RADIENT

Management Discussion & Analysis

Three and six months ended September 30, 2019

November 29, 2019

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Management Discussion and Analysis ("MD&A")

This MD&A is prepared as of November 29, 2019 and is intended to assist the understanding of the results of operations and financial condition of Radient Technologies Inc. (the "Company" or "Radient").

This MD&A should be read in conjunction with Radient's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended September 30, 2019 and the audited consolidated financial statements for the year ended March 31, 2019 and accompanying MD&A ("Annual MD&A"). The financial statements, Annual MD&A and additional information about Radient, including Radient's Annual Information Form for the year ended March 31, 2019 ("AIF"), can be found on SEDAR at www.sedar.com. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be part of this MD&A.

The Company's interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*("IAS 34") The notes to the interim condensed consolidated financial statements are condensed as they do not include all the information required in audited annual financial statements. All dollar amounts are expressed in Canadian currency unless otherwise indicated.

Certain information contained herein includes market and industry data that has been obtained from or is based upon estimates derived from third party sources, including industry publications, reports and websites. Third party sources may state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance or guarantee as to the accuracy or completeness of included data. Although the data is believed to be reliable, neither the Company nor its agents have independently verified the accuracy, currency, reliability or completeness of any of the information from third party sources referred to in this MD&A or ascertained from the underlying economic assumptions relied upon by such sources. The Company disclaims any responsibility or liability whatsoever in respect of any third party sources of market and industry data or information.

Non-IFRS Measures

In this MD&A, certain terms that are not specifically defined in International Financial Reporting Standards ("IFRS") are used to analyze Radient's operations. In addition to the primary measures of net (loss) income and net (loss) income per share in accordance with IFRS, Radient believes that certain measures not recognized under IFRS assist both Radient and the reader in assessing performance and understanding the Company's results. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net (loss) income and net (loss) income per share as calculated in accordance with IFRS.

Working capital – working capital is calculated as current assets less current liabilities.

Forward-Looking Statements

This MD&A offers our assessment of Radient's future plans and operations as of November 26, 2019 and contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities law (collectively referred to in this MD&A as "forward looking statements"). All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Radient anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking statements.

In some cases, forward-looking statements can be identified by the use of the words "will" "can" "possible" "may", "believe", "expect", "anticipate", "future", "typical", "opportunity", "continue", "should", "intend", "budget" "plan", and similar expressions. In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: Radient's corporate structure; the Company's extraction methods, technology and intellectual property; Radient's corporate focus, business model and strategy; the Company's competitive position; predictions regarding competitor extraction technologies; Radient's clients and their product offerings; the Company's regulatory compliance procedures; Radient's research initiatives; the Company's intellectual property strategy; use of proceeds from the Amended Mortgage (as defined herein); the Company's product offerings and the demand for same; market opportunities; Radient's production capacity and capability; the Company's expansion projects, including the specifications, timing and cost thereof; recurrence of certain expenditures; costs of production for industrial scale volumes; liquidity and capital resources, including the Company's ability to generate sufficient amounts of cash through operations and financing activities.

This MD&A should be read in conjunction with the risk factors described in the "Risk Factor" section of Radient's Annual MD&A and the "Risk Factors" and "Introductory Notes - Cautionary Note Regarding Forward-Looking Information" sections of Radient's AIF.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, including those discussed below. You are cautioned that the assumptions used in the preparation of forward-looking statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. No assurance can be given that any of the events anticipated will transpire or occur, or if any of them do so, what benefits Radient will derive from them. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by law.

Certain statements in this MD&A constitute forward-looking statements, based on management's expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about the Company's outlook, strategy for growth, research and development, market position, expected expenditures, liquidity, capital resources and financial results are forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company and other results and occurrences may differ from those reflected in the forward–looking statements due to a variety of risks, uncertainties and other factors, including, without limitation: the Company's forward-looking statements, including all "Risk Factors" which are based on the beliefs, expectations and opinions of management on the date the statements were made, and the Company does not assume any obligation to update forward-looking statements if circumstances of management's beliefs, expectations or opinions should change. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Core Business and Strategy

Overview

Radient was initially incorporated on June 12, 2001 pursuant to the provisions of the *Company Act* (British Columbia), transitioned pursuant to the provisions of the *Business Corporations Act* (British Columbia) on July 7, 2004 and was continued under the *Canada Business Corporations Act* on February 3, 2010. On May 22, 2014, pursuant to a plan of arrangement, Radient amalgamated with Madison Capital Corporation ("Madison"), a Capital Pool Company as defined in TSX Venture Exchange ("TSXV") Policy 2.4 – *Capital Pool Companies* ("Policy 2.4"), incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on June 13, 2011 and continued under the *Canada Business Corporations Act* on May 14, 2014, forming a new entity called "Radient Technologies Inc." This transaction constituted the qualifying transaction of Madison in accordance with the requirements of Policy 2.4. Radient trades on the TSXV under the symbol "RTI" and on the OTCQX®Best Market ("OTC"), operated by OTC Markets Group under the ticker symbol "RDDTF".

The head office of Radient is located at 9426 – 51 Avenue NW, Edmonton, Alberta, T6E 5A6 and the registered and records office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3. Radient also operates a production facility located at 4035 – 101 St NW, Edmonton, Alberta, T6E 0A4 and a research and development lab at 8223 Roper Road NW, Edmonton, Alberta, T6E 6S4.

The subsidiaries of the Company as at September 30, 2019 are as follows:

Name of entity	Ownership
Radient Technologies (Cannabis) Inc. ("RTC")	100%
Radient Technologies Innovations Inc. ("RII")	100%
Radient Technologies (Switzerland) Inc. ("RTS")	100%
1631807 Alberta Ltd.	100%
MAG Innovations GmbH ("MAG") subsidiary of RTS	100%

RTC was incorporated on February 20, 2018 and holds certain of the Company's Canadian cannabis-related licences and holds the Company's Canadian cannabis operations. Effective May 3, 2018, Radient owns 100% of 1631807 Alberta Ltd., which is the owner and landlord of various properties including Radient's Edmonton production facility. Prior to May 3, 2018, Radient owned a 50% interest in 1631807 Alberta Ltd. RII was incorporated on October 12, 2018 and is intended to hold the Company's Canadian generated intellectual property. RTS was incorporated on January 29, 2019 and holds the Company's European investments (including MAG which was incorporated on February 21, 2019). MAG will hold all assets related to the Company's proposed German cannabis related operations.

Radient has historically manufactured high-value natural ingredients for global customers in the food and beverage, nutraceuticals, pharmaceuticals and cosmetics and personal care industries. In the year ended March 31 2017, the Company expanded its offerings to the fast-growing cannabinoids market utilizing its extraction platform to process and extract cannabinoids, including cannabidiol ("CBD") and tetrahydrocannabinol ("THC"), from cannabis biomass. The Company's core focus is on processing and manufacturing efforts in the cannabis industry for the near and mid-term.

Using the Company's proven Microwave Assisted Process™ ("MAP™") technology, Radient extracts these natural ingredients at lower cost, higher quality, and at greater throughput than competing methods. MAP™ is Radient's patented, core technology.

Background

Radient was founded in 2001 by Dr. Steven Splinter, its current Chief Technology Officer, and Vizon SciTec Inc., formerly BC Research Inc., to pursue commercial opportunities related to the patented platform MAP™ natural product extraction technology for applications in the pharmaceutical, nutraceutical, food and cosmetic industries.

More recently, the Company explored opportunities with Aurora Cannabis Inc. ("Aurora") which culminated in a Master Services Agreement ("MSA") finalized on November 6, 2017, pursuant to which the Company has agreed to perform certain services for Aurora using its proprietary MAP™ technology, in relation to supply of standardized cannabis extracts. The agreement has an initial term of five years, with an option for Aurora to renew the agreement for an additional five years. As a part of the partnership, Aurora has invested approximately $14.0 million in the Company through a combination of convertible debentures (that converted into equity in fiscal 2018), private placements and warrant exercises. As of September 30, 2019, Aurora held 37,643,431 common shares and 4,541,889 common share purchase warrants of Radient representing approximately 13.82% of the issued and outstanding common shares and 12.76% of the issued and outstanding common shares on a fully diluted basis. The MSA includes an Investor Rights Agreement that provides Aurora with certain rights to participate in future offerings, providing Aurora with the option to expand its ownership in the Company up to 19.99%. Also, in accordance with the Investor Rights Agreement, Aurora has the right to appoint one director to the Company's board of directors (the "Board") who, since February 4, 2019 has been Allan Cleiren, Chief Operating Officer of Aurora.

The Aurora MSA was the precursor of the Company's entry into the cannabis space and its focus on establishing appropriate production facilities, required licences and human capital to deliver on the MSA.

The Technology

Radient's MAP™ extraction and processing technology is based on the use of microwave energy to enhance the extraction of valuable natural compounds from renewable biomass. Using proprietary continuous-flow equipment, Radient is able to precisely control extraction temperature and extraction time, both of which can affect extract purity and extract profile. At the same time, any possible effects associated with excessive heating can be minimized while ensuring that all of the material is extracted for the same time at the same temperature. This careful control of extraction parameters is something that is very difficult to achieve at large scale with conventional methods. The result is a rapid-speed, high-throughput, highly efficient controlled extraction process that does not rely on closed or pressurized batch vessels.

For cannabis, Radient's extraction method can often eliminate additional processing steps required in many conventional methods, such as winterization, which can typically add a half day or more to the extraction process. Winterization can also lead to loss of cannabinoids and other desirous active compounds. In addition, Radient's continuous-flow process is designed so that cannabis biomass does not need to be decarboxylated prior to extraction. By decarboxylating downstream, it is possible to retain many of the active compounds found in the original plant, such as the volatile terpenes and, if desired, to control the degree of decarboxylation and thereby obtain extracts containing a mixture of acidic and neutral cannabinoids.

Compared to conventional extraction methods, Radient's continuous-flow MAP™ extraction and processing technology offers cannabinoid recoveries exceeding 95% for resulting high final product yields. This proprietary high efficiency process combined with high throughput capacities and process economics gives Radient a strong competitive advantage over other existing methods.

Business Model

Radient's core revenue generation activities related to cannabis activities are primarily focused on two areas which include:

1. Manufacturing Services ("tolling fees") – Radient leverages its know-how and infrastructure to produce higher value and higher margin products on behalf of its customers. In these instances, the customer sends its biomass to Radient for processing. Radient will process, for a specified fee, the material into extracts, concentrates or oils and ship back the finished materials to its customers.
2. Manufactured Products – Radient procures cannabis biomass for the manufacture of cannabis extracts, concentrates and oils for its own use. Radient inventories the biomass for use in production and then sells the resultant production, which may include cannabinoid oils, formulations or extracts to holders of a licence for processing "Licensed Producers") under the *Cannabis Act* (Canada) ("Cannabis Act") and the *Cannabis Regulations* (Canada) ("Cannabis Regulations") for use in their consumer/patient products. As Radient's business matures, this will allow Radient to further expand its opportunities by providing manufactured products to Licensed Producers who may rebrand those products as their own (known as white-labelling).

Corporate Focus

Since its inception in 2001, Radient has completed numerous feasibility and scale studies and has proven the effectiveness of its extraction platform for a broad range of biomass inputs, including plants (seeds, leaves, stems, roots) and single-cell biomasses (algae, yeast and fungi) using widely varying solvent systems and for all commercially-relevant classes of natural products, including lipids, glycosides, alkaloids, phenolics, terpenes and proteins.

Due to demand, Radient's near and mid-term corporate focus is directed towards cannabis and nicotine reduction activities.

Cannabis Activities

In February 2019, the Company received its Standard Processing Licence from Health Canada. During the quarter, the Company processed purchased biomass and recorded revenue from the sale of the resulting manufactured products to other licenced holders.

Radient's believe that its extraction platform is well positioned to meet the needs of the growing cannabinoids extraction industry. The demand for cannabis products that rely on extraction, such as edibles and topicals, is expected to increase following the legalization of edible cannabis products in Canada in October 2019.

Current methods of extraction using supercritical carbon dioxide will be constrained by scale limitations of equipment and relatively lower yields. Radient is currently using its platform to extract cannabinoids from cannabis at industrial scale with high efficiency while meeting or exceeding the strict quality assurance standards imposed by Health Canada. Radient also anticipates the same results from using its technology on hemp in the future.

Further, Radient's industrial-scale Good Manufacturing Practice ("GMP") extraction facility is expected to be an important resource to the industry, providing capacity to meet anticipated growing demand while also meeting the highest standards of quality and safety. In addition to large-scale capacity, Radient's platform has demonstrated:

- precise control of extraction time and temperature, ensuring any possible effects of heating can be minimized;
- unique continuously flowing process, allowing for improved extraction efficiency (higher recovery of cannabinoids from biomass), and extract profiles; and
- consistency of extracts and formulations being maintained at industrial scale quantities.

Control of these parameters typically allows for a high-quality product and a broader extract profile. Conventional methods existing in the cannabis industry today do not allow for precise control of parameters at larger scales of production. A technical assessment was conducted via an independent third party laboratory in January 2017. The encouraging results of this assessment resulted in the MSA being signed with Aurora. Commercial production at Radient's Edmonton I facility has confirmed these results at industrial scale.

Radient announced on August 27, 2019 that in anticipation of the recent changes to the *Cannabis Act* which will allow for the legal production and sale of edible cannabis, cannabis extracts and cannabis topicals in Canada, the Company was developing a range of compounds and formulations to meet the anticipated demand of its clients. In particular, Radient has focused on formulation development for various edible cannabis products, cannabis extracts and cannabis topicals that its clients will be introducing into the marketplace. The Company also announced that it is developing vaping liquid formulations for commercialization.

The manufacturing of intermediate end products such as extracts, formulations and ingredients continues to be a core focus for the Company over the near-term and mid-term. In support of its manufacturing activities, Radient maintains the highest standards of product quality and safety through its GMP practices and strict compliance with applicable legal and regulatory requirements. To ensure a high level of purity in the extraction of the active components of cannabis, the Company is also utilizing formulations that contain only approved and tested ingredients from reputable suppliers.

Radient will present any products to Health Canada as part of the Company's regulatory submission for launch approval. The ingredients used in Radient's formulations will be stated clearly on information leaflets accompanying its products.

Nicotine Reduction Activities

On July 28, 2017, the U.S. Food and Drug Administration ("FDA") announced a new comprehensive plan that places nicotine, and the issue of addiction, at the center of the agency's tobacco regulation efforts. Further, on March 16, 2018, the FDA issued an Advanced Notice of Proposed Rulemaking ("ANPRM") to explore a product standard to set the maximum nicotine level for cigarettes, so that cigarette products are minimally addictive or non-addictive.

Late in calendar 2017, Radient announced the results of over four years of research and development with a leading tobacco manufacturer. Results demonstrated nicotine depletion of over 95% across multiple cured tobacco types, and the potential for nicotine depletion in a continuous-flow system at industrially relevant scales. Further to this announcement and given the ANPRM, on June 5, 2018, Radient filed a provisional patent application for reducing nicotine levels in tobacco using its proprietary MAP™ technology. This patent application provides a method to selectively extract nicotine from tobacco via Radient's continuous-flow MAP™ extraction technology and provides a composition of tobacco that is depleted in nicotine but retains its appearance and organoleptic properties.

Radient's patent application discloses the ability of the Company's proprietary MAP™ technology to achieve nicotine depletions of over 95% across multiple cured tobacco types, leaving the reduced nicotine tobacco intact and fit for processing into cigarettes and other combustible tobacco products. The Company believes that this patent application positions Radient's MAP™ process as a viable method of nicotine depletion in tobacco should the FDA or other regulatory bodies decide to regulate for the mandatory reduction of nicotine in cigarettes to minimally or non-addictive levels. Additionally, this patent application also includes methods of recovering and purifying the nicotine as a co-product. Nicotine has commercial value for inclusion in smoking cessation products and in e-liquids for use in e-cigarettes and vaping products. Management believes these purification techniques will allow for a much cheaper alternative over expensive and time-consuming approaches of changing tobacco farming and blending practices or resorting to genetically modified crops.

The Company believes that the successful nicotine reduction research also demonstrates the versatility of Radient's technology and its applicability to a variety of extraction scenarios. The Company has developed and is executing on a marketing strategy that targets tobacco companies, the FDA, advocacy groups and equipment manufacturers to ensure acceptance of the Company's technology in the industry as a viable industrial nicotine reduction technology.

Cannabis Regulatory Considerations

Canadian Requirements

Standard Processing Licence

Radient was issued a Standard Processing Licence on February 1, 2019 by the Security Division of the Cannabis Legalization and Regulation Branch of Health Canada. This licence and conditions allow Radient to:

- possess cannabis;
- produce cannabis, other than obtain it by cultivating propagation or harvesting it; and
- sell cannabis, in accordance with subsection 17(5) of the Cannabis Regulations.

Subsection 17(5) of the Cannabis Regulations allows for a standard processor to sell and distribute cannabis to a holder of the licence for processing, analytical testing, research or cannabis drug licence. The licence also allows for conducting research at the Edmonton I manufacturing facility as long as this research is within the scope of the current activities.

With receipt of this licence, commercial processing of cannabis biomass to extract cannabinoids including CBD and THC began in March 2019 at Radient's Edmonton I manufacturing facility.

On July 14, 2019, Radient submitted an amendment to Health Canada for the addition of a new secure storage area within the existing building perimeter. This amendment was granted on October 15, 2019.

Research and Analytical Licences

The Company's Roper Road location holds both Research and Analytical Testing Licences and the Edmonton I manufacturing facility holds an Analytical Licence. A Research Licence under the Cannabis Act authorizes the holder, for the purposes of research, to possess, produce, transport, send or deliver cannabis. The Analytical Testing Licence under the Cannabis Act authorizes the holder to possess cannabis and alter the chemical or physical properties of cannabis for the purposes of testing.

Canadian Securities Regulation Regarding U.S. Cannabis Activities

Currently, certain U.S. states permit the use and sale of cannabis (sometimes referred to as marijuana) within state-specific regulatory frameworks notwithstanding that marijuana continues to be listed as a controlled substance under U.S. federal law. This creates a conflict between state and federal law. The U.S. Department of Justice has communicated that it will generally not enforce federal prohibitions on U.S. states that have authorized this conduct if such state has implemented a strong and effective regulatory program. As this federal guidance is subject to change, rescission or alteration, risk and uncertainty would exist for any issuer undertaking U.S. marijuana-related activities with consequences being potentially material and pervasive.

On October 16, 2017, the Canadian Securities Administrators, through Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* announced specific disclosure expectations of issuers that currently have, or are in the process of developing, marijuana-related activities in the U.S. states where such activity has been authorized within a state's regulatory framework.

Further, the Toronto Stock Exchange ("TSX") published Staff Notice 2017-0009 with respect to sections 306 and 325 *Minimum Listing Requirements and Management* and Part VII *Halting of Trading, Suspension and Delisting of Securities* (collectively, the "Requirements") to provide clarity regarding the application of the Requirements to applicants and listed issuers in the marijuana sector. Although the TSX acknowledges the current state/federal circumstances and the guidance concerning enforcement of the provisions, it concludes that the guidance does not have force of law and can be revoked or amended at any time. As a result, the TSX has stated that issuers with ongoing marijuana-related business activities in the U.S. are not complying with the Requirements of the TSX Company Manual.

At present, Radient is not conducting any U.S. marijuana-related activities and the Company is in full compliance with Canadian securities regulatory requirements.

EU Requirements

Manufacturers, importers and distributors of medicines in the European Union ("EU") must be licensed before they can carry out those activities. Manufacturers listed in the application of a medicine to be marketed in the EU are inspected by an EU competent authority. If the medicinal product is imported from a third country, the application should also include information on GMP inspections of the manufacturing site(s) concerned carried out in the last two to three years by European Economic Area competent authorities and/or by competent authorities of countries where a Mutual Recognition Agreement is in operation. Obtaining a favorable GMP compliance inspection result from an EU competent authority against the EU GMP requirements will allow product manufactured at Radient to be imported into Europe.

German Requirements for Processing of Cannabis

The import, processing and distribution of medical cannabis in Germany is legally permitted and is essentially governed under two Federal acts. To operate in Germany, the Company (or its affiliates) requires a series of permits as detailed below.

Manufacturing Permit

The Company requires a general manufacturing permit for the manufacturer of medicine products under section 13 of the *Medicines Act* (Germany) (Arzneimittelgesetz – "AMG"). Under the AMG, "manufacturing" includes producing, preparing, formulating, treating or processing, filling, packaging, labeling and final release of a medicinal product. The application for the manufacturing permit must contain information regarding personnel, including designating a qualified person (who is responsible for the manufacture and release of medicine products), facilities information, manufacturing equipment and processes to be used as well as testing capabilities and storage.

The manufacturing permit, when granted, is non-transferrable such that it is entity specific and is for specific facilities and premises. It can be limited to specific products or categories of products. The permit is only granted after the competent authority has inspected the facility and has certified that the applicant complies with the principles of GMP as laid out by the European Union Commission's guidelines.

Under German law, a manufacturing permit should be granted within three months after the application once all necessary documents have been filed with the authorities and are in satisfactory condition. The application for the permit can only be made at the point that the manufacturing facility is ready to operate. The permitting process is a consultative process with the authorities to ensure that the set up of the manufacturing operation will be accomplished in a manner acceptable to the authorities. This facilitates a timely review of the application. The Company has had ongoing consultations with the local regional AMG authorities regarding its pending application and, to date, no significant concerns have been raised.

Narcotics Handling Permit

Pursuant to section 3 of the *Narcotics Act* (Germany) (Betäubungsmittelgesetz – “BtMG”) the Company requires a permit to handle narcotics from the Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arsneimittel und Medizinprodukte – “BfArM”). Under the BtMG, “handling” includes cultivating, producing, trading, importing, exporting, distribution or producing preparations of narcotics. Medical cannabis with more than 0.2% THC is covered under the BtMG. The application for the permit must contain information regarding the facilities, manufacturing or operating processes to be used including product specifications, testing and quality assurance, personnel (including the qualified person who is responsible for the compliance of regulatory obligations under the permit) and security measures.

Under German law, a narcotics handling permit should be granted within three months after the application once all necessary documents have been filed with the authorities and are in satisfactory condition. The permit granted must describe the kind of narcotics, the premises, expected amounts handled and amounts to be stored. The permit can be subject to terms and conditions which are deemed necessary to ensure the safety and control of narcotics.

The application for the permit can only be made at the point that the Company’s manufacturing facility is ready to operate. The permitting process is a consultative process with the authorities to ensure that the set up of the manufacturing operation will be accomplished in a manner acceptable to the authorities. This facilitates a timely review of the application. The Company has had ongoing consultations with the BfArM and law enforcement authorities regarding its pending application and, to date, no significant concerns have been raised.

Import Permits

Should the Company decide to handle medical cannabis that has not originated from Germany the Company would require two kinds of import permits.

First, the Company needs a general permit granted by BfArM to import medicines pursuant to section 72 of the AMG. The application must specify which products are to be imported as the import of medical cannabis is particularly regulated. Imports are only allowed from countries fulfilling certain criteria, namely complying with the *United Nations Single Convention on Narcotic Drugs of 1961* (“Single Convention”). The BfArM does not issue a comprehensive list of countries it considers to fulfill the criteria. Instead, it will evaluate an exporting country’s compliance with the Single Convention only when a permit for importing from that country has been applied for. So far, only permits for the import from the Netherlands, Canada and Austria have been granted. Other countries are being reviewed currently and may be admitted later in calendar 2019. Under German law, a general import permit should be granted within three months after the application once all necessary documents have been filed with the authorities and are in satisfactory condition.

Second, each import requires its own permission under section 11 of the BtMG and the application is made on an import by import basis. This shipment specific import grants German authorities control over the kind, amount, timing and destination of narcotics imported into Germany. Typical timelines for receipt of an individual import permission can run up to several weeks.

Wholesale Permit

The wholesale of medicines requires a wholesale permit according to section 52a of the AMG. However, if the Company already holds a manufacturing permit or a general import permit, then the wholesale permit is included therein. Only if the Company does not manufacture or import, meaning that it is only an intra-German distributor, a separate wholesale permit will be necessary.

Recent Developments

Significant activities undertaken by the Company since the date of the last MD&A are discussed below.

Expansion of the Company's Intellectual Property

On July 8, 2019 Radient announced it had begun the process of replacing the 58 provisional patent applications it had thus far filed with the United States Patent and Trademark Office with full Patent Cooperation Treaty ("PCT") filings with the World Intellectual Property Organization. This will allow for eventual nationalization of the patents in appropriate PCT jurisdictions, including Canada, the U.S., and various EU countries. Radient expects to replace the provisional applications by the deadline conversion dates in order to maintain the priority dates of the original filings. To date, the Company has successfully converted 37 of the provisional patent applications to PCT filings. The Company expects to file up to 20 additional provisional patent applications before the end of calendar 2019.

Targeted Nicotine Extraction Marketing Strategy

In March 2019, Radient announced it had hired two former British American Tobacco executives as senior executives of the Company. On July 8, 2019, the Company announced that it had embarked on a strategic marketing strategy targeting tobacco companies, the FDA, advocacy groups and equipment manufacturers to ensure acceptance of the Company's technology in the industry as a viable industrial scale nicotine reduction technology.

The Company has undergone proof of concept testing with several large-scale tobacco companies in order to prove the capabilities of its proprietary technology to remove nicotine from tobacco at industrial scale while retaining desirable qualities of the tobacco, such as taste and smell.

Amendment of Mortgage with Moskowitz

On August 26, 2019 the Company announced it had amended the mortgage previously in place with Moskowitz Capital Mortgage Fund II Inc. ("Moskowitz").

Radient, through its wholly owned subsidiary 1631807 Alberta Ltd. (the "Subsidiary"), entered into the existing mortgage with Moskowitz in May 2018, allowing the Subsidiary to make several strategic real estate transactions which provided the Company with controlled access to its existing production facility, as well as increased future expansion capacity.

The amended agreement (the "Amended Mortgage") increases the total principal amount to $8.5 million and extends the maturity date to November 1, 2021 while interest remains consistent with the original Moskowitz agreement. The proceeds will be used for general working capital purposes.

Strategic Partnerships

Natac Solutions Joint Arrangement .

Subsequent to September 30, 2019, Natac Solutions S.L., became fully incorporated. The Company holds a 50% interest. The incorporation date is retroactive and effective as of December 3, 2018

which is the date the public deed for the joint operation was granted. There is currently no financial activity in the joint operation. The Company and Grupo Natac S.L are in the process of negotiating a revised business strategy for Natac Solutions with a potential focus on cannabis related initiatives.

The Edlong Corporation Memorandum of Understanding

On October 22, 2019, Radient and The Edlong Corporation ("Edlong") announced that they had entered into a memorandum of understanding to form a strategic Joint arrangement to develop and market flavour systems and product solutions for global food, beverage (alcoholic and non-alcoholic), and pet food industries.

The two companies will leverage Edlong's extensive expertise in the development, manufacturing and marketing of natural flavours and ingredients and Radient's expertise in the industrial scale extraction, purification and manufacturing of cannabinoid ingredients to create novel, high-quality CBD flavours and ingredients. These ingredients will be developed with the intention of introduction to international food and beverage markets, and so will be designed to meet global health and safety regulations.

Outlook

Radient has began processing certain of its raw materials inventory recording $1.1 million of revenue from manufactured products. The Company is successfully extracting cannabinoid's and has validated recoveries rates in excess of 90% of product resulting in high final product yields. Radient is scaling up operations as its supply chain backlog, due to vendor milling and decarboxylation and raw materials deliveries, has largely been eliminated. The Company's Edmonton I facility has moved to a 24 hours per day/ 5 days per week operation and is now currently processing up to 100 kg of raw material on a daily basis. Moreover, the Company is currently installing additional processing equipment, as planned, that will increase Edmonton I capacity to its design capacity of 200 kg per operating day. This upgrade is expected to be complete in Calendar Q1 2020. The Company is currently producing bulk oils for its customers and will be expanding its production efforts to include the production of resins in calendar Q1 2020.

As of October 17, 2019, the production and sale of edible cannabis, cannabis extracts and cannabis topicals was legalized with market introduction to occur no earlier than December 2019. In the coming months, Radient intends to expand its product offerings to encompass crude extracts, distillates, resins, refined oils, and white label formulations.The Company plans to provide its clients with multiple product touch points, while moving up the value chain. These new developments will include products suitable for vapes, edibles, topicals, and other value added products.

Radient's most advanced development work to date is with respect to vaping products, supplementing its core processing and extraction capabilities. Vaping liquid formulations are being developed by Radient for commercialization. The Company is preparing its manufacturing operations for the production of vaping liquids and cartridge filling and anticipates that production of vaping liquid will begin in the first half of calendar 2020. The Company is actively rolling out a strategy to address this segment of the consumer market through a combination of internal product development and partnerships.

Radient has been diligently developing cannabis formulations to meet anticipated demand by its clients. The Company believes that its ability to develop and deliver precise formulations, as well as to meet clients' specific requests in each of these categories, makes this a strong market opportunity.

Expansion Projects

Edmonton II − Plant Retrofit (Hemp Processing Line)

The Company's main facility is currently being retrofitted to accommodate CBD extraction from industrial hemp. The Company expects to be able to process between 1,000 and 1,500 kilograms per day of input biomass after the project is completed, which is expected to be during first quarter of calendar 2020. The Company expects Phase II of this project, which includes a solvent purification and reclamation system and additional pre-extraction biomass equipment, to be completed by mid-calendar 2020.

Edmonton II − Phase I:

Disclosed	Budget	Revised budget	Reason
July 2018 Short Form Prospectus	$ 3.0 M	$ -	Original budget
June 2019 MD&A	$ 3.0 M	$ 5.0 M	Additional required equipment and refinement of existing equipment and facility space
September 2019 MD&A	$ 5.0 M	$ 5.0 M	No revision

The increase in the June budget relates to the change in market demand for further refined bulk extract which requires additional refining equipment, refurbishing existing equipment facility space, and designing and installing customized downstream equipment. The expected completion date of the project is the first quarter of calendar 2020, at which point the Company expects Edmonton II to begin CBD extraction from industrial hemp.

As at September 30, 2019, the total amount spent on this project is approximately $2.0 million which includes approximately $0.1 million of equipment deposits, $0.4 million of equipment, and $1.5 million of assets under construction (for equipment and construction related costs).

Edmonton II − Phase II:

The Phase II budget for Edmonton II is $3.3 million and relates to a solvent purification and reclamation system which is expected to increase savings on processing costs. As well, additional equipment is being designed and fabricated that will allow the Company to perform pre-extraction biomass processing that improves in-process control, throughput, and yield. This project commenced in July 2019 and is expected to have a completion date of mid-calendar 2020.

Edmonton III – New Plant

As of the date of this MD&A, construction of the new building for Edmonton III is proceeding per the project plan. Plans for Edmonton III have been finalized and construction of the facility is well underway. The finalized footprint of Edmonton III will be approximately 89,000 square feet dedicated to cannabinoid extraction, purification, isolation and product development. The project is adjacent to the Company's existing facilities – Edmonton I and Edmonton II. Edmonton III is expected to be completed in the second half of calendar 2020 and provide Radient with additional extraction capacity and cannabinoid ingredient development capability.

Disclosed		Budget		Revised budget	Reason
July 2018 Short Form Prospectus	$	14.5 M	$	-	Original budget
September 2018 MD&A	$	14.5 M	$	18.5 M	Addition of specialized equipment
December 2018 MD&A	$	18.5 M	$	24.5 M	Additional site preparation and environmental readiness costs, alterations to the building design and further specialized equipment.
June 2019 MD&A	$	24.5 M	$	24.5 M	No revision
September 2019 MD&A	$	24.5 M	$	24.5 M	No revision

As at September 30, 2019, the total amount spent on this project is approximately $13.2 million which includes $0.5 million of equipment, and $12.7 million of assets under construction (including both renovation and equipment related costs).

Germany

The project is composed of two phases. The first phase, to equip a leased production facility is now under way, with the leased property having been built to suit. The second phase will be the expansion of capacity on a site adjacent to the facility noted in Phase one. Design and engineering for EU GMP compliant production in phase one is nearly complete. Phase one and phase two designs are expected to incur costs of approximately $3.7 million, funded by capital raised during fiscal 2019. Third-party process engineering, architectural and utility designs and environmental assessments are expected to benefit the Company's German manufacturing facility as well as Edmonton III which is currently underway.

Phase one will allow the Company to rapidly establish a market presence in line with domestic cannabis cultivation scale. Ultimately, with phase two expansion, the Company plans to expand production comparable to Edmonton III (currently under construction in Canada). The Company anticipates initial capacity will be commissioned in the second half of calendar 2020. Designs for the European facilities are focused in the near-term on the consistent, industrial-scale delivery of cannabinoid derivatives and formulations, manufactured in accordance with ("EU GMP") requirements.

As at September 30, 2019, the total amount spent on this project relating to assets under construction is approximately $1.6 million. This relates to scoping, permitting, engineering and consulting services for plant and equipment design, as well as environmental assessments. The total operating expenses incurred to date is approximately $1.4 million of which $0.7 million relates to the quarter ended September 30, 2019.

Results of Operations

Summary of Results by Quarter

Quarter ended	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenues	$ 1,238,350	$ 61,027	$ -	$ -
Loss before other income and expenses	(6,372,219)	(5,706,773)	(6,590,995)	(5,012,070)
Loss per share, before other income and expenses (basic and diluted)	(0.03)	(0.02)	(0.02)	(0.02)
Net loss	(6,882,035)	(6,350,972)	(7,410,399)	(13,082,768)
Net loss per share (basic and diluted)	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.05)
Weighted average number of common shares outstanding	271,064,804	270,249,163	266,815,579	264,386,453
Total assets	$ 75,999,601	$ 80,998,496	$ 61,026,273	$ 64,766,988
Long term liabilities	10,128,544	6,987,198	6,493,082	6,527,370

Quarter ended	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revenues	$ 155,571	$ 58,489	$ 117,304	$ 138,899
Loss before other income and expenses	(3,445,784)	(3,187,507)	(2,470,325)	(1,957,276)
Loss per share, before other income and expenses (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.01)
Net loss	(3,817,382)	(3,545,018)	(2,768,047)	(3,541,287)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	249,529,849	226,860,451	223,367,719	197,549,414
Total assets	$ 67,035,138	$ 37,558,954	$ 30,012,654	$ 30,835,344
Long term liabilities	6,573,331	6,618,306	2,124,160	2,196,646

Quarterly revenues while the Company was engaged in health and wellness activities were fairly consistent for the first four quarters noted above. In the following two quarters, $nil revenue was recognized as the Company discontinued health and wellness contracts and commenced analytic testing of cannabis in preparation for receipt of its Standard Processing Licence from Health Canada. The quarter ended June 30, 2019 represents the first quarter that the Company recognized cannabis related revenue subsequent to receipt of its Standard Processing Licence. In the most recent quarter, $1,238,350 of revenue was recognized. Additionally, $1,652,490 of manufactured products completed but not released were paid for by the customer and have been recorded as contract liabilities to be recognized as revenue in the Company's next quarter.

Loss before other income and expenses has consistently increased over the last two years as the Company discontinued its health and wellness business in preparation for the commencement of production activity related to cannabis extracts and intermediate products. Significant efforts, translating into sizable operating and capital expenditures, have been incurred by Radient to ensure an appropriate level of readiness in anticipation of receipt of the Company's Standard Processing Licence. The quarter ended June 30, 2019 represented a $884,222 reduction in the quarterly loss as compared to the quarter ended March 31, 2019. The March 31, 2019 quarter included some one-time costs, that are not expected to be experienced in subsequent quarters, related primarily to intellectual property projects which were not directly associated with patent filings, and therefore expensed. As well, business development and corporate development expenses were lower quarter over quarter by approximately $0.3 million as the Company re-assessed its strategic focus and resulting activity was reduced. The current quarter reports a loss before other income and expenses greater than that of June 30, 2019 by $628,646 which is again primarily due to one-time costs. On August 14, 2019, the Company amended its mortgage with Moskowitz by increasing the amount borrowed from $5,500,000 to $8,500,000. As the terms of the amended mortgage were substantially different than the terms of the previous mortgage as defined by IFRS 9 *Financial Instruments* ("IFRS 9"), the amendment was determined to be an extinguishment of debt. As a result, a loss on extinguishment totalling $440,513 was recognized in the current quarter. Also incurred in the quarter, was the recognition of $142,982 of costs associated with exploring capital markets opportunities in Europe.

Net loss is most notably affected by share-based payments. During the quarter ended December 31, 2018 share-based payments of $8,265,303 relating to stock options granted in October and November 2018 as well as from prior year grants were recognized. This amount is substantially higher than that recognized through the other seven quarters of comparatives presented.

Total assets increased from June 30, 2018 to September 30, 2018 by $29,476,184 which was directly related to proceeds received from the brokered and private placements that occurred in July 2018. Also, of significance, the June 30, 2019 increase in assets as compared to March 31, 2019 is $19,972,223. $14,432,313 of this increase relates to current assets, which is predominantly related to the Company's purchase of dried cannabis inventory and $5,539,910 relates to non-current assets which is largely attributable to the Company's capital expansion projects and progress on the construction of its Edmonton III manufacturing facility.

During the quarter ended June 30, 2018, the Company completed the acquisition of a 100% interest in 1631807 Alberta Ltd. followed by 1631807 Alberta Ltd.'s acquisition of the lands adjacent to Radient's existing manufacturing facility. In conjunction with these transactions, 1631807 Alberta Ltd. secured the Moskowitz mortgage which resulted in an increase in long term liabilities as at June 30, 2018. Further, long-term liabilities as at September 30, 2019 increased due to the Moskowitz Amendment.

Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)	Quarter ended September 30 2019	2018	Six months ended September 30 2019	2018
Revenues				
Manufactured products	$ **1,048,770**	$ -	$ **1,048,770**	$ -
Manufacturing services	**189,580**	155,571	**250,607**	214,060
	1,238,350	155,571	**1,299,377**	214,060
Cost of revenues				
Manufactured products	$ **978,315**	$ -	$ **978,315**	$ -
Manufacturing services	**121,129**	94,857	**185,739**	131,249
	1,099,444	94,857	**1,164,054**	131,249
	138,906	60,714	**135,323**	82,811
Expenses				
General and administrative	**2,490,947**	1,009,479	**4,648,432**	1,931,314
Production plant	**916,082**	634,867	**1,807,341**	1,121,493
Process development	**620,867**	389,308	**1,239,994**	798,275
Engineering	**536,816**	122,792	**1,070,513**	210,517
Depreciation and amortization	**528,581**	283,032	**1,029,157**	499,544
Quality control and assurance	**344,307**	146,823	**721,924**	365,658
Financing fees	**590,804**	158,586	**714,475**	397,789
Corporate development	**249,602**	340,268	**508,200**	611,380
Business development	**131,438**	295,334	**288,063**	621,888
Research and development	**101,681**	126,009	**186,216**	158,244
	6,511,125	3,506,498	**12,214,315**	6,716,102
Loss before other income (expenses)	**(6,372,219)**	(3,445,784)	**(12,078,992)**	(6,633,291)
Other income (expenses)				
Share-based payments	**(623,094)**	(488,708)	**(1,460,241)**	(821,337)
Interest and other income	**66,807**	119,714	**223,388**	152,397
Foreign exchange gain (loss)	**41,245**	(6,757)	**72,425**	(27,246)
Rental income	**5,226**	4,153	**10,413**	12,289
Allocation of related company loss	**-**	-	**-**	(45,032)
	(509,816)	(371,598)	**(1,154,015)**	(729,109)
Net loss and comprehensive loss	$ **(6,882,035)**	$ (3,817,382)	$ **(13,233,007)**	$ (7,362,400)

Manufactured products

A further break-down of Radient's revenues and cost of revenues from manufactured products follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Revenues	**$ 1,048,770**	$ -	**$ 1,048,770**	$ -
Cost of revenues				
Inventories	**775,469**	-	**775,469**	-
Salaries and benefits	**74,349**	-	**74,349**	-
Overhead allocations	**52,587**	-	**52,587**	-
Supplies and materials	**46,339**	-	**46,339**	-
Third party testing	**22,000**	-	**22,000**	-
Waste removal	**3,888**	-	**3,888**	-
Transportation	**3,683**	-	**3,683**	-
Total cost of revenues	**978,315**	-	**978,315**	-
	$ 70,455	$ -	**$ 70,455**	$ -

The quarter ended September 30, 2019 was the Company's first quarter with revenue for manufactured products. Revenue generation resulted from smaller test batches which were progressively scaled up during the quarter to small commercial batches. Initial cost of revenues were a result of processing costs, along with costs associated with the initial establishment of quality management programs and protocols. The Company anticipates an improvement in the cost of revenues with industrial scale volumes.

Manufacturing services

A further break-down of Radient's revenues and cost of revenues from manufacturing services follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Revenues	**$ 189,580**	$ 155,571	**$ 250,607**	$ 214,060
Cost of revenues				
Salaries and benefits	**47,639**	68,267	**70,133**	87,307
Salaries and benefits from inventories	**-**	-	**5,654**	-
Supplies and materials	**30,740**	24,582	**51,140**	37,250
Third party testing	**15,015**	-	**28,185**	-
Consulting	**20,495**	-	**20,495**	-
Transportation	**2,438**	213	**5,330**	257
Waste removal	**4,802**	1,795	**4,802**	6,435
Total cost of revenues	**121,129**	94,857	**185,739**	131,249
	$ 68,451	$ 60,714	**$ 64,868**	$ 82,811

Manufacturing services represents the tolling fees earned on processing of client biomass. Revenue during the six months ended September 30, 2019 represents a small increase over the comparative period with cost of revenues increasing commensurately.

General and Administrative

A further break-down of Radient's general and administrative expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Consulting fees	**$ 704,319**	$ 281,909	**$ 1,382,400**	$ 553,134
Salaries and benefits	**506,892**	232,176	**1,007,539**	411,312
Salaries and benefits recovery	**(3,360)**	-	**(6,720)**	-
Salaries and benefits capitalized	**-**	(16,797)	**-**	(16,797)
Travel	**284,865**	140,088	**617,323**	285,867
Professional fees	**329,286**	97,978	**582,471**	162,237
Public company compliance	**306,350**	53,969	**372,475**	78,924
Insurance	**89,894**	20,655	**174,564**	42,169
Computer software	**74,389**	18,986	**139,071**	34,358
Rent and utilities	**69,223**	65,317	**122,090**	128,579
Investor relations	**87,129**	49,631	**121,629**	123,216
Office	**28,273**	36,867	**77,497**	64,701
Directors' fees	**10,508**	22,625	**40,882**	43,000
Maintenance	**4,895**	6,075	**12,022**	18,152
Promotion	**(1,716)**	-	**4,944**	-
Supplies	**-**	-	**245**	-
Doubtful debts provision	**-**	-	**-**	2,462
Total general and administrative	**$ 2,490,947**	$ 1,009,479	**$ 4,648,432**	$ 1,931,314

General and administrative increased by $1,481,468 and $2,717,118 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year with variances in several cost categories.

Consulting fees increased by $422,410 for the quarter and $829,266 for the six months ended September 30, 2019. This is primarily due to the addition of key executive management team members who were added in the fourth quarter of fiscal 2019 and the addition of a security consultant in December 2018. Further, consulting fees were incurred during the quarter ended September 30, 2019 related to potential corporate acquisition and expansion activity.

Salaries and benefits increased by $274,716 and $596,227 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. The increase is due to the addition of two people in the finance department, four summer students supporting various departments, creation of both the information technology and procurement departments as well as adding one additional staff member to the human resources department. The investor relations department also contributes to the increase as the Company previously outsourced these services until approximately the fourth quarter of fiscal 2019 when an in-house department was created.

Travel costs increased by $144,777 for the quarter and $331,456 for the six months ended September 30, 2019. This is due to increasing activity related to new business initiatives, alternative financing arrangements that the Company continues to explore, and the Company's European expansion plan. Professional fees increased by $231,308 and $420,234 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. The increase is predominantly due to the German operations that did not exist in the prior year's quarter as well as costs incurred related to exploring new business opportunities in Europe. Further contributing to the increase is accounting and auditing fees related to the preparation of the Company's annual audited financial statements as well as fees related to tax advisory services.

Public company compliance costs increased by $252,381 and $293,551 for the quarter and six months ended September 30, 2019, predominantly driven by costs incurred in the current quarter. The Company's exploration of capital markets opportunities in Europe was a significant component of the overall variance. Additionally, there were increased fees associated with the Company's new OTC listing and its recent tier graduation on the TSXV.

Insurance expense increased by $69,239 and $132,395 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. The increase is due to higher insurance related to the Company's production facility as well as new or expanded coverages related to commercial general liability, directors and officers insurance, environmental liability and other coverages. In addition to the new and enhanced coverages, rate increases were experienced by the Company related to its participation in the emerging cannabis industry.

Computer software increased by $55,403 for the quarter and $104,713 for the six months ended September 30, 2019. The increase is primarily attributable to costs related to the enterprise resource planning system implemented in December 2018 as well as the recently implemented stock option, payroll and time reporting and board scheduling software systems. Costs related to these systems will be regular, recurring expenses of the Company.

Production Plant

A further break-down of Radient's production plant expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 476,536**	$ 331,158	**$ 932,882**	$ 630,907
Salaries and benefits in cost of revenues	**(89,748)**	-	**(101,279)**	-
Salaries and benefits capitalized	**(7,329)**	-	**(7,329)**	-
Rent and utilities	**182,355**	104,164	**340,475**	192,472
Maintenance	**179,144**	89,305	**264,315**	133,193
Security	**77,183**	28,469	**157,496**	28,469
Supplies	**28,614**	49,605	**99,290**	75,019
Equipment and rentals	**25,019**	6,014	**46,550**	10,075
Office	**23,868**	25,938	**42,917**	40,010
Computer software	**19,868**	(1,593)	**24,470**	(1,593)
Production materials	**3,464**	-	**3,932**	-
Consulting fees	**-**	-	**3,135**	-
Travel	**(2,892)**	1,807	**487**	12,941
Total production plant	**$ 916,082**	$ 634,867	**$ 1,807,341**	$ 1,121,493

Salaries and benefits expense increased by $145,378 for the quarter and $301,975 for the six months ended September 30, 2019. The majority of the increase is a net increase in the number of staff and new employees working the full six months versus a partial six months in the prior year based on the timing of their hire dates. The increase is partly offset by employee transfers to Radient's engineering department.

Rent and utilities increased by $78,191 and $148,003 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. The increase is mostly due to rental payments related to establishing the Company's German operations and for warehouse rental space in Edmonton. Both short-term leases were not in place as at September 30, 2018.

Maintenance costs increased by $89,839 for the quarter and $131,122 for the six months ended September 30, 2019. Through the commencement of commercial production, the Company incurred a number of service and maintenance related costs associated with refinements of the equipment configuration and operation as production scale-up progresses.

Security costs relate to the Health Canada security requirements in respect of cannabis which resulted in the Company obtaining security services for the plant in the second quarter of fiscal 2019. These fees are approximately $80,000 each quarter and can vary based on actual hours required.

Process Development

A further break-down of Radient's process development expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 387,292**	$ 257,827	**$ 769,213**	$ 502,403
Salaries and benefits capitalized	**-**	-	**(44,617)**	-
Salaries and benefits in cost of revenues	**(19,294)**	-	**(25,961)**	-
Salaries and benefits recovery	**(1,680)**	-	**(3,360)**	-
Supplies	**72,772**	35,893	**159,822**	78,133
Rent and utilities	**58,360**	39,894	**150,030**	78,624
Consulting fees	**26,491**	19,743	**86,970**	63,687
Maintenance	**33,206**	17,889	**59,883**	39,773
Travel	**34,324**	7,017	**52,103**	17,156
Product development	**14,820**	7,866	**15,027**	11,016
Office	**7,292**	3,179	**12,762**	7,130
Promotion	**6,373**	-	**6,373**	-
Computer software	**911**	-	**1,749**	-
Equipment and rentals	**-**	-	**-**	353
Total process development	**$ 620,867**	$ 389,308	**$ 1,239,994**	$ 798,275

Process development salaries and benefits increased by $129,465 and $266,810 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. The increase includes salary adjustments for existing staff as well as increases in total staff to twenty employees versus thirteen in the prior year. Also contributing to the increase are employees working the full six months versus a partial six months in the prior year based on the timing of their hire dates.

For the six months ended September 30, 2019, supply expenses exceed the same period in the prior year by $81,689. The Company's volume of experimentation and analytical testing continues to grow as cannabis related activity increases.

Rent and utilities increased by $71,406 for the six months ended September 30, 2019. The increase primarily relates to the Company's usage of leased laboratory facilities in France to further develop the Company's core MAP™ technology and other research-related technologies. The lease was renegotiated in the quarter resulting in lower lease costs on an ongoing basis. The increase was partly offset by the transitional adjustments required under IFRS 16 *Leases* ("IFRS 16") for the lease contract relating to the laboratory rental space in Edmonton. IFRS 16 requires the recognition of a lease liability and a lease asset for this lease contract. As such, the lease payments for the base rent are no longer recognized as lease payments and are now accounted for as a reduction against the lease liability with interest expense recognized in the income statement. The lease asset will be depreciated over the term of the lease with depreciation expense included in the income statement.

Engineering

A further break-down of Radient's engineering expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 396,311**	$ 99,740	**$ 785,423**	$ 171,384
Salaries and benefits capitalized	**(23,968)**	-	**(92,539)**	-
Rent and utilities	**90,779**	615	**179,892**	1,166
Travel	**65,948**	20,844	**149,774**	36,014
Consulting fees	**-**	-	**31,500**	-
Office	**6,977**	-	**13,429**	-
Computer software	**961**	1,593	**2,693**	1,953
Supplies	**-**	-	**341**	-
Insurance	**(192)**	-	**-**	-
Total Engineering	**$ 536,816**	$ 122,792	**$ 1,070,513**	$ 210,517

As the Company develops and moves its strategic capital expansion projects forward, Radient's engineering department continues to play a more comprehensive role within the corporate group. Specifically, this is the case as efforts towards the design and build of Edmonton III and the German manufacturing facilities ramp up. As a result, engineering expenses (and prior year figures) have been reclassified from production plant and general and administrative expenses and are now disclosed separately.

Engineering salaries and benefits increased by $296,571 and $614,039 for the quarter and six months ended September 30, 2019, respectively. Staff increased from four in the prior year to twelve in the current year, two of which are located in Germany. Salaries and benefits related to the development of equipment have been capitalized to assets under construction and will be added to equipment upon completion.

Rent and utilities increased by $90,164 and $178,726 for the quarter and six months ended September 30, 2019, respectively. As well, travel expenses increased by $113,760 for the six months ended September 30, 2019 compared to the same period in the prior year. These increases are mostly due to the Company's new German operation which did not exist as at September 30, 2018.

Depreciation and Amortization

Depreciation and amortization increased by $245,549 and $529,613 for the quarter and six months ended September 30, 2019, compared to the same periods in the prior year. The increase is mainly driven by significant capital additions occurring in fiscal 2019 which were not amortized until October 2018 when the Edmonton I plant expansion became available for use as well as depreciation associated with the reversal of impairment taken in fiscal 2019. Further contributing is the adoption of IFRS 16 where new lease assets entail additional depreciation expense not experienced in the prior fiscal year.

Quality Control and Assurance

A further break-down of Radient's quality control and assurance expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 227,460**	$ 219,292	**$ 488,630**	$ 374,780
Salaries and benefits capitalized	**-**	(120,864)	**-**	(147,007)
Salaries and benefits in cost of revenues	**(12,946)**	-	**(17,242)**	-
Salaries and benefits in inventory	**(31,108)**	-	**(31,108)**	-
Consulting fees	**82,725**	-	**123,363**	45,750
Third party testing	**18,158**	9,390	**55,735**	17,829
Rent and utilities	**16,665**	28	**34,266**	484
Supplies	**20,279**	26,226	**31,182**	46,329
Maintenance	**10,294**	8,518	**16,658**	15,223
Office	**6,367**	809	**9,592**	6,695
Travel	**6,119**	942	**9,254**	3,094
Computer software	**294**	-	**844**	-
Product materials	**-**	2,482	**750**	2,482
Total quality control and assurance	**$ 344,307**	$ 146,823	**$ 721,924**	$ 365,658

Salaries and benefits increased by $113,850 for the six months ended September 30, 2019. The majority of this variance arose in the first quarter of the 2020 fiscal year. A substantial number of hires that occurred in the period ended September 30, 2018 occurred either very late in the first quarter or at the beginning of the second. Consequently, although there is a substantial variance in the first quarter, this variance is greatly reduced once the higher staffing levels were achieved.

Consulting fees increased by $82,725 and $77,613 for the quarter and the six months ended September 30, 2019. Equipment qualification efforts commenced during the fourth quarter of fiscal 2019 and through the first quarter of fiscal 2020 which resulted in increased costs related to these efforts. As well, the Company augmented its human resources function with the addition of two contractors to provide ongoing senior level services as production ramps up and there are increased demands on the Company's salaried personnel.

Financing Fees

A further break-down of Radient's financing fees are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Loss on extinguishment of long-term debt	**$ 440,513**	$ -	**$ 440,513**	$ -
Interest on long-term debt	**129,384**	126,148	**214,953**	212,918
Interest on lease obligations	**10,896**	2,929	**18,910**	6,239
Interest on loan due to related company	**-**	-	**-**	5,655
Amortization of financing costs on long-term debt	**10,029**	28,333	**40,117**	47,221
Amortization of financing costs on due to related company	**-**	-	**-**	138,520
Payout penalty on due to related company	**-**	-	**-**	16,414
Other	**(18)**	1,176	**(18)**	(29,178)
Total financing fees	**$ 590,804**	$ 158,586	**$ 714,475**	$ 397,789

Total financing fees increased by $432,218 and $316,686 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. During the quarter the Company amended the mortgage with Moskowitz by increasing the borrowed amount from $5,500,000 to $8,500,000. As a result of the amendment, a loss on extinguishment of long-term debt totalling $440,513 was recognized. This amount consists of $90,264 of the remaining unamortized financing fees related to the original debt and fees and costs of $350,249 related to the amendment. Also contributing to the increase in the quarter and the six months ended September 30, 2019 is an increase in interest expense as a result of the increase in the borrowed amount under the Amended Mortgage. The increase for the six months ended September 30, 2019 was partly offset by no amortization of financing costs on due to related company as the loan payable to 1631807 Alberta Ltd. (a related company to Radient) was repaid in the prior year.

Corporate Development

A further break-down of Radient's corporate development expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Consulting fees	**$ 192,797**	$ 276,333	**$ 372,559**	$ 483,406
Travel	**29,409**	63,935	**108,218**	127,974
Computer software	**25,260**	-	**25,260**	-
Promotion	**2,012**	-	**2,012**	-
Utilities	**76**	-	**76**	-
Office	**48**	-	**75**	-
Total corporate development	**$ 249,602**	$ 340,268	**$ 508,200**	$ 611,380

Total corporate development expenses decreased by $90,666 and $103,180 for the quarter and six months ended September 30, 2019, respectively, compared to the same periods in the prior year. The overall decrease is mainly due to the shift in the Company's corporate focus towards cannabis activities requiring less consulting services and travel.

Business Development

A further break-down of Radient's business development expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Consulting fees	**$ 50,804**	$ 181,133	**$ 115,172**	$ 320,949
Salaries and benefits	**55,567**	29,507	**105,655**	94,743
Travel	**14,607**	59,778	**52,965**	147,413
Marketing material	**8,376**	21,673	**9,575**	52,606
Office	**734**	155	**2,334**	2,574
Utilities	**861**	3,088	**1,776**	3,486
Computer software	**489**	-	**586**	117
Total business development	**$ 131,438**	$ 295,334	**$ 288,063**	$ 621,888

Total business development expense decreased by $163,896 for the quarter and $333,825 for the six months ended September 30, 2019. The Company's change in its strategic focus from health and wellness initiatives to cannabis activities has resulted in significantly reduced discretionary expenses as Radient focuses on scale-up and production.

Research and Development

A further break-down of Radient's research and development expenses are as follows:

	Quarter ended September 30		Six months ended September 30	
	2019	2018	**2019**	2018
Consulting fees	**$ 92,996**	$ 95,040	**$ 97,563**	$ 95,040
Salaries and benefits	**25,857**	25,000	**57,524**	50,000
Salaries and benefits adjustment	**-**	-	**11,154**	-
Travel	**8,075**	5,969	**19,418**	13,204
Rent and utilities	**300**	-	**557**	-
Professional fees	**(25,355)**	-	**-**	-
Insurance	**(192)**	-	**-**	-
Total research and development	**$ 101,681**	$ 126,009	**$ 186,216**	$ 158,244

Share-Based Payments

Share-based payments include vested amounts which relate to stock option grants previously approved as well as amounts related to new grants approved during the period as those grants begin to vest. The following chart details the expense as it arises from each grant summarized by grant date.

	Quarter ended September 30		Six months ended September 30	
Grant date	**2019**	2018	**2019**	2018
June 5, 2019	**$ 51,880**	$ -	**$ 241,152**	$ -
February 27, 2019	**54,640**	-	**138,780**	-
November 28, 2018	**62,683**	-	**149,590**	-
October 1, 2018	**352,618**	-	**701,404**	-
June 4, 2018	**83,196**	326,466	**178,327**	432,637
December 6, 2017	**15,970**	78,370	**42,735**	187,134
August, 2017	**2,107**	20,872	**7,723**	49,383
April 3, 2017	**-**	61,838	**530**	151,021
April 2014	**-**	1,162	**-**	1,162
Total share-based payments	**$ 623,094**	$ 488,708	**$ 1,460,241**	$ 821,337

Interest and Other Income

Interest and other income have decreased by $52,907 in the quarter and increased by $70,991 in the six months ended September 30, 2019, respectively, over the same periods in the prior year. These changes are due to interest earned on the amount of cash that is invested in short-term, readily converted investments.

Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) increased by $99,851 for the six months ended September 30, 2019. The Company is currently managing its foreign currency risk on the U.S. Dollar ("USD") by purchasing USD to offset USD expenditures as they are incurred. This has had positive impacts for the Company. Also contributing to the recognized balance is revaluation upon consolidation of the Company's recently incorporated European entities.

Liquidity and Capital Resources

Radient's sources of liquidity as at September 30, 2019 are cash and accounts receivable. While Radient's cash flows are committed to certain growth initiatives, management believes it is able to generate sufficient amounts of cash to meet its commitments, support operations, finance capital expenditures and support growth strategies. The Company's capital expenditures may be funded by working capital, cash flows from operations and proceeds from debt and equity offerings.

Radient manages its capital structure and makes adjustments to it for market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Radient may adjust capital spending, issue new shares, issue new debt, repay existing debt or enter into other credit arrangements. The Company believes that it would be able to raise additional funds by way of equity or debt financing on commercially reasonable terms, if required.

		September 30, 2019		March 31, 2019
Non-current assets	**$**	**40,394,130**	$	27,191,234
Current assets		**35,605,471**		33,835,039
Current liabilities		**(25,297,601)**		(3,690,792)
Total assets less current liabilities	**$**	**50,702,000**	$	57,335,481
Non-current liabilities		**10,128,544**		6,493,082
Shareholders' equity		**40,573,456**		50,842,399
	$	**50,702,000**	$	57,335,481

Working Capital

Working capital is current assets less current liabilities. As at September 30, 2019, Radient had working capital of $10,307,870, as compared to working capital of $30,144,247 as at March 31, 2019. The $19,836,377 decrease in working capital is primarily related to the Company's utilization of cash to fund quarterly operations as well as its various expansion projects prior to full scale commercial production and anticipated revenue generation.

Non-Current Assets

Non-current assets increased by $13,202,896 as at September 30, 2019, as compared to March 31, 2019, which is attributable to:

Long-Term Prepaids and Deposits

Long-term prepaids and deposits increased by $283,772 related to various patent update initiatives. Upon notification of a successful patent application, the associated costs are added to the Company's intangible non-current assets.

Lease Assets

The transition to IFRS 16 resulted in an adjustment to lease assets of $687,241 and a transfer of assets with a carrying amount of $425,487 from plant and equipment to lease assets. During the quarter, additions of lease assets totalled $394,601 offset by depreciation of $78,264 for the quarter and $140,331 for the six months ended September 30, 2019.

Plant and Equipment

Plant and equipment increased by $11,461,280 from March 31, 2019. The increase is due to $12,790,978 of additions mostly related to the Company's capital expansion projects, partially offset by the $425,287 IFRS 16 transitional adjustment to lease assets. Disposals of assets, along with depreciation of $415,887 for the quarter and $823,016 for the six months ended September 30, 2019, also offset the increase in plant and equipment.

Intangible Assets

Intangible assets increased by $90,846 from March 31, 2019, predominantly due to additions of computer software.

Current Assets

Current assets increased by $1,770,432 as at September 30, 2019 as compared to March 31, 2019, with notable variances as follows:

Cash

The Company's cash balance decreased by $25,621,852 due to cash requirements for operating activities of $19,240,584, cash purchases of plant and equipment of $9,388,078, patent initiatives of $239,492, investment in intangible assets of $156,656, interest and pay-out penalties of $315,193, financing costs paid on new long-term debt of $350,249, repayment of lease liabilities $126,347, and $5,609,776 for the repayment of long-term debt. The decrease was partly offset by proceeds received from the exercise of warrants of $730,663, $101,520 from the exercise of stock options, interest received of $200,378, proceeds from long-term debt of $8,697,500 and $81,195 from the disposal of equipment.

Accounts Receivable

Accounts receivable increased by $490,490 at September 30, 2019 compared to March 31, 2019. Contributing to this increase are substantially higher GST refunds related to the construction of the Edmonton III manufacturing facility as well as higher trade receivables.

Prepaids and Deposits

The increase in prepaids and deposits as compared to March 31, 2019 is $94,406. The increase is primarily due to a deposit paid on raw materials inventory offset by decrease in a number of annual costs which are nearing renewal (e.g. insurance).

Inventories

Inventories increased by $26,806,884 from March 31, 2019. The majority of the increase is due to the procurement of dried cannabis biomass for the extraction of cannabinoids.

Current Liabilities

Current liabilities increased by $21,606,809 compared to the balance as at March 31, 2019. This increase is predominantly driven by:

- the Company's procurement of dried cannabis biomass which represents an amount owing of $15,544,974 (including GST) as at September 30, 2019;
- additional payables of $3,588,825 related to the Company's capital expansion projects;
- the current portion of lease liabilities due to the adoption of IFRS 16 which represents an increased current liability of $272,378;
- the increase of $249,888 in the current portion of long-term debt which is due to the extinguishment of the existing Moskowitz mortgage and recognition of the remaining deferred financing charges as a loss on extinguishment of debt as well as the addition of the Amended Mortgage's fees which are repayable monthly commencing August 1, 2019 through to February 1, 2021; and
- the recognition of $1,652,490 in contract liabilities related to consideration received for manufactured products where the product was not yet transferred to the customer as at September 30, 2019.

Non-Current Liabilities

The adoption of IFRS 16 results in an increase in lease liabilities of $673,304 which would previously have been expensed as operating leases. Also contributing to the increase in non-current liabilities is the extinguishment of the previous Moskowitz mortgage and the addition of the new Amended Mortgage which accounts for the majority of the $2,968,217 increase in long-term debt.

Shareholders' Equity

Shareholders' equity decreased by $10,268,943 as compared to the balance as at March 31, 2019. This is primarily due to the recognition of a net loss of $13,196,207 for the period ended September 30, 2019. The decrease was partly offset by share-based payments of $1,460,241, the exercise of 1,747,600 warrants for total proceeds of $730,663, the exercise of 147,000 options for total proceeds of $101,520, and an issuance of 745,852 common shares related to shares issued for $677,869 worth of services rendered.

Contingencies and Commitments

The Company has entered into various non-cancellable commitments with contract terms ranging between one and five years as follows:

		September 30, 2019		March 31, 2019
Capital expansion projects	**$**	**7,020,484**	$	16,098,096
Leases not yet commenced		**2,091,443**		130,500
Variable lease payments for lease liabilities		**431,672**		430,610
Network services contracts		**228,346**		263,678
Short-term lease commitments for rental space		**179,228**		387,795
Purchase and retrofitting of equipment		**196,648**		178,059
Maintenance contracts		**51,210**		74,190
	$	**10,199,031**	$	17,562,928

RADIENT

Related Party Transactions

The Company's related parties are its Board and key management personnel (President and Chief Executive Officer – Denis Taschuk (CEO), Chief Operating Officer – Mike Cabigon (COO), Chief Financial Officer – Prakash Hariharan (CFO) and Chief Technology Officer – Steven Splinter (CTO) as well as any companies controlled by key management personnel or directors). Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Details of the related party transactions follow:

Key Management Personnel and Director Remuneration

The remuneration of directors and key management personnel follows:

	Three months ended September 30				Six months ended September 30			
		2019		2018		**2019**		2018
Compensation	**$**	**235,808**	$	228,125	**$**	**491,482**	$	454,000
Short-term benefits		**13,202**		6,185		**24,264**		12,370
Share-based compensation		**358,119**		69,574		**716,510**		167,117
	$	**607,129**	$	303,884	**$**	**1,232,256**	$	633,487

Compensation includes key management salaries, consulting fees and director's fees.

As at September 30, 2019, $88,968 (March 31, 2019 - $109,804) was included in accounts payable and accrued expenses for amounts owing to key management personnel, directors and companies controlled by key management personnel or directors.

Equity Transactions

During the six months ended September 30, 2019

There was no activity during the quarter ended September 30, 2019.

During the year ended March 31, 2019

Pursuant to the private placement that closed on July 31, 2018, a key management personnel and two directors participated directly or indirectly in the placement for total proceeds of $1,309,920. These officers and directors included Francesco Ferlaino ($600,000), Jan Petzel ($660,000) and the CEO ($49,920).

625,000 common shares were issued to a director and a key management personnel of the Company for warrants exercised for total proceeds of $312,500. $62,500 was received from the CEO and $250,000 from Francesco Ferlaino, a director of the Company.

Services Provided

During the six months ended September 30, 2019

Akaura Holdings Inc., owned by Harry Kaura, a director of the Company, received $59,708 for the three months and $111,463 for the six months ended for rental lease payments and operating costs associated with the rental of a warehouse required by the Company.

During the six months ended September 30, 2018

There was no activity during the quarter ended September 30, 2018.

New Accounting Standard

Effective April 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative information. Comparative information is still reported under IAS 17 *Leases* (“IAS 17”) and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (“IFRIC 4”).

IFRS 16 eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The lease asset will be depreciated over the term of the lease with deprecation expense included in the income statement. The lease liability will result in interest expense being recorded in the income statement.

On initial adoption, the Company has adopted the following practical expedients permitted under the standard:

- applied the recognition exemption for short-term leases (less than twelve months) and leases for which the underlying asset is of low value. These continue to be recognized as operating expenses on a straight-line basis over the lease term;
- grandfathered at the date of initial adoption, previous assessments of whether a contract was or contained a lease under IAS 17 and IFRIC 4;
- excluded initial direct costs from the measurement of the lease asset at the date of initial application;
- used the Company’s previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets for onerous contracts*, instead of reassessing the leased assets for impairment on April 1, 2019; and
- the Company elected to measure the lease asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payment that existed at the date of transition.

Leases previously classified as operating leases under IAS 17 with a lease term greater than twelve months are recognized as lease assets and lease liabilities. This increased the amount of total assets by $687,241 and total liabilities by $687,241 as at April 1, 2019. There was no impact to the Company’s opening retained earnings. On transition to IFRS 16 the weighted average incremental borrowing rate applied to the lease liability recognized under IFRS 16 was 5.41%.

The following is a reconciliation of total operating lease commitments and finance lease obligations disclosed in the Company’s March 31, 2019 annual consolidated financial statements to the lease liabilities recognized as at April 1, 2019:

Total operating lease commitments disclosed as at March 31, 2019	$	1,624,628
Leases with remaining lease terms of less than 12 months		(387,795)
Variable lease payments not recognized		(442,826)
Operating lease commitments before discounting		794,007
Discounted using incremental borrowing rate		(106,766)
Total lease liability recognized on transition to IFRS 16	$	687,241

The application of IFRS 16 requires significant judgments and estimations to be made. Areas that require judgment include identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in substance fixed, establishing whether there are multiple leases in an arrangement and for certain leases, determining the stand-alone selling price for lease and non-lease components. Other sources of estimation uncertainty in the application of IFRS 16 include estimating the lease term, determining the appropriate discount rate to apply to lease payments and assessing whether a right-of use asset is impaired.

Financial Instruments and Related Risk

Cash, accounts receivable, and deposits are classified as financial assets at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature. The fair value of lease liabilities and long-term debt are classified as financial liabilities for valuation purposes under IFRS 9. Financial liabilities are measured initially at fair value and subsequently at amortized cost using the effective interest method.

The Company has exposure to credit, interest rate, liquidity and foreign exchange risk as follows:

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its cash, accounts receivable and advances to related company to a maximum of the carrying value of the items at the reporting date.

The Company mitigates its exposure to credit risk related to its cash by holding funds with reputable financial institutions.

The Company's trade receivables are monitored on an ongoing basis for impairment. During the years ended March 31, 2019 and 2018, the Company assessed that a receivable from its subtenant was impaired and an allowance for the impairment was made in each year. During the year ended March 31, 2019 the allowance for doubtful debts balance was written off.

As at September 30, 2019, the Company had $193,161 (March 31 - $nil) of trade accounts receivable balances. GST of $425,405 (March 31, 2019 - $157,287) comprises the majority of the other receivables balance of $496,465 as at September 30, 2019 (March 31, 2019 - $199,137) and is consistently received subsequent to filing of applicable returns.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest rate risk in respect of its variable rate long-term debt.

For the period ended September 30, 2019, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to $91,661 (March 31, 2019 - $61,972).

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations.

The Company manages its liquidity risk by forecasting cash flow requirements for its planned development, production and corporate activities and anticipating investing and financing activities. Management and the Board are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments.

The Company could encounter difficulty in meeting its financial obligations if certain risks were to occur. See the Risk Factors section of this MD&A for additional related discussion and details.

The Company's contractual liabilities and obligations are as follows:

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 22,954,881	$ -	$ -	$ -	$ 22,954,881
Long-term debt	1,128,450	9,750,126	207,467	330,002	11,416,045
Lease liabilities	417,582	534,525	293,172	-	1,245,279
Balance September 30, 2019	**$ 24,500,913**	**$ 10,284,651**	**$ 500,639**	**$ 330,002**	**$ 35,616,205**
Accounts payable and accrued liabilities	$ 3,522,828	$ -	$ -	$ -	$ 3,522,828
Long-term debt	733,950	6,219,412	222,982	376,939	7,553,283
Lease liabilities	105,394	91,053	-	-	196,447
Balance March 31, 2019	$ 4,362,172	$ 6,310,465	$ 222,982	$ 376,939	$ 11,272,558

The contractual liabilities and obligations included in the tables above include both principal and interest cashflows.

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company operates on an international basis and is subject to foreign exchange risk related to financial assets and liabilities denominated in a foreign currency. The Company's objective with respect to foreign exchange risk, is to minimize the impact of the volatility where possible, through effective cash flow management. The following table provides an indication of the Company's exposure to changes in the value of foreign currencies relative to the Canadian dollar ("CAD") as at September 30, 2019. The analysis is based on financial assets and liabilities denominated in USD, Euro ("EUR"), British Pound ("GBP"), and Swiss Franc ("CHF") ("balance sheet exposure").

	September 30, 2019			
	USD	**EUR**	**GBP**	**CHF**
Cash	$ 307,844	$ 207,962	$ -	$ 100,000
Accounts receivable	143,500	30,505	-	-
Prepaids and deposits	-	114,699	-	-
Accounts payable and accrued liabilities	(199,223)	(740,385)	(56,750)	-
Net balance sheet exposure	**$ 252,121**	**$ (387,219)**	**$ (56,750)**	**$ 100,000**
Translation rate at September 30, 2019	1.3461	1.4654	1.6527	1.3507
Net income impact of a 10% rate change	**$ 33,938**	**$ 56,743**	**$ 9,379**	**$ 13,507**

The estimated net income impact of a 10% rate change assumes other variables remain unchanged. The timing and volume of foreign currency denominated transactions as well as the timing of their settlement could impact the sensitivity analysis.

Risk Factors

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to and must be read in conjunction with the additional information on these and other factors that could affect the Company's operations and financial results that may be accessed through the Company's profile on SEDAR (www.sedar.com), including Radient's AIF and Annual MD&A.

Realizing Growth Targets

Radient's ability to meet projected production targets, and its ability to increase production capacity as planned, may be affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in material or labor costs, construction performance falling below expectations, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labor disputes, as well as the potential impacts of major incidents or catastrophic events on its facility, such as fires, explosions or storms. Should Radient's production not meet its projections, and if it cannot increase production capacity as planned, there could be a material adverse effect on its business, results of operations and financial condition.

Global Political and Economic Instability

The Company could be affected by political or economic instability in the jurisdictions where it expands and/or operates. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in the relevant regulatory environments or shifts in political attitude in countries in which the Company operates may adversely affect its business. Operations could be affected to varying degrees by government regulation with respect to restrictions on production, distribution, price controls, income taxes, expropriation of property, maintenance of assets, environment regulation and land use, among other things. The effect of these factors cannot be accurately predicted.

Expanding Operations Outside Canada

As Radient continues to pursue operations and opportunities in foreign jurisdictions, there may be new or unexpected risks or significantly increased exposure to one or more existing risk factors including economic instability, changes in laws and regulations and the effects of additional competition. These factors may limit the Company's ability to successfully expand its operations and may have a material adverse effect on its business, financial condition and results of operations.

Expansion Efforts May Not Be Successful

There is no guarantee that the Company's intentions to expand and construct additional production capacity in Canada and abroad and to expand the Company's marketing and sales efforts will be completed in a timely manner or at all. Failure to successfully execute Radient's expansion strategy (including receiving applicable regulatory approvals and permits) could adversely affect the Company's business, financial condition and results of operations and may result in failure to meet anticipated or future demand for the Company's products and services, when and if that demand arises.

In addition, the construction of Edmonton III and the proposed German manufacturing facility are subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond the Company's control, including regulatory approvals, permits, delays in the delivery or installation of equipment, difficulties in integrating new equipment with existing components, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding or other resource constraints. Moreover, actual costs for construction may exceed budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the construction of the new facilities which, in turn, may materially and adversely affect its business, prospects, financial condition and results of operations.

Inability to Meet Customer Requirements

In a manufacturing environment, products may be subject to return, for a variety of reasons, including defects, such as contamination, unintended interactions with other substances, inappropriate packing causing spoilage and other reasons. If any of the products processed by Radient are returned due to alleged defects or for any other reason, the Company could incur unexpected expenses of recall and re-processing and any legal proceedings that may arise in connection with such recall and re-processing. Significant sales could be lost and the Company may be unable to replace those sales at an acceptable margin or at all. Although the Company has detailed procedures in place for testing incoming product as well as finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen returns, regulatory action or lawsuits, whether frivolous or otherwise. Recalls or returns could affect the Company’s reputation and decrease demand for Radient’s products resulting in material adverse effects on the business, financial condition and results of operations. Further issues of this nature may lead to increased scrutiny of the Company’s operations by Health Canada or other regulatory agencies, requiring further management attention, increased compliance costs and potential legal fees, fines, penalties and other expenses and sanctions.

Product Liability

As a manufacturer of products designed to be inhaled or ingested by humans, the Company faces inherent risk of exposure to product liability claims, regulatory action and potential litigation if its manufacturing process is alleged to have caused significant loss or injury. In addition, manufacture and ultimate sale of cannabis end-user products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products along or in combination with other medications or substances may occur. Product liability claims or regulatory action against the Company could result in increased costs, may affect the Company’s reputation and could have a material adverse effect on Radient’s business, financial condition and results of operations.

Uninsured or Uninsurable Risks

Radient may be subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on Radient’s financial position and operations.

Potential Litigation

The Company may become party to regulatory proceedings, litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect the business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management’s attention and resources and cause significant expenses. While Radient has insurance that may cover the costs and awards of certain types of litigation, the amount of such coverage may not be sufficient. Substantial litigation costs may adversely impact the Company’s business, operating results or financial condition.

Manufacturing Scale Up

The Company anticipates producing larger individual batch sizes on a continuous or near continuous basis. Commensurate increases in product loss due to contamination, or for any other reason, can expose the Company to increased manufacturing costs. As well, the Company may not be able to replace lost product in a timely manner, at an acceptable margin or at all, in some cases. Running continuous, large scale batches may have a number of implications that the Company has not previously experienced or is not fully of aware of or able to anticipate. The useful life of equipment and/or parts may be much shorter than anticipated with an increased need for replacement. Similarly, there is increased risk of equipment failure at higher inputs. As equipment and parts are highly customized and generally require advance orders with significant lead times, there may be significant delays in receiving the equipment and/or parts from suppliers. Depending on the severity and the impact of continuous use on the Company’s equipment and production processes, unplanned shutdowns may be required which would result in production delays. Should the Company be unable to scale up as anticipated, there could be a material adverse effect on the business, results of operations, customer relationships and the financial condition of the Company.

Inventory

The Company holds cannabis biomass and finished goods in inventory and its inventory has a shelf life. The Company’s inventory may reach its expiration and not be sold. Even though on a regular basis, management reviews the amount of inventory on hand, reviews the remaining shelf life, and estimates the time required to manufacture and sell such inventory, write-downs of inventory may still be required. Write-downs in inventory value or losses on inventory purchase commitments depend on various factors, including those related to customer demand, economic and competitive conditions, technological advances or new product introductions by the Company or its customers that vary from its current expectations. Any such write-down of inventory could have a material adverse effect on the Company’s business, financial condition, and results of operations.

Outstanding Share Data

As at the date of this MD&A, the Company has:

Common shares issued and outstanding: 272,330,765

Fully diluted common share capital: 330,684,605

Stock Options

23,245,150 stock options of the Company are issued and outstanding with a weighted average exercise price of $1.03. Each stock option entitles its holder to purchase one common share of the Company with varying expiry dates up to June 23, 2024. Additionally, on October 23, 2019, the Company approved to issue 750,000 incentive stock options to certain employees and consultants in which 50% vests immediately and 50% quarterly over two years at an exercise price of $0.58. Each stock option entitles its holder to purchase one common share of the Company until October 23, 2024.

Finders' Options

1,624,290 finders' options with a weighted average exercise price of $1.20 are issued and outstanding. Each option entitles its holder to purchase one unit of the Company with varying expiry dates up to July 31, 2020. If exercised, these units would include 1,624,290 common shares and 812,145 common share purchase warrants entitling the holder to subscribe for additional common shares at a weighted average price of $1.50 per common share until July 31, 2020.

Warrants

32,547,255 are issued and outstanding with a weighted average exercise price of $0.95. Each warrant entitles its holder to purchase one common share of the Company with varying expiry dates up to July 31, 2020. On October 30, 2019 125,000 common shares were issued for warrant exercised for total proceeds of $31,250. On November 28, 2019 500,000 common shares were issued to Francesco Ferlaino, a director of the Company for warrants exercised for total proceeds of $125,000.

Shares Issued for Services

During the year ended March 31, 2019 and the year ended March 31, 2018, the Company approved multiple shares for service agreements with third parties in exchange for corporate development, business development and consulting services. Pursuant to the terms of the agreements the Company may issue common shares in exchange for a maximum of USD$379,000, £585,000 and CAD$96,000 of services provided in the fiscal year at the option of the third party. The number of shares issued and the share price will be based on the terms of the agreements. The agreements were approved by the TSXV and will be subject to approval for each successive two-year renewal term. Common shares with a value of £146,250 and USD$3,739 have been issued as of the date of this MD&A for services rendered during the quarter ended September 30, 2019. Common shares with a value of £48,750 have been issued as of the date of this MD&A for services rendered for October 2019.