



GTEC
HOLDINGS

TSXV:GTEC OTC:GGTTF FRA:1BUP

Q2
2019

July 29, 2019

Management's Discussion & Analysis

For the Three and
Six Month Periods Ended
May 31, 2019 and 2018

(Expressed in Canadian Dollars)

GTEC HOLDINGS

Management's Discussion and Analysis

For the three and six month periods ended May 31, 2019 and 2018
(Tabular amounts expressed in CDN \$000's, unless otherwise noted)

July 29, 2019

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements for the period ended May 31, 2019 and related notes thereto which have been prepared in accordance with IFRS 34, Interim Financial Reporting of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, as well as the annual audited consolidated financial statements for the year ended November 30, 2018, which are in accordance with IFRS, and the related MD&A. References to "GTEC" and the "Company" are to GTEC Holdings Ltd. and/or one or more of its wholly-owned subsidiaries. For further information on the Company, reference should be made to its continuous disclosure (including its most recently filed annual information form ("AIF")), which is available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.gtec.co. Information on risks associated with investing in the Company's securities is contained in the Company's most recently filed AIF.

Key Financial Highlights of The Second Quarter of Fiscal 2019

- Alberta Craft Cannabis ("ACC") sold 18,569 grams of cannabis at an average price of \$5.85 per gram for total revenue of \$109,000;
- Gross margin increased to \$75,000 before fair value adjustments and \$1.2 million including fair value adjustments;
- Net operating loss of \$1.5 million and net loss of \$2.3 million;
- Strong balance sheet with \$48 million in assets and net working capital of \$4.8 million; including \$2.2 million in cash and cash equivalents; and
- Closed a \$6.4 million second tranche, of a \$12.5 million brokered private placement (*The Company announced due to increased demand, it has upsized the brokered syndicated private placement offering led by Sprott Capital Partners LP (the "Agent"), from \$5 million, to \$8 million, to \$10 million. The Agent had the option to increase the size of the Offering by up to 25%, therefore, closing the financing at \$12.5 million.*)

Key Operating Highlights of The Second Quarter of Fiscal 2019

- Three completed production facilities of which, ACC and Grey Bruce Farms (*Standard License issued by Health Canada on July 5, 2019 to Grey Bruce*) now have cultivation licenses and Tumbleweed is in process of obtaining its cultivation license;
- ACC received its Standard Processing License and Medical Sales License, issued by Health Canada on July 26, 2019. The Standard Processing License authorizes the sale of cannabis plants, cannabis plant seeds, fresh cannabis and dried cannabis products. The Medical Sales License authorizes the sale of cannabis for medical purposes. This provides ACC with the ability to sell into provincial recreational supply chains and facilitates direct sales to medical cannabis clients;
- ACC completed infrastructure changes and received approval to operate at its expected capacity of 1.3 million grams;
- ACC produced 117,634 grams of cannabis at an average cash cost of production of \$1.83 per gram;
- ACC ramped up operations and is now operating at full production capacity;
- Acquired a cannabis retail store located in Vancouver, BC, to serve as the Company's flagship retail location, operated as Cake Cannabis. The Company has submitted its application, where Provincial licensing is pending;
- Entered into a purchase and sale agreement with Canopy Growth Corporation ("Canopy Growth") to acquire a cultivation facility that is near completion, with estimated production capacity of 4 million grams; and
- Jürgen Schreiber, the former CEO of Shoppers Drug Mart and former Chairman of ALDO, was appointed to the Board of Directors on June 10, 2019.

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The Company's recent financing provided the funds for the following initiatives:

- Completed construction of Grey Bruce Farms, to be cultivation ready. As a result, Grey Bruce Farms is now licensed and will increase the Company's annualized output by more than 120%;
- Completed construction of Tumbleweed, to be cultivation ready. Tumbleweed is now awaiting the issuance of its Standard Cultivation License;
- Continued construction of GreenTec Bio Pharmaceuticals ("GBP") purpose-built building. Construction to complete will now focus on the interior elements of the facility;
- Investment commitment into Cannabis Cowboy, which currently holds 23 development permits in Alberta;
- Completed build-out of the retail cannabis store and e-commerce warehouse in Saskatchewan, issuance of Provincial licensing is pending;
- Purchase of equipment to facilitate Zenalytic Laboratories ("Zen Labs") being fully operational and revenue generating for cannabis analytical testing; and
- Commenced construction on the extraction rooms at Zen Labs.

Outlook and Strategy

The Company's initiative to produce, market and distribute premium indoor cannabis is being achieved through the determination and execution of the GTEC team. The Company commenced with the development of five cultivation facilities across Canada, of which three have now been completed, with two facilities already licensed by Health Canada for Standard Cultivation, one for Standard Processing and Medical Sales and one is in process of obtaining its Standard Cultivation license. As a result, the Company is now revenue-generating with significant production growth in the near future.

The Company will continue to build-out and execute on its objectives to increase shareholder value, with the following outlook:

- Currently producing premium quality indoor flower, with ultra-premium flower to commence harvesting in the third quarter of 2019;
- Estimated cannabis production for fiscal 2019 by operation:
 - ACC to produce between 500,000 to 700,000 grams at a cash cost range between \$1.40 to \$1.60 per gram; and
 - Grey Bruce Farms to produce between 150,000 to 300,000 grams at a cash cost range between \$1.50 to \$1.80 per gram.
- Estimated sales for fiscal 2019 by operation:
 - ACC estimating sales between \$2.5 to \$3.3 million; and
 - Grey Bruce Farms estimating sales between \$0.9 to \$1.3 million (sales expected to commence in October 2019).
- Commence sales into the Provincial supply chain, as ACC received its Standard Processing License and Medical Sales License. This will increase the Company's overall average selling price and overall gross margin;
- Increase customer base, where the Company currently has ongoing sales discussions with other Licensed Producers (*previously have sold cannabis to six Canadian Licensed Producers*);
- Maximize the economic value of harvested plants, by optimizing the ratio of marketable components; such as the sale of flower, popcorn, and trim; as well as, converting its trim for alternative use within the market (i.e. oil or pre-roll).

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The Company is expecting to achieve the following milestones throughout the remainder of fiscal 2019:

- Standard Cultivation License at Tumbleweed within the coming weeks, resulting in an additional 1 million grams of production, once operating at full capacity;
- Complete construction at GBP and 3PL in the fourth quarter of 2019;
- License of GTEC Sask retail cannabis store and e-commerce warehouse in the third quarter of 2019;
- License of Vancouver retail cannabis store in the fourth quarter of 2019;
- Zen Labs analytical testing business to be revenue generating in the third quarter of 2019; and
- Launch its ultra-premium genetic portfolio in the fourth quarter of 2019.

OVERVIEW OF BUSINESS

GTEC Holdings is a specialized cannabis company dedicated to cultivating ultra-premium quality cannabis in purpose-built indoor facilities. The company is vertically integrated across all major sectors of the Canadian cannabis industry and is currently licensed by Health Canada for Standard Cultivation at two facilities, Standard Processing (extraction), Standard Processing (provincial sales), Medical Sales and Analytical Testing. The management team is comprised of a diverse skill set sourced from leading global food & beverage and premium alcohol companies. GTEC has completed three cultivation facilities and is currently cultivating and selling cannabis.

GTEC's retail division is pursuing licensing for recreational cannabis stores across Western Canada. GTEC's ultra-premium indoor flower will be marketed and sold under its flagship trademarked brands; BLK MKT™, Tenzo™, GreenTec™, Cognōscente™ and Treehugger™.

GTEC is actively pursuing sales and distribution opportunities across all major business channels: medical, recreational, B2B and export. GTEC is a publicly traded corporation, listed on the TSX Venture Exchange, OTCQB Venture Market and Frankfurt Stock Exchange. The Company is headquartered in Kelowna, British Columbia.

DESCRIPTION OF BUSINESS

The Company owns, operates and is currently developing multiple cultivation facilities, lab and extraction facilities and retail outlets across Canada. The Company has five indoor cannabis cultivation facilities that are either cultivating, completed construction awaiting cultivation licenses, or are under construction. The lab is fully licensed for analytical testing and extraction and will be an invaluable in-house resource for testing, and an incremental step toward cannabis oil extraction and sales once fully operational during the current fiscal year.

The Company owns or is affiliated with several retail operations throughout Canada, located in British Columbia, Alberta and Saskatchewan. The objective is to be vertically integrated, where permitted and to obtain market intelligence on cannabis consumer trends.

The Company has developed several premium brands which include BLK MKT™, Tenzo™, GreenTec™, Cognōscente™, and Treehugger™. Each batch is meticulously grown, harvested and cured to deliver a superior product to the end-consumers, maximizing gross margins.

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Cultivation Facilities

	GTEC CONSOLIDATED	ACC	GREY BRUCE	TUMBLEWEED	GBP	3PL
Location	Canada	Alberta	Ontario	BC	BC	BC
Total Size (Sq Ft)	119,000	14,000	15,000	10,000	20,000	60,000
Production Output (g)	12.1 million	1.3 million	1.64 million	1 million	2.15 million	6 million
Est Completion	2019	Complete	Complete	Complete	Q4 2019	Q4 2019
License	Licensed / In Progress	Licensed Producer	Licensed Producer	Awaiting Licensing	In Progress	In Progress
Expansion (Sq Ft)	840,000	NIL	500,000	100,000	60,000	180,000

Alberta Craft Cannabis ("ACC")

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

ACC has a fully built and operationally ready 14,000 square foot ultra-premium cannabis production facility capable of producing 1.3 million grams of dried cannabis annually. ACC completed infrastructure changes and received approval to operate at its expected capacity.

ACC commenced selling cannabis in Q4 2018 and is ramping up to full production. ACC produced 117,634 grams of cannabis in Q2 and 184,970 grams for the six-month period at an average cash cost of \$1.83 per gram. Of this production, 18,569 was sold in Q2 at an average price of \$5.85 per gram and 166,401 remains in inventory at the balance sheet date. Subsequent to May 31, 2019, the majority of the inventory held at quarter end plus additional inventory was sold. As production ramps up to full capacity in Q3, the Company expects the average cash cost per gram to decline for the remainder of the year.

Grey Bruce Farms Inc. ("Grey Bruce")

Grey Bruce Farms Inc. has completed the construction of its 15,000 square foot facility and on July 5, 2019 received its Standard Cultivation License by Health Canada. The facility is located in Kincardine, Ontario on 6 acres of land and is projected to produce 1.64 million grams of cannabis annually.

Tumbleweed Farms Corp. ("Tumbleweed")

Tumbleweed Farms Corp. has completed the construction of its purpose-built 10,000 square foot facility and its Evidence Package Submission to Health Canada under the Cannabis Act to Confirm Readiness of Cultivation License, which was submitted on March 13, 2019. Tumbleweed is projected to produce 1 million grams of cannabis annually.

Tumbleweed is located in Chase BC, about 8 kms from the Trans-Canada Highway and situated just outside of the Kamloops City limits. The property sits on 23 acres of land with significant future expansion capabilities and

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access to an on-site gravity fed natural artesian well. The Company is currently in active review and expects to receive its cultivation license in Q3 2019.

GreenTec Bio-Pharmaceuticals Inc. ("GBP")

GreenTec Bio-Pharmaceuticals Inc. has completed the purpose-built exterior of the facility and is in the process of completing the interior development during the third and fourth quarter of 2019.

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

3PL Ventures Inc. ("3PL")

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

Lab and Extraction Facilities

	GTEC CONSOLIDATED	ZENALYTIC LABS	SPECTRE LABS
Location	Canada	BC	BC
Total Size (Sq Ft)	6,250	1,250	5,000
Production Output (g)	+ 8.5 million (oil)	TBD (oil)	8.5 million (oil)
Est Completion	Complete / TBD	Lab complete / Extraction under construction	TBD
License	Licensed / In Progress	Standard Processing	In Progress

Zenalytic Laboratories Ltd. ("ZenLabs")

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

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

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

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

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Spectre Labs Inc. ("Spectre")

Spectre Labs Inc. will utilize a warehouse facility owned by the Company and intends to convert this facility to a cannabis extraction and processing facility. This will allow the Company to create various value-added cannabis products, when permitted under the Cannabis Act and Regulations.

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

Retail and Distribution

The Company's objective to be vertically integrated across all major sectors of the Canadian cannabis industry, includes a retail and distribution strategy. The Company currently has retail operation investments in British Columbia, Saskatchewan and Alberta.

1203648 B.C. Ltd. – 100% Ownership

In May 2019, the Company completed its acquisition of 1203648 B.C. Ltd. for an aggregate purchase price of \$2,113,000. The primary asset of 1203648 B.C. Ltd. is a 4,000 square foot retail space, which was designed specifically for cannabis retail and located in an affluent and diverse neighborhood in Vancouver, B.C. The location will be operated under the Company's 'Cake' retail brand and the Company is in the process of obtaining municipal and provincial approvals to operate as a non-medical cannabis retail location.

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

GreenTec Retail Saskatchewan Inc. has made significant progress by establishing a 'bricks and mortar' retail store in Nipawin, Saskatchewan and an e-commerce fulfillment center in Saskatoon, Saskatchewan. Both of these locations will supply the recreational cannabis market in the province of Saskatchewan. The location will be operated under the Company's 'Cake' retail brand and the Company is in the process of obtaining provincial approvals to operate as a non-medical cannabis retail location.

Moreover, the Saskatchewan Liquor and Gaming Authority permits for vertical integration, allowing the Company to supply its own stores. Saskatchewan also does not have a Provincial distribution system, therefore allowing the Company to capture 100% of all margins.

Sales are expected to commence in late Q3 or early Q4 2019 with its e-commerce platform to launch shortly thereafter.

Cannabis Cowboy Inc. ("Cannabis Cowboy") - 25% Ownership

Cannabis Cowboy Inc. is a privately-owned recreational cannabis and accessories retailer based in Calgary, Alberta. To meet the rapidly growing demand for cannabis products and services, Cannabis Cowboy has developed an ambitious growth strategy to develop up to 30 turnkey retail locations, with 23 development permits currently issued.

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RESULTS OF OPERATION

The Company recognized a gross margin of \$1.2 million during Q2 (\$1.5 million for the six month period), a quarterly net loss from operations of \$1.5 million (\$3.1 million for the six month period) and a quarterly net loss of \$2.3 million (\$5.2 million for the six month period).

	Three months ended May 31		Six months ended May 31	
	2019	2018	2019	2018
Revenue	\$ 109	\$ -	\$ 202	\$ -
Cost of sales	34	-	63	-
Gross margin before fair value	75	-	139	-
Unrealized gain on changes in fair value of biological assets	1,120	-	1,349	-
Gross margin	1,195	-	1,488	-
Operating expenses				
Amortization	29	-	212	27
Business fees and licenses	169	-	192	61
Consulting fees	574	439	704	954
Management fees	320	-	450	48
Marketing and advertising	304	15	480	100
Office and miscellaneous	29	202	285	331
Professional fees	254	486	658	752
Salaries and wages	781	236	1,175	272
Travel	120	49	225	110
Facility rent and utilities	106	21	193	85
	2,686	1,490	4,574	2,740
Net loss from operations	(1,491)	(1,490)	(3,086)	(2,740)
Other expense				
Equity loss on investment in	(190)	-	(225)	-
Loss on sale of assets	(1)	-	(109)	-
Interest and accretion	(322)	2	(634)	6
Share based payments	(313)	-	(1,075)	(2,028)
Net loss before income tax	(2,317)	(1,488)	(5,129)	(4,762)
Deferred income tax	-	-	(54)	-
Net loss	\$ (2,317)	\$ (1,488)	\$ (5,183)	\$ (4,762)

Gross Margin

The Company recognized a gross margin of \$1.2 million for Q2 and \$1.5 million for the six-month period. The Company produced 117,634 grams of cannabis at an average cash cost of production of \$1.83 per gram in Q2 from the ACC operation. Sales for the quarter were 18,569 grams at an average price of \$5.85 per gram resulting in a positive gross margin before fair value adjustments of \$75,000. Fair value adjustments related to the cannabis

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inventory and biological assets resulted in a gain of \$1.1 million in the quarter, which contributed to the net gross margin of \$1.2 million for the quarter.

The Company continued to ramp up production from ACC since the start of production with total production of 184,970 grams for the six-month period, at an average cash cost \$1.83 per gram. As a result, the six-month period included sales of 34,520 grams at an average price of \$5.90 per gram and a gain on fair value adjustments of \$1.3 million resulted in a net gross margin for the six-month period of \$1.5 million.

Operating Expenses

The Company ramped up its operations during the 2019 year with ACC receiving its license to produce and sell cannabis in November 2018 and in anticipation of receiving operating licenses at Grey Bruce and Tumbleweed in the later half of 2019, of which, Grey Bruce received its cultivation license in July 2019. In addition, the Company also advanced its retail strategy during the year with the acquisition of 1203648 B.C. Ltd..

As a result, total operating expenses in Q2 2019 increased by 80% over the same quarter of 2018 and by 67% for the six-month period over the comparative period of 2018. The increase in operating expense details for the as follows:

- Amortization increased as the assets forming the Company's ACC and ZenLabs business units were available for use as at June 1, 2018.
- Business fees and licenses increased as the company had licensing requirements for its subsidiaries, as well as, various listing fees.
- Consulting fees increased due to the Company's continued reliance on third party consultants, the ongoing construction at Tumbleweed, Grey Bruce and GBP, and the capital improvements undertaken at ACC.
- Management fees increased due to the company's continued increase in operational management positions.
- Marketing and advertising expenses increased as the Company implemented its market awareness initiatives.
- Office and miscellaneous decreased as various expenses incurred previously at the ACC operation in preparation for licensing, were no longer incurred. Corporate rent increased by \$38,082 for the six-month period compared to 2018, due to the relocation of the corporate office.
- Professional fees decreased due to the comparative period containing various expenses related to the Company preparing for the listing transaction. Current period expenses relate to continued acquisition due diligence and ongoing investment activity (such as Cannabis Cowboy and 3PL), and year-end audit fees.
- Salaries and wages increased due to the continued addition of salaried employees during the period.
- Travel increased due to the increase in travel to ACC and Grey Bruce operations, relating to the completion on the build out and ramp up in production
- Facility rent and utilities increased due to the ramp up in production, resulting in higher utility costs and additional leased retail spaces under 1203648 B.C. Ltd. and GTEC Sask.

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Other Expense

Other expense amounts were directly related to the Company's debt instruments and share based payments as follows:

- Interest and accretion increased due to accrued interest on the \$5,000,000 Convertible Debenture and accrued interest on the \$2,500,000 Convertible Debenture (see note 12 of the condensed interim consolidated financial statements for the period ended May 31, 2019).
- Share-based payments related to employee share based payments, consulting services and the fair value of stock options vested in the period.

SUMMARY OF QUARTERLY OPERATING RESULTS

	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17
Revenue	109	93	58	-	-	-	-
Cost of sales	34	68	42	-	-	-	-
Gross margin before fair value	75	25	16	-	-	-	-
Unrealized gain (loss) on changes in fair value of biological assets	1,120	520	(67)	228	-	-	-
Gross margin	1,195	545	(51)	228	-	-	-
Operation expenses	2,686	2,140	2,753	2,527	1,490	1,301	434
Net loss from operations	(1,491)	(1,595)	(2,804)	(2,299)	(1,490)	(1,301)	(434)
Other income (expense)	(826)	(1,217)	(2,906)	(179)	2	(2,023)	(489)
Net loss before income tax	(2,317)	(2,812)	(5,710)	(2,478)	1,488	(3,324)	(923)
Deferred income tax	-	(54)	2,414	-	-	-	-
Net loss and comprehensive	(2,317)	(2,866)	(3,296)	(2,478)	(1,488)	(3,324)	(923)

Quarterly Trend Analysis

Since the Company started operations in 2017, ACC was licensed and began selling cannabis in Q4 2018. Since then, there has been a steady increase in sales as production ramped up to full production capacity, resulting in the increase in fair value adjustments. Further, the increase in operating expenses within Q2 2019 relates to one-time bonus payments, issued in relation to construction milestones on the Grey Bruce and Tumbleweed operations; as well as, additional costs related to the equity financing that occurred in March 2019. Additionally, other income (expenses), relates to the addition of a \$500,000 convertible debenture received in December 2018, thus increasing the interest and accretion expense; as well as, additional shares issued for services.

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LIQUIDITY AND CAPITAL RESOURCES

	Three months ended May 31		Six months ended May 31	
	2019	2018	2019	2018
Cash used in operating activities				
- Before changes in non-cash working capital items	\$ (2,570)	\$ (1,437)	\$ (4,301)	\$ (2,452)
- After changes in non-cash working capital items	(3,824)	(1,081)	(6,318)	(2,115)
Cash flows used for investing activities	(4,042)	(2,986)	(4,409)	(11,270)
Cash flows from financing activities	5,727	(244)	12,041	10,841
Net cash (outflows) inflows	\$ (2,139)	\$ (4,311)	\$ 1,315	\$ (2,544)
Cash and cash equivalents balance	\$ 2,233	\$ (102)	\$ 2,233	\$ (102)

As at May 31, 2019, the Company had a working capital surplus of \$4,759,324, which included a cash balance of \$2,233,312.

The Company had operating cash outflow of \$4.3 million during the six-month period of 2019, which was an increase over the same period of 2018 due to the ramp up of operations in 2019. The increase in cash outflow after working capital items was due to the repayment of accounts payables, the build up of cannabis and biological asset inventory and interest accruals during the 2019 period.

The Company had financing cash inflows of \$12 million through the issuance of \$11.2 million of common shares, net of issuance costs through an equity financing, the issuance of a \$500,000 convertible debenture and approximately \$300,000 in stock option proceeds for the six-month period of 2019.

With the cash inflow from financing activities, the Company used the funds to continue to execute on its long-term strategy by allocating \$5 million to complete the construction of the Grey Bruce and Tumbleweed facilities, which are now complete as of the date of this MD&A. The Company also advanced \$1.3 million to Cannabis Cowboy for development of the retail strategy in Alberta. The Company also sold land and a building for cash proceeds of \$2.3 million; as well as, the Falcon Ridge operation for approximately \$200,000 during the year, which were previously held as assets available for sale.

As a result of the financings executed during the 2019 period, the Company now has three completed production facilities, of which, two now have cultivation licenses and one is in process of obtaining its cultivation license. The Company is now generating revenues and inventories available for sale.

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PROPERTY, PLANT AND EQUIPMENT – SEGMENTED

	ACC	Grey Bruce	Tumbleweed	GBP	Corporate	Retail	Laboratory	TOTAL
Land	-	195	160	19	1,452	-	-	1,826
Buildings	-	4,745	4,485	-	404	-	3	9,637
Equipment	1,260	1,003	574	89	65	-	348	3,339
Other	789	25	63	-	130	205	33	1,245
Construction in	-	-	-	2,289	-	-	-	2,289
	2,049	5,968	5,282	2,397	2,051	205	384	18,336

SHAREHOLDERS' EQUITY

As of the date of this MD&A, the Company has 123,218,355 common shares issued and outstanding; 38,552,602 share purchase warrants and 8,936,355 share options convertible into common shares.

Escrow shares

As at May 31, 2019, there were 13,466,858 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, 2019	1,631	11,835
December 18, 2019	1,631	10,204
June 18, 2020	2,295	7,909
December 18, 2020	2,295	5,614
June 18, 2021	5,614	-

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Share purchase warrants

At May 31, 2019, the following share purchase warrants were outstanding:

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

Stock options

At May 31, 2019, the following stock options were outstanding:

Number of shares (000's)	Vested (000's)	Exercise price per share C\$	Expiry date
1,825	1,825	0.20	Sep-Nov 2019
3,748	3,617	0.60 – 0.69	Jan-Apr 2021
1,990	1,733	0.86 – 1.07	Aug-Nov 2021
950	950	0.60	Jan 2022
220	140	0.57 – 0.60	Mar 2022
203	203	0.60 – 0.70	Apr 2022
8,936	8,468		

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COMMITMENTS

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

Grey Bruce Farms

The Company has committed to issue common shares valued at \$3,750,000 and make cash payments of \$250,000 contingent on future events as follows:

Trigger event	Common shares	Cash
Completion of Grey Bruce's construction of a Health Canada approved cannabis production facility in compliance with the CA&R	-	\$ 250
Grey Bruce obtaining a license to produce cannabis under the CA&R	1,000	-
Grey Bruce obtaining a license to sell cannabis under the CA&R	1,250	-
Upon Grey Bruce's first harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Grey Bruce's second harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Grey Bruce's third harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Grey Bruce's fourth harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Grey Bruce's fifth harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
	3,750	\$ 250

On May 2, 2019, the Company issued a cash payment of \$249,950 in connection with the above-mentioned milestone, to the Vendors.

Subsequent to the quarter, on July 8, 2019 the Company issued 2,222,222 of common shares to the Vendors in connection with the above-mentioned milestone of Grey Bruce obtaining a license to produce cannabis under the CA&R.

The number of common shares issuable upon the occurrence of future events are to be based on the greater of (A) the then three-day volume-weighted average trading price of the Company's common share and (B) \$0.05 per common share of the Company.

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1118157 B.C. Ltd. (Tumbleweed Farms Corp.)

The Company has committed to make cash payments of \$2,500,000 contingent on future events as follows:

Trigger event	Common shares	Cash
Completion of Tumbleweed's construction of a Health Canada approved cannabis production facility in compliance with the CA&R	-	\$ 250
Tumbleweed obtaining a license to produce cannabis under the CA&R	-	1,000
Tumbleweed obtaining a license to sell cannabis under the CA&R	-	1,250
	-	\$ 2,500

The Company also assumed certain commitments of 118157 B.C. Ltd. through its acquisition of Tumbleweed. As a result, the Company has committed to issue common shares valued at \$1,500,000 upon the achievement of future events, as amended March 4, 2019:

Trigger event	Common shares	Cash
Upon Tumbleweed's first harvest having passed quality assurance and quality control tests as set out by Health Canada	300	\$ -
Upon Tumbleweed's second harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Tumbleweed's third harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Tumbleweed's fourth harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
Upon Tumbleweed's fifth harvest having passed quality assurance and quality control tests as set out by Health Canada	300	-
	1,500	\$ -

The number of common shares issuable upon the occurrence of future events are to be based on the greater of (A) the then three-day volume-weighted average trading price of the Company's common share and (B) \$0.05 per common share of the Company.

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

- Upon the Company submitting an evidence package in connection with its application for a licence for cultivation from Health Canada, the Company is to issue \$2,250,000 worth of common shares of GTEC (each, a "Common Share" and collectively, the "Common Shares") at a deemed price per Common Share equal to the 30-day VWAP.

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In connection with the Amending Agreement, on March 22, 2019 the Company issued an aggregate of 3,759,319 of Common Shares in satisfaction of the above-mentioned milestone payment to the Vendors.

On April 23, 2019, the Company issued 367,647 of Common Shares in satisfaction of the above-mentioned milestone payment to the Vendors.

GreenTec Bio-Pharmaceuticals Inc.

The Company is committed to issue common shares valued at \$8,250,000 contingent on future events as follows:

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

The number of common shares issuable upon the occurrence of future events are to be based on the greater of (A) the then three-day volume-weighted average trading price of the Company's common share and (B) \$0.05 per common share of the Company.

Lease Agreements

The Company has entered into operating lease agreements for its premises. The annual basic lease commitments under these leases are as follows:

	2019	2020	2021	2022	2023 and thereafter
Leases	255	255	211	189	158

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.

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CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Biological assets and inventory

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

Estimated useful lives and impairment considerations

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

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Investments in associates

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

Share-based compensation and warrants

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

Deferred tax assets and liabilities

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

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Discount rate used for convertible debentures

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

Going concern

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

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory for accounting periods beginning before January 1, 2019.

Effective for annual periods beginning on January 1, 2019

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

FINANCIAL INSTRUMENTS

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

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

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

Market Risk

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

Foreign Currency Risk

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

Interest Rate Risk

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

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

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Commodity Price Risk

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

Credit Risk

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

As at May 31, 2019, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Currency Risk

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

Liquidity Risk

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

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

Maturity Risk

- 1) The Company's cash balance at May 31, 2019 was in the amount of \$2,233,312. At May 31, 2019, the Company had amounts receivable of \$866,102, accounts payable and accrued liabilities of \$838,074 and interest payable of \$181,519. All accounts payable and accrued liabilities are current.
- 2) As at May 31, 2019, the Company did not have derivative financial liabilities with contractual maturities.
- 3) Management of liquidity risk: Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments in (1) and (2) for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

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The following table summarizes the maturities of the Company's financial liabilities as at May 31, 2019 based on the undiscounted contractual cash flows:

	Carrying value	Principal	Less than 1 year	1 - 3 years	3 - 5 years
Accounts payable	\$ 839	\$ 839	\$ 839	\$ -	\$ -
Interest payable	182	182	182	-	-
Convertible debt	6,621	8,433	600	7,833	-
	\$ 7,642	\$ 9,454	\$ 1,621	\$ 7,833	\$ -

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 consists of the following:

	Three months ended May 31		Six months ended May 31	
	2019	2018	2019	2018
Salaries, management and consulting	182	53	236	94
Share-based payments	-	-	85	-
Cash and cash equivalents balance	182	53	321	94

Related party balances

As at May 31, 2019, \$Nil (2018: \$77,437) was due to Norton Singhavon, the Company's Chief Executive Officer ("CEO") for advances made to the Company.

As at May 31, 2019, the Company advanced \$120,000 (2018: \$Nil), to Norton Singhavon, the Company's Chief Executive Officer ("CEO") in connection with the above-mentioned milestone payment relating to Grey Bruce. Subsequent to the quarter end, \$42,500 was payable, relating to the balance owed on the achieved milestone of Grey Bruce.

As at May 31, 2019, the Company has a payable balance of \$Nil (2018: \$5,000) due to Kin-Man Lee, a former director of the reverse take over acquisition company.

Related party transactions

During the period ended November 30, 2017, the Company entered into share purchase agreements to purchase 100% interest in Grey Bruce, 1118 BC, Zenalytic and Bio-Pharma. Each one of these entities was under common control of the Company's CEO. Certain milestones within these agreements remain outstanding and are disclosed under note 19 of the condensed interim consolidated financial statements for the period ended May 31, 2019.

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SUBSEQUENT EVENTS

Please refer to note 20 of the condensed interim consolidated financial statements for period ended May 31, 2019.

NON-IFRS PERFORMANCE MEASUREMENT

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

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

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

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain information regarding the Company within the MD&A may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including; future business strategy, goals, expansion and growth of the Company's business, plans and other such matters are forward-looking statements. When used in this MD&A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements by their nature involve certain risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. The reader should not rely solely on these forward-looking statements.

We undertake no obligation to reissue or update any forward-looking statements or information except as required by law.

This MD&A contains forward-looking statements concerning future operations of GTEC Holdings Ltd. (the "Company"). All forward-looking statements concerning the Company's future plans and operations, including management's assessment of the Company's expectations or beliefs may be subject to certain assumptions, risks and uncertainties beyond the Company's control. Investors are cautioned that any such statements are not guarantees of future performance and that actual performance and financial results may differ materially from any estimates or projections.

Forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions it believes to be not unreasonable in light of all of the circumstances. In

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some instances, material factors or assumptions are discussed in this MD&A in connection with statements containing forward-looking information. Such material factors and assumptions include, but are not limited to: the Company's ability to execute its business plan; the Company's ability to compete with other companies that are developing or selling products and services that are competitive with the Company's services; the Company's ability to attract and retain key personnel; the Company's ability to access the capital markets. Forward-looking information contained herein is made as of the date of this MD&A and, other than as required by law, the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.