



GTEC
HOLDINGS

TSXV: GTEC OTC: GGTF FRA: 1BUP

YE 2019

March 17, 2020

Consolidated Financial Statements

(Audited - Expressed in
Canadian dollars)

Year Ended - November 30, 2019

TABLE OF CONTENTS

Management's Responsibility for the Consolidated Financial Statements	2
Independent Auditors' Report	3
Consolidated Statements of Comprehensive Loss	5
Consolidated Statements of Financial Position	6
Consolidated Statements of Changes of Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 45

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of GTEC Holdings Ltd. ("GTEC" or the "Company") are the responsibility of the Company's management. The consolidated financial statements have been prepared by the Company's management in accordance with International Financial Reporting Standards and reflect management's best estimates and judgements based on information currently available.. 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 consolidated financial statements and the accompanying management discussion and analysis. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee reviews the results of the annual audit and reviews the consolidated financial statements prior to their submission to the Board of Directors for approval. The consolidated financial statements as at November 30, 2019 and 2018, and for the years ended then have been audited by Manning Elliott LLP, an independent registered public accounting firm, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of GTEC Holdings Ltd.

Opinion

We have audited the consolidated financial statements of GTEC Holdings Ltd. and its subsidiaries (the "Company") which comprise the consolidated statements of comprehensive loss for the years ended November 30, 2019 and 2018, the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of changes in equity and cash flows for the years ended November 30, 2019 and 2018, the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
March 17, 2020



GTEC HOLDINGS LTD.**Consolidated Statements of Comprehensive Loss**

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except share and per share amounts)

	Note	2019	2018
Revenue		\$ 2,382	\$ 58
Excise taxes		(21)	-
Net Revenue		2,361	58
Cost of sales		(1,293)	(42)
Gross margin before fair value changes		1,068	16
Changes in fair value of biological assets		253	160
Gross margin		1,321	176
Operating expenses			
Amortization		1,001	195
Business fees and licenses		308	74
Consulting fees		704	2,510
Facility rent and utilities		275	350
Investor relations		-	148
Management fees		691	-
Marketing and advertising		625	991
Office and miscellaneous		671	798
Professional fees		977	1,722
Salaries and wages		2,179	978
Share based payments		1,853	2,609
Travel		336	243
		9,620	10,618
Net loss from operations		(8,299)	(10,442)
Other income (expenses)			
Equity loss on investment in associate	12	(363)	(390)
Gain on sale of assets and investments	14	1,163	31
Interest and accretion	16	(1,325)	(414)
Impairment of deposits	7	(250)	-
Listing fees	5	-	(1,736)
Unrealized loss on investments	13	(519)	-
Net loss before income tax		(9,593)	(12,951)
Deferred income tax recovery	17	19	2,414
Net loss from continuing operations		(9,574)	(10,537)
Net loss from discontinued operations		(195)	-
Net loss and comprehensive loss		(9,769)	(10,537)
Net loss and comprehensive loss attributed:			
Shareholders of the Company		(9,769)	(10,528)
Non-controlling interest		-	(9)
		\$ (9,769)	\$ (10,537)
Net loss per common share			
Basic and fully diluted		\$ (0.09)	\$ (0.14)
Weighted average shares outstanding			
Basic and fully diluted		100,615,005	76,349,000
Total shares issued and outstanding		126,684,777	90,164,638

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

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

As at November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except share and per share amounts)

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents		\$ 1,969	\$ 918
Accounts receivables	6	1,573	993
Prepaid expenses	7	292	622
Assets held for sale		-	2,543
Biological assets	8	809	56
Inventory	9	1,006	86
Investments	13	538	-
Promissory note receivable	15	298	2,450
		6,485	7,668
Property, plant and equipment	10	19,191	13,523
Deposits	7	104	431
Goodwill	11	7,678	7,678
Intangible assets	11	9,900	9,900
Investment in associate	12	1,747	860
Investments	13	-	258
Promissory note receivable	15	210	-
Total assets		\$ 45,315	\$ 40,318
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,739	\$ 1,945
Short-term interest and convertible debentures	16	7,168	208
		8,907	2,153
Convertible debentures	16	-	5,572
Total liabilities		8,907	7,725
Shareholders' equity			
Share capital	18	59,912	41,738
Subscriptions		85	224
Contributed surplus	18	6,096	5,094
Accumulated deficit		(29,685)	(14,463)
Total shareholders' equity		36,408	32,593
Total liabilities and shareholders' equity		\$ 45,315	\$ 40,318

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 24)

Subsequent events (Note 25)

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 17, 2020 and were signed on its behalf by:

/s/ Norton Singhavon, Chairman, CEO

/s/ Michael Blady, Director

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

GTEC HOLDINGS LTD.

Consolidated Statements of Changes in Equity

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except share and per share amounts)

	Attributable to equity holders of the Company					
	Shares (000's)	Share capital	Subscriptions 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 year	-	-	-	-	(9,769)	(9,769)
Shares issued for cash	22,710	12,490	(139)	-	-	12,351
Share issuance costs	-	(1,515)	-	493	-	(1,022)
Shares issued for acquisitions	3,438	1,032	-	-	(1,079)	(47)
Shares issued and issuable for contingent consideration	7,549	4,220	-	(420)	(4,300)	(500)
Shares issued for investment in 3PL associate	1,953	1,250	-	-	-	1,250
Convertible debentures	-	-	-	(147)	(74)	(221)
Exercise of stock options	651	397	-	(162)	-	235
Exercise of warrants	20	50	-	-	-	50
Share based payments	200	250	-	1,238	-	1,488
Balance at November 30, 2019	126,686	\$ 59,912	\$ 85	\$ 6,096	\$ (29,685)	\$ 36,408
Balance at November 30, 2017	40,794	\$ 6,346	\$ 98	\$ 495	\$ (2,926)	\$ 4,013
Net loss for the year	-	-	-	-	(10,537)	(10,537)
Shares issued for cash	25,159	20,429	(98)	-	-	20,331
Share issuance costs	-	(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 upon exercise of stock option	-	391	-	(391)	-	-
Share subscriptions received	-	-	224	-	-	224
Share based payments	-	-	-	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 consolidated financial statements.

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

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except share and per share amounts)

	2019	2018
Cash flows from operating activities		
Net loss	\$ (9,574)	\$ (10,537)
Items not affecting cash:		
Accretion expense	723	230
Amortization	1,001	195
Deferred income tax expense	(19)	(2,414)
Equity loss on investment in associate	363	390
Gain (loss) on sale of assets and investments	(1,163)	-
Investment loss	250	-
Listing expense	-	1,772
Share based payments	1,238	2,609
Shares issued for services	615	1,081
Unrealized gain on biological assets	(253)	(160)
Unrealized loss on investment	519	-
	(6,300)	(6,834)
Change in non-cash operating working capital:		
Accounts and advances receivable	(580)	(940)
Prepaid expenses	(35)	(151)
Biological assets	(600)	104
Inventory	(587)	(86)
Accounts payable and accrued liabilities	(268)	1,785
Income tax payable	-	(20)
Net cash flows used in operating activities	(8,370)	(6,142)
Net cash flows used in operating activities of discontinued operations	(195)	-
	(8,565)	(6,142)
Cash flows from investing activities		
Net cash paid for acquisitions	(547)	(5,981)
Deposits paid	77	(271)
Purchase of investments	-	(192)
Promissory notes received, net advanced	2,450	(2,450)
Purchase of property and equipment	(6,925)	(13,353)
Proceeds from sale of assets held for sale	2,447	-
	(2,498)	(22,247)
Cash flows from financing activities		
Due to related parties	-	(152)
Options and warrants exercised for cash	285	483
Proceeds from issuance of common shares	11,329	19,606
Proceeds from issuance of convertible debentures	500	6,704
Subscriptions received	-	224
	12,114	26,865
(Decrease) increase in cash and cash equivalents	1,051	(1,524)
Cash and cash equivalents – beginning of year	918	2,442
Cash and cash equivalents – end of year	\$ 1,969	\$ 918

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

1 Nature and continuance of operations

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

The Company's principal business activity is pursuing opportunities in the cannabis industry and has the goal to identify and consolidate licensed producers of ultra premium cannabis under Health Canada's Cannabis Act & Regulations ("CA&R"). The Company is a publicly traded company listed on the TSX Venture Exchange ("TSXV") under the symbol "GTEC". The Company's head office is located at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

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

The Company has incurred losses since its inception and has an accumulated deficit of \$29,684,698 as at November 30, 2019, that has been funded primarily by issuance of equity, convertible debentures and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future.

2 Basis of presentation

Statement of compliance and basis of measurement

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

Basis of consolidation

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

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

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

3 Summary of Significant Accounting Policies

a) Significant accounting judgments and estimate

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

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

Inventory

In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value. Cost is determined using the weighted average method. The capitalized cost of inventory includes the capitalization of pre-harvest and post harvest costs initially capitalized to biological assets prior to transfer to inventory. The costs capitalized include labour, amortization expense for machinery and shop equipment. These costs are recognized within the cost of goods sold upon the sale of inventory.

Biological assets

Biological assets recognized by the Company are cannabis plants that are in the flowering stage but not yet harvested. The Company capitalizes costs related to the cultivation of cannabis including labour, direct overheads, amortization of machinery and growing materials in addition to indirect costs such as utilities and other overhead costs attributable to cultivation. All costs are transferred to inventory at the point of harvest at the fair value less cost to sell. There are a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant.

Estimated useful lives and impairment considerations

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Intangible assets

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

Goodwill

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

Business combinations

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

Investments in associates

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

Share-based compensation and warrants

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

Deferred tax assets and liabilities

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

Going concern

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

b) Biological Assets

The Company changed its accounting policy with respect to the accounting treatment of biological assets during the year ended November 30, 2019. 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. The Company also revised its presentation in the consolidated statements of comprehensive loss to separate fair value adjustments for both biological assets and inventory sold in the year. The change in the Company's accounting policy had no significant impact on previous periods' balances or net loss.

The Company's revised accounting policy for 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, etc.

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

c) Inventory

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

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

d) Impairment of long-lived assets

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

e) Intangible assets

Intangible assets consist mainly of licenses acquired by the Company. Acquired licenses are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

are reviewed annually for impairment. Any impairment of intangible assets is recognized in the consolidated statement of operation and comprehensive loss but increases in intangible asset values are not recognized. As described in Note 5, the Company acquired certain licenses through its acquisition of Alberta Craft Cannabis Inc. during the year ended November 30, 2018, which have been deemed to have an indefinite life.

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

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

f) Business combinations

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

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

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

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

The Company completed certain transactions described in Note 5 and concluded that certain transactions did not qualify as a business combination under IFRS 3, "Business Combinations".

g) Goodwill

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

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

h) Property and equipment

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

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

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

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

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

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

i) Investments in associates

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

j) Revenue recognition

The Company has adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") effective December 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for the reporting period beginning on December 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continued to be reported under IAS 18 – *Revenue* ("IAS 18"). The adoption of IFRS 15 resulted in no significant impact on the Company's consolidated financial statements.

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Prior to the adoption of IFRS 15, IAS 18 measured revenue at fair value of the consideration received or receivable, net of returns, discounts, rebates and sales taxes or duty. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

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

k) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents. As at November 30, 2019, the Company does not hold any cash equivalents.

l) Income taxes

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

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

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

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

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

m) Financial instruments

The Company has adopted IFRS 9, Financial Instruments ("IFRS 9") effective December 1, 2018 on a retrospective basis where appropriate; however, in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Classification and subsequent measurement

The Company completed a detailed assessment of its financial assets and liabilities as at December 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value through profit or loss
Promissory notes receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on December 1, 2018.

Financial assets

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Subsequent measurement and gains and losses

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

Financial liabilities

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

Derecognition

Financial assets

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

Financial liabilities

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

n) **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units.

o) Earnings (loss) per share

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

p) Provisions

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

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

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

q) Share-based payments

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

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

r) Reclassifications

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

s) Adoption of new pronouncements

During the year ended November 30, 2019, the Company adopted IFRS 15 and IFRS 9. As discussed above, the adoption of IFRS 15 and IFRS 9 did not have a material impact on the Company's consolidated financial statements.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

4 Upcoming accounting pronouncements

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 adoption of IFRS 16 is expected to result in the recognition of a right-of-use asset and a lease liability of approximately \$1,580,000.

IFRS 2 – Shared-Based Payments

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features. The adoption of the amendments to IFRS 2 is not expected to have a significant impact on the Company's consolidated financial statements.

5 Acquisitions

1203648 B.C. Ltd.

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

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

In accordance with IAS 37, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company has not ascribed a value to the 1,719,167 common shares issued and currently held in escrow in relation to this transaction, as the release from escrow is contingent on future events, and accordingly the Company has not recorded any contingent consideration related to the acquisition of 1203648.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Falcon Ridge Naturals Ltd.

On January 31, 2018, the Company executed a share purchase agreement with the shareholders of Falcon Ridge Naturals Ltd. ("Falcon") whereby the Company acquired 100% of the issued and outstanding common shares of Falcon in exchange for cash consideration of \$200,000.

In addition to the consideration paid, the Company also committed to make future cash payments of \$100,000 contingent upon the receipt of a building permit from the city of Kelowna and \$900,000 contingent upon Falcon obtaining a license to sell cannabis under the CA&R.

On May 31, 2018 the shareholders of Falcon and the Company agreed to extend the payable amount until such time as Falcon receives a building permit from the City of Kelowna.

The Company accounted for the purchase as an asset acquisition as Falcon did not meet the definition of a business under IFRS 3, "Business Combinations". In accordance with the Company's accounting policy, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company did not record any contingent consideration related to the acquisition of Falcon.

The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

Cash paid	\$	200
Total consideration		200
Assets acquired:		
Intangible assets		200
Net assets acquired	\$	200

During the year ended November 30, 2018, the Company abandoned the pursuit of the building permit with the city of Kelowna and the license to sell cannabis under the CA&R and instead decided to focus on other opportunities. During the year ended November 30, 2019, the Company sold 100% of the issued and outstanding common shares of Falcon to its previous owner for total cash consideration of \$200,000. The Company recorded a net loss of \$17,984 on the sale of Falcon.

Alberta Craft Cannabis Inc.

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. As part of the acquisition of ACC, the Company also acquired 100% of the issued and outstanding common shares of 1884341 Alberta Ltd., which was dissolved on February 28, 2018.

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 under review.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

Cash paid	\$	6,000
Fair value of common shares issued		10,059
Fair value of common shares issuable		720
Assumption of amounts due to shareholders		(3,874)
Total consideration	\$	12,905
Assets acquired:		
Current assets	\$	59
Long-term deposits		10
Property and equipment		1,098
Intangible assets - licenses		9,900
Goodwill		7,678
Less liabilities assumed:		
Due to shareholders		(3,873)
Deferred income taxes		(1,966)
Net assets acquired	\$	12,905

The resulting goodwill represents the sales and growth potential of ACC and will not be deductible for tax purposes.

The common shares issuable were contingent upon ACC obtaining a license to sell cannabis under the CA&R. As such, on September 25, 2019, the Company issued 1,200,000 common shares to the original shareholders of ACC.

Reverse take-over transaction ("RTO") and listing expense

The Transaction described in Note 1, for accounting purposes, is considered to be outside the scope of IFRS 3 - Business Combinations since the Company had limited inputs, processes, and outputs – as defined by IFRS 3 - prior to the transaction. Activities were limited to the management of cash resources and the maintenance of its stock exchange listing and did not constitute a business for accounting purposes. As a result, the transaction is accounted for in accordance with IFRS 2 - Share-based Payment whereby the Company is deemed to have issued shares in exchange for the net assets or liabilities together with its listing status at the fair value of the consideration received.

Since the issuance of common shares of the Company to the former shareholders of GreenTec Holdings Ltd. on closing the acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations plus liabilities assumed by the Company acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing expense.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

The listing expense is summarized as follows:

Fair value of share based consideration allocated:		
Deemed issuance of 1,180,895 common shares	\$	1,771
Fair value of stock options outstanding		1
		1,772
Identifiable net assets acquired:		
Current assets		(129)
Liabilities		13
		(116)
Professional fees related to the transaction		80
Total listing expense	\$	1,736

6 Accounts receivable

As of November 30, 2019 and 2018, accounts receivable consisted of:

	2019	2018
Trade accounts receivable	\$ 742	\$ 68
GST receivable	783	855
Other receivables	48	70
	\$ 1,573	\$ 993

7 Prepaid expense

As of November 30, 2019 and 2018, prepaid expenses consisted of:

	2019	2018
Consulting fees	\$ 34	\$ 399
Insurance and other	258	223
	\$ 292	\$ 622

As of November 30, 2019 and 2018, deposits consisted of:

	2019	2018
Letters of intent (a)	\$ -	\$ 268
Other	104	163
	\$ 104	\$ 431

- (a) The Company paid \$250,000 as a refundable deposit when it entered into a binding letter agreement with a private British Columbia corporation on November 2, 2018, 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 recorded

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

an impairment charge on the consolidated statement of comprehensive loss, as it was not reasonably certain that the Company would receive repayment of the refundable deposit.

8 Biological assets

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

The changes in the carrying value of biological assets as of November 30, 2019 and 2018 are as follows:

	2019	2018
Carrying amount, November 30, 2018	\$ 56	\$ -
Purchase of seeds and clones	-	24
Production costs	2,479	-
Changes in fair value less costs to sell due to biological transformation	1,481	160
Transferred to inventory upon harvest	(3,207)	(128)
	\$ 809	\$ 56

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 which will be reflected in the gain or loss on biological assets in future periods.

On average, the growth cycle is 15.4 weeks and the Company expects average yield per plant to be between 69 and 100 grams. As at November 30, 2019 it is estimated that the Company's biological assets will yield approximately 168,334 grams of cannabis when harvested.

As of November 30, 2019, the Company has estimated a fair value less cost to sell of \$2.40 to \$5.00. As of November 30, 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.

9 Inventory

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

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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

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

10 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	-	3,050	2,176	1,169	530	6,925
Disposals	-	-	-	-	(24)	(24)
Balance, November 30, 2019	\$ 1,826	\$ 9,935	\$ 3,070	\$ 4,313	\$ 1,476	\$ 20,620
Accumulated Amortization						
Balance, November 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	(98)	(97)	(195)
Balance, November 30, 2018	-	-	-	(98)	(97)	(195)
Additions	-	(473)	-	(464)	(297)	(1,234)
Balance, November 30, 2019	-	(473)	-	(562)	(394)	(1,429)
Net book Value, Balance, November 30, 2018	\$ 1,826	\$ 6,885	\$ 3,070	\$ 4,215	\$ 1,378	\$13,523
Net book Value, Balance, November 30, 2019	\$ 1,826	\$ 9,462	\$ 3,070	\$ 3,751	\$ 1,082	\$19,191

During the year-ended November 30, 2019, the Company allocated \$318,963 (2018 - \$Nil) of amortization expense to cost of inventory.

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

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

11 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, November 30, 2019	9,900	7,678
Accumulated amortization		
Balance, November 30, 2017	-	-
Additions	-	-
Balance, November 30, 2018	-	-
Additions	-	-
Balance, November 30, 2019	-	-
Net book value	9,900	7,678
November 30, 2018	9,900	7,678
Balance, November 30, 2019	\$ 9,900	\$ 7,678

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

12 Investment in associate

	2019	2018
Opening balance	\$ 860	\$ -
Cash paid	-	-
Fair value of common shares issued	1,250	1,250
Equity loss on investment	(363)	(390)
	\$ 1,747	\$ 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 an additional 1,953,125 common shares to the other shareholder. The fair value of the common shares issued was determined to be \$1,250,000. In addition, the Company also has the option to purchase the remaining 51% interest from the other shareholder upon receipt of 3PL's sales license from Health Canada.

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

Statement of Financial Position	2019	2018
Cash and cash equivalents	\$ 11	\$ 920
Other current assets	13	73
Property, plant and equipment	6,507	1,818
Current liabilities	780	930
Non-current liabilities	6,705	2,679

Statement of loss and comprehensive loss	2019	2018
General and administrative expenses	\$ (741)	\$ (796)
Net loss and comprehensive loss	(741)	(796)

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

3PL has entered into operating lease agreement for its premise. The annual basic lease commitment under this lease is as follows:

	2020	2021	2022	2023	2024 and thereafter
Leases	\$ 475	\$ 526	\$ 560	\$ 420	\$ -

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

13 Investments

	2019	2018
Civilized Worldwide Inc. (a)	\$ -	\$ 257
Cannabis Cowboy Inc. (b)	-	1
Fire & Flower Holdings Corp. (b)	538	-
	\$ 538	\$ 258

The investments are in unrelated third parties and are recorded at fair value through profit or loss in accordance with IFRS 9. As at November 30, 2019, the Company assessed these investments for changes in fair value and recorded an unrealized loss in the fair value of investments of \$518,786 as outlined below:

- The Company owns less than 5% of the issued and outstanding common shares of Civilized Worldwide Inc. During the year, the Company recognized an unrealized loss of \$257,388 resulting from a decrease in the fair value of Civilized Worldwide Inc.'s common shares.
- During the year ended November 30, 2018, the Company acquired a 25% interest in Cannabis Cowboy Inc. for \$25. On October 4, 2019, the Company sold its interest in Cannabis Cowboy Inc. for an aggregate price of \$1,010,000, of which \$800,000 was paid for through the transfer of 585,436 common shares of Fire & Flower Holdings Corp. and \$210,000 was settled through a promissory note receivable due on October 4, 2021. As a result, the Company recognized a gain on the sale of \$1,009,975. As at November 30, 2019, the Company recognized an unrealized loss of \$261,398 on the fair market value of the Fire & Flower Holdings Corp. common shares.

Subsequent to November 30, 2019, the Company transferred 100% of its investment in Fire & Flower Holdings Corp. to the holder of its \$5,000,000 convertible debenture to reduce its balance payable by \$800,000. See Note 25 for further details.

14 Gain on sale of assets and investments

	2019	2018
Sale of Cannabis Cowboy Inc. (a)	\$ 1,010	\$ -
Sale of Falcon (b)	(18)	-
Sale of GreenTec Retail SK Inc. (c)	261	-
Mable Lake Land & Building (d)	(90)	-
Other	-	31
	\$ 1,163	\$ 31

- See Note 13 (b).
- The Company sold 100% of the issued and outstanding common shares of Falcon to its previous owner for total cash consideration of \$200,000. The Company recorded a net loss of \$17,984 on the sale of Falcon. See Note 5 for further details.
- On November 29, 2019, the Company sold 100% of its interest in GreenTec Retail SK Inc. for total proceeds of \$365,000, of which \$66,700 was received in cash and \$298,300 was settled through the issuance of a promissory note receivable due on March 1, 2020. The Company recorded a gain of \$261,238 on the sale of GreenTec Retail SK Inc.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

- (d) On December 14, 2018 the Company sold a parcel of land and building located in Enderby, British Columbia for net proceeds of \$2,252,807. The Company incurred a loss of \$90,032 as a result of this transaction.

15 Promissory notes receivable

	2019	2018
BATC Investments Ltd. (a)	\$ 298	\$ -
Cannabis Cowboy Inc. (b)	210	2,450
	\$ 508	\$ 2,450

- (a) See Note 14 (c). Subsequent to the year ended November 30, 2019, \$290,000 was received, whereby an adjustment was made to the final purchase price to account for working capital adjustments after the close of the sale.
- (b) See Note 13 (b). The promissory note receivable is secured against the assets of Cannabis Cowboy Vernon Inc.

16 Convertible debentures

The Company's convertible debentures outstanding balance consists of:

	Maturity date			Total November 30, 2019	Total November 30, 2018
	June 10, 2020 (a)	October 17, 2020 (b)	October 17, 2020 (c)		
Principal amount	\$ 5,000	\$ 2,000	\$ 500	\$ 7,500	\$ 7,000
Liability portion	4,217	1,697	429	6,343	5,641
Transaction costs	(298)	-	-	(298)	(298)
Accretion	931	160	32	1,123	229
Carrying value	4,850	1,857	461	7,168	5,572
Equity portion	783	303	71	1,157	1,359
Transaction costs	(55)	-	-	(55)	(55)
Deferred income tax liability	(292)	(82)	(19)	(393)	(448)
Allocated to contributed surplus	436	221	52	709	856
Effective interest rate	22%	17%	17%		
Short-term portion	4,850	1,857	461	7,168	-
Long-term portion	-	-	-	-	5,572

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

(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.

Subsequent to the year ended November 30, 2019, the Company entered into an agreement to make two early payments, in the amount of \$800,000 on December 11, 2019 and \$500,000 on March 6, 2020, to its \$5,000,000 senior secured convertible debenture holder. The principal and interest balance of the loan has been reduced by \$1,300,000. See Note 25 for further details.

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

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

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

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

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

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

Accounting treatment

For accounting purposes, the above noted convertible debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated rate of 18.50% for debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debentures at effective rates noted above. The Company also recorded a deferred income tax liability as noted below that was recognized in equity relating to the difference between the Company's accounting and tax basis. During the year ended November 30, 2019, a recovery on the deferred income tax liability of \$19,230 (2018 - \$447,525) was recorded to recognize available deferred income tax assets.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

During the year ended November 30, 2019, the Company incurred interest expense of \$596,603 (2018 - \$207,781) and accretion expense of \$722,999 (2018 - \$229,828) on the convertible debentures, which has been recorded within interest and accretion on the consolidated statement of comprehensive loss. Of the interest expense incurred during the year, \$200,548 (2018 - \$207,781) has been recorded within current liabilities on the consolidated statement of financial position.

17 INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019	2018
Canadian statutory income tax rate	25 to 27%	25 to 27%
Income tax (recovery) at statutory rate	\$ (2,536)	\$ (3,496)
Permanent differences and others	(314)	118
Change in unrecognized deferred income tax assets	2,831	964
Deferred income tax recovery	\$ 19	\$ 2,414

The significant components of deferred income tax assets and liabilities are as follows:

	2019	2018
Non-capital losses	\$ 5,120	\$ 3,580
Biological assets and inventory	(68)	-
Capital assets	389	(10)
Convertible debentures	(86)	(385)
Debt issuance costs	46	64
Intangible assets	(1,820)	(1,965)
Investments	330	-
Share issuance costs	236	32
Unrecognized deferred income tax assets	(4,147)	(1,316)
Net deferred income tax assets	\$ -	\$ -

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

As at November 30, 2019, the Company has non-capital losses carried forward of approximately \$19,775,000 (2018 - \$13,285,000), which are available to offset future years' taxable income. These losses include the losses acquired through the acquisitions described in Note 5 and expire as follows:

2033	\$	114
2034		672
2035		111
2036		878
2037		1,569
2038		8,868
2039		7,563

18 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 and exercise of stock options and warrants

During the year ended November 30, 2019

- i. 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 finder's fees in the amount of \$292,470.
- ii. 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 finder's fees in the amount of \$388,480.
- iii. In connection with the private placements completed during the year ended November 30, 2019, the Company also incurred other cash share issuance costs of \$339,902.
- iv. The Company issued 650,867 common shares pursuant to the exercise of stock options for gross proceeds of \$234,778. In connection with the exercise of the stock options, the Company has also reallocated \$161,817 from contributed surplus to equity representing the fair value of the stock options exercised.
- v. The Company issued 20,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$50,000.

During the year ended November 30, 2018

- vi. 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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

become listed for trading on a recognized stock exchange. The Company also paid cash finders fees in the amount of \$377,705.

- vii. 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.
- viii. The Company issued 1,688,333 common shares pursuant to the exercise of stock options for gross proceeds of \$483,000. In connection with the exercise of the stock options, the Company has also reallocated \$390,533 from contributed surplus to equity representing the fair value of the stock options.

(b) Escrow shares

As at November 30, 2019, there were 15,104,640 common shares held in escrow. The following is a summary of escrow shares to be released:

Escrow release date	Escrow shares released	Balance
December 18, 2019	1,913	13,191
June 18, 2020	2,668	10,523
December 18, 2020	2,628	7,895
June 18, 2021	6,176	1,719

Of the common shares held in escrow summarized in the table above, as at November 30, 2019 there were 1,719,167 common shares held in escrow pursuant to the share purchase agreement described in Note 5 which will be released contingent upon the occurrence of future events.

(c) Share purchase warrants

Warrant transactions are summarized as follows:

	Number of shares	Weighted average exercise price
Balance – November 30, 2017	11,682	\$ 1.20
Granted	14,431	
Balance – November 30, 2018	26,113	1.41
Granted	12,459	
Exercised	(20)	1.50
Balance – November 30, 2019	38,552	\$ 1.24

The weighted average outstanding life of warrants outstanding as at November 30, 2019 is 1.11 years.

At November 30, 2019, the following share purchase warrants were outstanding:

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

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Number of share purchase warrants	Exercise price per share	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 year ended November 30, 2019 the Company recorded share issuance costs of \$493,598 reflecting the fair value of 1,104,488 finders warrants issued during the year. 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%

(d) Common shares issued pursuant to acquisition and consulting agreements**During the year ended November 30, 2019**

- i. The Company issued 200,000 common shares with a fair value of \$250,000 as compensation for consulting services provided during the year.
- ii. The Company issued 3,759,319 common shares with a fair value of \$2,250,000 pursuant to the triggering of contingent events for the Tumbleweed share purchase agreement described in Notes 20 and 24.
- iii. The Company issued 1,953,125 common shares with a fair value of \$1,250,000 pursuant to the 3PL share purchase agreement described in Note 12.
- iv. The Company issued 367,647 common shares with a fair value of \$250,000 pursuant to the triggering of contingent events for the Tumbleweed share purchase agreements described in Notes 20 and 24.
- v. The Company issued 1,719,166 common shares with a fair value of \$1,031,500 pursuant to the 1203648 share purchase agreement described in Note 5 and also issued an additional 1,719,167 common shares to be held in escrow until certain future conditions are met.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

- vi. The Company issued 2,222,222 common shares with a fair value of \$1,000,000 pursuant to the triggering of contingent events for the Grey Bruce share purchase agreements described in Notes 20 and 24.
- vii. The Company issued 1,200,000 common shares with a fair value of \$720,000 pursuant to the triggering of contingent events for the ACC share purchase agreement described in Note 5.

During the year ended November 30, 2018

- viii. The Company issued 1,180,895 common shares with a fair value of \$1,771,343 pursuant to the RTO Transaction described in Notes 1 and 5.
- ix. The Company issued 16,765,353 common shares with a fair value of \$10,059,212 pursuant to the ACC share purchase agreement described in Note 5.
- x. The Company issued 1,263,274 common shares with a fair value of \$1,000,000 pursuant to the triggering of contingent events for the ACC share purchase agreement described in Note 5.
- xi. The Company issued 1,288,253 common shares with a fair value of \$777,576 to certain consultants of the Company as compensation for the identification and assistance with the execution of the various purchase agreements described in Note 5.
- xii. The Company issued 425,000 common shares with a fair value of \$225,000 as compensation for consulting services provided during the year.
- xiii. The Company issued 1,600,490 with a fair value of \$1,250,000 for the acquisition of the Company's interest in 3PL as described in Note 12.

19 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 TSXV on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	Number of shares	Weighted average exercise price
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	4,598	0.61
Exercised	(651)	0.31
Expired / Cancelled	-	1.20
Balance – November 30, 2019	12,028	0.55

The weighted average outstanding life of stock options outstanding as at November 30, 2019 is 3.57 years.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

At November 30, 2019, the following stock options were outstanding:

Number of shares	Vested	Exercise price per share	Expiry date
1,825	1,825	0.20	Sep-Nov 2019
5,824	5,693	0.60 – 1.07	Jan-Nov 2021
950	950	0.60	Jan 2022
423	383	0.57 – 0.70	Mar-Apr2022
2,206	338	0.34	Aug 2024
800	600	0.30	Oct 2024
12,028	9,789		

The Company entered into several agreements with consultants for provision of services. As part of the agreements, the Company agreed to issue stock options in accordance with these contracts. As the full terms of these contracts have not been fulfilled, \$107,353 of the share-based compensation attributable to these consulting fees has been recorded as a prepaid expense (Note 7) on the consolidated statement of financial position.

(b) Share based payments

During the year ended November 30, 2019, the Company recognized share based payment expense of \$1,852,856 (2018 - \$2,609,389) that was recorded in the consolidated statement of comprehensive loss. The share based payments represents the fair value of stock options granted during the year ended November 30, 2019 and is estimated on the grant date using the Black-Scholes option pricing model. The share based payments also consist of common shares issued for services during the year. In addition, stock options granted to consultants for services to be provided over a period of time are recorded as prepaid expenses until the service period has been lapsed. The weighted average assumptions used in calculating the fair values of stock options granted are as follows:

	2019	2018
Share price	\$0.34 – \$0.78	\$0.67
Exercise price	\$0.34 – \$0.78	\$0.34
Risk-free interest rate	2.14% - 2.24%	1.40%
Expected life	3-5 Years	3 Years
Volatility	120 % - 208%	140%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

20 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 year ended November 30, 2019 consists of the following:

	2019	2018
Salaries and wages	\$ 373	\$ 122
Consulting fees	298	118
Share-based payments	835	1,627
	\$ 1,506	\$ 1,867

Related party balances

As at November 30, 2019, \$Nil (2018: \$803) was due to the Company's Chief Executive Officer and Director, Mr. Norton Singhavon ("Mr. Singhavon") for advances made to the Company.

As at November 30, 2019, \$30,000 (2018: \$Nil) was due to the Company's Vice President and Director, Mr. Michael Blady ("Mr. Blady") in connection with management services.

As at November 30, 2019, \$10,000 (2018: \$Nil) was due to the Company's Interim Chief Financial Officer, Ms. Kendra Blackford ("Ms. Blackford") in connection with management services.

As at November 30, 2019 the Company owes \$Nil (2018: \$5,000) to Kin-Man Lee, a former director of the reverse take over acquisition company.

Related party transactions

During the year ended November 30, 2019, the Company settled \$250,000 to Mr. Singhavon for reimbursement of funds that were used for general operating purposes, of which \$145,979 was paid in cash and \$104,021 was paid by issuance of 189,128 common shares at \$0.55 per share as part of the private placements described in Note 18.

During the year ended November 30, 2019, the Company settled \$325,000 to Mr. Blady for reimbursement of funds that were used for general operating purposes, of which \$50,000 was paid in cash and \$275,000 was paid by issuance of 500,000 common shares at \$0.55 per share as part of the private placements described in Note 18.

During the period ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce Farms Incorporated ("Grey Bruce"), 1118157 B.C. Ltd. ("1118 BC"), Zenalytic Laboratories Ltd. ("Zenalytic") and GreenTec Bio-Pharmaceuticals Inc. ("Bio-Pharma"). Each one of these entities was under common control with Mr. Singhavon and/or Mr. Blady. Certain milestones within these agreements remain outstanding and are disclosed under note 20.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Pursuant to the share purchase agreements for the above noted Companies, Mr. Singhavon received the following compensation and share based payments:

	2019	2018
Grey Bruce (a)	\$ 813	\$ -
Zenalytic (b)	-	1,000
Bio-Pharma (c)	-	-
1118 BC (d)	175	-
	\$ 988	\$ 1,000

Pursuant to the 1118 BC share purchase agreement, Mr. Blady received the following share based payments:

	2019	2018
1118 BC (d)	\$ 75	\$ -

a. Grey Bruce

On September 15, 2017, the Company executed a share purchase agreement with the shareholders of Grey Bruce whereby the Company acquired 100% of the issued and outstanding common shares and shareholder loans of Grey Bruce. At the time, Mr. Singhavon owned 65% of the issued and outstanding shares of Grey Bruce and \$165,000 of the shareholder loans. In connection with the acquisition of Grey Bruce, the Company made a cash payment of \$215,000 and issued 170,000 common shares valued at \$34,000. Mr. Singhavon received \$197,500 of the cash consideration and 110,500 of the common shares issued.

On May 6, 2019, the Company issued a cash payment of \$250,000 to the former shareholders of Grey Bruce in connection with Grey Bruce completing construction of a Health Canada approved cannabis production facility in compliance with the CA&R. Of the aggregate \$250,000, Mr. Singhavon received \$162,500.

On July 8, 2019, the Company issued 2,222,222 common shares with a fair value of \$1,000,000 in connection with Grey Bruce obtaining a license to produce cannabis under the CA&R. Of the aggregate 2,222,222 common shares, 1,444,768 common shares were issued to Mr. Singhavon.

In addition to the consideration described above, the Company has also committed to issue additional common shares valued at \$2,750,000 contingent on future events disclosed under Note 24. Of the aggregate \$2,750,000 in contingent share consideration, Mr. Singhavon is entitled to receive common shares with a fair value of \$1,787,500. Subsequent to November 30, 2019, the Company and the vendors of Grey Bruce entered into an amendment to the original share purchase agreement, whereby, Mr. Singhavon agreed to a reduced contingent share consideration of common shares valued \$1,000,000 upon Grey Bruce achieving 1,500 kg in aggregate cannabis sales.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

b. Zenalytic

On November 30, 2017, the Company executed a share purchase agreement with the shareholders of Zenalytic, whereby 100% of the outstanding common shares and shareholder loans of Zenalytic were acquired. At the time, Mr. Singhavon owned 65.21% of the issued and outstanding shares of Zenalytic and \$120,208 of the shareholder loans. In connection with the acquisition of Zenalytic, the Company made a cash payment of \$120,208 and issued 3,759,583 common shares valued at \$751,917. Mr. Singhavon received the cash consideration and 1,103,644 common shares.

During the year ended November 30, 2018, the Company issued 1,263,274 common shares valued at \$1,000,000 to the vendors of Zenalytic in connection with the achievement of certain milestones, which resulted from Zenalytic obtaining a dealer's license under the Narcotic Control Regulations or other such licence which would enable the entity to provide analytical lab testing of cannabis products for registrants under s. 56 Class Exemption, Controlled Drugs and Substances Act and Health Canada approval to conduct extraction of cannabis. Of the aggregate common shares issued, Mr. Singhavon received 1,098,274 common shares.

c. Bio-Pharma

On November 30, 2017, the Company executed a share purchase agreement with the shareholders of Bio-Pharma whereby the Company acquired 100% of the issued and outstanding common shares of Bio-Pharma. At the time, Mr. Singhavon owned 84% of the issued and outstanding shares of Bio-Pharma. In connection with the acquisition of Bio-Pharma, the Company issued 3,000,000 common shares valued at \$600,000, all of which were received by Mr. Singhavon as a vendor.

In addition to the consideration described above, the Company has also committed to issue common shares valued at \$8,250,000 contingent on future events disclosed under Note 24. Of the aggregate \$8,250,000 in contingent share consideration, Mr. Singhavon is entitled to receive common shares with a fair value of \$5,615,000.

Subsequent to November 30, 2019, the Company and the vendors of Bio-Pharma entered into an amendment to the original share purchase agreement, whereby, the vendors agreed to a contingent share consideration of common shares valued \$2,500,000. Mr. Singhavon will receive no further common shares of the Company in connection with the acquisition of Bio-Pharma as he has waived his entitlement.

d. 1118 BC

On November 30, 2017, the Company executed a share purchase agreement with the shareholders of 1118 BC whereby the Company acquired 100% of the issued and outstanding common shares of 1118 BC. At the time, Mr. Singhavon owned 70% and Mr. Blady owned 30% of the issued and outstanding shares. In connection with the acquisition of 1118 BC, the Company issued 500,000 common shares valued at \$100,000. Mr. Singhavon received 350,000 common shares and Mr. Blady received 150,000 common shares.

On April 4, 2019, the Company issued 367,647 common shares valued at \$250,000 in connection with Tumbleweed Farms Corp. ("Tumbleweed") completing construction of a Health Canada approved cannabis production facility. In connection with such issuance, Mr. Singhavon received 257,353 common shares and Mr. Blady received 110,294 common shares.

In addition to the consideration set out above, the Company has also committed to issue common shares valued at \$500,000 contingent on future events disclosed under Note 24. Of the aggregate \$500,000 in contingent share consideration, Mr. Singhavon and Mr. Blady are entitled to receive common shares valued at \$350,000 and \$150,000, respectively.

Subsequent to November 30, 2019, the Company and vendors of 1118 BC entered into an amendment to the original share purchase agreement, whereby, the vendors agreed to waive their entitlement to the remaining contingent share consideration.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

e. 1203648

On April 10, 2019 the Company's subsidiary, Greentec Retail Ventures Inc. acquired all the issued and outstanding shares of 1203648 (see Note 5). Pursuant to the share purchase agreement, the Company paid the sum of \$47,706 in cash to the vendors, cancelled debt of \$2,294 and issued 3,438,333 common shares. 50% of the common shares issued remain in escrow. In connection with the acquisition, Mr. Singhavon was considered a related party due to one of the vendors of 1203648 B.C. Ltd being an immediate family member and being entitled to receive 27.19% of the common shares.

21 Financial instruments

a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investment, promissory notes receivable, deposits, accounts payable, interest payable and convertible debentures. The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

i) Credit risk

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

As at November 30, 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.

iv) Maturity risk

The Company's cash and cash equivalents balance at November 30, 2019 was in the amount of \$1,968,575. At November 30, 2019, the Company had accounts receivable of \$1,572,524, accounts payable and accrued liabilities of \$1,740,673 and interest and short-term debt payable of \$7,168,160. All accounts payable and accrued liabilities are current.

As at November 30 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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

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

The following table summarizes the maturities of the Company's financial liabilities as at November 30, 2019 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 3 years
Accounts payable	\$ 1,740	\$ 1,740	\$ 1,740	\$ -
Short-term payable	7,168	8,083	8,083	-
	\$ 8,908	\$ 9,823	\$ 9,823	\$ -

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 November 30, 2019, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and investments, with a fair value of \$2,507,176 (2018 - \$917,601).

22 Capital management

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

23 Supplemental cash flow information

	2019	2018
Interest paid	\$ 639	\$ 208

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

24 Commitments and contingencies

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

Grey Bruce

In connection with the achievement of certain milestones, the Company paid \$250,000 to the vendors of Grey Bruce on May 6, 2019, and also issued 2,222,222 common shares valued \$1,000,000 on July 8, 2019.

As at November 30, 2019, the Company has committed to issue common shares valued at \$2,750,000 contingent on future events as follows:

Trigger event	
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
	\$ 2,750

As at November 30, 2019 Grey Bruce's first harvest passed quality assurance and quality control tests as set out by Health Canada, thereby triggering the contingent consideration which become payable at year-end. The Company recorded shares issuable of \$300,000 as part of contributed surplus on the consolidated statement of changes in equity.

Subsequent to the year ended November 30, 2019, the Company entered into an amending agreement dated March 13, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated September 15, 2017. As such, one of the vendors, Mr. Singhavon will accept a reduced milestone payment of \$1,000,000 in lieu of the original entitlement of \$1,787,500. This reduces the amount owing for the first milestone noted above to \$105,000 as Mr. Singhavon was owed approximately 65% of the remaining contingent consideration. Since the second milestone was satisfied on December 23, 2019 the Company intends to issue \$210,000 of common shares in satisfaction with the above mentioned milestone payments. Accordingly, the Company plans to issue 381,818 common shares to the vendors.

In addition to the above, the amending agreement raised the floor price of the common shares in the capital of the Company to be issued to the vendors of Grey Bruce Farms (excluding Mr. Singhavon).

The numbers of common shares issuable upon the occurrence of future events are to be based on the greater of (A) the then ten-day volume-weighted average trading price of the Company's common share and (B) the last commercial financing undertaken by the Company, currently \$0.55 per common share of the Company. Mr. Singhavon has also agreed to raise the floor price of the Common Shares to be issued in connection with the Cannabis Sales Milestone to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Common Shares, and (B) \$1.00. In consideration for entering into the Amending agreement the Company has agreed to pay the vendors a one-time cash payment of \$25,010 of which Mr. Singhavon will receive \$10.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

1118157 and Tumbleweed

In connection with the achievement of certain milestones, the Company issued 367,647 common shares valued at \$250,000 on April 23, 2019 to the vendors of 1118 BC.

As at November 30, 2019, the Company has committed to issue common shares valued at \$500,000 contingent on future events as follows:

Trigger event	
Tumbleweed obtaining a license to produce cannabis under CA&R	\$ 250
Tumbleweed obtaining a license to sell cannabis under the CA&R	250
	\$ 500

Subsequent to the year ended November 30, 2019, the Company entered into an amending agreement dated March 13, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated November 22, 2017. As such, the Vendors of 1118157 B.C. Ltd., Mr. Blady and Mr. Singhavon have agreed to waive all entitlement to the remaining milestone payments.

The Company also assumed certain commitments of 1118 BC through its acquisition of Tumbleweed.

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 the Company at a deemed price equal to the 30-day VWAP.
- Upon the Company completing the construction of and receiving an occupancy permit for a Health Canada-approved cannabis production facility in compliance with the Regulations, the Company is to make a cash payment of \$250,000.

In connection with the Amending Agreement, on March 22, 2019 the Company issued an aggregate of 3,759,319 of common shares and paid \$250,000 in satisfaction of the above-mentioned milestone payment to the vendors of Tumbleweed.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

As at November 30, 2019, 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	
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.

Subsequent to the year ended November 30, 2019, the Company entered into an amending agreement dated February 4, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated August 12, 2017. As such, the Company issued 7,500,000 common shares valued at \$1,350,000 in satisfaction of the above mentioned milestone payments. As per the amended terms, the revised milestone payments for each of the first four harvests were valued at \$300,000 each and the milestone payment for the fifth harvest was valued at \$150,000. The issuance of these shares will be the final share issuance relating to milestone payments for the Tumbleweed acquisition and there will be no further payments, whether in cash or shares.

Bio-Pharma

As at November 30, 2019, the Company has committed to issue common shares valued at \$8,250,000 contingent on future events as follows:

Trigger event	
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

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

Subsequent to the year-ended November 30, 2019, on March 13, 2020, the Company entered into an amending agreement with the vendors of Bio-Pharma amending certain terms and conditions of the definitive share purchase agreement, dated November 15, 2017. The vendors of Bio-Pharma agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of Bio-Pharma are reduced by \$5,750,000. In addition to reducing the milestone payments, the vendors of Bio-Pharma agreed to restructure the remaining milestones and raise the floor price of the Common Shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) \$1.00. Of the \$5,750,000 reduction to the Company's payment obligations, \$5,615,000 of the remaining milestone payments was waived by Mr. Singhavon.

Lease Agreements

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

	2020	2021	2022	2023	2024 and thereafter
Leases	\$ 636	\$ 628	\$ 652	\$ 571	\$ 182

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.

25 Subsequent Events

- a) On December 11, 2019, the Company entered into an agreement to make an early payment of \$800,000 of principal and interest to its \$5,000,000 senior secured convertible debenture holder. The payment was made through the transfer of the Company's Fire & Flower Holdings Corp. See Note 13 for further details.
- b) On December 11, 2019, the Company granted 300,000 stock options to Triomphe Holdings Ltd in relation to consulting services provided. The stock options are exercisable at a price of \$0.30 per share for a term of two years and will vest immediately.
- c) On December 16, 2019, the Company issued 150,000 common shares pursuant to the exercise of stock options for gross proceeds of \$45,000.
- d) On December 24, 2019, the Company extended and revised an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics. As part of the transaction, the Company has agreed to issue 1,900,000 common shares to the consulting firm.
- e) On December 27, 2019, the Company extended its engagement with an investor relation firm, MariCom Inc. Pursuant to the agreement, MariCom will continue to provide services to the Company for a period of 12 months. In consideration for the services, the Company will issue 200,000 stock options to purchase common shares of the Company. The stock options are exercisable at a price of \$0.30 per share for a term of two years and will vest in equal installments quarterly.
- f) On February 4, 2020, the Company entered into an amending agreement with the vendors of Tumbleweed amending certain terms and conditions of the definitive share purchase agreement dated August 12, 2017. As such, the Company issued 7,000,000 common shares valued at \$1,350,000 as final payment for the remaining contingent share consideration. See Note 24 for further details.
- g) On February 20, 2020, the Company renewed its engagement with an investor relations firm, Oak Hill Financial. Pursuant to the agreement, Oak Hill will continue to provide services to the Company for a period of six months. In consideration for the services, the Company will issue 60,000 stock options to purchase common shares of the Company. The stock options are exercisable at a price of \$0.16 per share for a term of two years and will vest in equal installments quarterly.

GTEC HOLDINGS LTD.

Notes to the Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Tabular amounts expressed in CDN \$000's, except per share amounts)

- h) On March 6, 2020, the Company received the final balance owing from the share purchase agreement entered into on November 29, 2019 with BATC Investments Ltd. in the amount of \$290,000.
- i) On March 6, 2020, the Company entered into an agreement to make an early payment of \$500,000 of principal and interest to its \$5,000,000 senior secured convertible debenture holder.
- j) On March 13, 2020, the Company entered into an amending agreement with the vendors of Grey Bruce, amending certain terms and conditions of the definitive share purchase agreement dated September 15, 2017. As such, the Company came to an agreement with the vendors and Mr. Singhavon which reduced the contingent share consideration owing from \$2,750,000 to \$1,787,500. In addition, the vendors agreed to raising the floor price of the common shares. See Note 24 for further details.
- k) On March 13, 2020, the Company entered into an amending agreement with the vendors of Bio-Pharma, amending certain terms and conditions of the definitive share purchase agreement dated November 15, 2017. As such, the Bio-Pharma vendors have agreed to reduce their entitlement to a portion of the purchase price such that the remaining contingent share consideration in connection with the Bio-Pharma acquisition are reduced by \$5,750,000. See Note 24 for further details.