

# GTEC

— CANNABIS CO. —

July 29, 2020

## Interim Consolidated Financial Statements

(Unaudited - Expressed  
in Canadian dollars)

Second Quarter – May 31, 2020



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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 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.

# GTEC HOLDINGS LTD.

## Condensed Interim Consolidated Statements of Financial Position

As at May 31, 2020 and November 30, 2019

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

	Note	May 31, 2020	November 30, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 390	\$ 1,969
Accounts receivable	4	1,884	1,573
Prepaid expenses	5	103	292
Biological assets	6	1,326	809
Inventory	7	2,069	1,006
Investments	12	-	538
Assets held for sale	8	1,503	-
Promissory note receivable	13	-	298
		7,275	6,485
Property, plant and equipment	9	17,650	19,191
Deposits	5	111	104
Goodwill	10	7,678	7,678
Intangible assets	10	9,900	9,900
Investment in associate	11	1,583	1,747
Promissory note receivable	13	218	210
Right-of-use asset	14	989	-
<b>Total assets</b>		<b>\$ 45,404</b>	<b>\$ 45,315</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 2,528	\$ 1,739
Lease liabilities	14	249	-
Lease liabilities, assets held for sale	14	652	-
Short-term interest and convertible debentures	15	6,315	7,168
		9,744	8,907
Lease liabilities	14	792	-
<b>Total liabilities</b>		<b>10,536</b>	<b>8,907</b>
<b>Shareholders' equity</b>			
Share capital	16	\$ 61,819	\$ 59,912
Subscriptions		85	85
Contributed surplus		6,090	6,096
Accumulated deficit		(33,126)	(29,685)
<b>Total shareholders' equity</b>		<b>34,868</b>	<b>36,408</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 45,404</b>	<b>\$ 45,315</b>

Commitments and contingencies (Note 22)

Subsequent events (Note 23)

Approved on behalf of the Board on July 29, 2020:

*/s/ Norton Singhavon, Chairman, CEO*

*/s/ Michael Blady, Director*

# GTEC HOLDINGS LTD.

## Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six months ended May 31, 2020 and May 31, 2019

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

	Three months ended May 31		Six months ended May 31	
	2020	2019	2020	2019
Revenue	\$ 1,507	\$ 109	\$ 3,862	\$ 202
Excise taxes	(261)	-	(284)	-
Net revenue	1,246	109	3,578	202
Cost of sales	373	34	1,739	63
Gross margin before fair value changes	873	75	1,839	139
Changes in fair value of biological assets	654	1,120	532	1,349
<b>Gross margin</b>	<b>1,527</b>	<b>1,195</b>	<b>2,371</b>	<b>1,488</b>
<b>Operating expenses</b>				
Administration and general	223	135	372	478
Business fees and licenses	114	169	237	192
Consulting fees	-	574	-	704
Depreciation and amortization	199	29	415	212
Depreciation, right-of-use asset	136	-	242	-
Management fees	61	320	118	450
Marketing and advertising	19	304	130	480
Professional fees	354	254	465	658
Salaries and wages	501	781	973	1,175
Share based payments	110	313	385	1,075
Travel	7	120	47	225
	1,724	2,999	3,384	5,649
<b>Net loss from operations</b>	<b>(197)</b>	<b>(1,804)</b>	<b>(1,013)</b>	<b>(4,161)</b>
<b>Other income (expense)</b>				
Equity loss on investment in associate	(76)	(190)	(164)	(225)
Financing costs	(87)	-	(156)	-
Interest and accretion	(418)	(322)	(743)	(634)
Loss on sale of asset	-	(1)	-	(109)
Gain on investments	-	-	261	-
<b>Net loss before income tax</b>	<b>(778)</b>	<b>(2,317)</b>	<b>(1,815)</b>	<b>(5,129)</b>
Deferred income tax	-	-	-	(54)
<b>Net loss from continuing operations</b>	<b>(778)</b>	<b>(2,317)</b>	<b>(1,815)</b>	<b>(5,183)</b>
Net loss from discontinued operations	-	-	(143)	-
<b>Net loss and comprehensive loss</b>	<b>(778)</b>	<b>(2,317)</b>	<b>(1,958)</b>	<b>(5,183)</b>
Shareholders of the Company	(778)	(2,310)	(1,958)	(5,167)
Non-controlling interest	-	(7)	-	(16)
	\$ (778)	\$ (2,317)	\$ (1,958)	\$ (5,183)
<b>Net loss per common share</b>				
Basic and fully diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.05)
<b>Weighted average shares outstanding</b>				
Basic and fully diluted	103,210	105,715	103,210	105,715
<b>Total shares issued and outstanding</b>	<b>137,353</b>	<b>123,145</b>	<b>137,353</b>	<b>123,145</b>

## GTEC HOLDINGS LTD.

### Condensed Interim Consolidated Statements of Changes in Equity

As at May 31, 2020 and May 31, 2019

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

	Attributable to equity holders of the Company					
	Shares (000's)	Share capital	Subscriptions received	Contributed surplus	Deficit	Total
<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	-	-	-	-	(1,958)	(1,958)
Share issuance costs	-	(14)	-	-	-	(14)
Shares issued and issuable for contingent consideration	8,263	1,770	-	(300)	(1,483)	(13)
Exercise of stock options	150	45	-	-	-	45
Share based payments	2,254	106	-	294	-	400
<b>Balance at May 31, 2020</b>	<b>137,353</b>	<b>\$ 61,819</b>	<b>\$ 85</b>	<b>\$ 6,090</b>	<b>\$ (33,126)</b>	<b>\$ 34,868</b>
<b>Balance at November 30, 2018</b>	<b>90,165</b>	<b>\$ 41,738</b>	<b>\$ 224</b>	<b>\$ 5,094</b>	<b>\$ (14,463)</b>	<b>\$ 32,593</b>
Net loss for the year	-	-	-	-	(5,183)	(5,183)
Shares issued for cash	22,710	12,490	(224)	-	-	12,266
Share issuance costs	-	(1,515)	-	493	-	(1,022)
Shares issued for acquisitions	3,438	2,476	-	-	(2,524)	(48)
Shares issued and issuable for contingent consideration	4,127	2,957	-	-	(3,207)	(250)
Shares issued for investment in associate	1,953	1,328	-	-	-	1,328
Convertible debentures	-	-	-	(147)	-	(147)
Exercise of stock options	532	253	-	-	-	253
Exercise of warrants	20	50	-	-	-	50
Share based payments	200	-	-	920	-	920
<b>Balance at May 31, 2019</b>	<b>123,145</b>	<b>\$ 59,777</b>	<b>\$ -</b>	<b>\$ 6,360</b>	<b>\$ (25,377)</b>	<b>\$ 40,760</b>

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

For the six months ended May 31, 2020 and May 31, 2019

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

	May 31, 2020	May 31, 2019
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,958)	\$ (5,183)
Items not affecting cash:		
Accretion expense	743	642
Depreciation and amortization	630	212
Depreciation, right-of-use asset	242	-
Deferred income tax expense	-	54
Equity loss on investment in associate	164	225
Financing costs	156	-
Loss on discontinued assets	144	23
Loss on disposal of assets	139	-
Share based payments	293	920
Shares issued for services	107	155
Unrealized loss (gain) on biological assets	(532)	(1,349)
Gain on investment	(261)	-
	(133)	(4,301)
Change in non-cash operating working capital:		
Accounts and advances receivable	(311)	127
Prepaid expenses	188	(95)
Biological assets	16	268
Inventory	(1,063)	(895)
Accounts payable and accrued liabilities	790	(1,100)
Interest payable	(297)	(322)
Net cash flows used in operating activities	(810)	(6,318)
<b>Cash flows from investing activities</b>		
Net cash paid for acquisitions	(13)	(298)
Deposits paid	(8)	(287)
Promissory notes received, net advanced	290	(1,320)
Purchase of property and equipment	(255)	(5,047)
Proceeds from sale of assets held for sale	-	2,543
	14	(4,409)
<b>Cash flows from financing activities</b>		
Due to related parties	-	(6)
Lease liability payments	(314)	-
Options and warrants exercised for cash	45	303
Proceeds from issuance of common shares	-	12,266
(Repayment) proceeds from issuance of convertible debentures	(500)	500
Share issuance cost	(14)	(1,022)
	(783)	12,041
(Decrease) increase in cash and cash equivalents	(1,579)	1,315
Cash and cash equivalents – beginning of period	1,969	918
<b>Cash and cash equivalents – end of period</b>	<b>\$ 390</b>	<b>\$ 2,233</b>

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

## **GTEC HOLDINGS LTD.**

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

For the three and six months ended May 31, 2020 and May 31, 2019

(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. (formerly Black Birch Capital Acquisition III Corp.) (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 condensed interim 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 \$33,125,796 as at May 31, 2020, 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.

#### **2 Basis of presentation**

The Company prepares its condensed interim consolidated financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretation of the International Reporting Interpretations Committee (“IFRIC”). These should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended November 30, 2019 (“annual financial statements”). The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s annual financial statements, unless otherwise stated.

These condensed interim consolidated financial statements of the Company were approved by the Audit Committee of the Board of Directors and authorized for issue on July 29, 2020.

#### **3 Application of new accounting standards**

##### *IFRS 16 Leases (“IFRS 16”)*

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

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



## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended May 31, 2020 and May 31, 2019

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

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 condensed interim 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 condensed interim 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 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 liability 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>Lease liabilities recognized as at December 1, 2019</b>	<b>\$</b>	<b>1,851</b>

#### 4 Accounts receivable

As of May 31, 2020 and November 30, 2019, accounts receivable consisted of:

	2020	2019
Trade accounts receivable	\$ 1,535	\$ 742
GST receivable	306	783
Other receivables	43	48
	<b>\$ 1,884</b>	<b>\$ 1,573</b>

#### 5 Prepaid expense

As of May 31, 2020 and November 30, 2019, prepaid expenses consisted of:

	2020	2019
Consulting fees	\$ -	\$ 34
Insurance and other	103	258
	<b>\$ 103</b>	<b>\$ 292</b>

As of May 31, 2020 and November 30, 2019, deposits consisted of:

	2020	2019
Other	\$ 111	\$ 104

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended May 31, 2020 and May 31, 2019

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

## 6 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 as of May 31, 2020 and November 30, 2019 were as follows:

	2020	2019
Carrying amount, Opening	\$ 809	\$ 56
Production costs	2,873	2,479
Changes in fair value less costs to sell due to biological transformation	3,671	1,481
Transferred to inventory upon harvest	(6,027)	(3,207)
	\$ 1,326	\$ 809

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.

On average, the growth cycle is 15.4 weeks and the Company expects average yield per plant to be between 69 and 100 grams. As at May 31, 2020 it is estimated that the Company's biological assets will yield approximately 596,246 grams of cannabis when harvested.

As of May 31, 2020, the Company has estimated a fair value less cost to sell of \$1.3 to \$4.80. As of May 31, 2020, 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.

## 7 Inventory

The Company's inventories are comprised of the following balances as at May 31, 2020:

	Quantity	Cost	Fair Value Adjustment	Carrying Value
Dry cannabis	541,797 grams	\$ 1,103	\$ 966	\$ 2,069

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

For the three and six months ended May 31, 2020 and May 31, 2019

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

The Company's inventories are comprised of the following balances as at November 30, 2019:

	Quantity	Cost	Fair Value Adjustment	Carrying Value
Dry cannabis	208,854 grams	\$ 596	\$ 410	\$ 1,006

**8 Assets held for sale**

As at May 31, 2020, assets classified as held for sale are comprised of the following:

	2020	2019
Land (a)	\$ 478	\$ -
Building (a)	405	-
Right-of-use asset (b)	620	-
	\$ 1,503	\$ -

(a) The Company has listed commercial real estate for sale of a commercial building and land, which is currently not being utilized by operations.

(b) The Company has entered into a non-binding letter of intent to sell 1203648 B.C. Ltd. The primary asset being a 4,000 square foot leased retail space.

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

For the three and six months ended May 31, 2020 and May 31, 2019

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

**9 Property, plant and equipment**

	Land	Buildings	Construction in-process	Growing & processing equipment	Other	Total
<b>Cost</b>						
Balance - November 30, 2018	\$ 1,826	\$ 6,885	\$ 894	\$ 3,144	\$ 970	\$ 13,719
Additions	-	3,050	1,642	1,703	530	6,925
Disposals	-	-	-	-	(24)	(24)
Balance - November 30, 2019	1,826	9,935	3,070	4,313	1,476	20,620
Additions	-	28	120	17	90	255
Disposals	-	-	(80)	(56)	(147)	(283)
Reclassification	-	(388)	(520)	908	-	-
Reclassification to assets held for sale	(478)	(405)	-	-	-	(883)
Balance - May 31, 2020	\$ 1,348	\$ 9,170	\$ 2,590	\$ 5,182	\$ 1,419	\$ 19,710
<b>Accumulated amortization</b>						
Balance - November 30, 2018	\$ -	\$ -	\$ -	\$ (98)	\$ (97)	\$ (195)
Additions	-	(491)	-	(429)	(315)	(1,234)
Balance - November 30, 2019	-	(491)	-	(527)	(412)	(1,429)
Additions	-	(212)	-	(274)	(144)	(630)
Balance - May 31, 2020	-	(703)	-	(801)	(556)	(2,060)
<b>Net book value</b>						
Net book Value - November 30, 2019	\$ 1,826	\$ 9,444	\$ 3,070	\$ 3,786	\$ 1,064	\$ 19,191
Net book Value - May 31, 2020	\$ 1,348	\$ 8,467	\$ 2,590	\$ 4,381	\$ 863	\$ 17,650

During the period-ended May 31, 2020, the Company allocated \$214,863 (May 31, 2019: \$NIL) of amortization expense to cost of inventory.

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended May 31, 2020 and May 31, 2019

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

#### 10 Intangible assets and goodwill

	Intangible asset	Goodwill
Cost		
Balance, November 30, 2018	\$ -	\$ -
Additions	9,900	7,678
Balance, November 30, 2019	9,900	7,678
Additions	-	-
<b>Balance, May 31, 2020</b>	<b>9,900</b>	<b>7,678</b>
Accumulated amortization		
Balance, November 30, 2018	-	-
Additions	-	-
Balance, November 30, 2019	-	-
Additions	-	-
<b>Balance, May 31, 2020</b>	<b>-</b>	<b>-</b>
Net book value	9,900	7,678
November 30, 2019	9,900	7,678
<b>Balance, May 31, 2020</b>	<b>\$ 9,900</b>	<b>\$ 7,678</b>

#### 11 Investment in associate

	2020	2019
Opening balance	\$ 1,747	\$ 860
Cash paid	-	-
Fair value of common shares issued	-	1,250
Equity loss on investment	(164)	(363)
	<b>\$ 1,583</b>	<b>\$ 1,747</b>

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 1,600,490 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. The Company has committed to advance a shareholder loan of up to a maximum of \$1,000,000 to fund the completion of the facility.

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.

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended May 31, 2020 and May 31, 2019

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

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

Statement of Financial Position	May 31, 2020	November 30, 2019
Cash and cash equivalents	\$ 17	\$ 11
Other current assets	429	13
Property, plant and equipment	8,754	6,507
Current liabilities	1,000	780
Non-current liabilities	8,628	6,705

Statement of loss and comprehensive loss	May 31, 2020	May 31, 2019
General and administrative expenses	\$ (335)	\$ (256)
Net loss and comprehensive loss	(335)	(256)

The Company records its investment in 3PL on the equity basis.

## 12 Investments

	2020	2019
Fire & Flower Holdings Corp.	\$ -	\$ 538

During the period ended May 31, 2020, the Company entered into an agreement to make an early payment towards its senior secured convertible debenture holder, in the amount of \$800,000. The Company transferred ownership of the investment in the amount of \$538,601 and recorded a gain in the fair value of investments in the amount of \$261,399. The investment was in an unrelated third party and recorded at fair value through profit or loss in accordance with IFRS 9.

## 13 Promissory notes receivable

	2020	2019
BATC Investments Ltd. (a)	\$ -	\$ 298
Cannabis Cowboy Inc. (b)	218	210
	\$ 218	\$ 508

- (a) During the period ended May 31, 2020, \$290,000 was received, whereby an adjustment was made to the final purchase price to account for working capital adjustments after the close of the sale.
- (b) 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 paid for through the transfer of 585,436 common shares of Fire & Flower Holdings Corp. (See Note 12) and the balance of \$210,000 was settled by receipt of a promissory note receivable due on October 4, 2021. The promissory note receivable is secured against the assets of Cannabis Cowboy Vernon Inc.

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended May 31, 2020 and May 31, 2019

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

#### 14 Right-of-use asset and Lease liability

##### *Right-of-use Asset*

The following is the continuity of the cost and accumulated depreciation of right-of-use assets, for the period ended May 31, 2020:

		2020
Recognition upon adoption of IFRS 16	\$	1,851
Reclassification to assets held for sale		(620)
Depreciation expense for the period		(242)
	\$	989

##### *Lease liability*

The following is the continuity of lease liabilities, for the period ended May 31, 2020:

		2020
Recognition upon adoption of IFRS 16	\$	1,851
Reclassification to assets held for sale		(652)
Lease payments		(314)
Interest expense on lease liabilities		156
	\$	1,041
Current portion		249
Long-term portion		792

The Company recognized a right-of-use asset and a corresponding lease liability upon the adoption of IFRS 16 related to its facility premises and corporate office (Note 2). Amortization on the right-of-use asset is calculated over the term of the lease. Interest expense of \$156,106 is included in financing costs and payments are applied against the lease liability.

##### *Lease liability – Assets available for sale*

		2020
Reclassification to assets held for sale	\$	652
Current portion		652

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

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As at May 31, 2020, the minimum lease payments for the lease liabilities are as follows:

Year ending:	
2020	\$ 212
2021	404
2022	421
2023	304
2024	31
	1,372
Less: Interest expense on lease liabilities	(331)
<b>Total present value of minimum lease payments</b>	<b>\$ 1,041</b>

As at May 31, 2020, the minimum lease payments for the lease liabilities, assets held for sale are as follows:

Year ending:	
2020	\$ 110
2021	225
2022	231
2023	238
2024	101
	905
Less: Interest expense on lease liabilities	(253)
<b>Total present value of minimum lease payments</b>	<b>\$ 652</b>

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.



## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 15 Convertible debentures

The Company's convertible debentures outstanding balance consists of:

	Maturity date			Total May 31, 2020	Total November 30, 2019
	June 10, 2020 (a)	October 17, 2020 (b)	October 17, 2020 (c)		
Principal amount	\$ 5,000	\$ 2,000	\$ 500	\$ 7,500	\$ 7,500
Liability portion	4,217	1,697	429	6,343	6,343
Principal repayment	(1,300)	-	-	(1,300)	-
Transaction costs	(298)	-	-	(298)	(298)
Accretion	1,273	242	55	1,570	1,123
<b>Carrying value</b>	<b>3,892</b>	<b>1,939</b>	<b>484</b>	<b>6,315</b>	<b>7,168</b>
Equity portion	783	303	71	1,157	1,157
Transaction costs	(55)	-	-	(55)	(55)
Deferred income tax liability	(292)	(82)	(19)	(393)	(393)
<b>Allocated to contributed</b>	<b>436</b>	<b>221</b>	<b>52</b>	<b>709</b>	<b>709</b>
Effective interest rate	22%	17%	17%		

### (a) Convertible debenture – principal \$5,000,000 – Maturing June 10, 2020

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:

- A maturity date of June 10, 2020;
- An interest rate of 8% per annum, payable semi-annually; and
- 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 share 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 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 period ended May 31, 2020, the Company entered into an agreement to make an early payment, in the amount of \$800,000 on December 11, 2019, to its \$5,000,000 senior secured convertible debenture holder. During the period ended May 31, 2020, the Company entered into an agreement to make an additional early payment in the amount of \$500,000 on March 6, 2020, to its \$5,000,000 senior secured convertible debenture holder. The principal and interest balance of the loan was reduced by \$1,300,000.

Subsequent to the period ended May 31, 2020, on June 8, 2020, the Company repaid the remaining principal balance and interest in the amount of \$3,838,736. See Note 23 for further details.

## **GTEC HOLDINGS LTD.**

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

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

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#### **(b) Convertible debenture – principal \$2,000,000 – Maturing October 17, 2020**

On October 17, 2018, the Company issued convertible debentures for gross proceeds of \$2,000,000 under the following terms:

- A maturity date of October 17, 2020;
- An interest rate of 8% per annum, payable monthly;
- Convertible at \$1.50 per share, subject to adjustment in certain events, at the option of the holder.

#### **(c) Convertible debenture – principal \$500,000 – Maturing October 17, 2020**

On December 3, 2018, the Company issued convertible debentures for gross proceeds of \$500,000 under the following terms:

- A maturity date of October 17, 2020;
- An interest rate of 8% per annum, payable monthly;
- Convertible at \$1.50 per share, subject to adjustment in certain events, at the option of the holder.

#### **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 as noted below that was recognized in equity relating to the difference between the Company's accounting and tax basis. During the period ended May 31, 2020, a recovery on the deferred income tax liability of \$Nil (November 30, 2019: \$19,230) was recorded to recognize available deferred income tax assets.

During the period ended May 31, 2020, the Company incurred interest expense of \$300,821 (May 31, 2019: \$295,781) and accretion expense of \$512,576 (May 31, 2019: \$477,356) on the convertible debentures, which has been recorded within interest and accretion on the condensed interim consolidated statement of comprehensive loss.

## **GTEC HOLDINGS LTD.**

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

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

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## **16 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 six-month period ended May 31, 2020:

- The Company issued 7,500,000 common shares valued at \$1,350,000 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. See Note 22 for further details.
- The Company issued 1,900,000 common shares valued at \$399,000 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 May 31, 2020, 271,429 common shares had been released with a value at \$57,000.
- The Company issued 150,000 common shares pursuant to the exercise of stock options for gross proceeds of \$45,000. In connection with the exercise of the stock options, the Company has also reallocated \$293,278 from contributed surplus to equity representing the fair value of the stock options exercisable.
- The Company issued 763,636 common shares valued at \$420,000 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones. See Note 22 for further details. The Company has also reallocated \$1,080,000 from contributed surplus to equity representing the amending agreement.
- The Company issued 354,545 common shares valued at \$49,635 in connection with an agreement for services provided.

During the six-month period ended May 31, 2019:

- The Company issued 11,582,869 units at a price of \$0.55 per unit. Each unit consisted of one common share and one-half share purchase warrant with each warrant exercisable at \$0.90 for a period of two years from the date of grant. In connection with the private placement, the Company issued 506,772 warrants to finders exercisable for one common share of the Company at a price of \$0.90 for a period of two years. The Company also paid cash finder's fees in the amount of \$292,470.
  - The Company issued 11,126,753 units pursuant to private placements completed during the period at a price of \$0.55 per unit. Each unit consisted of one common share and one-half share purchase warrant with each warrant exercisable at \$0.90 for a period of two years from the date of grant. In connection with the private placement, issued 597,716 warrants to finders exercisable for one common shares of the Company at a price of \$0.90 for a period of two years. The Company also paid cash finder's fees in the amount of \$388,480.
  - The Company issued 3,438,333 common shares pursuant to the share purchase agreement in the acquisition of 120364 B.C. Ltd for an aggregate purchase price of \$2,113,000. 1,719,167 common shares are held in escrow and will be released pursuant to the terms of the escrow agreement.
  - The Company issued 1,953,125 common shares pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL Ventures Inc.
  - The Company issued 4,126,966 common shares in satisfaction of milestones achieved pursuant to the share purchase agreement with Tumbleweed Farms Corp.
  - The company issued 531,667 common shares pursuant to the exercise of stock options for gross proceeds of \$253,000.
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## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

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

- The company issued 20,000 common shares pursuant to the exercise of warrants for subscriptions receivable of \$50,000.
- The Company issued 200,000 common shares with a fair value of \$120,000 as compensation for consulting services provided during the period.

#### (b) Escrow shares

As at May 31, 2020, there were 18,570,048 common shares held in escrow. The following is a summary of escrow shares to be released:

Escrow release date	Escrow shares released (000's)	Balance (000's)
June 18, 2020	2,668	15,902
August 28, 2020	3,750	12,152
December 18, 2020	2,628	9,524
June 18, 2021	6,176	3,348

Of the common shares held in escrow summarized in the table above, as at May 31, 2020 there were:

- 1,719,167 common shares held in escrow pursuant to the share purchase agreement described in Note 5 of the consolidated financial statements for the year ended November 30, 2019, which will be released contingent upon the occurrence of future events. Subsequent to the period ended May 31, 2020, the Company cancelled and returned to treasury 1,719,167 common shares. The shares were cancelled pursuant to the terms of an escrow agreement entered into on the closing of the Acquisition of 1203648 B.C. Ltd.
- 1,628,571 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.
- 3,750,000 common shares held in escrow pursuant to the amended agreement with the vendors of Tumbleweed described in Note 22. The shares will be released August 28, 2020.

#### (c) Share purchase warrants

Warrant transactions are summarized as follows:

	Number of share purchase warrants (000's)	Weighted average exercise price
Balance – November 30, 2017	11,682	\$ 1.20
Granted	14,431	1.34
Balance – November 30, 2018	26,113	1.41
Granted	12,459	0.90
Exercised	(20)	2.50
Balance – November 30, 2019	38,552	1.24
Expired	(2,943)	2.50
<b>Balance – May 31, 2020</b>	<b>35,609</b>	<b>\$ 1.14</b>

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The weighted average outstanding life of warrants outstanding as at May 31, 2020 is 0.56 years.

At May 31, 2020, the following share purchase warrants were outstanding:

Number of share purchase warrants (000's)	Exercise price per share	Expiry date
252	1.50	June 11, 2020
1,110	2.50	June 11, 2020
9,032	1.20	September 8, 2020
2,650	1.20	November 20, 2020
9,939	1.20	January 19, 2021
167	1.50	May 9, 2021
598	0.90	May 31, 2021
5,563	0.90	May 31, 2021
507	0.90	March 21, 2021
5,791	0.90	March 21, 2021
<b>35,609</b>	<b>1.14</b>	

The weighted average assumptions used in calculating the fair values are as follows:

Share price	\$0.60 - \$0.74
Exercise price	\$0.90
Risk-free interest rate	1.99%
Dividend rate	0.00%
Expected life	2 years
Annualized volatility	150%

## 17 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.

## GTEC HOLDINGS LTD.

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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	660	0.27
Exercised	(150)	0.31
<b>Balance – May 31, 2020</b>	<b>12,558</b>	<b>0.45</b>

The weighted average outstanding life of stock options outstanding as at May 31, 2020 is 3.57 years.

At May 31, 2020, the following stock options were outstanding:

Number of shares (000's)	Vested (000's)	Exercise price per share	Expiry date
1,825	1,825	0.20	Sept – Nov 2020
5,824	5,824	0.60 – 1.07	Jan-Nov 2021
350	250	0.30	Dec 2021
950	950	0.60	Jan 2022
60	30	0.16	Feb 2022
423	423	0.57 – 0.70	Mar-Apr 2022
2,306	875	0.34	Aug-Sept 2024
820	410	0.30	Oct 2024
<b>12,558</b>	<b>10,587</b>		

The Company entered into several agreements with consultants for provision of services. As part of the agreements, the Company agreed to issue stock options in accordance with these contracts. As the full terms of these contracts have not been fulfilled, \$Nil (May 31, 2019: \$243,965) of the share-based compensation attributable to these consulting fees has been recorded as a prepaid expense (Note 5) on the condensed interim consolidated statement of financial position.

#### (b) Share based payments

During the period ended May 31, 2020, the Company recognized share based payment expense of \$384,578 (May 31, 2019: \$1,074,840) that was recorded in the condensed interim consolidated statement of comprehensive loss. The share based payments represents the fair value of stock options granted during the period ended May 31, 2020 and is 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 been lapsed. The weighted average assumptions used in calculating the fair values of stock options granted are as follows:

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	2020	2019
Share price	\$0.16 - \$0.22	\$0.34 - \$0.78
Exercise price	\$0.16 - 0.30	\$0.34 - \$0.78
Risk-free interest rate	2.16%	2.14% - 2.24%
Expected life	2 Years	3-5 Years
Volatility	120%	120% - 208%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

## 18 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 May 31, 2020 consists of the following:

	May 31, 2020	May 31, 2019
Salaries and wages	\$ 323	\$ 72
Consulting fees	30	232
Share-based payments	-	120
	\$ 353	\$ 424

### Related party balances

As at May 31, 2020, \$30,000 (November 30, 2019: \$30,000) was due to the Company's Vice President and Director, Mr. Michael Blady ("Mr. Blady") in connection with unpaid salary costs.

As at May 31, 2020, \$NIL (November 30, 2019: \$10,000) was due to the Company's Interim Chief Financial Officer, Ms. Kendra Blackford ("Ms. Blackford") in connection with unpaid salary costs.

As at May 31, 2020, \$30,000 (November 30, 2019: \$Nil) was due to Directors of the Company in connection with director's fees.

### Related party transactions

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

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

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## **19 Financial instruments**

### **a) Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investment, promissory notes receivable, deposits, accounts payable, interest payable and convertible debentures. 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 May 31, 2020, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

#### **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**

The Company's cash and cash equivalents balance at May 31, 2020 was in the amount of \$389,657. At May 31, 2020, the Company had accounts receivable of \$1,883,891, accounts payable and accrued liabilities of \$2,528,041, current lease liabilities of \$249,633, current lease liabilities, assets held for sale \$651,705, interest and short-term debt payable of \$6,314,536 and long term lease liabilities of \$792,104. All accounts payable and accrued liabilities are current.

As at May 31, 2020, the Company did not have derivative financial liabilities with contractual maturities.

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. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.



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The following table summarizes the maturities of the Company's financial liabilities as at May 31, 2020 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	\$ 2,528	\$ 2,528	\$ 2,528	\$ -
Lease liabilities	1,041	1,373	410	963
Lease liabilities, assets available for sale	652	905	221	684
Short-term payable	6,315	6,422	6,422	-
	\$ 10,536	\$ 11,228	\$ 9,581	\$ 1,647

#### 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 May 31, 2020, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and investments, with a fair value of \$389,657 (November 30, 2019: \$2,507,176).

## 20 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.

## 21 Supplemental cash flow information

	May 31, 2020	May 31, 2019
Interest paid	\$ 297	\$ 322

## GTEC HOLDINGS LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 22 Commitments and contingencies

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

### Grey Bruce

During the period ended May 31, 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	105
Upon Grey Bruce obtaining either a sales license (medical) or a processing license (standard), but no earlier than December 31, 2020	437.5
Upon Grey Bruce having sold 1,500 kg of dry cannabis	1,000
	<b>\$ 1,962.5</b>

During the period ended May 31, 2020, Grey Bruce has completed five harvests that have passed quality assurance and quality control tests as set out by Health Canada, thereby triggering the contingent consideration which became payable at period end. The Company has issued 763,636 common shares valued at \$420,000 in satisfaction with the above mentioned four harvests. Subsequent to the period ended May 31, 2020, the Company issued 190,909 common shares valued at \$105,000 in satisfaction with the above mentioned fifth harvest.

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

In 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.

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

## GTEC HOLDINGS LTD.

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agreement the Company has agreed to pay the vendors a one-time cash payment of \$25,010 of which Mr. Singhavon will receive \$10.

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

As at May 31, 2020, the Company has committed to issue common shares valued at \$2,500,000 contingent on future events as follows:

Trigger event	
Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the CA&R	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>

During the period ended May 31, 2020, on March 13, 2020, the Company entered into an amending agreement with the vendors of GBP amending certain terms and conditions of the definitive share purchase agreement, dated November 15, 2017.

The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP are reduced by \$5,750,000. In addition to reducing the milestone payments, the vendors of GBP agreed to restructure the remaining milestones, 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.

#### **1118157 B.C. Ltd. (“1118 BC”) and Tumbleweed Farms Corp. (“Tumbleweed”)**

During the period ended May 31, 2020, the Company entered into an amending agreement dated March 13, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated November 22, 2017. As such, the Vendors of 1118157 B.C. Ltd. (“1118 BC”), Mr. Blady and Mr. Singhavon have agreed to waive all entitlement to the remaining milestone payments, which totalled \$500,000 in common shares based on future events.

In connection with the share purchase agreement, the Company assumed certain commitments of 1118 BC through its acquisition of Tumbleweed, consisting of the following:

On March 4, 2019, the Company entered into an agreement with the vendors (the “Amending Agreement”), amending certain terms and conditions of the definitive share purchase agreement, dated August 12, 2017, as amended. In connection with the Amending Agreement, on March 22, 2019 the Company issued an aggregate of 3,759,319 common shares valued at \$2,250,000 and paid \$250,000 in satisfaction of achieving certain milestones to the vendors of Tumbleweed.

On February 4, 2020, the Company entered into a further amending agreement, amending certain terms and conditions of the definitive share purchase agreement, dated August 12, 2017. As such, the Company issued 7,500,000 common shares valued at \$1,350,000 in satisfaction of achieving certain milestones, of which

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

For the three and six months ended May 31, 2020 and May 31, 2019

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

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3,750,000 are held in escrow and are due from release on August 28, 2020. As per the amended terms, the revised milestone payments for each of the first four harvests were valued at \$300,000 each and the milestone payment for the fifth harvest was valued at \$150,000. The issuance of these shares will be the final share issuance relating to milestone payments for the Tumbleweed acquisition and there will be no further payments, whether in cash or shares.

### **23 Subsequent Events**

- a) On June 8, 2020, the Company closed a non-brokered senior secured debt financing of \$3,950,000 with NFS Leasing Canada Ltd. Proceeds from the financing were used to repay MMCAP Canadian Fund LP, the existing senior secured convertible debenture. The financing will bear an annual interest rate of 18%. In connection with the financing, 2,135,135 common shares were issued at \$0.185 per share, which will be 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 financing.
- b) On June 9, 2020, the Company cancelled and returned to treasury 1,719,167 common shares. The shares were cancelled pursuant to the terms of an escrow agreement entered into in connection with the Acquisition of 1203648 B.C. Ltd.
- c) On July 28, 2020, the Company issued 190,909 common shares at a deemed price of \$0.55 to satisfy the required milestone payment to the vendors of GBF (see note 22). The issuance of common shares pursuant to the agreement is subject to the approval of the TSX Venture Exchange.
- d) On July 28, 2020, the Company issued 192,308 common shares valued at \$25,000 at a deemed price of \$0.13 per common share in connection with services provided by a financial consultant. The issuance of common shares pursuant to the agreement is subject to the approval of the TSX Venture Exchange.