GTEC HOLDINGS

TSXV: GTEC OTC: GGTTF FRA: 1BUP

Q3 2019

October 9, 2019

Management's Discussion & Analysis

For the Three and Nine Month Periods Ended August 31, 2019

(Expressed in Canadian Dollars)

October 9, 2019

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

Key financial highlights of the Third Quarter of Fiscal 2019

- Significant revenue growth of 845%, from the sale of 212 kilograms ("**kg**") of cannabis, for total revenue in excess of $1 million *(Q3 revenues were solely from the Company's Alberta Craft Cannabis facility)*;
- Gross margin increased by 752% to $639,000, while continuing to achieve favourable margins of 62% before fair value adjustments, representing increased production and efficiency that continues to improve as the Company realizes economies of scale;
- Operating expenses were reduced by 37%, representing a $1.1 million reduction, as a result of management's determination in implementing strict internal finance protocols; and
- Net operating loss of $1.1 million and net loss of $2.3 million.

Key operating highlights of the Third Quarter of Fiscal 2019

- Increased annual production capacity by over 200% to 4,000 kg of indoor flower, with the expectation of reaching full capacity utilization by the end of Q4 2019;
- Successfully executed all of the Company's licensing initiatives for 2019, which included:
    - ACC receiving a *Standard Processing* Licence on July 26, 2019 (for sales into the Provincial & Territorial supply chains);
    - ACC receiving a *Medical Sales* Licence on July 26, 2019 (for direct online sales to medical patients);
    - Grey Bruce receiving a *Standard Cultivation* Licence on July 5, 2019; and
    - Tumbleweed receiving a *Standard Cultivation Licence, Standard Processing Licence and Medical Sales* Licence on August 16, 2019;
- Commenced cultivation at Grey Bruce Farms, which commenced its first harvest less than 90 days after receiving its licence;
- Commenced cultivation at Tumbleweed Farms with its first production harvest expected in December 2019;
- Introduced over 30 new premium cultivars ("**strains**") into GTEC cultivation facilities. The majority of these cultivars are not currently available from other Licenced Producers and are predominantly a high THC profile;
- Flagship medical brand GreenTec ™ was added to CannaFarms' (a wholly owned subsidiary of VIVO) online medical e-commerce platform;
- Established relationships with new B2B buyers: Cronos, TerrAscend, VIVO and Indiva;
- Produced 188 kg of cannabis at ACC, with an average production cash cost of $1.85 per gram;
- Implemented infrastructure upgrades at ACC, resulting in an improvement of efficiency, yield and product quality;
- Restructured corporate and operating functions to streamline and minimize the company's cash burn going forward; and
- Revised the overall corporate strategy to focus on the cultivation and extraction of premium indoor flower.

Key subsequent events of the Third Quarter of Fiscal 2019

- A strong cash balance of $4.4 million (as of October 8, 2019), as a result of the following:
    - Received $4.06 million in a debt repayment from Cannabis Cowboy Inc.;
    - Received $250,000 deposit repayment from Canopy Growth Corp. as a result of not proceeding with a Purchase and Sale Agreement related to an acquisition target; and

  - Generated $456,504 in revenue, from the sale of 85kg of cannabis at an increased average selling price of $5.60 per gram for flower.
- Entered into an agreement to divest its 25% ownership in Cannabis Cowboy for gross proceeds of $1 million in stock and secured notes;
- Entered into an agreement to make an early payment of $800,000 towards its $5 million convertible debenture maturing June 2020, which payment is expected to be made October 15, 2019; and
- Grey Bruce Farms commenced its first harvest, consisting of GTEC's new cultivars, which is expected to launch into the Provincial and Territorial adult-use supply chains in November 2019.

Liquidity and Capital Resources

As at the date of this MD&A, the Company had a cash balance of $4.4 million. Based on the current financial resources and fiscal 2020 projected revenues, the Company anticipates that it has sufficient financial resources to continue the construction of its GreenTec BP and 3PL assets, and to fulfil all debt obligations due in the second half of fiscal 2020, without further equity dilution to its shareholders or assuming additional debt obligations.

The Company now has three licensed facilities, with production and sales increasing month over month as Grey Bruce and Tumbleweed enter into full production. The Company is expecting a current annualized output of 4,000 kg [(A)] from the existing facilities.

Note (A): This estimate is consistent with historical output based on an output of 200 to 235 grams per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest).

Over the duration of this quarter, management committed to restructure its corporate overhead and implement disciplined cost controlling measures in order to significantly reduce its cash burn. As a result, these initiatives have strengthened the organization's financial position and the operational expenses were reduced by 37% or $1.1 million.

The current fiscal year to date, had required several one-time expenses related to Health Canada regulatory licencing, legal fees for M&A, consultants, corporate development, financing initiatives, and general development costs. This resulted in the Company incurring greater than normal corporate overhead costs. Management remains committed to operating in a disciplined and fiscally responsible manner, and management anticipates that the Company will be entering into a steady state of operations, where corporate expenditures are expected to be significantly reduced going forward and into the 2020 year.

As previously announced, the Company has taken a strategic review of non-core / non-operational assets in order to strengthen its balance sheet and reduce its cash burn in preparation to repay its debt obligations due in Q3 and Q4 2020. Through these initiatives, the Company received a $4.06 million outstanding loan repayment from Cannabis Cowboy, and concurrently entered into an agreement to divest its 25% equity stake in Cannabis Cowboy for a sum of $1 million. The divestment is expected to close on or before October 15, 2019.

The Company will continue to review its non-performing assets and investments and explore strategic opportunities with the objective to utilize its cash flow to re-invest in near term accretive assets within the GTEC group of companies.

On October 2, 2019, the Company entered into an agreement to make a payment of $800,000 to its senior secured $5 million convertible debt holder. Upon the completion of the payment, which is expected to occur on or before October 15, 2019, the balance of the loan will be $4.2 million.

Outlook and Strategy

The Company's objective to produce, market and distribute ultra-premium quality indoor cannabis is being accomplished through the determination and execution of the GTEC team. The Company commenced with the development of five cultivation facilities across Canada, of which three are now licenced and operational. As a result, the Company is now revenue generating with production growth to increase significantly throughout the upcoming fiscal quarters.

The Company has commenced divesting of non-core / non-operational assets to strengthen its balance sheet, while focusing the organization's resources on the cultivation and extraction of premium indoor flower and its derivatives, with the mandate to establish long-term brand equity and consumer loyalty by distributing premium quality cannabis products.

Management anticipates that the Company will continue to achieve quarter-to-quarter sales growth until all of its production facilities are complete, licenced and fully operational. Upon achieving its full capacity target of approximately 9,000 kg [B] during the fiscal 2020 year, the Company will re-evaluate additional opportunities for expansion or acquisitions through internal cashflow.

Note (B): This estimate is consistent with historical output based on an output of 200 to 235 grams per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest).

The Company continues to build-out and execute its strategic plan, with the following outlook:

- Currently producing premium quality indoor flower, with ultra-premium flower to commence harvesting in Q4 of 2019;
- Transition all existing facilities into the new cultivars, with the objective to increase the Company's overall average selling price and gross margin;
- Q4 2019 production is now estimated between 320 kg and 370 kg of cannabis. The decreased production estimates from Q2 is due to delays in achieving full production within the newly licensed operations;
- Launch BLK MKT™ and Tenzo™ into the Provincial supply chains for adult-use / recreational sales, which include British Columbia, Alberta and Saskatchewan;
- Build and launch a medical sales business utilizing ACC's Medical Sales Licence;
- Increase customer base, building on the existing base of B2B clients (Licensed Cannabis Companies);
- Continue the development of its GreenTec BP and 3PL facilities, which are now expected to be completed in 2020 (previously Q4 2019). The Company has deferred the completion timelines to align the capital expenditures with revenue and cash flow;
- Maximize the economic value of harvested plants, by optimizing the ratio of marketable components; such as the sale of flower, popcorn, and trim; as well as, converting its trim to value-add products (i.e. oil or pre-rolls); and
- Management's objective is to be cash flow positive from operations within the first half of fiscal 2020.

OVERVIEW OF BUSINESS

GTEC Holdings is a specialized cannabis company dedicated to cultivating ultra-premium quality cannabis in purpose-built indoor facilities. The company currently holds the following licences issued by Health Canada pursuant to the *Cannabis Act and Regulations*; three *Standard Cultivation* licences, two *Standard Processing* licences (for adult-use sales into the Provincial and Territorial supply chains), two *Medical Sales* licences (for direct to medical patients), *Standard Processing* (for extraction), and *Analytical Testing*.

The management team is comprised of diverse experts from senior roles at leading global food & beverage, CPG and premium alcohol companies. GTEC has completed three cultivation facilities and is currently cultivating and selling cannabis. GTEC's genetic portfolio is comprised of over 30 unique cultivars that have been developed through a comprehensive phenotyping process, which is expected to deliver a sustainable competitive advantage and provide favourable gross margins. GTEC's ultra-premium indoor flower will be marketed and sold under its flagship trademarked brands; BLK MKT™, Tenzo™, GreenTec™, Cognōscente™ and Treehugger™.

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

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

Cultivation Facilities

	GTEC CONSOLIDATED	ACC	GREY BRUCE	TUMBLEWEED	GBP	3PL
Location	**Canada**	Alberta	Ontario	BC	BC	BC
Total Size (Sq ft)	**119,000**	14,000	15,000	10,000	20,000	60,000
Production Output (g)	**12.1 million[1]**	1.3 million	1.64 million	1 million	2.15 million	6 million
Est Completion		Complete	Complete	Complete	2020	2020
Licence(s)		Cultivation, Processing, Sales (Medical)	Cultivation	Cultivation Processing, Sales (Medical)	In Progress	In Progress
Expansion Potential (Sq ft)	**840,000**	NIL	500,000	100,000	60,000	180,000

Note (1) Total production output from all operating facilities is 12.1 million grams. This estimate is consistent with historical output based on an output of 200 to 236 grams per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest). The company's share of the total output is 9.09 million grams, due to the company's 49% ownership in 3PL.

Alberta Craft Cannabis ("ACC")

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

ACC has a fully built and operational 14,000 square foot cannabis production facility capable of producing 1.3 million grams of dried cannabis flower annually.

ACC commenced selling cannabis in Q4 2018 and subsequently ramped up to full production. ACC produced 188 Kg of cannabis in Q3 and 373 Kg for the nine-month period at an average cash cost of $1.84 per gram. Of this production, 212 Kg was sold in Q3 at $5.50 per gram for flower, $4.00 per gram for popcorn and $3.25 for trim. As at the balance sheet date 145 Kg remains in inventory; representing 86 kg of flower, 10 kg of popcorn and 49 kg of trim. Subsequent to August 31, 2019, the majority of the inventory held at quarter end was sold. As production ramps up to full capacity in Q4, the Company expects the average cash cost per gram to decline for the remainder of the year.

Grey Bruce Farms Inc. ("Grey Bruce")

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

Tumbleweed Farms Corp. ("Tumbleweed")

Tumbleweed Farms Inc. was granted Standard Cultivation, Standard Processing and Medical Sales Licenses, pursuant to the *Cannabis Act and Regulations* by Health Canada on August 16, 2019. Tumbleweed has a fully built and operational 10,000 square foot cannabis production facility capable of producing 1 million grams of dried cannabis annually. Tumbleweed is ramping up to full production and is expected to complete its first harvest in December 2019.

Tumbleweed is located in Chase BC, about 8 kilometres from the Trans-Canada Highway. The property sits on 23 acres of land with significant future expansion capabilities and access to an on-site gravity fed natural artesian well.

GreenTec Bio-Pharmaceuticals Inc. ("GBP")

GreenTec Bio-Pharmaceuticals Inc. has completed the exterior of its purpose-built indoor facility and is in the process of completing the interior development.

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

The Company has completed development of the exterior and has spent $2.9 million as at the balance sheet date. The Company anticipates completion of the facility in the first half of 2020 and is anticipating to spend $3.7 million to complete the facility and commence the process to obtain licensing.

Previously, the Company had anticipated on completion of the facility in Q4 2019, however, after completing an extensive financial review, management determined that capital expenditures on this development should be aligned with receiving the proceeds from the Company's other operations to align its objectives of growth through internally produced cash flows. The Company has the flexibility to adjust its development schedules based on available cash flows and may further defer development if required.

3PL Ventures Inc. ("3PL")

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

The facility is about 60% complete and is expected to be completed in Q1 2020 and commence the licensing process. The Company is expected to spend $1 million in Q1 2020 upon completion of construction to earn its 49% share of production.

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

Lab and Extraction Facilities

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

Zenalytic Laboratories Ltd. ("Zen Labs")

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

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

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

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

Spectre Labs Inc. ("Spectre")

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

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

Retail and Distribution

The Company is divesting of non-core / non-operational assets to strengthen its balance sheet, while focusing the organization's resources on the cultivation and extraction of premium indoor flower and its derivatives, with the mandate to establish long-term brand equity and consumer loyalty by marketing its premium quality cannabis products.

Following a strategic review, management concluded that the Company cannot generate adequate risk-adjusted returns in its retail cannabis operations. Moreover, the company does not believe that it can achieve sustainable competitive advantage in the retail cannabis space, competing against larger competitors with a stronger presence in this sector. Accordingly, management intends to divest its retail assets based on receiving appropriate offers.

1203648 B.C. Ltd. – 100% Ownership

In May 2019, the Company completed its acquisition of 1203648 B.C. Ltd. for an aggregate purchase price of $2,113,000. The primary asset of 1203648 B.C. Ltd.is a 4,000 square foot retail space, which was designed specifically for cannabis retail and located in an affluent and diverse neighborhood in Vancouver, B.C.

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

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

GreenTec Retail Saskatchewan Inc. has made significant progress by establishing a 'bricks and mortar" retail store in Nipawin, Saskatchewan and an e-commerce fulfillment center in Saskatoon, Saskatchewan. Both of these locations are expected to supply the recreational cannabis market in the province of Saskatchewan.

FINANCIAL OPERATING RESULTS

Q3 Results Trend Analysis

Revenues are increasing with the completion, receipt of licensing and ramp up of operations on the three facilities, quarter on quarter. Further, management's focus to reduce expenditures has resulted in a decrease in operating expenses of 37% over the prior Q2 2019 quarter and a decrease of 35% over the prior year comparative Q3 2018 quarter. This led to an overall improved performance for the Company of 23% over the prior quarter and 50% over the prior year comparative quarter, recognizing net loss from operations.

	Q3 19	Q2 19	Change %	Q3 18	Change %
Revenue	$ 1,031	$ 109	845%	$ -	-
Cost of sales	392	34	1053%	-	-
Gross margin before fair value adjustments	639	75	752%	-	-
Unrealized gain (loss) on changes in fair value of biological assets	(106)	1,120	(109%)	288	(137%)
Gross margin	533	1,195	(55%)	288	85%
Operation expenses					
Amortization	211	29	628%	79	167%
Business fees and licenses	71	169	(58%)	19	274%
Consulting fees	-	574	(100%)	600	(100%)
Management fees	133	320	(58%)	19	600%
Marketing and advertising	47	304	(85%)	595	(92%)
Office and miscellaneous	277	29	855%	275	1%
Professional fees	213	254	(16%)	556	(62%)
Salaries and wages	500	781	(36%)	298	68%
Travel	68	120	(43%)	45	51%
Facility rent and utilities	160	106	51%	89	80%
	1,680	2,686	(37%)	2,575	(35%)
Net loss from operations	$ (1,147)	$ (1,491)	23%	$ (2,287)	50%
Net loss per common share					
Basic and fully diluted	$ (0.02)	$ (0.02)	0%	$ (0.03)	33%

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

Three and Nine Month Periods Operating Results

The Company increased revenues by 845% and decreased operating expenses by 37% from the previous quarter, reflecting management's efforts to increase sales and decrease operating expenses. The Company recognized a gross margin before fair value adjustments of $639,000 or 62% during Q3 ($778,000 or 63% for the nine-month period), a quarterly net loss from operations of $1.1 million ($4.2 million for the nine-month period) and a quarterly net loss of $2.3 million ($7.4 million for the nine-month period).

	Three months ended August 31		Nine months ended August 31	
	2019	2018	2019	2018
Revenue	$ 1,031	$ -	$ 1,233	$ -
Cost of sales	392	-	455	-
Gross margin before fair value adjustments	639	-	778	-
Unrealized gain on changes in fair value of biological assets	(106)	288	1,242	288
Gross margin	533	288	2,020	288
Operating expenses				
Amortization	211	79	423	79
Business fees and licenses	71	19	262	108
Consulting fees	-	600	704	1,489
Management fees	133	19	583	65
Marketing and advertising	47	595	526	696
Office and miscellaneous	277	275	562	591
Professional fees	213	556	871	1,355
Salaries and wages	500	298	1,675	592
Travel	68	45	295	122
Facility rent and utilities	160	89	353	216
	1,680	2,515	6,254	5,253
Net loss from operations	(1,147)	(2,287)	(4,234)	(5,025)
Other expense				
Equity loss on investment in associate	(94)	-	(319)	-
Loss on sale of assets	-	-	(109)	-
Interest and accretion	(343)	(179)	(977)	(173)
Investment loss	(250)	-	(250)	-
Share based payments	(420)	(12)	(1,495)	(2,039)
Net loss before income tax	(2,254)	(2,478)	(7,384)	(7,237)
Deferred income tax	-	-	(54)	-
Net loss	$ (2,254)	$ (2,478)	$ (7,438)	$ (7,237)

Gross Margin

The Company recognized a gross margin before fair value adjustments of $639,000 for Q3 and $778,000 for the nine-month period. The Company produced 188 kg of cannabis at an average cash cost of production of $1.85 per gram in Q3 from the ACC operation. Sales for the quarter were 212 kg at an average price of $5.50 for flower, $4.00 for popcorn and $3.25 for trim.

The Company continued to ramp up production from ACC with total production of 373 kg for the nine-month period, at an average cash cost $1.85 per gram. As a result, the nine-month period included sales of 246 kg and a gain on fair value adjustments of $1.2 million resulting in a net gross margin for the nine-month period of $2 million.

Operating Expenses

Management has made significant efforts to decrease operating and corporate expenses in Q3 2019, whereby there was a 35% decrease over the same quarter of 2018 and a 37% decrease over the previous quarter 2019. For the nine-months ended, operating and corporate expenses increased by 19% over the same quarter of 2018, reflecting the ramp up in production. The changes in operating expenses in Q3 2019 over the same quarter of 2018 decreased by 35%, details as follows:

- Amortization increased by $132,000 as additional assets at operating facilities became available for use upon receiving licences;
- Business fees and licences increased $52,000 as the company had licensing requirements for its subsidiaries, as well as various listing fees;
- Consulting fees decreased by $600,000 to $nil due to the Company's discontinued reliance on third party consultants;
- Management fees increased by $114,000 due to the company's continued increase in operational management positions;
- Marketing and advertising expenses decreased by $548,000 as the Company focused its efforts on completing construction, licensing and harvesting at three of the production facilities. Prior year expenses related to one-time marketing initiatives;
- Office and miscellaneous expenses represented a minimal increase;
- Professional fees decreased by $343,000 as the prior year included various expenses related to the company going public and related financings. Current period expenses relate to the financing that occurred previously in the year, continued acquisition due diligence and ongoing corporate activity;
- Salaries and wages increased by $202,000 due to the addition of salaried employees within head office and the licensed facilities;
- Travel increased slightly due to the increase in travel to ACC and Grey Bruce operations, relating to the ramp up in production; and
- Facility rent and utilities increased $71,000 due to the ramp up in production, resulting in higher utility costs and additional leased retail spaces under 1203648 B.C. Ltd. and GTEC Sask.

Other Expense

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

- Interest and accretion increased due to accrued interest on the $5.0 million Convertible Debenture and accrued interest on the $2.5 million Convertible Debenture (see note 13 of the condensed interim consolidated financial statements for the period ended August 31, 2019);
- Share-based payments related to employee share based payments, consulting services and the fair value of stock options vested in the period;
- Equity loss on investment in associate, relates to the Company's 49% ownership over 3PL; and
- Investment loss is due to a refundable deposit in relation to a purchase of a business asset entered into on November 2, 2018, whereby it was not reasonably certain that the Company would be able to receive repayment on the deposit.

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

Quarterly Trend Analysis Previous 2 Years

	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17
Revenue	**$ 1,031**	$ 109	$ 93	$ 58	$ -	$ -	$ -	**$ -**
Cost of sales	**392**	34	68	42	-	-	-	**-**
Gross margin before fair value adjustments	**639**	75	25	16	-	-	-	**-**
Unrealized gain (loss) on changes in fair value of biological assets	**(106)**	1,120	520	(67)	228	-	-	-
Gross margin	**533**	1,195	545	(51)	228	-	-	-
Operating expenses	**1,680**	2,686	2,140	2,753	2,515	1,490	1,301	434
Net loss from operations	**(1,147)**	(1,491)	(1,595)	(2,804)	(2,287)	(1,490)	(1,301)	(434)
Other income (expense)	**(1,107)**	(826)	(1,217)	(2,906)	(191)	2	(2,023)	(489)
Net loss before income tax	**(2,254)**	(2,317)	(2,812)	(5,710)	(2,478)	(1,488)	(3,324)	(923)
Deferred income tax	**-**	-	(54)	2,414	-	-	-	**-**
Net loss and comprehensive	**(2,254)**	(2,317)	(2,866)	(3,296)	(2,478)	(1,488)	(3,324)	(923)

Since the Company started operations in 2017, ACC, Grey Bruce and Tumbleweed successfully accomplished licensing and at the end of Q3 2019, all three facilities are cultivating. ACC had revenues during Q3 in excess of $1.0 million, representing an 845% increase over the prior quarter. Operating expenses have decreased by 37% over the prior quarter as the Company realizes economies of scale and managements effort to reduce corporate and operational costs. Further, the increase in prior operating expenses related to construction and ramp up to production within ACC, Grey Bruce and Tumbleweed.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended August 31		Nine months ended August 31	
	2019	2018	2019	2018
Cash used in operating activities				
- Before changes in non-cash working capital items	**$ (990)**	$ (2,349)	**$ (5,291)**	$ (4,801)
- After changes in non-cash working capital items	**(418)**	(2,921)	**(6,736)**	(5,036)
Cash flows used for investing activities	**(1,352)**	(5,871)	**(5,761)**	(17,141)
Cash flows from financing activities	**52**	13,259	**12,093**	24,100
Net cash (outflows) inflows	**$ (1,718)**	$ 4,467	**$ (404)**	$ 1,923
Cash and cash equivalents balance	**$ 514**	$ 4,365	**$ 514**	$ 4,365

As at August 31, 2019, the Company had a working capital surplus of $1.7 million, which included a cash balance of $513,629 and a promissory note receivable of $4.0 million; which has been received subsequent to quarter end (refer to subsequent events note 20 within the condensed consolidated interim financial statements).

The Company had operating cash outflow of $5.3 million during the nine-month period of 2019, which was an increase over the same period of 2018 due to the ramp up of operations in 2019. The increase in cash outflow after working capital items was due to the repayment of accounts payables, the build up of cannabis and biological asset inventory and interest accruals during the 2019 period.

The Company had financing cash inflows of $12.0 million through the issuance of $11.2 million of common shares, net of issuance costs through an equity financing, the issuance of a $500,000 convertible debenture and $355,000 in stock option and warrant proceeds for the nine-month period of 2019.

With the cash inflow from financing activities, the Company used the funds to continue to execute on its long-term strategy by allocating $5.0 million to complete the construction of the Grey Bruce and Tumbleweed facilities, which are now complete, licensed and cultivating as of the date of this MD&A. The Company also advanced $1.6 million to Cannabis Cowboy for development of the retail strategy in Alberta, whereby the total of the promissory note of $4.0 million has been repaid to the Company as of the date of this MD&A.

As a result of the financings executed during the 2019 period, the Company now has three licensed and cultivating production facilities. ACC is now operating at full production capacity and surpassed $1.0 million in sales during Q3. ACC received a Standard Processing and Medical Sales Licence in July 2019, which will open further revenue channels; while Grey Bruce and Tumbleweed will cultivate their first harvests in Q4 2019 and Q1 2020.

As at the date of this MD&A, the Company had a cash balance of $4.4 million. Based on the current financial resources and fiscal 2020 projected revenues, the Company anticipates that it has sufficient financial resources to continue the construction of its GreenTec BP and 3PL assets, and to fulfil all debt obligations due in the second half of fiscal 2020, without further equity dilution to its shareholders or assuming additional debt obligations.

The Company now has three licensed facilities, with production and sales increasing month over month as Grey Bruce and Tumbleweed enter into full production. The Company is expecting a current annualized output of 4,000 kg [A] from the existing facilities.

Note (A): This estimate is consistent with historical output based on an output of 200 to 235 grams per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest).

Over the duration of this quarter, management committed to restructure its corporate overhead and implement disciplined cost controlling measures in order to significantly reduce its cash burn. As a result, these initiatives have strengthened the organization's financial position and the operational expenses were reduced by 37% or $1.1 million.

The current fiscal year to date, had required several one-time expenses related to Health Canada regulatory licencing, legal fees for M&A, consultants, corporate development, financing initiatives, and general development costs. This resulted in the Company incurring greater than normal corporate overhead costs. Management remains committed to operating in a disciplined and fiscally responsible manner, and management anticipates that the Company will be entering into a steady state of operations, where corporate expenditures are expected to be significantly reduced going forward and into the 2020 year.

As previously announced, the Company has taken a strategic review of non-core / non-operational assets in order to strengthen its balance sheet and reduce its cash burn in preparation to repay its debt obligations due in Q3 and Q4 2020. Through these initiatives, the Company received a $4.06 million outstanding loan repayment from Cannabis Cowboy, and concurrently entered into an agreement to divest its 25% equity stake in Cannabis Cowboy for a sum of $1 million. The divestment is expected to close on or before October 15, 2019.

The Company will continue to review its non-performing assets and investments and explore strategic opportunities with the objective to utilize its cash flow to re-invest in near term accretive assets within the GTEC group of companies.

On October 2, 2019, the Company entered into an agreement to make a payment of $800,000 to its senior secured $5 million convertible debt holder. Upon the completion of the payment, which is expected to occur on or before October 15, 2019, the balance of the loan will be $4.2 million.

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

ADJUSTED EBITDA

This is a non-IFRS measure and the Company calculated adjusted EBITDA from continuing operations as net income (loss) before interest expense, income taxes, depreciation, amortization, unrealized gain (loss) on changes in fair value of biological assets, equity loss on investment in associate, loss on sale of assets, investment loss and share based payments (per the statement of cash flows). Management determined that the exclusion of the fair value adjustment is an alternative representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure to adjusted EBITDA (excluding fair value adjustment to biological assets and inventory) calculated in accordance with IFRS is net income (loss) from continuing operations.

Adjusted EBITDA has been increasing from the prior Q2 2019 quarter by 44% and the previous year comparative Q3 2018 quarter by 67%, due to an increase of 845% in sales over the prior Q2 2019 quarter; as well as, a decrease of 37% in operating expenses over the prior Q2 2019 quarter (35% decrease from Q3 2018).

	Q3 19	Q2 19	Change %	Q318	Change %
Net loss and comprehensive	**$ (2,254)**	$ (2,317)	3%	$ (2,478)	9%
Add:					
Amortization	**211**	29		79	
Unrealized gain (loss) on changes in fair value of biological assets	**106**	(1,120)		(288)	
Equity loss on investment in associate	**94**	190		-	
Loss on sale of assets	**-**	1		179	
Interest and accretion	**343**	322		0	
Investment loss	**250**	-		-	
Share based payments	**420**	313		12	
Adjusted EBITDA	**$ (830)**	**$ (1,491)**	**44%**	**$ (2,496)**	**67%**

PROPERTY, PLANT AND EQUIPMENT – SEGMENTED

	ACC	Grey Bruce	Tumbleweed	GBP	Corporate	Retail	Laboratory	TOTAL
Land	-	195	160	19	1,452	-	-	1,826
Buildings	-	4,879	4,488	-	404	-	3	9,774
Equipment	1,265	997	614	90	65	-	382	3,413
Other	808	31	58	-	118	221	33	1,269
Construction in process	-	-	-	2,786	-	-	-	2,786
	$ 2,073	$ 6,102	$ 5,320	$ 2,895	$ 2,039	$ 221	$ 418	$ 19,068

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

SHAREHOLDERS' EQUITY

As of the date of this MD&A, the Company has 126,684,777 common shares issued and outstanding; 38,552,602 share purchase warrants and 9,074,689 share options convertible into common shares.

Escrow shares

As at August 31, 2019, there were 11,836,356 common shares held in escrow. The following is a summary of escrow shares to be released:

Escrow release date	Escrow shares released (000's)	Balance (000's)
December 18, 2019	1,631	10,204
June 18, 2020	2,295	7,909
December 18, 2020	2,295	5,614
June 18, 2021	5,614	-

Share purchase warrants

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

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

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

Stock options

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

Number of shares (000`s)	Vested (000`s)	Exercise price per share C$	Expiry date
1,825	1,825	0.20	Sep-Nov 2019
5,824	5,599	0.60 – 1.07	Jan-Nov 2021
950	950	0.60	Jan 2022
423	363	0.57 – 0.70	Mar-Apr 2022
2,250	338	0.34	Aug 2024
11,272	**9,075**		

COMMITMENTS

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

Grey Bruce Farms

The Company has committed to issue common shares valued at $2,750,000 contingent on future events as follows:

Trigger event	Common shares
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

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

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

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

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

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

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, in satisfaction with the above mentioned milestone, with the following:

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

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

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

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

Trigger event	Common shares
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.

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

GreenTec Bio-Pharmaceuticals Inc.

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

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

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

Lease Agreements

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

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

From time to time, the Company enters into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Biological assets and inventory

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

Estimated useful lives and impairment considerations

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

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

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

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

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

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

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

STANDARDS, AMENDMENTS AND INTERPRETATONS NOT YET EFFECTIVE

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

Effective for annual periods beginning on January 1, 2019

IFRS 16 Leases

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

FINANCIAL INSTRUMENTS

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

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

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

Market Risk

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

Foreign Currency Risk

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

Interest Rate Risk

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

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

Commodity Price Risk

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

Credit Risk

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

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

Currency Risk

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

(Tabular amounts expressed in CDN $000's, unless otherwise noted)

Liquidity Risk

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

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

Maturity Risk

1) The Company's cash balance at August 31, 2019 was in the amount of $513,629. At August 31, 2019, the Company had amounts receivable of $934,140, promissory notes receivable of $4,000,000, accounts payable and accrued liabilities of $1,695,826 and interest and short-term debt payable of $4,617,005. All accounts payable and accrued liabilities are current.
2) As at August 31, 2019, the Company did not have derivative financial liabilities with contractual maturities.
3) Management of liquidity risk: Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments in (1) and (2) for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

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

	Carrying value	Principal amount	Less than 1 year	1 - 3 years
Accounts payable	$ 1,696	$ 1,696	$ 1,696	$ -
Short-term payable	4,617	5,400	5,400	-
Convertible debt	2,272	2,733	200	2,533
	$ 8,585	$ 9,829	$ 7,296	$ 2,533

RELATED PARTY TRANSACTIONS

Key management compensation

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers.

Key management compensation consists of the following:

	Three months ended August 31		Nine months ended August 31	
	2019	2018	2019	2018
Salaries, management and consulting	$ 183	$ 48	$ 412	$ 151
Share-based payments	595	-	715	-
Cash and cash equivalents balance	$ 778	$ 48	$ 1,127	$ 151

Related party balances

As at August 31, 2019, $Nil (2018: $803) was due to Norton Singhavon, the Company's Chief Executive Officer ("CEO") for advances made to the Company.

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

As at August 31, 2019, $50,000 was due to Norton Singhavon, the Company's Chief Executive Officer ("CEO") in connection with wages payable.

As at August 31, 2019, $35,000 was due to Michael Blady, the Company's Vice President and Director in connection with wages payable.

As at August 31, 2019, $36,538 was due to Kendra Blackford, the Company's Interim Chief Financial Officer in connection with wages payable.

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

Related party transactions

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

SUBSEQUENT EVENTS

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

NON-IFRS PERFORMANCE MEASUREMENT

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

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

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

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

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

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

Forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions it believes to be not unreasonable in light of all of the circumstances. In some instances, material factors or assumptions are discussed in this MD&A in connection with statements containing forward-looking information. Such material factors and assumptions include, but are not limited to: For instance and among other things, there can be no assurance that the Company will achieve full production capacity utilization by the end of Q4 2019; Tumbleweed Farms will complete its first harvest in December 2019; the Company will achieve profitability or significant growth each quarter; the Company will be able to settle its outstanding liabilities and debt obligations in the 2020 fiscal year without equity dilution to its shareholders or assuming additional debt obligations; production and sales will increase month over month; Grey Bruce and Tumbleweed will enter into full production; management will be successful in further reducing its cash burn; the Company will be able to reduce expenditures in the 2020 fiscal year and strengthen its balance sheet; the Company will be able to complete construction of its facilities and transition its existing facilities into the new cultivars; the Company will successfully build and launch a medical sales business; the Company will increase its customer base; the Company will successfully maximize economic value of harvested plants by optimizing the ratio of marketable components; the Company will become cash flow positive; production, capacity or efficiency estimates or sales projections will be met; the Company's selling price and gross margin will increase; unforeseen construction, harvest or delivery delays will not occur; the Company's combined annual output will be approximately 9,000 kilograms or more; the Company's genetic portfolio will deliver a sustainable competitive advantage and provide favourable gross margins or that the Company will be able to establish long-term brand equity and consumer loyalty; and there will be continued demand for the Company's flower. Forward-looking information contained herein is made as of the date of this MD&A and, other than as required by law, the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.