, the Company incurred interest and accretion expense of \$80,558 (February 29, 2020: \$325,055) on the convertible debentures, which has been recorded within interest and accretion on the condensed interim consolidated statement of comprehensive income (loss).

#### 18 Long term debt

	Maturity date		Total February 28, 2021	Total November 30, 2020
	July 1, 2023 (a)	November 1, 2023 (b)		
Principal	3,950	2,300	6,250	6,250
Transaction costs	(610)	(864)	(1,474)	(1,474)
Principal and interest payments	(741)	(92)	(833)	(577)
Interest and accretion expense	675	218	893	512
Total	3,274	1,562	4,836	4,711
Short-term portion	827	723	1,550	1,686
Long-term portion	2,447	839	3,286	3,025

- a) On June 8, 2020, the Company closed a non-brokered senior secured debt financing of \$3,950,000 with NFS Leasing Canada Ltd (the "Loan"). Proceeds from the financing were used to repay MMCAP Canadian Fund LP, the existing senior secured convertible debenture. The Loan bears an annual interest rate of 18%. In connection with the Loan, the Company issued 2,135,135 common shares, which are subject to a three-year release schedule, with 355,856 shares being released each six-month period. No other broker fees or broker warrants were issued in connection with the Loan.

On October 16, 2020, the Company made an early principal repayment of \$301,698, reducing the principal balance to \$3,648,302.

Subsequent to the period ended February 28, 2021, on April 9, 2021 the Company made an early principal repayment of \$3,648,302, reducing the principal balance to \$Nil. In connection with the repayment of the full outstanding principal balance, the Company paid \$164,173, as part of the terms of the agreement, upon an early repayment.

- b) On October 30, 2020, the Company closed a non-brokered senior secured debt financing with NFS Leasing Canada Ltd. in the amount of \$2,300,000 (the "Loan"). The Loan bears an annual interest rate of 16%. In connection with the Loan, the Company issued 2,421,052 common shares of which will be subject to a three-year release schedule, with 403,508 shares being released each six-month period. In addition, the Company issued 6,900,000 common share purchase warrants with a value of \$409,000. The warrants have an expiration date of three years from the date of issuance. The exercise price of the warrants is as follows: (i) 2,300,000 warrants at an exercise price of \$0.10; (ii) 2,300,000 warrants at an exercise price of \$0.15; and (iii) 2,300,000 warrants at an exercise price of \$0.25. No other broker fees or brokers warrants were issued in connection with the Loan.

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Subsequent to the period ended February 28, 2021, on April 9, 2021 the Company made an early principal repayment of \$2,300,000, reducing the principal balance to \$Nil. In connection with the repayment of the full outstanding principal balance, the Company paid \$214,666, as part of the terms of the agreement, upon an early repayment.

During the period ended February 28, 2021, the Company incurred interest and accretion expense of \$380,863 (February 29, 2020: \$Nil) on the Loans, which has been recorded within interest and accretion on the condensed interim consolidated statements of comprehensive income (loss).

## **19 Share capital**

The Company has an unlimited number of voting and non-voting common shares without par value authorized for issuance. The Company also has an unlimited number of non-voting redeemable preference shares with varying par values authorized for issuance.

### **(a) Issued shares**

During the period ended February 28, 2021:

- The Company issued 795,454 common shares with a fair value of \$437,500 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones. See Note 25 for further details.
- The Company issued 1,090,898 common shares pursuant to the exercise of warrants for gross proceeds of \$599,994.
- The Company issued 1,143,000 common shares pursuant to the exercise of stock options for gross proceeds of \$292,220.
- The Company issued 3,650,646 common shares pursuant to the conversion of the Invictus Convertible Note. See Note 17 for further details. The Company also reallocated \$556,149 from contributed surplus in connection with the full conversion of the note.

During the period ended February 29, 2020:

- The Company issued 7,500,000 common shares with a fair value of \$1,012,500 pursuant to an amending agreement with the vendors of Tumbleweed amending certain terms and conditions of the definitive share purchase agreement dated August 12, 2017.
- The Company issued 1,900,000 common shares with a fair value of \$294,500 pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, of which 1,628,571 common shares are held in escrow and will be released contingent upon the occurrence of future events. As at February 28, 2021, 1,357,142 common shares remained in escrow.
- The Company issued 150,000 common shares pursuant to the exercise of stock options for gross proceeds of \$45,000.

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#### (b) Escrow shares

As at February 28, 2021 there were 10,973,480 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)
April 30, 2021	404	10,569
June 8, 2021	356	10,213
June 18, 2021	6,176	4,037
October 31, 2021	404	3,633
December 8, 2021	356	3,277
April 30, 2022	404	2,873
June 8, 2022	356	2,517
October 30, 2022	404	2,113
December 8, 2022	356	1,757
April 30, 2023	404	1,353

Of the common shares held in escrow summarized in the table above, as at February 28, 2021 there were:

- i. 1,357,142 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.
- ii. 1,423,423 common shares held in escrow pursuant to the debt financing described in Note 18, which are subject to a three-year release schedule, with 355,856 shares being released each six-month period.
- iii. 2,017,544 common shares held in escrow pursuant to the debt financing described in Note 18, which are subject to a three-year release schedule, with 403,508 shares being released each six-month period.

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**(c) Share purchase warrants**

Warrant transactions are summarized as follows:

		<b>Weighted average</b>
Balance – November 30, 2017	<b>11,682</b>	<b>1.20</b>
Granted	<b>14,431</b>	<b>1.34</b>
Balance – November 30, 2018	<b>26,113</b>	<b>1.41</b>
Granted	<b>12,459</b>	<b>0.90</b>
Exercised	<b>(20)</b>	<b>1.50</b>
Balance – November 30, 2019	<b>38,552</b>	<b>1.24</b>
Granted	<b>6,900</b>	<b>0.17</b>
Expired	<b>(16,153)</b>	<b>1.54</b>
Balance – November 30, 2020	<b>29,299</b>	<b>0.83</b>
Granted	-	
Exercised	<b>(1,091)</b>	<b>0.55</b>
Expired	<b>(9,940)</b>	<b>1.20</b>
<b>Balance – February 28, 2021</b>	<b>18,268</b>	<b>0.62</b>

The weighted average outstanding life of warrants outstanding as at February 28, 2021 is 1.35 years.

At February 28, 2021 the following share purchase warrants were outstanding:

<b>Number of share purchase</b>	<b>Exercise price per share</b>	<b>Expiry date</b>
5,563	\$ 0.90	February 28, 2021
5,805	\$ 0.90	March 21, 2021
2,300	\$ 0.10	October 19, 2023
2,300	\$ 0.15	October 19, 2023
2,300	\$ 0.25	October 19, 2023
<b>18,268</b>	<b>\$ 0.62</b>	

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## 20 Stock-based compensation

The Company provides stock-based compensation to its directors, officers, employees, and consultants through grants of stock options.

### (a) Stock options

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, the Company may grant options that shall not exceed 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. Options granted can have a term of up to ten years and an exercise price typically not less than the Company's closing stock price on the TSXV on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	Number of shares (000's)	Weighted average exercise price
Balance – November 30, 2018	8,081	\$ 0.59
Granted	4,618	0.61
Exercised	(651)	0.31
Balance – November 30, 2019	12,048	0.55
Granted	710	0.29
Expired/cancelled	(2,898)	0.37
Exercised	(300)	0.50
Balance – November 30, 2020	9,560	\$ 0.56
Granted	1,140	0.38
Expired/cancelled	(3,217)	0.58
Exercised	(1,143)	0.24
<b>Balance – February 28, 2021</b>	<b>6,340</b>	<b>\$ 0.53</b>

The weighted average outstanding life of stock options outstanding as at February 28, 2021 is 1.46 years.

At February 28, 2021, the following stock options were outstanding:

Number of shares (000's)	Vested (000's)	Exercise price per share	Expiry date
2,045	2,045	\$0.30 – \$1.07	Jan-Dec 2021
1,285	1,048	\$0.14 – \$0.70	Jan-Dec 2022
300	138	\$0.30 – \$0.78	Jan-Dec 2023
2,650	1,675	\$0.30 – \$0.34	Jan-Dec 2024
60	-	\$0.30	Jan-Dec 2025
<b>6,340</b>	<b>4,906</b>		

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#### (b) Share based payments

During the period ended February 28, 2021, the Company recognized share based payment expense of \$76,035 (February 29, 2020: \$274,897) that was recorded in the condensed interim consolidated statements of comprehensive income (loss). The share based payments represent the fair value of stock options granted or vested during the period ended February 28 2021 and are estimated on the grant date using the Black-Scholes option pricing model. The share based payments also consist of common shares issued for services during the year. In addition, stock options granted to consultants for services to be provided over a period of time are recorded as prepaid expenses until the service period has lapsed. The weighted average assumptions used in calculating the fair values of stock options granted are as follows:

	2021	2020
Share price	\$0.135 - \$0.78	\$0.14 - \$0.69
Exercise price	\$0.135 - \$0.78	\$0.16 - \$0.69
Risk-free interest rate	2.16%	2.16%
Expected life	1-5 Years	2-5 Years
Volatility	120%	120%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

## 21 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 period ended February 28, 2021 and February 29, 2020 consists of the following:

	February 28, 2021	February 29, 2020
Salaries and wages	\$ 174	\$ 151
Director fees	15	-
Share-based payments	31	-
	\$ 220	\$ 151

#### Related party balances

As at February 28, 2021, accounts payable included \$46,831 (February 29, 2020: \$30,000) which was due to the Company's Vice President and Director, Mr. Michael Blady ("Mr. Blady") in connection with management services and advances made to the Company.

As at February 28, 2021, accounts payable included \$75,000 (February 29, 2020: \$Nil) which was due to directors of the Company in connection with directors' fees.

As at February 28, 2021, \$221,525 (February 29, 2020: \$Nil) was due to the Company's Vice President and Director, Mr. Blady, for advances made to the Company during the year. The amount is unsecured, non-interest bearing and due on demand.

As at February 28, 2021, \$417,091 (February 29, 2020: \$Nil) was due to the Company's Chief Executive Officer, Mr. Norton Singhavon ("Mr. Singhavon") for advances made to the Company during the year. The amount is unsecured, non-interest bearing and due on demand.

#### Related party transactions

During the period ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce Farms Incorporated ("Grey Bruce"), 1118157 B.C. Ltd. ("1118 BC"), Zenalytic Laboratories Ltd. ("Zenalytic") and GreenTec Bio-Pharmaceuticals Inc. ("Bio-Pharma"). Each one of these entities was under common control with Mr. Singhavon and/or Mr. Blady. Certain milestones within these agreements remain outstanding and are disclosed under note 25.



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## **22 Financial instruments**

### **a) Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, promissory notes receivable, deposits, due from associate, accounts payable, convertible notes, long-term debt, due to related parties and lease liabilities. The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

#### **i) 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 28, 2021, 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.

#### **ii) 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.

#### **iii) 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.

#### **iv) Maturity risk**

1. The Company's cash and cash equivalents balance at February 28, 2021 was in the amount of \$1,648,781. At February 28, 2021, the Company had accounts receivable of \$2,056,731, accounts payable and accrued liabilities of \$2,456,606, current lease liabilities of \$272,253, short term debt of \$1,549,913, long term lease liabilities of \$548,172 and long term debt of \$3,285,678. All accounts payable and accrued liabilities are current.
2. As at February 28, 2021, 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 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.

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The following table summarizes the maturities of the Company's financial liabilities as at February 28, 2021 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	\$ 2,456	\$ 2,456	\$ 2,456	\$ -
Due to related parties	639	639	639	-
Lease liabilities	820	1,020	292	728
Long term debt	4,836	5,948	738	5,210
	<b>\$ 8,751</b>	<b>\$ 10,063</b>	<b>\$ 4,145</b>	<b>\$ 5,938</b>

#### b) Interest rate risk

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

Sensitivity analysis has not been presented as the Company currently has no significant exposure in its operations to interest rate or currency exchange rate fluctuations as the Company's interest-bearing liabilities have fixed interest rate.

#### c) Fair value classification of financial instruments

Fair value measurement is based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are:

Level 1 — measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2 — measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset and liability.

Level 3 — measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

At February 28, 2021, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and investments, with a fair value of \$1,648,781 (November 30, 2020: \$625,007).

## 23 Capital management

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through advances from related parties. Future financings are dependent on the willingness of the related parties to advance funds to the Company and market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

## 24 Supplemental cash flow information

	February 28, 2021	February 29, 2020
Interest paid	\$ 299	\$ 249

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## 25 Commitments and contingencies

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

### Grey Bruce

During the year ended November 30, 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.

Trigger event	
Upon Grey Bruce's first harvest having passed quality assurance and quality control tests as set out by Health Canada <b>(Completed)</b>	\$ 105
Upon Grey Bruce's second harvest having passed quality assurance and quality control tests as set out by Health Canada <b>(Completed)</b>	105
Upon Grey Bruce's third harvest having passed quality assurance and quality control tests as set out by Health Canada <b>(Completed)</b>	105
Upon Grey Bruce's fourth harvest having passed quality assurance and quality control tests as set out by Health Canada <b>(Completed)</b>	105
Upon Grey Bruce's fifth harvest having passed quality assurance and quality control tests as set out by Health Canada, but no earlier than June 30, 2020 <b>(Completed)</b>	105
Upon Grey Bruce obtaining either a sales license (medical) or a processing license (standard), but no earlier than December 31, 2020 <b>(Completed)</b>	438
Upon Grey Bruce having sold 1,500 kg of dry cannabis	1,000
	<b>\$ 1,963</b>

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 number 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.

During the year ended November 30, 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. The Company has issued 954,545 common shares valued at \$136,500 in satisfaction with the above mentioned five harvests.

Additionally, during the period ended February 28, 2021, the company issued 795,454 common shares at a deemed price of \$0.55 per common share in connection with the achievement of certain milestones.

Further, the Company intends to issue the Company's Chief Executive Officer and Director, 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 connection with the achievement of certain milestones under the original agreement, 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.

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

#### **GreenTec Bio-Pharmaceuticals Inc. (“GBP”)**

As at February 28, 2021, the Company has committed to issue common shares valued at \$2,500,000 contingent on future events as follows:

<b>Trigger event</b>	
Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the CA&R	\$ 500
GBP obtaining a license to sell cannabis under the CA&R	500
GBP having sold an aggregate of 3,000 kg of dried cannabis	750
GBP completing construction of an expansion to its production facility to increase production by at least 8,500 kg per annum and receiving an amendment to its production and sales licences	750
	<b>\$ 2,500</b>

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, as shown in the above table 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.

## **GTEC HOLDINGS LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended February 28, 2021 and February 29, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

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#### **26 Subsequent Events**

- On March 8, 2021, The Company announced the closing of a non-brokered private placement of 13,750,000 units (each a "Unit") at a price of \$0.20 per Unit for gross proceeds of \$2,750,000. Each Unit issued in the placement consists of one common share and one half of one share purchase warrant entitling the holder to purchase one additional share at \$0.30 for a period of three years from the closing.
- On March 30, 2021, The Company announced the closing of a bought deal public offering (the "Offering") of units for gross proceeds of \$23,000,000, issuing 28,750,000 units at a price of \$0.80 per unit. The Offering was co-led by Desjardins Capital Markets and Eight Capital as co-lead underwriters and joint book runners. Each Unit will be comprised of one common share and one common share warrant (each "Warrant"). Each Warrant will entitle the holder thereof to purchase one common share at an exercise price of \$1.04 for a period of three years from the closing.
- On April 9, 2021, the Company repaid its two Senior Secured Promissory Notes (the "Notes") with NFS Leasing Canada Ltd. in full. The Notes, which carried an aggregate principal balance of \$5,948,302, were fully repaid.
- Subsequent to the period ended February 28, 2021, the Company issued 9,511,193 common shares pursuant to the exercise of stock options and warrants for gross proceeds of \$2,989,836.