



## **GreenTec Holdings Ltd.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED MAY 31, 2018**

**(Expressed in Canadian Dollars)**

**GREENTEC HOLDINGS LTD.**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MAY 31, 2018**  
**(Expressed in Canadian Dollars)**

		<b>May 31, 2018 (Unaudited)</b>	<b>November 30, 2017</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		-	2,442,246
Amounts receivable		178,116	8,636
Advances receivable		-	20,000
Prepaid expenses	8	165,399	55,539
		343,515	2,526,421
<b>Non-current Assets</b>			
Investments	7	1,057,468	64,870
Intangible assets	5	11,847,953	-
Goodwill	5	6,633,961	
Deposits		102,599	150,050
Property and equipment	6	6,851,290	1,636,779
		<b>26,836,786</b>	<b>4,378,120</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Bank indebtedness		101,963	-
Accounts payable and accrued liabilities		783,465	187,457
Income taxes payable		20,333	20,333
Due to related parties	8	77,437	157,708
		983,198	365,498
<b>Non-current Liabilities</b>			
Deferred income taxes	5	2,352,000	-
		<b>3,335,198</b>	<b>-</b>
<b>Shareholders' Equity</b>			
Share capital	9	27,534,759	6,345,800
Subscriptions received (receivable)	8	-	98,000
Contributed surplus	5, 9	3,654,944	494,965
Deficit		(7,688,115)	(2,926,143)
		23,501,588	4,012,622
		<b>26,836,786</b>	<b>4,378,120</b>

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

SUBSEQUENT EVENTS (Note 12)

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on July 30, 2018 and were signed on its behalf by:

*/s/ Norton Singhavon, Chairman, CEO*

**GREENTEC HOLDINGS LTD.**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**FOR THE THREE AND SIX-MONTH PERIOD ENDED MAY 31, 2018**  
**(Expressed in Canadian Dollars)**

	<b>Note</b>	<b>For the three months ended May 31, 2018</b>	<b>For the six months ended May 31, 2018</b>
		<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>			
Advertising and promotion		14,753	100,400
Amortization	6	-	27,000
Business fees and license		-	60,509
Consulting fees		414,707	953,629
Management fees	8	24,184	48,000
Office and miscellaneous		202,465	276,686
Professional fees		485,723	751,581
Rent		62,609	138,560
Salaries and wages		236,004	272,124
Share-based payments		-	2,028,086
Travel		49,194	111,629
Loss before other items		1,489,639	4,768,204
<b>OTHER ITEMS</b>			
Interest income		(1,572)	(6,232)
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>1,488,067</b>	<b>4,761,972</b>
<b>Basic and diluted loss per common share</b>		<b>(0.03)</b>	<b>(0.09)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>54,557,984</b>	<b>54,557,984</b>

**GREENTEC HOLDINGS LTD.**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Expressed in Canadian Dollars)**

	Number of Shares	Share Capital	Subscription Received	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$	\$
<b>Balance, June 2, 2017 (Date of Incorporation)</b>	-	-	-	-	-	-
Incorporation shares issued	120	1	-	-	-	1
Shares issued for cash	33,364,375	4,872,875	-	-	-	4,872,875
Share issuance costs	-	(12,993)	-	-	-	(12,993)
Share subscriptions received	-	-	98,000	-	-	98,000
Shares issued for acquisitions	7,429,583	1,485,917	-	-	(2,002,400)	(516,483)
Share-based compensation	-	-	-	494,965	-	494,965
Net loss for the period	-	-	-	-	(923,743)	(923,743)
<b>Balance, November 30, 2017</b>	<b>40,794,078</b>	<b>6,345,800</b>	<b>98,000</b>	<b>494,965</b>	<b>(2,926,143)</b>	<b>4,012,622</b>
Shares issued for cash	19,233,042	11,552,807	(98,000)	-	-	11,454,807
Share issuance costs	-	(423,060)	-	156,893	-	(266,167)
Shares issued for acquisitions	16,765,353	10,059,212	-	720,000	-	10,779,212
Share-based compensation	-	-	-	2,028,086	-	2,028,086
Shares issuable for consulting services	-	-	-	255,000	-	255,000
Net loss for the period	-	-	-	-	(4,761,972)	(4,761,972)
<b>Balance, May 31, 2018</b>	<b>76,792,473</b>	<b>27,534,759</b>	<b>-</b>	<b>3,654,944</b>	<b>(7,688,115)</b>	<b>23,501,588</b>

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

**GREENTEC HOLDINGS LTD.**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED MAY 31, 2018**  
**(Expressed in Canadian Dollars)**

	<b>For the six months ended May 31, 2018</b>
	<b>\$</b>
<b>OPERATING ACTIVITIES</b>	
Net loss for the period	(4,761,972)
Items not affecting cash:	
Amortization	27,000
Share-based compensation	2,028,086
Shares issuable for consulting services	255,000
Changes in non-cash working capital items:	
Amounts receivable	(169,480)
Advances receivable	20,000
Prepaid expenses	(109,860)
Accounts payable and accrued liabilities	596,008
	<b>(2,115,218)</b>
<b>INVESTING ACTIVITIES</b>	
Cash paid for acquisitions	(6,200,000)
Purchase of property and equipment	(4,143,515)
Deposits	47,451
Investments	(992,598)
Cash received from acquisitions	19,159
	<b>(11,269,503)</b>
<b>FINANCING ACTIVITIES</b>	
Due to related parties	(80,271)
Shares issued for cash	11,453,177
Share issuance costs	(266,197)
	<b>10,840,512</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(2,544,209)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>2,442,246</b>
<b>CASH, END OF PERIOD</b>	<b>(101,963)</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>	
Interest paid	-
Income taxes paid	-

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

GreenTec Holdings Ltd. (the "Company"), was incorporated pursuant to the British Columbia Business Corporations Act on June 2, 2017. The Company is in the cannabis industry and has the goal to identify and consolidate licensed producers of craft cannabis under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The Company's head office is located at 1800-1631 Dickson Avenue, Kelowna, British Columbia, V1Y 0B5.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. As discussed further below, there are material uncertainties that cast significant doubt on the validity of this assumption.

The Company has incurred losses since its inception and has an accumulated deficit of \$7,688,115 as at May 31, 2018 which has been funded primarily by issuance of equity and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future.

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance and basis of measurement**

The interim condensed consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB applicable to preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2017, which have been prepared in accordance with IFRS as issued by IASB. The accounting policies adopted are consistent with those of the previous financial year, except for recent accounting pronouncements as described in Note 4 below.

The interim condensed 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. The functional and presentation currency of the Company is the Canadian dollar.

### **b) Basis of consolidation**

These interim consolidated financial statements include the accounts of the Company and the following 100% owned Canadian subsidiaries:

Tumbleweed Farms Corp.  
Grey Bruce Farms Incorporated  
Zenalytic Laboratories Ltd.  
GreenTec Bio-Pharmaceuticals Inc.  
GreenTec Retail Manitoba Ltd.  
Spectre Labs Inc.  
Falcon Ridge Naturals Ltd.  
Alberta Craft Cannabis Inc.

## **2. BASIS OF PREPARATION (continued)**

### **b) Basis of consolidation (continued)**

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 we have existing rights to give us 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 interim 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 interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim 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:

#### Significant accounting estimates

- i. determining the fair values of identifiable assets acquired, liabilities assumed and consideration transferred and contingent consideration for business combinations and asset acquisitions;
- ii. the useful lives of property and equipment; and
- iii. the measurement of deferred income tax assets and liabilities.

#### Significant accounting judgements

- i. the evaluation of the Company's ability to continue as a going concern;
- ii. the assessment of indications of impairment;
- iii. the determination of categories of financial assets and financial liabilities;
- iv. the amortization methods used for property and equipment and impairment of long-lived assets; and
- v. judgements used in determining if an acquisition constitutes a business combination or asset acquisition.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

b) 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.

c) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the interim 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 interim 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 interim 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.

c) Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the interim consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets

The Company classifies its financial assets into one of the following categories, at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss. The Company has classified its cash and cash equivalents as fair value through profit or loss.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **d) Financial instruments (continued)**

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has classified its advances receivable, deposits and investments as loans and receivables.

*Held-to-maturity* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company does not have any assets classified as held-to-maturity.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company does not have any assets held classified as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered, to determine where impairment has arisen.

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the interim consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any financial liabilities classified as fair value through profit or loss.

*Other financial liabilities* - This category includes trade and other payables. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method. The Company has classified its accounts payable and due to related parties as other financial liabilities.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

f) 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.

g) 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%	declining balance
Computer equipment	30%	declining balance
Computer software	100%	declining balance
Equipment	20% - 30%	declining balance
Vehicles	30%	declining balance
Leasehold improvements	5 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h) 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.

i) 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 interim 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.

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. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the interim consolidated statements of comprehensive loss as a bargain purchase gain.

Acquisition related costs are recognized in the interim 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 have the ability to create outputs.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **j) 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.

#### **k) Investments**

The Company records in other entities where no control or significant influence exists on a cost basis. The investments 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.

#### **l) 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 are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

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.

At each financial position reporting 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

m) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the Cash Generating Units ("CGU") to which it relates. 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.

n) 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.

o) Adoption of new pronouncements

The Company did not adopt any new or amended accounting standards during the period ended May 31, 2018 which had a material impact on the Company's financial statements.

#### **4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory for accounting periods beginning before January 1, 2018. They have not been early adopted in these interim consolidated financial statements and are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below.

##### Effective for annual periods beginning on January 1, 2018

###### *IFRS 2 Share-based Payment*

The amendments clarify the classification and measurement of share-based payment transactions.

###### *IFRS 9 Financial Instruments – Classification and Measurement*

IFRS 9 is the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39.

###### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is a new standards which supersedes *IAS 11 – Construction Contracts*, *IAS 18 – Revenue*, *IFRIC 13 – Customer Loyalty Programmes*, *IFRIC 15 – Agreements for the Construction of Real Estate*, *IFRIC 18 – Transfers of Assets from Customers*, and *SIC 31 – Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

##### Effective for annual periods beginning on January 1, 2019

###### *New standard 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.

**GREENTEC HOLDINGS LTD.**  
**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTHS ENDED MAY 31, 2018**  
**(Expressed in Canadian Dollars)**

**5. ACQUISITIONS**

Grey Bruce Farms Incorporated

On September 15, 2017, the Company executed a share purchase agreement with the shareholders of Grey Bruce Farms Incorporated ("Grey Bruce") whereby the Company acquired 100% of the issued and outstanding common shares of Grey Bruce in exchange for cash payments of \$215,000 and issuance of 170,000 common shares valued at \$34,000 for total consideration of \$249,000. In addition to the consideration paid, the Company has also committed to issue common shares valued at \$3,750,000 and make cash payments of \$250,000 contingent on future events as follows:

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

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.

The Company has accounted for the purchase as an asset acquisition as Grey Bruce did not meet the definition of a business under IFRS 3, "Business Combinations". 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 recorded any contingent consideration related to the acquisition of Grey Bruce.

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**5. ACQUISITIONS (continued)**

Grey Bruce Farms Incorporated (continued)

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

	\$
Cash paid	215,000
Fair value of common shares issued	34,000
<b>Total consideration</b>	<b>249,000</b>
 Assets acquired:	
Cash	47,601
Amounts receivable	1,913
 Less liabilities assumed:	
Accounts payable and accrued liabilities	(85,781)
Other payables	(50,000)
Due to shareholders	(165,000)
<b>Net liabilities assumed</b>	<b>(251,267)</b>

As Grey Bruce 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 and charged the difference of \$335,267 to deficit.

1118157 B.C. Ltd.

On November 30, 2017 the Company executed a share purchase agreement with the shareholders of 1118157 B.C. Ltd. ("1118 BC") whereby the Company acquired 100% of the issued and outstanding common shares of 1118 BC in exchange for cash payments of \$585,870, issuance of 500,000 common shares valued at \$100,000 and the Company incurred acquisition costs of \$70,000 for total consideration of \$755,870. As part of the acquisition of 1118 BC, the Company also acquired Tumbleweed Farms Corp. ("Tumbleweed"), a wholly owned subsidiary of 1118 BC. In addition to the consideration paid, the Company has also committed to issue additional shares valued at \$750,000 contingent on future events as follows:

<b>Common shares</b>	<b>Due upon</b>
<b>\$</b>	
250,000	Completion of Tumbleweed's construction of a Health Canada approved cannabis production facility in compliance with ACMPR
250,000	Tumbleweed obtaining a license to produce cannabis under ACMPR
250,000	Tumbleweed obtaining a license to sell cannabis under ACMPR
<b>750,000</b>	



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**5. ACQUISITIONS (continued)**

1118157 B.C. Ltd. (continued)

In August, 2017, prior to the acquisition of 1118 BC by the Company, 1118 BC acquired 100% of the issued and outstanding common shares of Tumbleweed. Upon acquisition of 1118 BC, the Company also assumed the following commitment to issue common shares valued at \$1,500,000 and make cash payments of \$2,500,000 contingent on future events as follows:

<b>Common shares</b>	<b>Cash</b>	<b>Due upon</b>
<b>\$</b>	<b>\$</b>	
-	250,000	Completion of Tumbleweed's construction of a Health Canada approved cannabis production facility in compliance with ACMPR
-	1,000,000	Tumbleweed obtaining a license to produce cannabis under ACMPR
-	1,250,000	Tumbleweed obtaining a license to sell cannabis under ACMPR
300,000	-	Upon Tumbleweed's first harvest having passed quality assurance and quality control tests as set out by Health Canada
300,000	-	Upon Tumbleweed's second harvest having passed quality assurance and quality control tests as set out by Health Canada
300,000	-	Upon Tumbleweed's third harvest having passed quality assurance and quality control tests as set out by Health Canada
300,000	-	Upon Tumbleweed's fourth harvest having passed quality assurance and quality control tests as set out by Health Canada
300,000	-	Upon Tumbleweed's fifth harvest having passed quality assurance and quality control tests as set out by Health Canada
<b>1,500,000</b>	<b>2,500,000</b>	

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.

The Company has accounted for the purchase as an asset acquisition as 1118 BC 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 has not recorded any contingent consideration related to the acquisition of 1118 BC.

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

	<b>\$</b>
Cash paid	585,870
Acquisition costs	70,000
Fair value of common shares issued	100,000
<b>Total consideration</b>	<b>755,870</b>
 Assets acquired:	
Land	330,311
Property and equipment	92,210
 Less liabilities assumed:	
Due to shareholders	(585,870)
<b>Net liabilities assumed</b>	<b>(163,349)</b>

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**5. ACQUISITIONS (continued)**

1118157 B.C. Ltd. (continued)

As 1118 BC 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 and charged the difference of \$333,349 to deficit. On February 28, 2018, the Company dissolved 1118 BC and all assets and liabilities of 118BC were allocated to Tumbleweed.

Zenalytic Laboratories Ltd.

On November 30, 2017, the Company executed a share purchase agreement with the shareholders of Zenalytic Laboratories Ltd. ("Zenalytic") whereby the Company acquired 100% of the issued and outstanding common shares of Zenalytic in exchange for cash payments of \$151,233 and issuance of 3,759,583 common shares valued at \$751,917 for total consideration of \$903,150. In addition to the consideration paid, the Company has also committed to issue common shares valued at \$1,000,000 contingent on future events as follows:

<b>Common shares</b>	<b>Cash</b>	<b>Due upon</b>
<b>\$</b>	<b>\$</b>	
500,000	-	Zenalytic obtaining of a dealer's license under the Narcotic Control Regulations (Canada) or other such license which would enable the entity to provide analytical lab testing of cannabis products for registrants under the s. 56 Class Exemption, Controlled Drugs and Substances Act (Canada)
500,000	-	Zenalytic obtaining of approval from Health Canada to conduct extraction of cannabis
<b>1,000,000</b>	<b>-</b>	

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.

The Company has accounted for the purchase as an asset acquisition as Zenalytic 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 has not recorded any contingent consideration related to the acquisition of Zenalytic.

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**5. ACQUISITIONS (continued)**

Zenalytic Laboratories Ltd. (continued)

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

	\$
Cash paid	151,233
Fair value of common shares issued	751,917
<b>Total consideration</b>	<b>903,150</b>
 Assets acquired:	
Cash	2,689
Property and equipment	216,394
 Less liabilities assumed:	
Accounts payable and accrued liabilities	(9,367)
Due to shareholders	(631,233)
<b>Net liabilities assumed</b>	<b>(421,517)</b>

As Zenalytic 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 and charged the difference of \$693,434 to deficit.

GreenTec Bio-Pharmaceuticals Inc.

On November 30, 2017, the Company executed a share purchase agreement with the shareholders of GreenTec Bio-Pharmaceuticals Inc. ("Bio-Pharma") whereby the Company acquired 100% of the issued and outstanding common shares of Bio-Pharma in exchange for cash payments of \$50,625 and the issuance of 3,000,000 common shares valued at \$600,000. In addition to the consideration paid, the Company has also committed to issue common shares valued at \$8,250,000 contingent on future events as follows:

<b>Common shares</b>	<b>Due upon</b>
<b>\$</b>	
1,000,000	Completion of Bio-Pharma's construction of a Health Canada approved cannabis production facility in compliance with ACMPR
1,500,000	Bio-Pharma obtaining a license to produce cannabis under ACMPR
2,000,000	Bio-Pharma obtaining a license to sell cannabis under ACMPR
1,500,000	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")
2,250,000	Bio-Pharma obtaining an amendment to its cannabis sales license from Health Canada to reflect the Expansion
<b>8,250,000</b>	

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

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**5. ACQUISITIONS (continued)**

GreenTec Bio-Pharmaceuticals Inc. (continued)

The Company has accounted for the purchase as an asset acquisition as Bio-Pharma 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 has not recorded any contingent consideration related to the acquisition of Bio-Pharma.

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

	\$
Cash paid	50,265
Fair value of common shares issued	600,000
<b>Total consideration</b>	<b>650,265</b>
 Assets acquired:	
Current assets	22,263
Property and equipment	19,137
 Less liabilities assumed:	
Accounts payable and accrued liabilities	(11,152)
Income taxes payable	(20,333)
Due to shareholders	(50,265)
<b>Net liabilities assumed</b>	<b>(40,350)</b>

As Bio-Pharma was deemed to be 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 and charged the difference of \$640,350 to deficit.

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 \$300,000 of which \$100,000 has been recorded in accounts payable and is due in May 2018 (as at May 31, 2018 the shareholders of Falcon and the Company had agreed to extend the payable amount until such time as Falcon receives a building permit from the City of Kelowna). In addition to the consideration paid, the Company has also committed to make future cash payments of \$900,000 contingent upon Falcon obtaining a license to sell cannabis under ACMPR.

The Company has 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 has not recorded any contingent consideration related to the acquisition of Falcon.

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**5. ACQUISITIONS (continued)**

Falcon Ridge Naturals Ltd. (continued)

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	300,000
Total consideration	300,000
Assets acquired:	
Intangible assets	300,000
Net assets acquired	300,000

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 ACMPR. 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 interim 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.

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**5. ACQUISITIONS (continued)**

Alberta Craft Cannabis Inc. (continued)

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	6,000,000
Fair value of common shares issued	10,059,212
Fair value of common shares issuable	720,000
Assumption of amounts due to shareholders	(3,873,886)
<b>Total consideration</b>	<b>12,905,326</b>
<b>Assets acquired:</b>	
Current assets	58,974
Long-term deposits	10,281
Property and equipment	1,097,996
Intangible assets	11,330,000
Goodwill	6,633,961
<b>Less liabilities assumed:</b>	
Due to shareholders	(3,873,886)
Deferred income taxes	(2,352,000)
<b>Net assets acquired</b>	<b>12,905,326</b>

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

The accounting for this business combination has not yet been finalized and the Company is reporting provisional amounts for the items for which the accounting is not complete. These provisional amounts may be adjusted during the measurement period, or additional assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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**6. PROPERTY AND EQUIPMENT**

	Land	Building	Construction in progress	Equipment	Vehicle	Leasehold improvements	Computer equipment	Computer software	Total
	\$	\$		\$	\$	\$	\$	\$	\$
Opening balance									
Additions	974,659	-	-	-	-	-	-	-	974,659
Additions obtained through acquisition:									
Grey Bruce	-	-	-	4,068		-	-	-	4,068
1118 BC	330,311	83,189	-	9,021		-	-	-	422,521
Zenalytic	-	-	-	216,394		-	-	-	216,394
Bio-Pharma	-	-	19,137	-		-	-	-	19,137
<b>Balance, November 30, 2017</b>	<b>1,304,970</b>	<b>83,189</b>	<b>19,137</b>	<b>229,488</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,636,779</b>
Additions	28,689	3,260,402	-	667,639	15,489	151,620	19,676	-	4,143,515
Additions obtained through acquisition:									
ACC	-	-	-	874,676		202,053	20,699	569	1,097,997
Amortization	-	-	-	(22,059)		(4,634)	(299)	(8)	(27,000)
<b>Balance, May 31, 2018</b>	<b>1,333,659</b>	<b>3,343,591</b>	<b>19,137</b>	<b>1,749,739</b>	<b>15,489</b>	<b>349,039</b>	<b>40,076</b>	<b>561</b>	<b>6,851,291</b>

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**7. INVESTMENTS**

As at May 31, 2018, the Company has an investment in common shares of an unrelated party of \$1,057,468 (November 30, 2017 - \$64,870). The investment has been recorded at cost.

**8. RELATED PARTY BALANCES AND 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.

During the six month period ended May 31, 2018, the Company paid \$48,000 (November 30, 2017: \$3,000) in management fees to a company controlled by the Company's Chief Financial Officer ("CFO"). There was no other remuneration paid to key management.

Related party balances

As at May 31, 2018, \$77,437 (November 30, 2017: \$157,708) was due to the Company's Chief Executive Officer ("CEO") for advances made to the Company.

As at May 31, 2018, the Company has amounts receivable, including interest receivable, from a company controlled by a director of the Company totalling \$NIL (November 30, 2017: \$5,861).

As at May 31, 2018, the Company has a subscription receivable balance of \$NIL due from a director of the Company (November 30, 2017: \$25,000).

As at May 31, 2018, the Company has a prepaid \$NIL for services to be provided by a company controlled by the CFO (November 30, 2017: \$18,000).

Related party transactions

As described in Note 5, 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.

During the period ended November 30, 2017, the Company advanced loans totaling \$334,153 to a company controlled by a director of the Company pursuant to a letter of intent. The letter of intent was terminated during the period ended November 30, 2017 and the loans advanced were repaid in full.



## **9. SHARE CAPITAL**

### Authorized common shares

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.

### Common shares issued

- i. During the period ended May 31, 2018, 130,000 stock options were exercised for gross proceeds of \$38,000.
- ii. During the period ended February 28, 2018, the Company issued 16,765,353 common shares pursuant to share purchase agreements described in Note 5.
- iii. During the period ended February 28, 2018, the Company issued 19,233,042 units pursuant to private placements completed during the period 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 incurred share issuance costs of \$266,167 and 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.
- iv. During the period ended November 30, 2017, the Company issued 120 shares upon incorporation for gross proceeds of \$1.
- v. During the period ended November 30, 2017, the Company issued 10,000,000 common shares at a price of \$0.02 per share to its founders for gross proceeds of \$200,000.
- vi. During the period ended November 30, 2017, the Company issued 23,364,375 units pursuant to private placements completed during the period at a price of \$0.20 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 incurred share issuance costs of \$12,993.
- vii. During the period ended November 30, 2017, the Company issued 7,429,583 common shares pursuant to share purchase agreements described in Note 5.

All common shares issued and outstanding as at May 31, 2018 have voting rights.

### Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

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**9. SHARE CAPITAL (continued)**

Stock options (continued)

A summary of the stock option transactions during the periods ended May 31, 2018 and November 30, 2017 is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining years</b>
		\$	
Opening balance	-	-	-
Granted	3,400,000	0.20	2.35
<b>Balance, November 30, 2017</b>	<b>3,400,000</b>	<b>0.20</b>	<b>2.35</b>
Granted	4,179,247	0.60	-
Exercised	(130,000)	0.29	-
<b>Balance, outstanding and exercisable – May 31, 2018</b>	<b>7,449,247</b>	<b>0.42</b>	<b>2.21</b>

At May 31, 2018, the Company has stock options outstanding to acquire common shares of the Company as follows:

<b>Expiry date</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
		\$
September 3, 2018	925,000	0.20
September 3, 2019	375,000	0.20
August 8, 2020	175,000	0.20
September 21, 2020	300,000	0.20
October 5, 2020	400,000	0.20
November 21, 2020	1,125,000	0.20
January 19, 2021	4,149,247	0.60
	<b>7,449,247</b>	

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**9. SHARE CAPITAL (continued)**

Stock options (continued)

During the six month period ended May 31, 2018, the Company recognized share-based compensation of \$2,028,086 that was recorded in the consolidated statement of comprehensive loss. The share-based compensation represents the fair value of stock options granted during the period ended May 31, 2018 and is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	<b>May 31, 2018</b>
Share price	\$0.60
Exercise price	\$0.60
Risk-free interest rate	1.00%
Expected life	3 years
Volatility	150%
Dividend rate	0%
Forfeiture rate	0%
<b>Fair value on grant date</b>	<b>\$0.49</b>

Warrants

A summary of the warrant transactions during the period ended May 31, 2018 is as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining years</b>
		\$	
Opening balance	-	-	-
Granted	11,682,188	1.20	2.82
<b>Balance, November 30, 2017</b>	<b>11,682,188</b>	<b>1.20</b>	<b>2.82</b>
Granted	9,939,681	1.20	-
<b>Balance, May 31, 2018</b>	<b>21,621,869</b>	<b>1.20</b>	<b>2.47</b>

At May 31, 2018, the Company had share purchase warrants outstanding to acquire common shares of the Company as follows:

<b>Expiry date</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
		\$
September 8, 2020	9,032,188	1.20
November 20, 2020	2,650,000	1.20
January 19, 2021	9,939,681	1.20
	<b>21,621,869</b>	

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**9. SHARE CAPITAL (continued)**

Warrants (continued)

During the six month period ended May 31, 2018, the Company recorded share issuance cost of \$156,893 reflecting the fair value of 323,160 finders warrants issued during the period. The fair value is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	<b>May 31, 2018</b>
Share price	\$0.60
Exercise price	\$1.20
Risk-free interest rate	1.00%
Expected life	3 years
Volatility	150%
Dividend rate	0%
Forfeiture rate	0%
<b>Fair value on grant date</b>	<b>\$0.49</b>

## **10. FINANCIAL INSTRUMENTS AND RISKS**

The Company's financial instruments consist of cash and cash equivalents, advances receivable, accounts payable and due to related parties. The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

### **Credit risk**

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

As at May 31, 2018, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

### **Currency risk**

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

### **Liquidity risk**

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

The company's cash balance at May 31, 2018 is in the amount of \$(101,963). At May 31, 2018 the Company had amounts receivable of \$178,116 and accounts payable and accrued liabilities of \$783,465. All accounts payable and accrued liabilities are current.

### **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.

## 10. FINANCIAL INSTRUMENTS AND RISKS (continued)

### Fair value hierarchy

Financial instruments recognized at fair value on the interim consolidated statements of financial position must be classified into one of the three following fair value hierarchy levels:

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.

The Company's financial instrument carrying amounts and fair values by levels per the fair value hierarchy are as follows:

	Fair Value Level	May 31, 2018 \$
<b>Financial assets</b>		
Cash and cash equivalents	1	(101,963)

## 11. 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.

## **12. SUBSEQUENT EVENTS**

- i. On June 11, 2018 the Company and Black Birch Capital Acquisition III Corp. (TSXV: BBC.H) ("Black Birch") completed a private placement offering of subscription receipts led by PI Financial Corp. for aggregate gross proceeds of \$8,888,880 (the "Offering"). The Offering was being completed in connection with the proposed business combination (the "Transaction") between GreenTec and Black Birch previously announced in a press release of Black Birch dated February 6, 2018, which transaction is intended to constitute Black Birch's "Qualifying Transaction" pursuant to Policy 2.4 of the TSX Venture Exchange.
- ii. On June 12, 2018 the Company announced that it completed its Transaction between Black Birch and the Company. In connection with the Transaction, Black Birch consolidated its common shares on the basis of one post-consolidation share for each 12 pre-consolidation shares (the "Consolidation") and changed its name to "GTEC Holdings Ltd." and Black Birch will carry on the business of the Company. The Exchange issued its conditional approval of the Transaction on May 25, 2018, whereby Black Birch acquired all of the issued and outstanding shares of the Company through a three-cornered amalgamation involving a wholly owned subsidiary of Black Birch and the Company. Pursuant to the Transaction, Black Birch issued to the shareholders of the Company an aggregate of 84,560,916 Common Shares. Outstanding Company common share purchase warrants by their terms became exercisable for an aggregate of 26,113,306 Common Shares. Outstanding Company options by their terms became exercisable for an aggregate of 7,599,247 Common Shares. With the completion of the Transaction, GTEC Holdings Ltd. has 85,741,811 Common Shares issued and outstanding (on an undiluted basis). The principals of the Company and certain shareholders of the Company collectively hold 19,089,227 Common Shares, all of which are subject to a Tier 2 Surplus Security Escrow Agreement pursuant to the policies of the Exchange. In addition, 2,650,000 Common Shares held by non-principals of the Company are subject to a Tier 2 Value Security Escrow Agreement.
- iii. On June 22, 2018 the Common Shares of GTEC Holdings Ltd. (TSXV: GTEC), formerly Black Birch Capital Acquisition III Corp. (TSXV: BBC.H) commenced trading under the symbol "GTEC".
- iv. On June 27, 2018 the Company and Black Birch completed a brokered private placement offering of 8% senior secured convertible debentures units (the "Convertible Debentures Units") of the Company at a price of \$1,000 per Convertible Debenture Unit for aggregate gross proceeds to the Company of \$5,000,000 (the "CD Offering"). Each Convertible Debenture Unit consists of \$1,000 principal amount of convertible debentures ("Convertible Debentures") and 222 warrants to purchase common shares of the Company (each, a "CD Warrant"). Each CD Warrant will be exercisable to acquire one common share of the Company (each a "GreenTec Share") at an exercise price of \$2.50 per GreenTec Share for a period of 24 months following the closing date of the CD Offering. The Convertible Debentures will be convertible into GreenTec Shares at a conversion price of \$1.50 per GreenTec Share. The Company paid a commission on the CD Offering of: (a) 5.0% of the gross proceeds of the CD Offering in the form of cash; and (b) broker warrants equal to 5.0% of the number of GreenTec Shares issuable upon conversion of the Convertible Debentures (each, a "CD Broker Warrant"), in each case, on the closing of the CD Offering. Each CD Broker Warrant will carry the right to purchase one GreenTec Share at an exercise price of \$1.50 per GreenTec Share and will expire on the date that is 24 months following the escrow release date under the Subscription Receipt Offering.

**12. SUBSEQUENT EVENTS (continued)**

- v. On July 10, 2018 the Company entered into a binding letter of intent (“LOI”) with F-20 Developments Corp. (“F-20”) to develop a 240,000 sq. ft. indoor cultivation facility located in Vernon, British Columbia. F-20, a privately held corporation whose principals have been involved in the financing and construction of licensed cultivation facilities in Canada and the U.S, has secured a property (the “Property”) with an existing 60,000 sq. ft. building that will be retrofitted as part of the first phase of construction to allow for the cultivation of cannabis (“Phase 1”). A second phase of the project will see the construction of a secondary purpose-built building to be 180,000 sq ft. in size. Phase 1 construction is expected to commence immediately upon the parties finalizing the definitive and ancillary agreements, and upon GTEC and F-20 incorporating a new company (“NewCo”). F-20 has committed to fund the large majority of the Phase 1 project costs up to \$9,000,000 with GTEC committing to fund the final \$1,000,000 towards the estimated \$10,000,000 budget to complete Phase 1. As consideration for F-20 entering into this arrangement, upon execution of the definitive agreements, GTEC shall issue to F-20 common shares (the “Consideration Shares”) equivalent to \$2,500,000 at a deemed price equal to the 10-day volume-weighted average trading price of such shares, where the Consideration Shares are subject to performance milestones related to the construction of Phase 1. GTEC will have an option to acquire all of F-20’s issued and outstanding shares of NewCo at a pre-determined valuation metric based on annual production capacity. NewCo will also have an option to purchase the Property at its fair market value pursuant to the terms of its lease subject to a predetermined floor and ceiling price. F-20 will be the project manager and be responsible for the Project’s Phase 1 construction and building retrofit, supported with oversight and guidance from GTEC’s operations and regulatory team.
- vi. On July 13, 2018 Zenalytic received its Dealer’s License from Health Canada. Accordingly, Zen Labs is now classified as a Licensed Dealer and is authorized to perform analytical testing on cannabis and specific cannabinoids. Further to the Zenalytic share purchase agreement dated November 30, 2017, and following receipt of the Zenalytic Dealer’s License, the Company has incurred a share issuance obligation of \$500,000 to the vendors of Zenalytic (See note 5). The number of common shares issuable upon the occurrence of this contingent event is 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.