GTEC HOLDINGS

TSXV: GTEC OTC: GGTTF FRA: 1BUP

Q2 2019

July 29, 2019

Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian dollars)

Second Quarter – May 31, 2019

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed consolidated interim 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 Board of Directors carries out this responsibility principally through its Audit Committee.

The Company's independent auditor has not performed a review of these condensed consolidated interim 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

Condensed Consolidated Interim Statements of Comprehensive Loss

For the periods ended May 31, 2019 and 2018 (Unaudited)

(Tabular amounts expressed in CDN $000's)

	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	415	704	954
Management fees	320	24	450	48
Marketing and advertising	304	15	480	100
Office and miscellaneous	29	244	285	331
Professional fees	254	486	658	752
Facility rent and utilities	106	21	193	85
Salaries and wages	781	236	1,175	272
Travel	120	49	225	110
	2,686	1,490	4,574	2,740
Net loss from operations	(1,491)	(1,490)	(3,086)	(2,740)
Other income (expense)				
Equity loss on investment in associate	(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)		(5,129)	
Deferred income tax	-	-	(54)	-
Net loss and comprehensive loss	(2,317)	(1,488)	(5,183)	(4,762)
Net loss and comprehensive loss				
Shareholders of the Company	(2,310)	(1,488)	(5,167)	(4,762)
Non-controlling interest	(7)	-	(16)	-
	$ (2,317)	$ (1,488)	$ (5,183)	$ (4,762)
Net loss per common share				
Basic and fully diluted	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.09)
Weighted average shares outstanding				
Basic and fully diluted	105,715	54,558	105,715	54,558
Total shares issued and outstanding	123,145	76,792	123,145	76,792

The accompanying notes are an integral part of these interim consolidated financial statements.

GTEC HOLDINGS

Condensed Consolidated Interim Statement of Financial Position

As at May 31, 2019 (Unaudited) and November 30, 2018 (Audited)

(Tabular amounts expressed in CDN $000's)

	Note	May 31, 2019	November 30, 2018
Assets			
Current assets			
Cash and cash equivalents		$ 2,233	$ 918
Accounts receivables		866	993
Prepaid expenses	5	561	622
Assets held for sale		-	2,543
Biological assets	6	1,137	56
Inventory	7	982	86
		$ 5,779	$ 5,218
Property, plant and equipment	8	18,336	13,523
Deposits	5	718	431
Goodwill	9	7,678	7,678
Intangible assets	9	9,900	9,900
Investment in associate	10	1,963	860
Investments	11	258	258
Promissory note receivable	12	3,770	2,450
Total assets		$ 48,402	$ 40,318
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 839	$ 1,945
Interest payable	13	182	208
		$ 1,021	$ 2,153
Convertible debentures	13	6,621	5,572
Total liabilities		$ 7,642	$ 7,725
Shareholders' equity			
Share capital	14	$ 59,777	$ 41,738
Subscriptions		-	224
Contributed surplus	14	6,360	5,094
Accumulated deficit		(25,377)	(14,463)
Total shareholders' equity		$ 40,760	$ 32,593
Total liabilities and shareholders' deficiency		$ 48,402	$ 40,318

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 19)

Subsequent events (Note 20)

The accompanying notes are an integral part of these interim consolidated financial statements.

(Tabular amounts expressed in CDN $000's)

		Attributable to equity holders of the Company					
	Note	Shares (000's)	Share capital	Subscription received	Contributed surplus	Deficit	Total
Balance at November 30, 2018		**90,165**	$ 41,738	$ 224	$ 5,094	$ (14,463)	$ 32,593
Net loss for the period		-	-	-	-	(5,183)	(5,183)
Shares issued for cash	13	**22,710**	12,490	(224)	-	-	12,266
Share issuance cost			(1,515)	-	493	-	(1,022)
Shares issued for acquisitions	13	**3,438**	2,476	-	-	(2,524)	(48)
Shares issued and issuable for contingent consideration	18	**4,127**	2,957	-	-	(3,207)	(250)
Shares issued for investment in	9	**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 compensation		**200**	-	-	920	-	920
Balance at May 31, 2019		**123,145**	**$ 59,777**	**$ -**	**$ 6,360**	**$ (25,377)**	**$ 40,760**

Balance at November 30, 2017		**40,794**	**$ 6,346**	**$ 98**	**$ 495**	**$ (2,926)**	**$ 4,013**
Net loss for the period		-	-	-	-	(10,537)	(10,537)
Shares issued for cash		**25,159**	20,429	(98)	-	-	20,331
Share issuance cost		-	(993)	-	269	-	(724)
Share issued for acquisitions		16,766	10,060	-	-	-	10,060
Shares issuable for acquisitions		-	-	-	720	-	720
Shares issued for consulting services		425	225	-	-	-	225
Shares issued for finders' fees for acquisitions		1,288	776	-	-	-	776
Exercise of stock options		1,689	483	-	-	-	483
Fair value of pre-transactions stock options		-	-	-	7	-	7
Common shares issued pursuant to transaction		1,181	1,771	-	-	-	1,771
Shares issued and issuable for contingent consideration		1,263	1,000	-	78	(1,000)	78
Shares issued for investment in associate		1,600	1,250	-	-	-	1,250
Convertible debentures		-	-	-	856	-	856
Fair value of warrants issued to finders		-	-	-	57	-	57
Reallocation of contributed surplus		-	391	-	(391)	-	-
Share subscriptions received		-	-	224	-	-	224
Share-based compensation		-	-	-	3,003	-	3,003
Balance at November 30, 2018		**90,165**	**$ 41,738**	**$ 224**	**$ 5,094**	**$ (14,463)**	**$ 32,593**

The accompanying notes are an integral part of these interim consolidated financial statements.

GTEC HOLDINGS

Condensed Consolidated Interim Statements of Cash Flows

For the periods ended May 31, 2019 and 2018 (Unaudited)

(Tabular amounts expressed in CDN $000's)

	Six months ended May 31	
	2019	2018
Cash flows from operating activities		
Net loss	$ (5,183)	$ (4,762)
Items not affecting cash:		
Accretion expense	642	-
Amortization	212	27
Deferred income tax expense	54	-
Equity loss on investment in associate	225	-
Shares issued for services	155	255
Share based payments	920	2,028
Unrealized gain on biological assets	(1,349)	-
Discontinued assets	23	-
	(4,301)	(2,452)
Change in non-cash operating working capital:		
Accounts receivable	127	(149)
Prepaid expenses	(95)	(110)
Biological assets	268	-
Inventory	(895)	-
Accounts payable and accrued liabilities	(1,100)	596
Interest payable	(322)	-
	$ (6,318)	$ (2,115)
Cash flows from investing activities		
Net cash paid for acquisitions	(298)	(6,181)
Deposits paid	(287)	47
Purchase of investments	-	(993)
Promissory notes advanced	(1,320)	-
Purchase of property and equipment	(5,047)	(4,144)
Assets held for sale	2,543	
	$ (4,409)	$ (11,271)
Cash flows from financing activities		
Due to related parties	(6)	(80)
Options and warrants exercised for cash	303	-
Proceeds from issuance of common shares	12,266	11,188
Proceeds from issuance of convertible debentures	500	-
Share issuance costs	(1,022)	(266)
	$ 12,041	$ 10,842
Increase (decrease) in cash and cash equivalents	1,315	(2,544)
Cash and cash equivalents - beginning of period	918	2,442
Cash and cash equivalents - end of period	$ 2,233	$ (102)

Supplemental cash flow information (Note 18)

The accompanying notes are an integral part of these interim consolidated financial statements.

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"). The Company's principal business activity at that time was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses for the completion of a Qualifying Transaction (the "QT"). On June 12, 2018, the Company completed its QT and Business Combination with GreenTec Holdings Ltd. (the "Transaction") and the Company 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 and has the goal to identify and consolidate licensed producers of ultra premium cannabis under Health Canada's Cannabis Act & Regulations ("CA&R"), and vertically integrating its operations by pursuing cannabis retail sales where permissible across Canada. The Company is a publicly traded company listed on the TSX Venture Exchange under the symbol "GTEC". The Company's head office is located at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

These condensed consolidated interim 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 $25,376,726 as at May 31, 2019, that has been funded primarily by issuance of equity 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 consolidated interim 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, 2018 ("annual financial statements"). The accounting policies and critical estimates applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements, unless otherwise stated.

These condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors on July 26, 2019.

3 Changes to Significant Accounting Policies

Biological Assets

The Company has changed its accounting policy with respect to biological assets. Prior to this change, the Company expensed any costs related to production of biological assets in the period incurred. The Company now capitalizes production costs related to biological assets and expenses these costs to realized fair value on inventory sold as the inventory is sold. The Company also revised its presentation in the consolidated statement of loss to separate fair value adjustments for both biological assets and inventory sold in the period. The change in the Company's accounting policy had no significant impact on previous periods net loss.

(Tabular amounts expressed in CDN $000's)

The revised policy under biological assets, is as follows:

While the Company's biological assets, consisting of cannabis plants, are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, utilities, facilities costs. Capitalized costs are subsequently recorded within realized fair value on inventory sold in the consolidated statements of loss in the period that the related product is sold.

The Company measures biological assets, at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statement of loss for the related period. Biological assets were measured at a fair value of $nil in reporting periods prior to the Company obtaining its sales license.

4 Adoption of New or Amended Standards

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. This will be effective for the Company beginning December 1, 2019.

The Company reviewed its current and past leases. Reclassification of leases for retail locations, an operating facility, and office space will result in the establishment of additional right-of-use assets and lease liabilities on the statement of financial position, as well as changes in the timing and presentation of lease-related expenses on the statement of income. The Company is still evaluating the effect of this standard on the consolidated financial statements.

5 Prepaid expenses and deposits

Prepaid expenses consisted of:

	May 31, 2019	November 30, 2018
Consulting fees	$ 244	$ 399
Insurance and other	317	223
	$ 561	$ 622

Deposits consisted of:

	May 31, 2019	November 30, 2018
Letters of intent (a)	$ 250	$ 268
Deposit receivable (b)	250	-
Other	218	163
	$ 718	$ 431

(Tabular amounts expressed in CDN $000's)

a) The Company has provided a $250,000 refundable deposit to the vendor of an asset in connection with a binding letter agreement that is subject to numerous conditions, including the Company's due diligence, see Note 20 Subsequent Events. The Company is currently undergoing due diligence and as at May 31, 2019, there is no assurance a transaction will be concluded.

b) The Company paid $250,000 as a refundable deposit when it entered into a binding letter agreement with a private British Columbia corporation, to purchase the business asset of Asset Co. As at May 7, 2019, the Company announced that it had terminated the binding letter agreement and the balance remains receivable as at May 31, 2019.

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, 2019 are as follows:

	Cannabis on plants
Carrying amount, November 30, 2018	$ -
Add production costs	352
Changes in fair value less costs to sell due to biological transformation	729
	1,137

The significant assumptions used to determine the fair value of the medical 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 will be reflected in the gain or loss on biological assets in future periods.

On average, the growth cycle is 113 days. As at May 31, 2019 it is estimated that the Company's biological assets will yield approximately 324,900 grams of cannabis when harvested. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

As of May 31, 2019, 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.

(Tabular amounts expressed in CDN $000's)

7 Inventory

The Company's inventories are comprised of the following balances as at May 31, 2019:

	Quantity	Cost	Fair Value Adjustment	Carrying Value
Dry cannabis	166,000 grams	$ 305	$ 677	$ 982

The Company's inventories are comprised of the following balances as at November 30, 2018:

	Quantity	Cost	Fair Value Adjustment	Carrying Value
Dry cannabis	20,000 grams	$ -	$ 86	$ 86

8 Property, plant and equipment

	Land	Buildings	Construction in-process	Growing & processing equipment	Other	Total
Cost						
Balance, November 30, 2017	$ 1,305	$ 83	$ 19	$ 207	$ 24	$ 1,638
Additions	1.342	8,324	875	2,084	728	13,353
Acquisitions				853	218	1,071
Reclassification Assets held for sale	(821)	(1,522)	-	-	-	(2,343)
Balance, November 30, 2018	**1,826**	**6,885**	**894**	**3,144**	**970**	**13,719**
Additions	-	2,770	1,395	384	498	5,047
Disposals		(18)			(5)	(23)
Balance, May 31, 2019	**$ 1,826**	**$ 9,637**	**$ 2,289**	**$ 3,528**	**$ 1,463**	**$ 18,743**
Accumulated depreciation	-	-	-	-	-	-
Balance, November 30, 2018	-	-	-	(98)	(97)	(195)
Depreciation	-	-	-	(91)	(121)	(212)
Net book value						
November 30, 2018	1,826	6,885	894	3,046	873	13,523
May 31, 2019	**$ 1,826**	**$ 9,637**	**$ 2,289**	**$ 3,339**	**$ 1,245**	**$ 18,336**

(Tabular amounts expressed in CDN $000's)

9 Intangible assets and goodwill

	Intangible asset	Goodwill
Cost		
Balance, November 30, 2017	$ -	$
Additions	9,900	7,678
Balance, November 30, 2018	9,900	7,678
Additions	-	-
Balance, May 31, 2019	9,900	7,678
Accumulated amortization	-	-
Balance, November 30, 2017	-	-
Additions	-	-
Balance, November 30, 2018	-	-
Additions	-	-
Balance, May 31, 2019	-	-
Net book value	9,900	7,678
November 30, 2018	9,900	7,678
Balance, May 31, 2019	9,900	7,678

On January 31, 2018, the Company executed a share purchase agreement with the shareholders of Alberta Craft Cannabis Inc. ("ACC") whereby the Company acquired 100% of the issued and outstanding common shares of ACC in exchange for cash payments of $6,000,000 and issuance of 16,765,353 common shares valued at $10,059,212 for total consideration of $16,059,212. In addition to the consideration paid, the Company has also committed to issue 1,200,000 common shares contingent upon ACC obtaining a license to sell cannabis under the CA&R.

For accounting purposes, the acquisition of ACC was considered a business combination and accounted for using the acquisition method. The results of operations from ACC are included in the consolidated financial statements since the date of acquisition.

The Company applied a market approach, and specifically the mergers and acquisition method, for measuring the fair value of the license to produce medical cannabis. This valuation model uses data from actual market transactions regarding the sale of similar companies or groups of assets to determine the price of the asset acquired. The resulting goodwill represents the sales and growth potential of ACC and will not be deductible for tax purposes.

(Tabular amounts expressed in CDN $000's)

10 Investment in associate

	May 31, 2019	November 30, 2018
Opening balance	$ 860	$ -
Cash paid	-	1
Fair value of common shares issued	1,328	1,250
Equity loss on investment	(225)	(391)
	1,963	860

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 1,953,125 of Common Shares pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL. 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.

11 Investments

	May 31, 2019	November 30, 2018
Civilized Worldwide Inc.	$ 257	$ 257
Cannabis Cowboy Inc.	1	1
	$ 258	$ 258

The investments are in unrelated third parties and have been recorded at cost. The Company assesses these investments for impairment when indicators of impairment arise and to date, $Nil has been recorded as impairment against the above noted investments.

The Company owns less than 5% of the issued and outstanding common shares of Civilized Worldwide Inc. and 25% of the issued and outstanding common shares of Cannabis Cowboy Inc.

12 Promissory notes receivable

As at the period ended May 31, 2019, the Company has advanced $3,770,000 (2018: $2,450,000) to Cannabis Cowboy Inc. ("Cannabis Cowboy") pursuant to a series of promissory notes. The funds have been for retail store development in Alberta. The notes receivable are non-interest bearing, due on demand, have no fixed terms of repayment, and are secured by Cannabis Cowboy's right, title, and interest in presently owned and subsequently acquired real or personal property in accordance with a general security agreement between Cannabis Cowboy and the Company.

(Tabular amounts expressed in CDN $000's)

13 Convertible debentures

The Company's convertible debentures outstanding balance consists of:

	Maturity date			Total
	June 10, 2020 (a)	October 17, 2020 (b)	October 17, 2020 (c)	
Principal amount	$ 5,000	$ 2,000	$ 500	$ 7,500
Liability portion	4,217	1,697	429	6,343
Transaction costs	(298)	-	-	(298)
Accretion	476	85	15	576
Carrying Value	4,395	1,782	444	6,621
Equity portion	783	303	71	1,157
Transaction costs	(55)	-	-	(55)
Accretion	(292)	(82)	(19)	(393)
Allocated to contributed surplus	436	221	52	709
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.

(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. A recovery on the deferred income tax liability of $447,525 was recorded to recognize available deferred income tax assets.

During the period ended May 31, 2019, the Company incurred interest expense of $181,519 on the convertible debentures, which remains payable and has been recorded as an accrued liability on the condensed interim consolidated statement of financial position.

14 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) Private placements

On March 21, 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 finders fees in the amount of $292,470.

On February 28, 2019, the Company issued 11,126,753 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 597,716 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 finders fees in the amount of $367,183.

(Tabular amounts expressed in CDN $000's)

On June 11, 2018, the Company issued 5,925,920 units pursuant to private placements completed during the year at a price of $1.50 per unit. Each unit consisted of one common share and one-half share purchase warrant with each full warrant exercisable for one common share of the Company at a price of $2.50 for a period of two years from the date of grant. In connection with the private placement, issued 251,802 warrants to finders 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 Company also paid cash finders fees in the amount of $377,705.

On January 19, 2018, the Company issued 19,233,042 units pursuant to private placements completed during the year at a price of $0.60 per unit. Each unit consists of one common share and one-half share purchase warrant with each full warrant exercisable for one common share of the Company at a price of $1.20 for a period of three years from the date of grant. In connection with the private placements, the Company issued 323,160 warrants to finders exercisable for one common share of the Company at a price of $1.20 for a period of three years from the date of grant. The Company also paid cash finders fees in the amount of $222,031.

(b) 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	-

(Tabular amounts expressed in CDN $000's)

(c) 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	

During the period ended May 31, 2019 the Company recorded share issuance costs of $493,598 reflecting the fair value of 1,104,488 finders warrants issued during the period. The fair value is estimated on the grant date using the Black-Scholes option-pricing model. 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%**

15 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 to acquire up to 20% of the issued and outstanding shares of the Company. 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 Toronto Stock Exchange Venture (the "TSXV") on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

(Tabular amounts expressed in CDN $000's)

Stock option transactions are summarized as follows:

	Number of shares (000's)	Weighted average exercise price C$
Balance – November 30, 2017	3,400	0.24
Granted	6,369	0.70
Exercised	(1,688)	0.30
Balance – November 30, 2018	8,081	0.59
Granted	1,547	0.68
Exercised	(532)	0.30
Expired / Cancelled	(160)	1.20
Balance – May 31, 2019	**8,936**	**0.60**

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**		

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 term of these contracts have not been fulfilled, $243,965 of the share-based compensation attributable to these consulting fees has been recorded as a prepaid expense (note 4) on the consolidated balance sheet.

(Tabular amounts expressed in CDN $000's)

(b) Stock-based compensation

During the period ended May 31, 2019, the Company recognized share-based compensation of $1,074,840 (2018 - $2,609,389) that was recorded in the condensed interim consolidated statement of comprehensive loss. The share-based compensation represents the fair value of stock options granted during the period ended May 31, 2019 and is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2019	2018
Share price	$0.57 – $0.78	$0.67
Exercise price	$0.57 – $0.78	$0.34
Risk-free interest rate	2.14% - 2.24%	1.40%
Expected life	3 Years	3 Years
Volatility	120 % - 208%	140%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

16 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 six months ended May 31, 2019 consists of the following:

		2019		2018
Salaries, management and consulting fees	$	236	$	195
Share-based payments		85		1,627
	$	321	$	1,822

Related party balances

As at May 31, 2019, $Nil (2018: $803) was due to 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 the Company's Chief Executive Officer ("CEO") in connection with the below-mentioned milestone payment relating to Grey Bruce (note 19). 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 owes $Nil (2018: $5,000) due to 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.

17 Financial instruments

a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, advances receivable, promissory notes receivable, deposits, accounts payable, interest payable, convertible debentures and due to related parties. 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, 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.

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.

Maturity risk

- 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.
- As at May 31 2019, 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.

(Tabular amounts expressed in CDN $000's)

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 amount	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	$ -

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.

b) 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, 2019, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and investments, with a fair value of $2,233,312 (November 30, 2018 - $917,601).

18 Supplemental cash flow information

	Note	Six months ended May 31	
		2019	2018
Interest paid	13	$ 323	$ -

(Tabular amounts expressed in CDN $000's)

19 Commitments and contingencies

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 6, 2019, the Company issued a cash advance of $249,950 in connection with the above-mentioned milestone, to the Vendors.

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.

(Tabular amounts expressed in CDN $000's)

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.

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

(Tabular amounts expressed in CDN $000's)

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 has 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 form Health Canada to increase cannabis production by at least 8,500 kg and completing construction to accommodate such increased production (the "Expansion")	1,500	-
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.

20 Subsequent Events

On June 27, 2019, the Company issued Rok Consulting Inc. 100,000 of Common Shares for advisory services.

On July 8, 2019, the Company's wholly-owned subsidiary, Grey Bruce Farms was granted a Standard Cultivation License by Health Canada. In connection with the License, the Company issued a cash payment of $250,000 and issued 2,222,222 shares to the Vendors, as part of the above-mentioned milestone payment (note 19).

On July 22, 2019 the Company announced that it had entered into a purchase and sale agreement ("PSA") to acquire a Kelowna-based cultivation facility that is nearing completion by the vendor for $13 million, which includes, among other things: all rights; title and interest to the land; growing equipment; and project-related documents. In connection with the PSA dated May 16, 2019, GTEC provided a refundable deposit of $250,000 and will be required to provide an additional $500,000 non-refundable deposit upon satisfaction, on or before August 15, 2019 of the following conditions: 1) GTEC being satisfied with its due diligence relating to the transaction; 2) GTEC, having obtained a financing commitment for the amount and upon terms satisfactory to GTEC, acting in its sole discretion; and 3) Approval by GTEC board of directors of the transaction. The board of directors of GTEC approved the transaction, subject to ongoing due diligence and receipt of satisfactory financing. The transaction remains subject to the approval of the TSX Venture Exchange. Assuming the aforementioned conditions are met, the Transaction would close on or about October 15th, 2019.

On July 26, 2019, the Company's wholly-owned subsidiary, Alberta Craft Cannabis was granted licenses for the following activities related to the sale of cannabis; a license for Sale for Medical Purposes and a license for Standard Processing, authorizing the sales of cannabis plants, cannabis plant seeds, fresh cannabis and dried cannabis products. This provides ACC with the ability to sell into provincial recreational supply chains, and also facilities direct sales to medical cannabis clients.