

GTEC Cannabis Co Reports Third Quarter Fiscal 2020 Results

- Revenue growth of 59%, resulting in revenues of \$2.4 million
 - SG&A decreased by 31% to \$884,000^(C)
 - Average selling price increased by 13% to \$8.84
 - Gross Margin^(A) maintained at 70%
 - Adjusted EBITDA of \$560,000^(D)
 - Adjusted EBITDA margin of 23%

Kelowna, BC – October 30, 2020 – GTEC Holdings Ltd. (TSX-V:GTEC) (OTCQB: GGTF) (FRA: 1BUP) (“**GTEC**”, the “**Company**” or “**GTEC Cannabis Co.**”) is pleased to report its Third Quarter financial results for the period ended August 31, 2020.

Key Financial Highlights of Q3 2020

All figures are compared to the Company’s most recent fiscal quarter (Q2 2020)

- Revenue of \$2.4 million, compared to \$1.5 million, an increase of \$900,000 or 59%, from the sale of 279 kilograms (“**KG**”) of cannabis.
- Gross margin^(A) dollars of \$1.44 million (*net of excise tax*), compared to \$873,000, an increase of \$567,000 or 65%, while gross margin^(A) percentage was sustained at 70%.
- Recreational cannabis sales accounted for 96% of total sales, compared to 83%.
- Overall weighted average selling price increased by 13% or \$1.01 to \$8.84 per gram, resulting in the Company’s fourth consecutive quarterly increase.
- Recreational weighted average selling price increased by 3% or \$0.28 to \$9.29 per gram.
- Cash cost of production increased by 30% or \$0.48 to \$2.07 per gram^(B), as a result of certain harvests not achieving target yield weights during the COVID-19 pandemic, due to personnel limitations and travel restrictions. The Company is confident that these issues have been fully resolved.
- SG&A of \$884,000^(C), compared to \$1.28 million, a decrease of \$395,000 or 31%.
- Adjusted EBITDA positive of \$560,000^(D), compared to adjusted EBITDA loss of \$406,000, an increase of \$966,000 or 238%, with an Adjusted EBITDA margin of 23%.

“When GTEC became a publicly listed issuer two years ago, we had a mandate to become a profitable organization during the fiscal 2020 year. In a relatively short time, we have delivered results demonstrating our near-term profitability, the pursuit of operational excellence and growth trajectory,” said Norton Singhavon, Founder and CEO of GTEC. *“We remain committed to operating in a focused and disciplined manner, while driving increases to our revenues through the expansion of our national distribution strategy, introducing new and unique cultivars, and innovating new product development.”*

Q3 Investor Fact Sheet

GTEC has published a one-page Investment Overview, which summarizes the Company's key highlights and metrics. The document can be accessed at <https://www.gtec.co/investor-fact-sheet>

Key Corporate Highlights of Q3 2020

- [BLK MKT](#)™ continues to be one of the top selling brands in B.C., and continues to be the highest priced single gram product offered on [BC Cannabis Stores](#).
- Launched BLK MKT™ and Tenzo™ products in [Ontario](#).
- Received first purchase orders from Manitoba retailers – via the Liquor, Gaming and Cannabis Authority of Manitoba (“**LCGA**”).
- 3PL Ventures Inc. (“**3PL**”) is in the final stages of completing construction and is in the process of preparing the evidence package for a Standard Cultivation licence from Health Canada. The 3PL facility is a purpose-built indoor cultivation facility located in Vernon B.C., and is approximately 60,000 sq. ft.
- Made substantial progress reducing corporate overheads in Q3 (as compared to the previous quarter) and the Company remains focused on continuing to reduce overhead expenses in Q4.

Key Subsequent Events of Q3 2020

- Grey Bruce Farms Inc. and Tumbleweed Farms Corp. received the necessary approvals from Health Canada for Provincial sales-related licence amendments. As a result, all three of the Company's licensed cultivation facilities are now authorized to sell recreational packaged cannabis into Provinces and Territories. The Company believes that this will play an instrumental role in decreasing COGS, improving logistical/geographical efficiencies, as well as streamlining its recreational cannabis packaging processes.
- Increased its credit facility with NFS Leasing Canada Ltd. by \$2.3 million, with a lower interest rate than its existing credit facility (*further details are provided later in this news release*).
- Received initial funding from the Canadian Emergency Wage Subsidy (“**CEWS**”) provided by the Government of Canada.
- Amended its unsecured Convertible Promissory note with Invictus MD Strategies Corp. (*further details are provided later in this news release*).
- Sold a commercial property, which was not being utilized by operations for total gross proceeds of \$1 million.
- Made an early principal repayment to NFS Leasing Canada Ltd. of \$330,917, reducing the \$3.95 million credit facility to \$3.6 million.
- Secured eight additional cannabis product listings at the Ontario Cannabis Store (“**OCS**”).

- Signed a Cannabis Purchase and Sales Agreement with the Yukon Liquor Corporation and received first two purchase orders from the Yukon territory.

Quarterly Comparative Analysis

(Expressed in thousands of Canadian Dollars)

Three-months ended	% Change Q2 – Q3 2020	Aug 31-20 Q3 2020	May 31-20 Q2 2020	Feb 29-20 Q1 2020	Nov 30-19 Q4 2019
Total Gross Revenue	59%	2,400	1,507	2,354	1,149
Total Net Revenue	66%	2,071	1,246	2,331	1,128
Recreational Sales	92%	1,988	1,034	1,119	102
B2B Wholesale Sales	-61%	83	212	1,212	1,026
Gross Margin ^(A) (\$)	65%	1,444	873	965	290
Gross Margin ^(A) %	0%	70%	70%	41%	26%
SG&A	-33%	1,161	1,724	1,658	1,872
Net Income (Loss) from Operations	110%	19	(197)	(815)	(2,571)
Adjusted EBITDA ^(D)	238%	560	(406)	5	(646)
Adjusted EBITDA Margin ^(D)	185%	23%	-27%	0%	-57%
Sales (KG)	52%	279	183	391	280
Cash cost of Production ^(B)	30%	\$2.07	\$1.59	\$2.22	\$2.97
Average Selling Price	13%	\$8.84	\$7.83	\$6.24	\$5.89

A copy of the Management Discussion & Analysis and Financial Statements for the Third Quarter of Fiscal 2020 can be downloaded from [GTEC's SEDAR profile](#).

Note ^(A) Gross margin before fair value adjustments. Please refer to the Company's Q3 2020 Financial Statements and MD&A for definitions and a reconciliation to IFRS.

Note ^(B) Cash cost of production is a financial performance measure used by the Company, which is not defined by and does not have any standardized meaning under IFRS. The Company believes 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. Please refer to the Company's Q3 2020 MD&A for definitions and a reconciliation to IFRS.

Note ^(C) Operating expenses exclude non-cash items, such as depreciation and amortization and share based payments. Please refer to the Company's Q3 2020 Financial Statements and MD&A for definitions and a reconciliation to IFRS.

Note ^(D) Adjusted EBITDA is a non-IFRS measure and the Company calculates adjusted EBITDA from continuing operations as net income (loss) before interest expense, income taxes, depreciation and amortization, unrealized gain (loss) on changes in fair value of biological assets, equity loss on investment in associate, loss on sale of assets, investment loss and share based payments. Management determined that the exclusion of the fair value adjustment is an alternative representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure to adjusted EBITDA (excluding fair value adjustment to biological assets and inventory) calculated in accordance with IFRS is net income (loss) from continuing operations. Please refer to the Company's Q3 2020 MD&A for definitions and a reconciliation of Adjusted EBITDA to net income (loss) from continuing operations.

NFS Credit Facility

The Company is pleased to announce that the Company has closed a non-brokered senior secured debt financing of CAD \$2,300,000 (the “**Financing**”) with NFS Leasing Canada Ltd. (“**NFS**”), further increasing its existing \$3,619,000 credit facility with NFS (previously announced on [June 9, 2020](#)). Proceeds from the Financing will be used by GTEC as working capital to execute on its near-term strategic initiatives.

The Financing was completed pursuant to a senior secured promissory note (the “**Note**”) in the amount of \$2,300,000 for a term of 36 months. Interest-only payments are required for the first year, with the initial payment commencing on December 1, 2020, and blended payments of principal and interest commencing in year two, until the Note is fully repaid at the end of the three-year term. The Note will bear an annual interest rate of 16%, and assuming GTEC does not exercise any rights of repayment, the total cost of borrowing would yield an average annualized rate of 11.7%.

“GTEC’s continued growth is very exciting,” said David Denniss, Vice President Business Development, NFS Leasing, Canada. *“We specialize in creating customized financing solutions exactly like this and are pleased to be a trusted partner for GTEC once again to support their opportunity for growth.”*

In connection with the Financing, certain security interests have been granted to NFS through general security agreements, pledges and mortgages on certain real and other property owned by GTEC and its wholly-owned subsidiaries.

Subject to final acceptance by the TSX Venture Exchange (the “**TSXV**”), GTEC will issue a total number of common shares to NFS equal to C\$230,000 based on the closing share price of GTEC, on the day prior to this announcement, being \$0.095. GTEC intends to issue 2,421,052 common shares in the capital of GTEC, which will be subject to a three-year release schedule, with 403,508 shares being released each six-month period. GTEC will also issue, subject to final acceptance by the TSXV, a total of 6,900,000 common share purchase warrants of GTEC (the “**Warrants**”) to NFS. The Warrants will expire three years from date of issuance. The exercise price of the Warrants will be as follows: (1) 2,300,000 Warrants at an exercise price of \$0.10; (2) 2,300,000 Warrants at an exercise price of \$0.15; and (3) 2,300,000 Warrants at an exercise price of \$0.25. No other broker fees or broker warrants were issued in connection with the Financing.

Amendment of Invictus MD Strategies \$2.5 million unsecured Convertible Promissory Note

The Company has amended its unsecured Convertible Promissory Note (“**Invictus Note**”) with Invictus MD Strategies, which was to mature on October 19, 2020. The principal amendments to the terms of the Invictus Note are as follows:

- Extended Maturity Date to February 28, 2022.
- GTEC to make a principal payment of \$510,000 on October 30, 2020; with certain payments thereafter being interest-only and other payments being blended principal plus interest, such that the Invictus Note will be fully repaid upon the new Maturity Date.
- Annual interest rate to increase from 8% to 10% on the remaining principal balance of \$1.99 million.

- the price of the conversion to shares of the Company has been reduced from \$1.50 to: (i) \$0.35 per share on the first \$250,000 of the outstanding principal balance; and (ii) \$0.55 per share on the remaining principal balance outstanding at the time of conversion.
- The Invictus Note will remain unsecured.

Annual General and Special Meeting of Shareholders

The Company also announces that an annual general and special meeting (the “**Meeting**”) of shareholders will be held on November 18, 2020 at 2:00 p.m. (Pacific time). At the Meeting, shareholders will be asked to consider resolutions to fix the number of directors, re-elect the current board of directors, re-appoint Manning Elliott LLP, Chartered Professional Accountants, as the auditor of the Company for the ensuing year and re-approve the Company’s existing rolling ten-percent incentive stock option plan.

Shareholders will also be asked to ratify the implementation of a restricted share unit plan (the “**RSU Plan**”) and a deferred share unit plan (the “**DSU Plan**”). The RSU Plan, and the DSU Plan, have been adopted by the board of directors, and are intended to provide the Company with an additional mechanism for the equity compensation of officers, directors, employees and consultants. The maximum number of common shares available for issuance under both the RSU Plan, and the DSU Plan, will be limited to 6,915,107 common shares, representing five percent of the current outstanding share capital of the Company.

Implementation of the RSU Plan, and the DSU Plan, remains subject to ratification by shareholders at the Meeting, and the final approval of the TSX Venture Exchange. In accordance with the policies of the TSX Venture Exchange, the Company is required to obtain disinterested shareholder approval for the implementation of the RSU Plan, and the DSU Plan. At the meeting, shareholders who may receive restricted share units, or deferred share units, will be excluded from voting on the resolutions to ratify implementation of the RSU Plan and the DSU Plan.

Further information concerning the Meeting, and the matters to be considered, including the full text of the RSU Plan and the DSU Plan, will be made available in the management information circular prepared by the Company. A copy of the circular can be accessed from the Company’s website (www.gtec.co) or under the Company’s profile on SEDAR (www.sedar.com).

About GTEC Cannabis Co

GTEC Cannabis Co cultivates, markets, and distributes the high-end cannabis products that consumers desire. The Company has four operational facilities licenced by Health Canada and is currently distributing cannabis through medical and recreational sales channels.

GTEC’s quality product offering is crafted from rare and unique cultivars, which are currently not being produced by other Licenced Producers. GTEC’s recreational cannabis brands includes; [BLK MKT™](#) , [Tenzo™](#), [Cognōscente™](#) and [Treehugger™](#), which retails in the Provinces of B.C., Ontario, Saskatchewan and Manitoba. The Company’s medical cannabis brand, [GreenTec™](#), is distributed nationally to qualified patients through its medical partners; [CannMart](#) and [CannaFarms](#).

GTEC is a publicly traded corporation, listed on the TSX Venture Exchange (GTEC), OTCQB Venture Market (GGTTF) and Frankfurt Stock Exchange (1BUP). The Company's headquarters is located in Kelowna, B.C. and has operations in B.C., Alberta and Ontario.

To learn more about the Company or to access the most recent Corporate Presentation, please visit our website at www.gtec.co

For additional information, please contact:

GTEC Cannabis Co.

1-800-351-6358

contact@gtec.co

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; delay or failure to receive board, shareholder or regulatory approvals, where applicable, and the state of the capital markets. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For instance and among other things, there is a risk that the COVID-19 pandemic may disrupt the Company's operations, those of the Company's suppliers and distribution channels and negatively impact the use of the Company's products; there can be no assurance that the Company will maintain adequate capital resources and liquidity, including but not limited to, availability of sufficient cash flow, will continue to reduce overhead, execute the Company's business plan (either within the expected timeframe or at all); or any assurances regarding the potential effects of judicial or other proceedings on the Company's business or financial condition, the results of operations and cash flows; the volatility in and/or degradation of general economic, market, industry or business conditions; or compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to the use of cannabis; the anticipated effects of actions of third parties such as competitors, activist investors or federal, provincial, territorial or local regulatory authorities, self-regulatory organizations, plaintiffs in litigation or persons threatening litigation; changes in regulatory requirements in relation to the Company's business and products. Accordingly, readers should not place undue reliance on forward-looking statements, which speak only as of the date of this news release. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This news release refers to certain financial performance measures that are not defined by and do not have a standardized meaning under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These non-IFRS financial performance measures are defined in the MD&A. Non-IFRS financial measures are used by management to assess the financial and operational performance of the Company. The Company believes 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.