RADIENT

Radient Technologies Inc.

Consolidated Financial Statements

March 31, 2021 and 2020

Contents

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Independent Auditor's Report

To the Shareholders of
Radient Technologies Inc.

Opinion

We have audited the consolidated financial statements of Radient Technologies Inc. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as at March 31, 2021 and March 31, 2020 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the Company has not yet achieved profitable operations, has incurred a net loss of $42,265,830 during the year ended March 31, 2021 and, as of that date, the Company's current liabilities exceeds its current assets by $28,434,362. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Meghan DeRoo McConnan.

Grant Thornton LLP

Edmonton, Canada
September 30, 2021

Chartered Professional Accountants

Radient Technologies Inc.
Consolidated Balance Sheets

As at	March 31, 2021	March 31, 2020
Assets		
Current assets		
Cash	**$ 485,544**	$ 145,117
Accounts receivable	**445,872**	846,899
Lease receivable (Note 5)	**48,612**	-
Prepaids and deposits	**646,965**	1,591,779
Inventories (Note 4)	**1,393,834**	8,890,777
	3,020,827	11,474,572
Non-current assets		
Restricted cash (Note 10)	**-**	200,000
Lease receivable (Note 5)	**21,008**	-
Long-term prepaids and deposits (Note 7)	**160,224**	1,426,808
Lease assets (Note 5)	**643,583**	2,069,575
Plant and equipment (Note 6)	**24,844,680**	41,892,844
Intangible assets (Note 7)	**604,349**	867,895
	26,273,844	46,457,122
Total assets	**$ 29,294,671**	$ 57,931,694
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 15,358,022**	$ 15,341,446
Short-term borrowings (Note 10)	**1,000,000**	2,426,271
Facility construction liabilities	**4,566,759**	8,569,340
Current portion of long-term debt (Note 11)	**9,582,593**	1,049,649
Current portion of lease liabilities (Note 12)	**947,815**	489,114
	31,455,189	27,875,820
Non-current liabilities		
Long-term debt (Note 11)	-	9,571,825
Lease liabilities (Note 12)	**369,355**	1,472,197
	369,355	11,044,022
	31,824,544	38,919,842
Shareholders' (deficit) equity		
Common shares (Note 13)	**127,127,480**	112,474,761
Contributed surplus	**39,891,886**	33,820,500
Deficit	**(169,549,239)**	(127,283,409)
	(2,529,873)	19,011,852
Total liabilities and shareholders' (deficit) equity	**$ 29,294,671**	$ 57,931,694

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

Director (signed by) *"Jan Petzel"*

Director (signed by) *"Francesco Ferlaino"*

Radient Technologies Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended March 31	2021	2020
Revenues		
Manufactured products	**$ 2,408,503**	$ 17,985,341
Manufacturing services	**80,880**	419,174
	2,489,383	18,404,515
Cost of sales		
Manufactured products	**2,958,653**	17,633,949
Manufacturing services	**26,341**	322,619
	2,984,994	17,956,568
	(495,611)	447,947
Expenses		
General and administrative	**5,900,445**	9,038,346
Financing fees (Note 17)	**2,944,539**	1,009,358
Depreciation and amortization	**2,156,009**	2,225,567
Production plant	**1,149,613**	3,514,385
Engineering	**1,106,528**	2,064,378
Process development	**670,952**	2,765,170
Research and development	**390,201**	1,209,091
Quality control and assurance	**239,407**	1,467,367
Business development	**141,561**	596,376
Corporate development	**44,025**	815,135
	14,743,280	24,705,173
Loss before other expenses	**(15,238,891)**	(24,257,226)
Other income (expenses)		
Impairment of property and equipment (Note 6)	**(15,295,801)**	(4,500,000)
Impairment of inventories (Note 4)	**(7,428,465)**	(5,800,000)
Share-based payments (Note 13)	**(1,570,954)**	(2,567,078)
Impairment of long-term prepaid assets (Note 7)	**(1,177,217)**	-
Loss on equity settled payables (Note 13)	**(633,208)**	-
Impairment of lease assets (Note 5)	**(619,551)**	-
Loss on modification of long-term debt (Note 11)	**(477,810)**	-
Loss on disposal of property and equipment (Note 6)	**(416,980)**	-
Impairment of intangible assets (Note 7)	**(79,855)**	-
Foreign exchange gain (loss)	**255,093**	(108,383)
Forgiveness of short-term borrowings (Note 10)	**219,937**	-
Interest and other income	**161,945**	230,426
Rental income	**35,927**	25,035
Loss on extinguishment of long-term debt (Note 10)	**-**	(440,513)
	(27,026,939)	(13,160,513)
Net loss and comprehensive loss	**$ (42,265,830)**	$ (37,417,739)
Basic and diluted loss per common share	**$ (0.13)**	$ (0.14)
Weighted average number of common shares outstanding		
Basic and diluted	**325,351,377**	272,177,024

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Consolidated Statements of Cash Flows

For the years ended March 31	2021	2020
Operating Activities		
Net loss	**$ (42,265,830)**	$ (37,417,739)
Adjustments for:		
Impairment of inventories	**7,428,465**	5,800,000
Impairment of property and equipment	**15,295,801**	4,500,000
Impairment of intangible assets	**79,855**	-
Impairment of long-term prepaid assets	**1,177,217**	-
Interest expense and pay-out penalties	**2,737,721**	708,648
Depreciation and amortization	**2,156,009**	2,225,567
Impairment of lease assets	**619,551**	-
Share-based payments	**1,570,954**	2,567,078
Loss on modification of long-term debt	**477,810**	-
Loss on equity settled payables	**633,208**	-
Forgiveness of short-term borrowings	**(219,937)**	-
Loss on disposal of property and equipment	**416,980**	-
Finance fee accretion and amortization	**210,836**	150,710
Loss on extinguishment of long-term debt	**-**	440,513
Accretion of loss on modification of long-term debt	**(284,310)**	-
Interest income	**-**	(231,082)
Impact of foreign exchange on lease liability	**-**	16,694
	(9,965,670)	(21,239,611)
Change in non-cash operating working capital (Note 8)	**2,997,537**	(5,510,171)
Cash used in operating activities	**(6,968,133)**	(26,749,782)
Financing Activities		
Proceeds from brokered placements	**5,750,000**	-
Proceeds from private placement	**2,995,500**	-
At-the-market share issuance	**880,605**	7,715
Proceed from short-term borrowings	**-**	2,500,000
Proceeds from long-term debt	**-**	9,860,000
Proceeds from exercise of warrants	**-**	1,639,366
Proceeds from exercise of stock options	**-**	101,520
Interest paid	**(1,096,102)**	-
Share issuance costs	**(974,668)**	(174,026)
Repayment of lease liabilities	**(326,846)**	(273,552)
Interest and pay-out penalties	**-**	(726,556)
Financing costs paid on long-term debt	**51,794**	(534,571)
Repayment of long-term debt	**(157,500)**	(5,741,352)
Change in restricted cash	**200,000**	(200,000)
Cash provided by financing activities	**7,322,783**	6,458,544
Investing Activities		
Purchase of plant and equipment	**(119,827)**	(11,066,701)
Decrease (increase) in long-term prepaids and deposits	**89,367**	(421,365)
Proceeds on disposal of plant and equipment	**16,237**	100,195
Investment in intangible assets	**-**	(159,052)
Interest received	**-**	230,426
Cash used in investing activities	**(14,223)**	(11,316,497)
Net increase / (decrease) in cash	**340,427**	(31,607,735)
Cash, beginning of year	**145,117**	31,752,852
Cash, end of the year	**$ 485,544**	$ 145,117

Non-cash transactions (Note 8)

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Consolidated Statements of Changes in (Deficit) Equity

As at March 31, 2020	Common Shares	Contributed Surplus	Deficit	Equity
Balance March 31, 2019	$ 109,030,850	$ 31,677,219	$ (89,865,670)	$ 50,842,399
Share-based payments	-	2,567,078	-	2,567,078
At-the-market issuance	7,715	-	-	7,715
Warrant exercises	2,067,038	(427,672)	-	1,639,366
Stock option exercises	188,320	(86,800)	-	101,520
Shares issued for services	1,176,557	-	-	1,176,557
Shares issued for debt	178,307	-	-	178,307
Share issuance costs	(174,026)	-	-	(174,026)
Warrant issuance	-	90,675	-	90,675
Net loss	-	-	(37,417,739)	(37,417,739)
Balance March 31, 2020	$ 112,474,761	$ 33,820,500	$ (127,283,409)	$ 19,011,852

As at March 31, 2021	**Common Shares (Note 13)**	**Contributed Surplus (Note 13)**	**Deficit**	**(Deficit) Equity**
Balance March 31, 2020	**$ 112,474,761**	**$ 33,820,500**	**$ (127,283,409)**	**$ 19,011,852**
Shares issued for brokered placement	**5,750,000**	**-**	**-**	**5,750,000**
Shares for debt	**8,787,087**	**-**	**-**	**8,787,087**
Units for debt	**1,208,924**	**285,440**	**-**	**1,494,364**
Shares issued on private placement	**2,995,500**	**-**	**-**	**2,995,500**
At-the-market issuance	**880,605**	**-**	**-**	**880,605**
Shares issued for services	**322,863**	**-**	**-**	**322,863**
Share-based payments	**-**	**1,570,954**	**-**	**1,570,954**
Warrant issuance	**(3,220,000)**	**3,220,000**	**-**	**-**
Warrant extensions	**(610,247)**	**610,247**	**-**	**-**
Finders compensation	**(384,745)**	**384,745**	**-**	**-**
Share issuance costs	**(1,077,268)**	**-**	**-**	**(1,077,268)**
Net loss	**-**	**-**	**(42,265,830)**	**(42,265,830)**
Balance March 31, 2021	**$ 127,127,480**	**$ 39,891,886**	**$ (169,549,239)**	**$ (2,529,873)**

See accompanying notes to the consolidated financial statements

1. Nature of operations and going concern

Radient Technologies Inc. was incorporated on June 12, 2001. The principal activities of Radient Technologies Inc. and its subsidiaries, (collectively, the "Company") are research, development and commercialization of an efficient and environmentally responsible technology for the extraction, isolation and purification of soluble products from a wide range of materials using microwave technology. The Company is currently focused on the formulation, manufacturing and launching of unique value-added cannabis products. The ordinary shares are listed on the TSXV under the symbol "RTI" and on the OTCQX®Best Market, operated by OTC Markets Group under the ticker symbol "RDDTF". The address of the Company's head office is 8223 Roper Road NW, Edmonton, Alberta T6E 6S4 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

These consolidated financial statements were prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The Company has a history of significant operating losses and expects to incur further losses in the development of its business. As such, the Company's status as a going concern is contingent on its ability to increase cash flows or to raise further funds through the issuance of equity or debt. If unsuccessful, the Company will not be able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the year ended March 31, 2021 totaled $42,265,830 (2020 – $37,417,739) and as at March 31, 2021 the Company had a deficit of $169,549,239 (March 31, 2020 - $127,283,409).

In addition, at March 31, 2021, the Company's current liabilities exceeded its current assets by $28,434,362 (March 31, 2020 – $16,401,248). At March 31, 2021, the Company was in arrears with certain trade creditors, rent, severance, excise and commodity taxes payable, long-term debt, and lease liabilities. Certain of the Company's creditors are pursuing legal recourse for the amounts outstanding. The Company has been able thus far to negotiate settlements with the creditors on a case-by-case basis. These balances and the changes year over year indicate that there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Management has been able to finance operations through debt and equity financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. There can be no assurance that the steps management is taking will be successful.

The financial statements for the years presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and that such adjustments could be material.

During the 2020 and 2021 calendar year, there continued to be a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic resulted in a closure of the Company's facility for a period of time during the year and temporary and permanent layoffs of employees. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations. Management has given consideration to the impact of COVID-19 on the Company and has concluded that the consolidated financial statements appropriately reflect and disclose management's best estimate and uncertainty regarding the impact of COVID-19 on the Company's future operations and financial results. The Company has recorded $1,447,612 in wage subsidies and $310,556 in rent subsidies from the Canadian and Germany governments COVID-19 programs in the year ended March 31, 2021.

The rent subsidies were recorded in the general and administrative expense on the consolidated statement of operations and the wage subsidies were recorded proportionately to the salary expenses allocated to each of the cost of sales, general and administrative, production plant, research and process development, engineering, quality control and assurance, and business and corporate development on the consolidated statement of operations.

These consolidated financial statements, including comparatives, were authorized for issue by the Board of Directors of the Company on September 30, 2021.

2. Basis of presentation

a) Statement of compliance

These consolidated financial statements and the notes hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

b) Basis of consolidation

The consolidated financial statements of the Company include the financial statements of Radient Technologies Inc. and its wholly-owned subsidiaries Radient Technologies (Cannabis) Inc. ("RTC"), Radient Technologies Innovations Inc. ("RII"), Radient Technologies (Switzerland) Inc. ("RTS"), 1631807 Alberta Ltd, and MAG Innovation GmbH ("MAG"), which is a wholly-owned subsidiary of RTS. In July 2021, the Company announced that it would be winding down operations in MAG and filing for insolvency for the MAG entity.

The Company had a 50% interest in Natac Solutions S.L. which was incorporated during the year ended March 31, 2020. On August 13, 2020, the Company terminated its joint arrangement with Grupo Natac S.L. through the sale of the shares for nominal consideration. There was no activity in Natac Solutions S.L. during the year ended March 31, 2021.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. If accounted for as a business combination, any excess of the cost over the fair values of the identifiable net assets acquired is recognized as goodwill. If accounted for as a purchase of assets, any excess of the cost over fair value of the identifiable net assets is allocated to the assets purchased.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

c) Functional and presentation currency

Amounts presented in these consolidated financial statements and the notes hereto are in Canadian dollars, the parent Company's functional currency, unless otherwise stated.

The Company's German operation's functional currency is Canadian dollars. Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.**3. Summary of significant accounting policies**

Use of management critical judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses recorded during the reporting period. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management critical judgments, estimates and assumptions

Impairment assessment of non-financial assets
Judgement is required to identify the cash generating units ("CGU") of the Company for purposes of testing non-financial assets for impairment. The assessment of any impairment of the Company's long-lived assets is dependent upon estimate of the recoverable amounts of these assets. The process to calculate the recoverable amount of each CGU requires use of valuation methods such as a market approach or discounted cash flow method which uses assumption of key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applies judgement when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal for each CGU.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Impairment is reversed when the recoverable amount exceeds the carrying value.

The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and concluding whether impairment or reversal of impairment would subsequently be recorded. Many of the indicators used in these assessments are outside of management's control and inherently uncertain. As a result, it is reasonably likely that assumptions and estimates could change in future periods that could have a significant impact on the recoverable amount of the non-financial assets in future periods.

Inventories
Inventories are valued at the lower of cost and net realizable value. There is judgment in determining the net realizable value. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Provisions
The Company records provision for matters where a legal or constructive obligation exists at the balance sheet date as a result of a past event and where a reliable estimate can be made of the obligation. These matters might include restructuring projects, legal matters, disputed issues, indirect taxes and other items. These obligations may not be settled for several years and a reliable estimate must be made of the likely outcome of each of these matters. These provisions represent our best estimate of the costs that will be incurred but actual experience may differ from the estimates made and therefore affect future financial results. The effects would be recognized in profit or loss.

Sales return allowance

The Company has agreements with customers that allow them to return products for a full refund in circumstances were the products are defective, below an acceptable quality level or in instances where the customer is unable to sell the product. An expected value method is used to estimate such returns at the time of sale. The Company has limited history in selling its products in the market, and as such, there is significant judgment required in estimated returns for products sold. The Company reviews actual returns during the reporting period, combined with remaining inventory levels of its products with customers at each period end and estimates returns based on this information. The validity of these assumptions and estimated returns are reassessed at each reporting period and adjusted, as necessary, to estimate returns for sold products.

Revenue recognition

The Company enters into agreements with customers for the provision of manufacturing services. There is judgement in determining whether the Company is a principal or agent under the terms of the agreements, and therefore whether the Company records revenue on a gross or net basis. The Company reviews the terms of the agreements to asses whether it controls the specified good or services before transferring those goods or services to the customers including whether it has inventory risk and is primarily responsible for fulfilling the promise to provide the specified goods or services.

Depreciation and amortization

The Company provides for depreciation expense on property and equipment at rates designed to amortize the cost of individual items and their material components over their estimated useful lives as well as provides for amortization expense on intangible assets over the life of the intangible. Management makes estimates of future useful life based on patterns of benefit consumption and impairments based on experience and market conditions. Impairment losses, depreciation and amortization expense are presented in profit or loss of the current period.

Available for use

Management uses judgment in determining when items of plant and equipment are available for use. An item is determined to be available for use when it is in the location and condition necessary for it to operate in the manner which management intended.

Income taxes

The Company makes estimates in respect of tax liabilities and tax assets. Full provision is made for future and current taxation at the rates of tax prevailing at the year end unless future rates have been substantively enacted. These calculations represent the Company's best estimate of the costs that will be incurred and recovered but actual experience may differ from the estimates made and therefore effect future financial results. The effects would be recognized in profit or loss, primarily through taxation.

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

Common shares, purchase warrants and options

The fair value of share-based payments is determined using the Black Scholes Option Pricing Model based on estimated fair values at the date of grant. The Black Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate. There is also judgement in the allocation of proceeds on private placements between the share and warrant components of the units issued.

Functional currency
The functional currency for the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Certain judgements must be made in order to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Going concern
The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account all known future information.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and highly liquid financial instruments with original maturities of three months or less.

Plant and equipment

Plant and equipment is recorded at cost less accumulated depreciation and impairment losses. Depreciation is calculated as cost less the residual value and provided on a straight-line basis over the expected useful life of the asset.

The following is a summary of estimated useful lives of the assets:

Equipment	5 to 20 years
Leasehold improvements	Term of the lease
Buildings and improvements	10 to 35 years
Land and improvements	10 to 15 years
Computer hardware	3 years
Office furniture	5 years

Cost for plant and equipment includes the purchase price, import duties, non-refundable taxes and any other costs directly attributable to bringing the asset into the location and condition to be capable of operating. Significant parts of an item of plant and equipment with different useful lives are recognized and depreciated separately. Depreciation commences when the asset is available for use. The asset's residual values, useful lives and method of depreciation are reviewed at each financial year end and adjustments are accounted for prospectively if appropriate. An item of plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of an asset is included in profit or loss in the period the asset is derecognized.

Intangible assets

Acquired

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives are as follows:

Patents	Life of the patent
Licenses	80 to 120 months
ERP	Term of the contract plus one renewal term (6 years)
Website	Expected life of the site (5 years)
Software	Expected life of the software (5 years)

Intangible assets with finite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of amortization is reviewed at least annually. The licenses are location specific with amortization calculated over the remaining term of the leased location including any likely renewal periods or 10 years for licenses in Company owned facilities.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are charged as an expense in the year in which they are incurred. Development costs are charged as an expense in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization.

To determine when a development project meets the criteria for deferral and amortization, the Company regularly reviews costs associated with activities related to the development of internally generated assets to support the capitalization criteria. Management utilizes judgement in determining which costs qualify under the criteria for deferral and amortization.

Inventories

Inventories consist of raw materials, supplies and finished goods. Raw material cost includes the purchase price, transport/handling costs, any currency exchange differences and any import duties or other taxes. Cost is determined on a weighted average basis. Finished goods include direct materials, supplies and labour. Inventories are measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price less cost to complete the goods used in production and estimated selling cost.

Revenue from contracts with customers

To determine the amount and timing of revenue recognized the Company followed the five-step model framework:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue recognition for the year ended March 31, 2021

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration the Company receives in exchange for transferring promised goods or services to a customer. The Company's payment terms require payment from the customer between 15 days and 60 days after delivery and as such, the Company does not adjust any of the transaction prices for the time value of money.

The Company generates revenue primarily from the sale of manufactured products and from extraction services for its customers.

Manufactured Products: Revenue is recognized when the finished products, such as vape cartridges or dabs, are delivered and accepted by the customers. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probably that a significant reversal of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on actual returns combined with the Company's inventory on hand with customers at the end of each period. For the year ended March 31, 2021, there were no returns recorded.

Where excise tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenues presented on the consolidated statement of operations and comprehensive loss represents revenue from the sale of goods less applicable excise taxes.

Manufacturing Services: The Company provides extraction services to some customers. Under extraction services agreements, the customers supply the direct material to the Company for extracting cannabis oil (processed biomass) from the direct material. Revenue for extraction services is recognized when the processed biomass has been tested and the customer obtains notification of satisfactory third-party testing of the processed biomass.
Consideration received in advance of revenue being recognized is deferred until the conditions are met.

Revenue recognition for the year ended March 31, 2020

Revenue was generated from contracts with customers to extract natural compounds from a range of biological materials.

Manufactured Products: The Company's revenue from the production of biomass and extracted natural compounds consisted of one performance obligation which occurred at the point of delivery to the client. The transaction price was for a fixed fee. Revenue was recognized at the point of delivery when the performance obligation was satisfied.

Manufacturing Services: The Company's Master Service Agreement for processing dried cannabis into cannabis oil (processed biomass) consisted of one performance obligation which occured when the customer obtains notification of satisfactory third-party testing of the processed biomass. Revenue was recognized when this performance obligation was met. The transaction price was based on the weighted average sales prices of the customer's most recent fiscal quarter, the concentration of tetrahydrocannabinol "THC" and the amount of processed biomass.

Consideration received in advance of revenue being recognized was deferred until the conditions were met.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of the interest can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and the applicable effective interest rate.

Impairment of long-lived assets

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Plant and equipment and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of measuring recoverable cash flows, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGUs). If such indication exists, the Company estimates the recoverable amount of the assets, which is the higher of its fair value less costs of disposal and its value in use. Value in use is estimated as the present value of future cash flows generated by the asset or CGU including eventual disposal. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimated recoverable amount and the carrying amount that would have been recorded, had no impairment loss been recognized previously. Any such recovery is recognized immediately in profit or loss.

Leases

For leases entered into or modified on or after April 1, 2019, a contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration. To identify a lease, the Company considers whether an explicit or implicit asset is specified in the contract and determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

At the commencement of a lease, the Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend or an option to terminate if it is reasonably certain to exercise an extension option or to not exercise a termination option. Management considers all facts and circumstances that create an economic incentive to exercise and extension option or to not exercise a termination option. This judgement is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term. The Company reassesses this when a significant event or significant change in circumstances within the Company's control has occurred.

The Company recognizes lease assets and lease liabilities for all leases, except for leases of low-value assets and short-term leases with a term of 12 months or less. The lease payments associated with those exempted leases are recognized in general and administrative expenses on a straight-line basis over the lease term.

The lease liability is recognized at the commencement date of the lease and is initially measured at the present value of the lease payments that are not paid. The Company elected to separate non-lease components from lease components and account for non-lease components separately.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of a change in the lease term, a change in the assessment of an option to purchase the leased asset, changes in the future lease payments as a result of a change in an index or rate used to determine the lease payments, and changes in estimated payments for residual value guarantees.

The lease asset is recognized at the commencement date of the lease and is initially measured at cost, comprised of the amount of the initial measurement of the lease liability less any incentives received from the lessor. Added to the lease asset are any initial direct costs incurred, lease payments made before the commencement date, and estimated restoration costs. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

All other leases are accounted for as operating leases, wherein payments are expensed on a straight-line basis over the term of the lease.

Government assistance

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants are recognized as an offset to expenses over the periods in which the Company recognizes expenses which the grants are intended to compensate. Government grants related to assets are recognized as a cost reduction of the assets and reduce depreciation over the expected useful life of the related assets.

Foreign currency translation

The individual financial statements of each entity are recorded in their functional currency which is the currency of the primary economic environment in which the entity operates.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into the functional currency of the respective entity using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions and from remeasurement of monetary items at period-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Loss per common share

Basic loss per common share is computed by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if the Company's convertible securities were converted to common shares. Diluted loss per common share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effect of all dilutive potential common shares. Convertible securities are converted using the "treasury stock" method. When the Company is in a net loss position, the conversion of convertible securities is considered to be anti-dilutive.

Deferred taxes

The Company accounts for income taxes using the liability method of tax allocation. Deferred taxes are recognized for the deferred tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in rates is included in profit and loss in the period that includes the enactment date. Deferred tax assets are recorded in the consolidated financial statements if realization is considered probable.

Share issue costs

Share issuance costs relating to the issuance of share capital that has not occurred prior to year end are deferred in prepaids and netted against the proceeds when the related shares are issued.

Share-based payments

The Company issues equity-settled share-based awards to eligible employees, directors, officers and consultants. Share-based payments are accounted for using the fair value method whereby compensation expense related to these programs is recorded in profit or loss with a corresponding increase to contributed surplus. The fair value of options granted is determined using Black-Scholes Option Pricing Model at the grant date and expensed over the vesting period. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates estimated forfeitures will change. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Employee Share Purchase Plan

The Company contributes to an Employee Share Purchase Plan ("ESPP") for employees and certain contractors. The plan is based on the amount of an individual's contribution and is subject to maximum limits per individual. The Company accounts for this plan as an expense in the period in which the contributions are made.

Financial instruments

Financial assets

Financial assets are initially recognized at fair value plus directly attributable transaction costs. The classification is based on the Company's business approach for managing the financial assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (SPPI test). The business approach considers whether a Company's objective is to receive cash flows from holding assets, from selling assets in a portfolio, or a combination of both. Subsequent measurement of financial assets is at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Assets held only for the collection of contractual cash flows and that meet the SPPI test, are classified and subsequently measured at amortized cost using the effective interest rate method. Cash, accounts receivables, lease receivable and deposits have been included in this category.

Assets held within a business approach to both collect cash flows and sell the assets and that meet the SPPI test are classified and subsequently measured at FVOCI. Assets that do not meet the criteria for amortized cost or FVOCI are classified and subsequently measured at FVTPL with realized and unrealized gains and losses reported in other income (expense). The Company currently does not hold any assets at FVOCI or FVTPL.

Financial liabilities

Financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities include short term borrowings, facility construction liabilities, accounts payable and accrued liabilities, long-term debt, and lease obligations.

Fair value

Financial instruments are initially measured at fair value. The Company categorizes its fair value measurements for financial assets and financial liabilities measured at fair value according to a three-level hierarchy which prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the overall fair value measurement. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

> Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
>
> Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
>
> Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment

Under IFRS 9, the Company reviews the carrying amount of assets at the end of each reporting period to determine whether there is an indication of impairment. An asset may be impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial of the asset and if these events have an impact on the estimated future cash flows of the financial asset.

Credit Loss

The Company recognizes an allowance for expected credit loss based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Company expects to receive, discounted at an approximation of the original effective interest rate.

The ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.
The Company applies the simplified approach to trades receivables and calculates based on lifetime expected credit losses at each reporting date, taking into considerations historical credit loss experience and general economic conditions. When the carrying amount of financial assets are reduced through an ECL allowance, this is recognized in the consolidated statements of income.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current year and have not been early adopted. These standards are not expected to have a material effect on the Company in the current of future reporting periods.

4. Inventories

Inventories were comprised of the following:

	March 31, 2021	March 31, 2020
Direct materials	**$ 76,635**	$ 6,661,810
Supplies and materials	**696,039**	555,514
Work in progress	**119,377**	58,230
Spare parts	**250,117**	253,216
Finished goods	**251,666**	1,362,007
	$ 1,393,834	$ 8,890,777

During the year ended March 31, 2021, the Company reviewed the carrying value of its inventories for indicators of impairment. Upon completion of this review, it was determined that the impact of declining prices in the cannabis industry and the age and condition of the Company's existing biomass, resulted in indicators of impairment. The Company has recognized impairment of inventories of $7,428,465 during the year ended March 31, 2021 (March 31, 2020 - $5,800,000). The Company included $63,691 of inventory impairment in cost of sales during the year ended March 31, 2021 (2020 - $nil).

Inventory expensed to cost of sales during the year ended March 31, 2021 was $2,068,301 (2020 - $16,357,742). Inventories expensed to operating expenses during the year ended March 31, 2021 were $28,686 (2020 - $154,998).

5. Lease assets

		Equipment		Buildings and Improvements		Total
Cost						
March 31, 2019	$	576,728	$	687,241	$	1,263,969
Additions		-		1,360,382		1,360,382
Disposals		-		(25,695)		(25,695)
March 31, 2020		**576,728**		**2,021,928**		**2,598,656**
Disposals		-		(605,804)		(605,804)
Impairment		-		(728,884)		(728,884)
March 31, 2021	**$**	**576,728**	**$**	**687,240**	**$**	**1,263,968**
Accumulated Depreciation and Impairment						
March 31, 2019	$	151,241	$	-	$	151,241
Depreciation		115,345		271,564		386,909
Disposals		-		(9,069)		(9,069)
March 31, 2020		**266,586**		**262,495**		**529,081**
Depreciation		100,049		327,702		427,751
Disposals				(227,114)		(227,114)
Impairment		-		(109,333)		(109,333)
March 31, 2021	**$**	**366,635**	**$**	**253,751**	**$**	**620,385**
March 31, 2020	$	310,142	$	1,759,433	$	2,069,575
March 31, 2021	**$**	**210,093**	**$**	**433,489**	**$**	**643,583**

During the year ended March 31, 2021, the Company sublet a property included in buildings and improvements. The sublease resulted in a derecognition of $165,756 related to cost and $47,536 related to accumulated amortization. The net investment in the new sublease of $80,688 (March 31, 2020 - $nil) was recorded as a lease receivable. At March 31, 2021, the outstanding balance under the lease receivable was $69,620 (2020 - $nil).

The Company reviews the carrying value of its lease assets at each reporting period for indicators of impairment. It was determined there were indicators of impairment relating to specifically identified leased assets, as follows:

During the year ended March 31, 2021, the Company vacated a leased property included in buildings and improvements. The Company was not able to re-enter the property. The Company has recorded impairment of lease assets of $619,551 related to this lease comprised of $728,884 related to cost and $109,333 related to accumulated amortization. Additionally, the Company had six months of unpaid operating costs owing of $152,536 at March 31, 2021 (March 31, 2020 - $nil) which was included in accounts payable and accrued liabilities.

In addition, the Company vacated and received releases for two properties in Germany. The Company has recorded a gain on termination of lease assets of $21,248 related to these properties comprised of $440,048 related to cost and $179,578 related to accumulated amortization, offset by extinguishment of the related liabilities of $281,718.

At March 31, 2021, the carrying value of the lease assets ($643,583) was allocated to the cannabis production CGU. Refer to Note 7 for further analysis.

At March 31, 2021, there was equipment included in leased assets with a carrying value of $210,093 (March 31, 2020 - $310,142) where the underlying asset title has been provided to the lessor as security on the lease. Total lease liabilities of $55,383 (March 31, 2020 - $95,689) related to these assets.

6. Plant and equipment

	Equipment	Building and Improvements	Land and Improvements	Assets under Construction	Leasehold Improvements	Other[(1)]	Total
Cost							
March 31, 2019	**$ 12,449,327**	**$ 11,389,904**	**$ 3,837,529**	**$ 3,897,719**	**$ 290,921**	**$ 563,478**	**$ 32,428,878**
Additions	457,903	77,438	-	22,670,229	-	74,665	23,280,235
Transfers	385,412	(32,064)	-	(430,133)	76,785	-	-
Transfer of assets on adoption of IFRS 16	(576,728)	-	-	-	-	-	(576,728)
Disposals	(109,417)	(121,882)	-	-	-	(2,534)	(233,833)
March 31, 2020	**12,606,497**	**11,313,396**	**3,837,529**	**26,137,815**	**367,706**	**635,609**	**54,898,552**
Additions	**118,707**	**-**	**-**	**145,246**	**-**	**-**	**263,953**
Transfers	**20,277**	**-**	**-**	**(20,277)**	**-**	**-**	**-**
Disposals	**(79,233)**	**-**	**-**	**(309,714)**	**(82,542)**	**(103,615)**	**(575,104)**
March 31, 2021	**$ 12,666,248**	**$ 11,313,396**	**$ 3,837,529**	**$ 25,953,070**	**$ 285,164**	**$ 531,994**	**$ 54,587,401**
Accumulated Depreciation and Impairment							
March 31, 2019	**$ 3,657,728**	**$ 3,239,355**	**$ 15,343**	**$ -**	**$ 36,850**	**$ 140,743**	**$ 7,090,019**
Depreciation	1,071,980	350,607	23,881	-	81,427	172,673	1,700,568
Transfer of assets on adoption of IFRS 16	(151,240)	-	-	-	-	-	(151,240)
Impairment	-	4,500,000	-	-	-	-	4,500,000
Disposals	(9,223)	(121,882)	-	-	-	(2,534)	(133,639)
March 31, 2020	**4,569,245**	**7,968,080**	**39,224**	**-**	**118,277**	**310,882**	**13,005,708**
Depreciation	**1,272,384**	**70,992**	**23,881**	**-**	**93,934**	**116,897**	**1,578,088**
Impairment	**1,007,123**	**171,900**	**747,698**	**13,369,080**	**-**	**-**	**15,295,801**
Disposals	**(3,059)**	**-**	**-**	**-**	**(25,629)**	**(108,188)**	**(136,876)**
March 31, 2021	**$ 6,845,693**	**$ 8,210,972**	**$ 810,803**	**$ 13,369,080**	**$ 186,582**	**$ 319,591**	**$ 29,742,721**
Carrying Value							
March 31, 2020	$ 8,037,252	$ 3,345,316	$ 3,798,305	$ 26,137,815	$ 249,429	$ 324,727	$ 41,892,844
March 31, 2021	**$ 5,820,555**	**$ 3,102,424**	**$ 3,026,726**	**$ 12,583,990**	**$ 98,582**	**$ 212,403**	**$ 24,844,680**

Notes: (1) Other includes computer hardware and office furniture

Assets under construction consists of machinery in the installation process and costs incurred related to one of the Company's plants. Since these assets were not available for use at March 31, 2021, no depreciation was recognized for these assets during the year.

At March 31, 2021, advance payments on the purchase of various pieces of equipment of $392,032 (March 31, 2020 - $453,018) is included in prepaids and deposits. Delivery is expected in fiscal 2022.

At March 31, 2021, capitalized borrowing costs of $144,126 (2020 - $207,556) were included in additions to assets under construction. The borrowing costs have been capitalized at the rate of the specific borrowing which is the greater of 8.5% or the Bank of Nova Scotia prime rate plus 10.05% per annum (March 31, 2020 – 5.05%). The Company ceased the capitalization of borrowing costs in September 2020, as the construction project was suspended.

Impairment

<u>*March 31, 2021*</u>

The Company performs impairment tests on its cash generating units ("CGUs") when there are indicators of impairment. The Company has three CGUs: Cannabis Production, Edmonton Facility III and Germany (MAG). The CGUs are separate geographical areas and represent specific product groupings for the Company. During the year ending March 31, 2021, the Company made a strategic change to the nature of their product offerings. This resulted in expected synergies in certain production facilities and accordingly, there was a change in the Company's assessment of CGUs from those that were determined during the year ended March 31, 2020.

As at March 31, 2021, the Company identified impairment indicators related to the Cannabis Production CGU including underperforming operating results and excess production capacity in the facilities. As at March 31, 2021, the carrying value of the Cannabis Production CGU was $17,853,327, prior to the impact of impairment.

As at March 31, 2021, the Company identified impairment indicators related to the Edmonton Facility III CGU related to the fact that the Edmonton Facility III CGU consists of redundant assets. These assets are considered redundant due to a change in the Company's strategic direction from the production of bulk cannabis oil to other cannabis products in the recreational cannabis market. As at March 31, 2021, Edmonton Facility III had a carrying value of $20,628,236, prior to the impact of impairment.

As at March 31, 2021, the Company identified impairment indicators relating to the MAG CGU including a decline in the value of the worldwide cannabis market and a change in the Company's strategic direction to no longer pursue the German market and to discontinue any German operations. As at March 31, 2021, the carrying value of the MAG CGU was $2,422,932, prior to the impact of impairment.

In accordance with the Company's accounting policies, management evaluated the recoverability of each of its CGUs. The Company determined the fair value less cost of disposal ("FVLCD") was greater than the value in use for each of the CGUs.

As a result, the Company has recorded property and equipment impairment of $2,138,633 related to the Cannabis Production CGU, $10,734,236 for the Edmonton Facility III CGU and $2,422,932 related to the MAG CGU. and The Cannabis Production CGU has also recorded impairment of $79,855 on intangible assets.

The FVLCD calculation for the equipment included in the Cannabis Production CGU was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy) using primarily the sales comparison approach. The key assumptions in determining the FVLCD were the comparability of the assets used in the sales comparison approach to the related equipment held by the Company, any adjustments made to take into account differences between the equipment, as well as the estimated costs of disposal.

For the building and building improvements in the Cannabis Production CGU, the FVLCD was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy) and based on a capitalization of forecasted normalized net operating income approach. The Company determined the forecasted normalized net earnings for each facility based on market rental rates. Capitalization rates used to estimate fair market value considered many factors including but not limited to; the location of the facility, the size of the land parcel, site coverage and type and use of the property, the age of the building and special use characteristics of the facility. The key assumptions in determining the FVLCD were the expected lease rental rates and the capitalization percentage applied. The capitalization rates used were 15%.

The FVLCD calculation for the Edmonton Facility III CGU was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy) using primarily the sales comparison approach. The key assumptions in determining the FVLCD were the comparability of the assets used in the sales comparison approach. This includes any adjustments made to take into account differences between these assets, the estimated costs of disposal, and the estimated costs to complete the facility to a comparable state as the buildings utilized in the sales comparison.

The FVLCD calculation for the MAG CGU was based on management's assessment of the market, and determination that the construction of the facility, and subsequent bankruptcy of the MAG operations resulted in a $nil FVLCD. The key assumption in determining FVLCD was that the assets could not be resold to an arms-length third party for proceeds.

March 31, 2020

The Company performs impairment tests on its cash generating units ("CGUs") when there are indicators of impairment. The Company has three CGUs: Edmonton Production Facility I/II, Edmonton Production Facility III and Germany (MAG).

During the year ending March 31, 2020, the Company did not identify any specific indicators of impairment relating to the MAG CGU.

As at March 31, 2020, the Company identified asset impairment indicators related to the Edmonton Production Facility I/II and Edmonton Production Facility III CGUs including the impact of the COVID-19 global pandemic and underperforming operating results. As at March 31, 2020, the carrying value of the Edmonton Production Facility I/II CGU was $24,121,561 and the Edmonton Production Facility III was $20,599,592, prior to the impact of impairment.

Considering the above noted, and in accordance with the Company's accounting policies, management evaluated the recoverability of the two CGUs with indicators of impairment. The Company determined the fair value less cost of disposal ("FVLCD") was greater than the value in use for each of the CGUs.

As a result, the Company recorded impairment of $4,500,000 related to the building in the Edmonton I/II Facility CGU and impairment of $nil related to the Edmonton III Facility CGU for the year ending March 31, 2020.

The FVLCD calculation for the equipment in each of Edmonton Production Facility I/II and Edmonton Production Facility III was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy) using primarily the sales comparison approach. The key assumptions in determining the FVLCD were the comparability of the assets used in the sales comparison approach to the related equipment held by the Company, any adjustments made to take into account differences between the equipment, as well as the estimated costs of disposal.

The FVLCD calculation for the building and improvements in each of Edmonton Production Facility I/II and Edmonton Production Facility III was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy) and based on a capitalization of forecasted normalized net operating income approach. The Company determined the forecasted normalized net earnings for each facility based on market rental rates. Capitalization rates used to estimate fair market value considered many factors including but not limited to; the location of the facility, the size of the land parcel, site coverage and type and use of the property, the age of the building and special use characteristics of the facility. The key assumptions in determining the FVLCD were the expected lease rental rates and the capitalization percentage applied, as well as the estimated costs to complete the construction of the Edmonton III facility. The capitalization rates used were 15%.

7. Intangible assets

		Patent		License		ERP[1]		Other[2]		Total
Cost										
March 31, 2019	$	100,000	$	459,993	$	243,357	$	177,679	$	981,029
Additions		-		-		5,038		154,014		159,052
March 31, 2020		100,000		459,993		248,395		331,693		1,140,081
Disposals		-		-		-		(33,521)		(33,521)
March 31, 2021	$	100,000	$	459,993	$	248,395	$	298,172	$	1,106,560
Accumulated Depreciation										
March 31, 2019	**$**	**100,000**	**$**	**16,928**	**$**	**13,302**	**$**	**3,867**	**$**	**134,097**
Depreciation		**-**		**48,352**		**39,904**		**49,833**		**138,089**
March 31, 2020		**100,000**		**65,280**		**53,206**		**53,700**		**272,186**
Depreciation		**-**		**48,351**		**42,185**		**59,634**		**150,170**
Impairment		**-**		**-**		**-**		**79,855**		**79,855**
March 31, 2021	**$**	**100,000**	**$**	**113,631**	**$**	**95,391**	**$**	**193,189**	**$**	**502,211**
Carrying Value										
March 31, 2020	$	-	$	394,713	$	195,189	$	277,993	$	867,895
March 31, 2021	**$**	**-**	**$**	**346,362**	**$**	**153,004**	**$**	**104,983**	**$**	**604,349**

Notes: (1) Enterprise resource planning system (“ERP”)
(2) Other includes computer software and the Company’s website

At March 31, 2021, there were no amounts included in intangible assets for which amortization had not yet commenced (March 31, 2020 - $33,521 of other intangible assets and $8,966 of ERP assets were not available for use and therefore amortization had not yet commenced).

At March 31, 2021, there was $1,177,217 included in long-term prepaids and deposits (March 31, 2020 - $1,224,927) related to patent applications that are expected to be recorded to intangible assets as patents are granted. It was determined at March 31, 2021 that there were indicators of impairment of these patents as a result of the reduced ability of the Company to fund the required filings to continue the patent process. In accordance with the Company’s accounting policies, management evaluated the recoverability of the individual assets. The Company determined the fair value less cost of disposal (“FVLCD”) was equal to the value in use for the individual assets. The Company completed an impairment assessment of the patents assets on an individual basis and as a result of that assessment, the Company recorded impairment on all of the patents of $1,177,217 for the year ended March 31, 2021. At March 31, 2020, no indicators of impairment were assessed for the individual patent assets.

The Company reviews the carrying value of the intangible assets at each reporting period for indicators of impairment. The Company determined that its intangible assets were part of its cannabis production CGU (Note 6). It was determined that at March 31, 2021, there were indicators of impairment for this CGU. The Company completed an impairment assessment of this CGU and as a result of that assessment, the Company recorded impairment of its intangible assets of $79,855 for the year ended March 31, 2021.

For the year-ended March 31, 2020, the Company included the carrying value of the intangible assets in the Edmonton Production Facility I/II CGU. No impairment was recorded on the intangible assets as a result of the impairment test.

8. Change in non-cash operating working capital

	March 31, 2021	March 31, 2020
Accounts receivable	**$ 331,407**	$ (647,763)
Prepaids and deposits	**944,814**	1,301,253
Inventories	**68,478**	(14,203,429)
Facility construction liabilities	**(3,002,581)**	(55,112)
Accounts payable and accrued liabilities	**4,655,419**	8,094,880
Net change in non-cash operating working capital	**$ 2,997,537**	$ (5,510,171)

Non-cash transactions		
Settlement of debt through issuance of shares	**$ 7,349,347**	$ 178,307
Settlement of debt through issuance of units	**1,494,364**	-
Settlement of services payables through issuance of shares	**322,863**	1,176,557
Settlement of debenture and interest payable through issuance of shares	**1,318,632**	-
Lease disposal	**619,551**	-
Lease asset acquisitions	**-**	1,360,382

9. Capital management

The primary objectives of the Company's capital management strategy are to:

1 Provide an adequate return to its shareholders;
2 Provide adequate and efficient funding for operations;
3 Finance growth; and
4 Preserve financial flexibility to benefit from potential opportunities as they arise.

The Company has historically financed operations and capital expansions mainly by receiving funds borrowed from creditors and obtained from investors by issuing convertible promissory notes and preferred and common shares. If so required and available, the Company will continue this practice in the future.

The capital structure of the Company consists of long-term liabilities and (deficit) equity as follows:

	March 31, 2021	March 31, 2020
Long-term debt	**$ 9,582,593**	$ 10,621,474
Lease liabilities	**1,317,170**	1,961,311
Total debt	**10,899,763**	12,582,785
Shareholders' (deficit) equity	**(2,529,873)**	19,011,852
	$ 8,369,890	$ 31,594,637

The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2021.

10. Short-term borrowings

		March 31, 2021		March 31, 2020
Due to related party	$	1,000,000	$	2,500,000
Financing costs		-		(73,729)
	$	1,000,000	$	2,426,271

On January 31, 2020, the Company entered into a loan agreement with Akaura Holdings Inc. (“Akaura”, a related party) to assist the Company with working capital requirements. The amount funded under the loan agreement was $2,500,000 and it bore interest at 21.0% per annum. $200,000 was held back by the lender and was recorded as long-term restricted cash at March 31, 2020. Interest was accrued monthly with the principal balance due on February 28, 2020. With the loan unpaid at February 28, 2020, an additional penalty of $60,000 was due immediately with a further per diem penalty of $2,000 per day accruing from February 15, 2020 until all principal, interest and penalties were repaid in full.

The Company renegotiated the terms of the loan with Akaura in February 2021, at which time principal of $2,500,000 (2020 - $2,500,000) and accrued interest and penalties of $951,187 (2020 - $150,000) were outstanding under the agreement. As a result of the renegotiation, the Company issued 20,952,381 shares of the Company to Akaura to settle $2,200,000 of the Company’s outstanding debt with Akaura (Note 13). Akaura extended $1,000,000 of the outstanding liability under a new agreement with the Company and forgave $219,937 of the Company’s remaining debt. The Company reimbursed Akaura for legal and financing fees of $138,273 relating to the renegotiation. The restricted cash of $200,000 was included in this settlement.

The new loan agreement allows an interest free period on the loan until June 1, 2021, at which time the $1,000,000 is expected to be paid in full. If the loan is not repaid on June 1, 2021, interest in the amount of 3% per month, retroactive to March 2021 will be charged until payment is received in full. This loan was not repaid on June 1, 2021.

The Company concluded that the terms of the new agreement were substantially modified from the terms of the original agreement and as such, the renegotiation of the loan was treated as an extinguishment of the original debt and the modified loan was recorded as new debt.

The loan is secured through a mortgage on land and building as well as a general security agreement between Akaura Holdings Inc. and two of the Company’s subsidiaries. Akaura retained all rights and security pertaining to the second mortgage under the new debt agreement.

For the year ended March 31, 2021, interest expense of $1,258,168 (March 31, 2020 - $246,017) and financing fees of $138,273 (2020 - $110,593) were presented under financing fees.

11. Long-term debt

	March 31, 2021	March 31, 2020
Loan payable bearing interest at 5.80% with monthly payments of $9,327 maturing October 1, 2021 (Note 11(a))	**$ 175,644**	$ 175,644
Loan payable bearing interest at 4.55% with monthly payments of $2,586 maturing March 1, 2023 (Note 11(a))	**89,239**	89,239
Loan payable bearing interest at Bank of Canada policy interest rate plus 3% with variable payments maturing June 1, 2025 (Note 11(b))	**657,266**	657,266
Debenture payable bearing interest at 15% with interest paid quarterly maturing March 4, 2022 (Note 11(c))	**-**	1,162,500
Mortgage payable bearing interest at the greater of 12.5% or Bank of Nova Scotia prime rate plus 10.05% per annum with monthly interest only payments required and principal maturing on November 1, 2021 (Note 11(d))	**8,693,500**	8,500,000
Non-interest bearing amendment fees payable with monthly payments of $10,000 from August 1, 2019 to February 1, 2021 with a final payment due March 1, 2021 (Note 11(d))	**-**	127,500
Financing costs	**(33,056)**	(90,675)
	9,582,593	10,621,474
Current portion	**(9,582,593)**	(1,049,649)
	$ -	$ 9,571,825

For the year ended March 31, 2021, total interest expense related to long-term debt was $1,520,386 (2020 - $740,210). Interest expense that has not been capitalized is presented under financing fees and was $1,376,260 (2020 - $532,654) for the year. The remainder is included in plant and equipment as capitalized borrowing costs related to assets under construction.

The Company is not in compliance with terms and conditions of its long-term debt agreements and therefore, has presented the amounts as current.

(a) Agriculture Financial Services Corporation ("AFSC") loans payable

On September 2, 2011, the Company entered into a loan agreement with AFSC to assist the Company to purchase equipment. The amount funded under the loan agreement was $750,000, and bears interest at 5.8% per annum. Monthly payments of $9,327 are payable to October 1, 2021. The loan is secured by the Company's equipment.

On December 11, 2012, the Company entered into a second loan agreement with AFSC to assist the Company to purchase equipment. The amount funded under this agreement was $250,000 and bears interest at 4.55% per annum, monthly installments of $2,586 are payable to March 1, 2023. The loan is secured by the Company's equipment.

As at March 31, 2021, the Company was thirteen months in arrears on these loans. Arrears interest and penalties owing are $5,213 (March 31, 2020 - $3,489) and are included in accounts payable and accrued liabilities. AFSC had provided the Company until February 15, 2021 to cure the payments in arrears as well as the additional arrears interest and penalties. The Company did not pay these arrears to the AFSC by February 15, 2021 and the Company is in default of this loan. As of September 30, 2021, the AFSC has not demanded repayment of the loan.

(b) Ministry of Agriculture and Agri-Foods Canada ("AAFC") loan payable

On May 18, 2017, the Company restructured it's AAFC debt obligation which was accounted for as an extinguishment with $883,493 included in long-term debt.

The new long-term debt agreement includes an initial payment of $92,000 which was made during the three months ended June 30, 2017 and a repayment schedule commencing July 1, 2017 which results in the remaining balance being repaid over 8 years. Monthly payments are $6,500 in years 1 and 2, $8,500 in year 3 and $8,000 for the remaining 5 years with the full remaining balance due June 1, 2025. Interest is compounded monthly at the Bank of Canada policy interest rate plus 3%. The long-term debt is unsecured.

As at March 31, 2021, the Company was thirteen months in arrears on the AAFC loan with arrears interest owing of $26,939 (March 31, 2020 - $5,112) which is included in accounts payable and accrued liabilities.

(c) Debenture

On March 4, 2020, the Company issued an aggregate of $1,162,500 of unsecured debentures that would mature on March 4, 2022. The debentures bore interest at 15%, payable quarterly. On March 3, 2021, the Company issued 12,485,086 shares to settle the $1,162,500 face value of the debentures and $86,009 of accrued interest relating to the debentures (Note 13).

(d) Moskowitz Capital Mortgage Fund II Inc. ("Moskowitz")

On May 3, 2018, the Company acquired the remaining 50% interest in 1631807 Alberta Ltd. and the Adjacent Lands from Amnor Group Inc. In conjunction with these transactions, the Company entered into a $5,500,000 mortgage with Moskowitz to discharge the previous mortgage loans on these properties. The mortgage bore interest at the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05%. Monthly interest only payments commenced May 1, 2018 and were required until the loan was due in full on November 1, 2020. The mortgage was secured by the Company's production facility and the adjacent lands.

On August 14, 2019, the Company amended the mortgage with Moskowitz, by increasing the amount borrowed from $5,500,000 to $8,500,000 and extending the due date from November 1, 2020 to November 1, 2021. Interest rates remained the same. As the terms of the amendment to the mortgage were substantially different from the terms of the previously existing mortgage, the amendment was determined to be an extinguishment of debt. As a result, a loss on extinguishment of long-term debt totalling $440,513 was recognized, which consisted 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.

A new loan was recognized at a fair value of $8,500,000. Monthly interest only payments related to the new loan commenced July 25, 2019 and are required until the loan is due in full on November 1, 2021. Remaining amendment fees of $197,500 were added to the loan balance outstanding. Monthly amendment fee payments of $10,000 commenced August 1, 2019 and were required until February 1, 2021. A final payment of $7,500 was due on March 1, 2021. Subsequent to March 31, 2020, there was increase in the interest rate to the greater of 12.5% or Bank of Nova Scotia prime rate plus 10.05% per annum.

On April 29, 2020, the Company amended the mortgage with Moskowitz, increasing the interest rate to the greater of 12.5% or Bank of Nova Scotia prime rate plus 10.05% per annum revised from the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05% per annum. As the terms of the amendment to the mortgage were not substantially different from the terms of the previously existing mortgage, the amendment was determined to be a modification of debt. As a result, a loss on modification of long-term debt with corresponding increase to the value of the debt totalling $477,810 was recognized on the consolidated statement of operations. This adjustment is amortized to the debt over the remaining term of the mortgage. Deferred financing charges of $85,000 related to the loan amendment fee were recorded and are amortized over the remaining term of the mortgage.

On October 2, 2020, Moskowitz agreed to defer arrears payments owing related to interest and non-interest bearing amendment fees payable to December 31, 2020 for a fee of $90,000.

On January 15, 2021, the deferral agreement was extended to February 28, 2021 for an additional fee of $50,000 and 550,000 shares of Radient. The shares were issued to Moskowitz on February 1, 2021 (Note 13).

As at March 31, 2021, the total arrears owing was $773,152 (March 31, 2020 - $ 147,500) which included $50,000 ($20,000 – March 31, 2020) of the non-interest bearing amendment fees payable and $723,152 ($127,500 – March 31, 2020) of accrued interest which is included in accounts payable and accrued liabilities.

The mortgage is secured by the Company’s production facility and the adjacent lands.

12. Lease liabilities

Lease liabilities, March 31, 2019	$ 187,828
Lease additions	1,360,382
Interest expense	703,347
Lease payments	(273,552)
Foreign exchange	(16,694)
Lease liabilities, March 31, 2020	$1,961,311
Interest expense	79,499
Lease payments	(326,846)
Foreign exchange	(33,781)
Lease termination	(363,013)
Lease liabilities, March 31, 2021	**$1,317,170**

		March 31, 2021		March 31, 2020
Current	**$**	**947,815**	$	489,114
Non-current		**369,355**		1,472,197
	$	**1,317,170**	$	1,961,311

Lease liabilities relate to leases for office and warehouse space with lease terms between 1 and 5 years and for equipment between 1 and 2 years. In determining the lease term, the Company assesses whether it is reasonably certain it will exercise the lease extension options or not exercise a termination option. Future undiscounted cash outflows for lease liabilities are disclosed as part of total commitments in Note 19.

Excluded from the calculation of the lease liabilities are variable lease payments that do not depend on an index or a rate, which include utilities, common area maintenance costs, property tax, or any additional service payments. Total variable lease payments recognized as an expense are $195,768 for the year ended March 31, 2021 (2020 - $268,587).

13. Share capital

a) Common shares

i) Authorized

Unlimited number of common shares without par value

ii) Issued and outstanding common shares

	Shares		Amount
Balance March 31, 2019	268,835,143	$	109,030,850
Warrant exercises	6,237,613		2,067,038
Stock option exercises	147,000		188,320
Shares issued for services	1,860,309		1,176,557
Shares issued for debt	406,271		178,307
Shares issued under At-the-Market facility	43,000		7,715
Warrant issuance	-		(174,026)
Balance March 31, 2020	277,529,336	$	112,474,761
Shares issued under private placements	**29,955,000**		**2,995,500**
Shares issued under brokered placement	**28,750,000**		**5,750,000**
Shares issued for services	**1,798,359**		**322,863**
Shares for debt	**88,931,105**		**8,787,087**
Units for debt	**-**		**1,208,924**
Shares issued under At-the-Market facility	**5,582,400**		**880,605**
Finder's units	**-**		**(384,745)**
Warrant issuance	**-**		**(3,220,000)**
Share issue costs	**-**		**(1,077,268)**
Warrant extension	**-**		**(610,247)**
Balance March 31, 2021	**432,546,200**	**$**	**127,127,480**

b) Placements

The Company completed a brokered placement on May 26, 2020. The placement consisted of a unit offering with each unit consisting of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share.

The Company completed a non-brokered private placement on March 16, 2021 consisting of the issuance of common shares.

Details of both placements and the number of units issued during the year ended March 31, 2021, are shown below:

Placement closing date	May 26, 2020	March 16, 2021
Issue price per unit	$ 0.20	$ 0.10
Common shares issued	28,750,000	29,955,000
Warrants issued	28,750,000	-
Warrant exercise price	$ 0.30	$ -
Warrant term in months	36	-
Cash proceeds summary:		
Gross proceeds	$ 5,750,000	$ 2,995,500
Cash issuance costs	(785,837)	(199,915)
Net cash proceeds on issuance	$ 4,964,163	$ 2,795,585
Fair value of finders' options	(384,745)	-
Fair value on warrant issuance	(3,220,000)	-
Net value allocated to common shares	$ 1,359,418	$ 2,795,585

A summary of the assumptions used for the brokered placement is set out below:

Placement closing date	May 26, 2020
Common share purchase warrants	
Common share market price	$ 0.30
Risk free interest rate	1.75%
Expected dividend yield	-
Estimated common share price volatility	114%
Estimated life in months	36

Finder's options

As part of the brokered placement on May 26, 2020, the Company also issued finder's options to certain finders that entitled them to acquire 1,630,275 units at an exercise price of $0.20 for a period of 36 months following the completion of the offering. If exercised, these units would include 1,630,275 common shares and 1,630,275 common share purchase warrants entitling the holder to subscribe for additional common shares at a price of $0.30 per common share for a period of 36 months.

The common share finders' options were allocated a portion of the gross proceeds based upon their relative fair value at the date of issuance. A total of $384,745 was recorded as share issue costs as of March 31, 2021 ($202,154 allocated to common shares and $182,591 to common share purchase warrants). The Black-Scholes option pricing valuation model was utilized to value the finder's options.

A summary of the assumptions used for each component of the finder's options is set out below:

		Common Shares		Common Share Purchase Warrants
Finder's Options				
Common share market price	$	0.20	$	0.30
Risk free interest rate		1.75%		1.75%
Expected dividend yield		-		-
Estimated common share price volatility		114%		114%
Estimated life in years		3		3

The continuity of the Company's outstanding finders' options is as follows:

	Year ended March 31, 2021			Year ended March 31, 2020		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of year	**1,624,290**	**$**	**1.20**	1,624,290	$	1.20
Finders' options issued	**1,630,275**		**0.20**	-		-
Finders' options expired	**(1,624,290)**		**1.20**	-		-
Outstanding, end of year	**1,630,275**	**$**	**0.20**	1,624,290	$	1.20

There were no finders' options exercised during the year ended March 31, 2021, or the year ended March 31, 2020.

During the year ended March 31, 2021, 1,624,290 finders' options expired that if exercised would have included 1,624,290 common shares and 812,145 common share purchase warrants.

If exercised, the options outstanding at March 31, 2021 of 1,630,275 would include 1,630,275 common shares and 1,630,275 common share purchase warrants.

Shares and units issued for debt

During the year ended March 31, 2021, the Company issued both common shares and units of the Company to settle amounts owing to certain third-party creditors as well as some directors and officers. Specific details for each transaction are summarized in the table below. Each unit issued consisted of one common share and one-half common share purchase warrant exercisable for one-half common share.

In each of the unit transactions, the common share purchase warrants were allocated a portion of the total amount payable based upon their relative fair value at the date of issuance. The fair values of the common share purchase warrants were determined using a Black-Scholes option pricing valuation model.

Shares issued for debt with an arms length third party were recorded at fair value on the date of issuance. Any difference between the fair value of these shares issued to an arms length third party and the carrying value of the debt is recorded through the consolidated statement of operations. For the year ended March 31, 2021, the Company recognized a loss on equity settled payables of $633,208 (2020 - $nil). Shares issued for debt with related parties are recorded at the value of the debt settled with no gain or loss recorded through the consolidated statement of operations.

Share issue date		(1)Jun 8, 2020		(2)Jun 8, 2020		(5)December 16, 2020 & March 16, 2021		(4)March 31, 2021		Total
Issue price per unit / share	$	0.165	$	0.165	$	0.10	$	0.105		
Common shares issued		6,716,252		1,224,276		33,190,406		47,800,171		88,931,105
Warrants issued		3,358,126		-		-		-		3,358,126
Warrants exercise price	$	0.30		N/A		N/A		N/A		
Warrant term in months		24		N/A		N/A		N/A		
Debt amount settled	$	1,108,182	$	202,005	$	3,319,040	$	5,019,017	$	9,648,244
Market differential		100,744		18,364		111,762		116,897		347,767
Cash issuance costs		(6,240)		(1,138)		(17,896)		(25,595)		(50,869)
Net value allocated to common shares	$	1,202,686	$	219,231	$	3,412,906	$	5,110,319	$	9,945,142
Market differential	$	100,744	$	18,364	$	111,762	$	116,897	$	347,767
Fair value on warrant issuance		285,441		-		-		-		285,441
Loss on settlement of debt(3)	$	386,185	$	18,364	$	111,762	$	116,897	$	633,208

Notes:

(1) 6,716,252 units and shares issued to third party creditors.

(2) Common shares issued include 841,585 common shares issued to certain officers and directors in exchange for debt settlement of $138,861 owed by the Company to such individuals. The remainder is for debt settlement of $63,144 owed to a third-party creditor.

(3) Loss on settlement of debt includes the market differential plus the fair value of the warrants as deemed price of the unit and shares were below the market price on the date they were issued.

(4) Common shares issued include 24,162,500 common shares issued to a creditor controlled by an officer in exchange for debt settlement of $2,537,062. The remainder is for debt settlement of $2,481,955 owed to third-parties.

(5) Common shares issued include 4,326,376 common shares issued to certain officers and directors in exchange for debt settlement of $432,636 owed by the Company to such individuals. The remainder is for debt settlement of $2,886,403 owed to a third-party creditor.

A summary of the assumptions used to value the warrants issued on June 8, 2020 is set out below:

		June 8, 2020
Common share purchase warrants		
Common share market price	$	0.30
Risk free interest rate		0.25%
Expected dividend yield		0%
Estimated common share price volatility		114%
Estimated life in years		2

During the year ended March 31, 2020, the Company issued 406,271 common shares for debt. 213,364 of these common shares were issued on December 4, 2019 at a share price of $0.465 to an arm's length third party creditor, to settle outstanding debt of $99,215 and 192,907 common shares were issued on January 10, 2020 at a share price of $0.410 to an arm's length third party creditor, to settle outstanding debt of $79,092. Share issue costs include $1,193 of costs incurred related to the issuance of these shares.

Shares for services

The Company had previously approved multiple shares for service agreements with third parties in exchange for consulting services. Pursuant to the terms of the agreements the Company issued common shares in exchange for a maximum amount of services provided. The number of shares to be issued and the issuance price of these shares varied based on the terms of the agreements. Per the terms of the agreements on December 1, 2018, December 6, 2017, November 28, 2017 and August 28, 2017, the number of shares were issued quarterly based on the closing price of the Company's shares on the last trading day each quarter. Per the terms of the agreement on January 1, 2019, the number of shares were issued monthly and the issue price of these shares was the greater of (i) the 15-day VWAP share trading price of the shares on the TSXV on the last financial trading day of the relevant month; (ii) the "Discounted Market Price" (as defined in the policies of the TSXV) on the last financial trading day of the relevant month. The agreements were approved by the TSXV and were subject to approval for each successive 2-year renewal term.

As of March 31, 2021, the Company no longer has services provided under the agreements dated December 1, 2018 and January 1, 2019 as both agreements were terminated. All other agreements expired during the year ended March 31, 2020.

Details of the agreements and the number of shares issued during the year ended March 31, 2021 and the year ended March 31, 2020 are shown below:

Shares issued for the year ended March 31, 2021

Agreement issue date	Jan 1, 2019
Maximum services amount	$ 585,000 GBP
Common shares issued	1,798,359
Value of services (contract currency)	$ 186,250 GBP
Value of services (CAD)	$ 322,863 CAD
Weighted average issue price per common share	$ 0.18 CAD
Balance included in accounts payable and accrued liabilities	
Contract currency	$ nil GBP
CAD	$ nil CAD

Shares issued for the year ended March 31, 2020

Agreement issue date	Dec 1, 2018	Jan 1, 2019	Total
Maximum services amount	$ 27,000 USD	$ 585,000 GBP	
Common shares issued	14,000	1,846,309	1,860,309
Value of services (contract currency)	$ 9,369 USD	$ 682,500 GBP(1)	
Value of services (CAD)	$ 13,080 CAD	$ 1,163,477 CAD	$ 1,176,577 CAD
Weighted average issue price per common share	$ 0.93 CAD	$ 0.63 CAD	
Balance included in accounts payable and accrued liabilities			
Contract currency	$ 2,853 USD	$ 48,750 GBP	
CAD	$ 4,061 CAD	$ 84,497 CAD	$ 88,558 CAD

Notes: (1) The maximum under the agreement relates to the fiscal year. During the year ended March 31, 2020, the Company issued shares for services in the 4th quarter of 2019 in the first quarter of 2020 in addition to the annual maximum.

Share issue costs related to the issuance of shares for services are $nil for the year ended March 31, 2021 ($2,770 for the year ended March 31, 2020).

At-the-Market (ATM) Facility

During the year ended March 31, 2020, the Company entered into a Controlled Equity Offering Sales Agreement with National Bank Financial Inc. (National Bank) pursuant to which the Company sold common shares through ATM offerings with National Bank acting as sales agent. Pursuant to Canadian securities rules, the Company is limited to raising $9,400,000 under this specific ATM offering.

		Year ended March 31, 2021		Year ended March 31, 2020		Total
Common shares issued		**5,582,400**		43,000		
Gross proceeds	**$**	**880,605**	$	7,715	$	888,320
Share issue costs						
2% commission	**$**	**17,612**	$	154	$	17,766
Professional and filing fees	**$**	**22,265**	$	158,975	$	181,240
Total share issue costs	**$**	**39,877**	$	159,129	$	199,006

Warrants

The continuity of the Company's outstanding warrants is as follows:

	Year ended March 31, 2021			Year ended March 31, 2020		
	Number of warrants		**Weighted average exercise price**	Number of warrants		Weighted average exercise price
Outstanding, beginning of year	**24,826,803**	**$**	**0.98**	35,275,055	$	0.95
Warrants issued	**32,108,127**		**0.30**	581,250		0.70
Warrants exercised	**-**		**-**	(6,237,613)		0.26
Warrants expired	**(14,251,149)**		**1.50**	(4,791,889)		1.63
Outstanding, end of year	**42,683,781**	**$**	**0.29**	24,826,803	$	0.98

Warrants issued during the year ended March 31, 2021 relate to the May 26, 2020 placement and units issued for debt on June 8, 2020.

There were no warrants exercised during the year ended March 31, 2021. During the year ended March 31, 2020 warrant holders exercised common share purchase warrants and finders' warrants. The gross proceeds of these exercises plus the net value attributed to these warrants on the initial grant were recognized in common shares as summarized below:

Warrants exercised for the year ended March 31, 2020

Warrant exercise price	Number of warrants exercised		Gross proceeds		Fair value of warrants transferred to common shares		Common shares
$0.25	5,917,763	$	1,479,441	$	419,996	$	1,899,437
$0.50	319,850		159,925		7,676		167,601
	6,237,613	**$**	**1,639,366**	**$**	**427,672**	**$**	**2,067,038**

Extension of Warrants

During the year ended March 31, 2021, the Company extended the expiry date of certain warrants by an additional 12 months. The Black-Scholes Option Pricing model was used to determine the fair value immediately prior to and immediately after the extension. This resulted in a change in fair value of $610,247 which is reflected in equity. A summary of the assumptions used as follows:

Immediately prior to extension	**1,070,712 warrants expiring April 14, 2020**	**3,051,310 warrants expiring June 2, 2020**	**5,872,382 warrants expiring June 22, 2020**
Common share price	$ 0.17	$ 0.19	$ 0.19
Exercise price	0.25	0.25	0.25
Expected term	0.04	0.082	0.082
Risk free interest rate	1.50%	1.50%	1.50%
Expected dividend yield	-	-	-
Estimated common share price volatility	109%	109%	109%
Immediately after extension			
Common share price	$ 0.17	$ 0.19	$ 0.19
Exercise price	0.25	0.25	0.25
Expected term	1.04	1.082	1.082
Risk free interest rate	1.50%	1.50%	1.50%
Expected dividend yield	-	-	-
Estimated common share price volatility	109%	109%	109%

Issuance of Warrants on Debenture

For the year ended March 31, 2020, the Company issued 581,250 warrants as part of a debenture financing. These warrants remain outstanding at March 31, 2021 following the settlement of the debentures in March 2021. The fair value of the warrants for the year ended March 31, 2020 of $90,675 was determined using a Black-Scholes option pricing valuation model with the following assumptions:

	March 4, 2020
Warrants	
Common share market price	$ 0.34
Risk free interest rate	1.5%
Expected dividend yield	0%
Estimated common share price volatility	119.7%
Estimated life in years	2

The following table summarizes information about warrants outstanding as at March 31, 2021 and March 31, 2020.

March 31, 2021			March 31, 2020		
Exercise price	**Number of warrants**	**Remaining contractual life (years)**	Exercise Price	Number of warrants	Remaining contractual life (years)
0.25	**1,070,712**	**0.0**	0.25	1,070,712	0.04
0.25	**3,051,310**	**0.2**	0.25	3,051,310	0.2
0.25	**5,872,382**	**0.2**	0.25	5,872,382	0.2
1.50	**-**	**-**	1.50	14,251,149	0.3
0.70	**581,250**	**0.9**	0.70	581,250	1.9
0.30	**3,358,127**	**1.2**	-	-	-
0.30	**28,750,000**	**2.1**	-	-	-
$ 0.29	**42,683,781**	**1.6**	$ 0.98	24,826,803	0.3

d) Stock option plan

The Company's stock option plan (the "Stock Option Plan") provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years.

In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSXV. Options have been issued with vesting periods of immediate to 4 years with terms between 2 and 10 years.

The continuity of the Company's outstanding and exercisable stock options is as follows:

	Year ended March 31, 2021			Year ended March 31, 2020		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of year	**24,417,025**	**$**	**1.00**	24,322,150	$	1.03
Options granted	**16,125,000**		**0.13**	1,720,000		0.61
Options exercised	**-**		**-**	(147,000)		0.69
Options forfeited	**(10,703,578)**		**0.86**	(1,478,125)		1.03
Outstanding, end of year	**29,838,447**	**$**	**0.58**	24,417,025	$	1.00
Exercisable, end of year	**26,962,205**	**$**	**0.63**	22,062,652	$	0.97

The following tables summarize information about stock options granted during the year ended March 31, 2021 and the year ended March 31, 2020. The weighted average grant date fair value was estimated using the Black Scholes option pricing model using the following grant date assumptions:

Options granted for the year ended March 31, 2021

Original grant date		**May 28, 2020**		**October 9, 2020**		**February 11, 2021**	**Total**
Options granted:							
Options granted		2,125,000		6,100,000		7,900,000	16,125,000
Exercise price	$	0.175	$	0.10	$	0.15	
Weighted average grant date fair value	$	0.137	$	0.077	$	0.115	
Assumptions used:							
Grant date stock price	$	0.175	$	0.10	$	0.15	
Risk free interest rate		0.5%		0.5%		0.25%	
Expected dividend yield		-		-		-	
Estimated common share price volatility		109%		107%		106%	
Estimated forfeiture rate		3.33%		8.19%		0%	
Estimated life in years		5		5		5	

The Company issued an additional 2,000,000 options to a director of the Company on February 11, 2021 that will vest based on performance milestones. The milestones for these options had not been defined as at March 31, 2021 and therefore, the options were considered to not be granted.

Options granted for the year ended March 31, 2020

Original grant date		June 5, 2019		October 23, 2019		February 27, 2020	Total
Options granted:							
Options granted		470,000		750,000		500,000	1,720,000
Exercise price	$	0.93	$	0.58	$	0.37	
Weighted average grant date fair value	$	0.74	$	0.45	$	0.28	
Assumptions used:							
Grant date stock price	$	0.93	$	0.58	$	0.37	
Risk free interest rate		2.25%		1.50%		1.25%	
Expected dividend yield		-		-		-	
Estimated common share price volatility		109%		106%		104%	
Estimated forfeiture rate		1.47%		2.61%		3.15%	
Estimated life in years		5		5		5	

For stock options granted, the Company records compensation expense using the fair value method. Fair values are determined using the Black-Scholes Option pricing model. Compensation costs are recognized over the vesting period as an increase to share based payments expense and contributed surplus. When stock options are subsequently exercised, the fair-value of such stock options in contributed surplus is credited to share capital.

The estimated volatility is based on the Company's historic volatility since May 22, 2014.

There were no stock options exercised during the year ended March 31, 2021.

During the year ended March 31, 2020 stock options were exercised for common shares. The gross proceeds of these exercises plus the net value attributed to these stock options on the initial grant were recognized in common shares as summarized below:

Stock options exercised for the year ended March 31, 2020

Original grant date		Exercise price	Number of options exercised		Gross proceeds		Fair value of options transferred to common shares		Common shares
April 3, 2017	$	0.66	97,000	$	64,020	$	53,350	$	117,370
June 23, 2014	$	0.75	50,000		37,500		33,450		70,950
			147,000	**$**	**101,520**	**$**	**86,800**	**$**	**188,320**

The following table summarizes information about stock options outstanding as at March 31, 2021 and March 31, 2020:

March 31, 2021				March 31, 2020			
	Exercise price	**Number of options**	**Remaining contractual life (years)**		Exercise price	Number of options	Remaining Contractual life (years)
$	**1.00**	**51,428**	**0.6**	$	1.00	51,428	1.6
	0.66	**3,392,769**	**1.0**		0.66	5,086,519	2.0
	0.50	**150,000**	**1.4**		0.50	550,000	2.4
	1.82	**778,000**	**1.7**		1.82	1,028,000	2.7
	1.20	**750,000**	**2.2**		1.20	1,275,000	3.2
	0.60	**-**	**-**		0.60	3,340	3.4
	1.82	**2,600,000**	**2.5**		1.82	3,900,000	3.5
	0.87	**5,215,000**	**2.7**		0.87	8,340,000	3.7
	0.93	**525,000**	**2.9**		0.93	946,875	3.9
	0.60	**-**	**-**		0.60	15,863	4.0
	0.93	**370,000**	**3.2**		0.93	470,000	4.2
	0.75	**550,000**	**3.2**		0.75	1,500,000	4.2
	0.58	**150,000**	**3.6**		0.58	750,000	4.6
	0.37	**500,000**	**3.9**		0.37	500,000	4.9
	0.175	**1,350,000**	**4.2**		-	-	-
	0.10	**5,556,250**	**4.5**		-	-	-
	0.15	**7,900,000**	**4.9**		-	-	-
$	**0.58**	**29,838,447**	**3.5**	$	1.00	24,417,025	3.3

The total share-based payments recognized during the year ended March 31, 2021 of $1,570,954 (2020 - $2,567,078) was recorded as an expense.

14. Commitments

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

		March 31, 2021		March 31, 2020
Capital expansion projects	$	**1,340,542**	$	1,766,241
Leases not yet commenced		**130,500**		130,500
Variable lease payments for lease liabilities		**1,496,297**		1,827,003
Network services contracts		**143,108**		202,198
Purchase and retrofitting of equipment		**89,083**		144,616
Maintenance contracts		**12,567**		18,088
Direct materials		**570,000**		-
	$	**3,782,097**	$	4,088,646

15. Income taxes

a) Income tax expense

		March 31, 2021		March 31, 2020
Current tax expense				
Current period	$	**-**	$	-
Deferred tax expense				
Origination and reversal of temporary differences		**(9,523,576)**		(8,082,946)
Tax rate changes		**-**		2,471,972
Change in unrecognized deductible temporary differences		**9,523,576**		5,610,974
Total income tax expense from continuing operations	$	**-**	$	-

The actual income tax provision differs from the expected amount calculated applying the Canadian combined federal and provincial corporate tax rates to income before tax. The statutory rate decreased due to reductions in the Alberta provincial rate. These differences result in the following:

		March 31, 2021		March 31, 2020
Net loss before tax	$	**(42,265,830)**	$	(37,417,739)
Statutory income tax rate		**23.0%**		23.0%
Expected income tax recovery		**(9,721,140)**		(8,606,080)
Increase (decrease) resulting from:				
Non-deductible amounts		**408,279**		605,133
Change in unrecognized deductible temporary differences		**9,523,576**		5,610,974
Change in tax rates and rate differences		**(210,715)**		2,389,974
Income tax expense (recovery)	$	**-**	$	-

b) Recognized deferred tax assets and liabilities

		March 31, 2021		March 31, 2020
Deferred tax assets are attributable to the following:				
Non-capital loss carry-forward	**$**	**247,812**	$	604,259
Deferred tax asset		**247,812**		604,259
Set-off of tax		**(247,812)**		(604,259)
Net deferred tax asset	**$**	**-**	$	-
Deferred tax liabilities are attributable to the following:				
Lease assets	**$**	**(148,024)**	$	(504,472)
Investment tax credits		**(83,805)**		(83,805)
Other		**(15,983)**		(15,983)
Deferred tax liabilities		**(247,812)**		(604,259)
Set-off of tax		**247,812**		604,259
Net deferred tax liabilities	**$**	**-**	$	-

c) Unrecognized deferred tax assets

The tax losses expire between 2026 and 2041. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

Deferred tax assets have not been recognized in respect of the following items:

		March 31, 2021		March 31, 2020
Deductible temporary differences	**$**	**31,030,044**	$	20,947,284
Tax losses		**98,513,073**		74,714,161
	$	**129,543,116**	$	95,661,445

16. Related party transactions

The Company's related parties are its Board of Directors, and key management personnel (President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Technology Officer), 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 and are not disclosed in this note.

a) Key management personnel and director remuneration

The remuneration of directors and key management personnel follows:

For the year ended March 31,		2021		2020
Compensation	$	1,133,135	$	975,950
Short-term benefits		29,155		48,634
Share-based compensation		1,091,151		1,263,085
	$	2,253,441	$	2,287,669
Number of stock options issued		9,000,000		500,000
Weighted average exercise price	$	0.13	$	0.37

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

As at March 31, 2021, $562,083 (March 31, 2020 - $457,751) 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.

b) Equity transactions

i) During the year ended March 31, 2021

A company with a shared director received 24,162,500 shares to settle $2,537,063 of the Company's outstanding debt and outstanding rent.

The Company settled $134,411 in outstanding wages, consulting fees and expense reimbursements owed to various directors of the Company with 1,344,114 common shares of the Company.

ii) During the year ended March 31, 2020

A director and a key management personnel exercised 500,000 warrants for total gross proceeds of $125,000.

A director exercised 1,644,335 warrants for gross proceeds of $411,084.

A director and a key management personnel purchased $125,000 of the debentures issued during the year. The debenture of $125,000 and accrued interest of $16,284 were settled in the year ended March 31, 2021 with 1,412,842 common shares of the Company.

c) Services provided

i) During the year ended March 31, 2021

A property management company owned by a director received $223,920 for rental lease payments and operating costs associated with the rental of a warehouse by the Company.

ii) During the year ended March 31, 2020

A property management company owned by a director received $222,168 for rental lease payments and operating costs associated with the rental of a warehouse by the Company.

d) Loans and cash advances

A director of the Company advanced $2,500,000 of demand loan to the Company during the year ended March 31, 2020. The loan is secured by a second charge on the land and property of the Company and bear interest at 21.0%. The Company renegotiated the terms of the loan in February 2021 (Note 10).

A director and officer of the Company advanced cash to the Company in the amount of $65,000 during the year ended March 31, 2020. A director and officer of the Company advanced cash to the Company in the amount of $75,000 during the year ended March 31, 2020. These advances are unsecured and bear no interest.

e) Aurora Cannabis Inc. "Aurora"

On November 6, 2017, the Company entered into a Master Services Agreement (MSA) with Aurora. The term of the MSA is 5 years, with an option for Aurora to extend an additional 5 years. The terms of the MSA include certain requirements around pricing for extraction services related to cannabis to parties other than Aurora, within a specified geographic territory. Additionally, it provides Aurora with priority for extraction services, and certain first right of refusal to acquire certain cannabis related intellectual property and sets pricing for the extraction services currently provided to Aurora. In addition to the MSA, the Company and Aurora entered into an Investor Rights Agreement on the same date, that provides Aurora with certain rights to participate in future offerings up to 19.99% and appoint one director to the board of directors of the Company.

As at March 31, 2020, Aurora held 33,101,542 shares in the Company resulting in a effective ownership of 11.9 % of all issued and outstanding shares. Aurora had representation on the Company's board of directors and accounted for 98% of all revenue for the year ended March 31, 2020. The Company determined that a related party relationship with Aurora existed at March 31, 2020 through their ability to exert significant influence over the Company. During the year ended March 31, 2020, the Company purchased $24,604,773 of cannabis and recognized revenue of $18,120,586 in relation to transactions with Aurora. As at March 31, 2020, $480,042 was included in accounts receivable and $3,187,315 in accounts payable for amounts owing from/to Aurora.

As at March 31, 2021, Aurora held 37,643,431 shares of the Company resulting in a effective ownership of 8.7% of all issued and outstanding shares. Further, Aurora did not have representation on the Company's board of directors after December 2020. Based on these facts, the Company determined that Aurora ceased to be a related party of the Company in December 2020 and that Aurora no longer had significant influence over the Company. There were no revenue or inventory transactions with Aurora during the year ended March 31, 2021.

17. Financing fees

For the year ended March 31,	**2021**	2020
Amortization of financing costs on short term borrowings	**$ 210,614**	$ 110,593
Amortization of financing costs on long-term debt	**51,944**	40,117
Interest on long-term debt	**1,268,260**	531,654
Interest on lease liabilities	**71,932**	56,666
Interest on short-term borrowings	**1,258,168**	246,017
Accretion of interest	**(284,310)**	-
Other	**367,931**	24,311
	$ 2,944,539	$ 1,009,358

18. Financial instruments

The carrying amounts present in the balance sheet relate to the following categories of assets and liabilities:

	March 31, 2021	March 31, 2020
Financial assets		
Cash	**$ 485,544**	$ 145,117
Accounts receivable	**445,872**	846,899
Deposits	**42,200**	141,908
Lease receivable	**69,620**	-
Restricted cash	**-**	200,000
	$ 1,043,236	$ 1,333,924

Financial liabilities		
Accounts payable and accrued liabilities	**$ 15,358,022**	$15,341,446
Facility construction liabilities	**4,566,759**	8,569,340
Short term borrowings	**1,000,000**	2,426,271
Lease liabilities	**1,317,170**	1,961,311
Long-term debt	**9,582,593**	10,621,474
	$ 31,824,544	$38,919,842

The fair value of cash, accounts receivable, deposits, lease receivable, short term borrowings, accounts payable and accrued liabilities, facility construction liabilities, and long-term debt approximate their carrying amount due to their short-term nature. The fair values of lease liabilities are estimated to approximate their carrying value because the interest rates do not differ significantly from current interest rates for similar types of borrowing arrangements (level 2).

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

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 on its variable rate long-term debt.

For the period ended March 31, 2021, the increase or decrease in annual net loss for each one percent change in interest rate on the variable rate long-term debt would amount to $92,732 (2020 - $91,314).

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 of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. The Company has disclosed (Note 1) that continuation as a going concern is dependent on obtaining sufficient funds to discharge contractual liabilities as well as funding continuing operations.

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	$	15,358,022	$	-	$	-	$	-	$	15,358,022
Facility construction liabilities		4,566,759		-		-		-		4,566,759
Short-term borrowings		1,000,000		-		-		-		1,000,000
Long-term debt		9,582,593		-		-		-		9,582,593
Lease liabilities		259,224		1,336,974		-		-		1,596,198
Balance March 31, 2021	$	30,766,598	$	1,336,974	$	-	$	-	$	32,103,572
Accounts payable and accrued liabilities	$	15,341,446	$	-	$	-	$	-	$	15,341,446
Facility construction liabilities		8,569,340		-		-		-		8,569,340
Short-term borrowings		2,426,271		-		-		-		2,426,271
Long-term debt		4,338,093		9,017,500		-		-		13,355,593
Lease obligations		460,601		420,692		73,293		-		954,586
Balance March 31, 2020	$	31,135,751	$	9,438,192	$	73,293	$	-	$	40,647,236

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

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 as at March 31, 2021. The analysis is based on financial assets and liabilities denominated in Euro ("EUR"), British Pound ("GBP"), and US Dollar ("USD") ("balance sheet exposure").

		(EUR)		**(GBP)**		**(USD)**
Cash	$	3,583	$	-	$	13,773
Accounts receivable		66,405		-		-
Prepaids and deposits		-		-		-
Accounts payable and accrued liabilities		(1,246,790)		(79,000)		(934,971)
Net balance sheet exposure	**$**	**(1,176,802)**	**$**	**(79,000)**	**$**	**(921,198)**
Translation rate at March 31, 2021		1.4961		1.7587		1.2758
Net income impact of a 10% rate change	**$**	**176,061**	**$**	**13,894**	**$**	**117,526**

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.

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 lease receivable 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 lease receivable is due from a creditworthy corporation and has a deposit for the lessees last month's rent to mitigate the risk of non-payment.

Accounts receivable is comprised of the following:

	March 31, 2021	March 31, 2020
Trade receivables	**$ 315,120**	$ 480,042
Expected credit losses	**-**	-
Net trade receivables	**315,120**	480,042
Sales tax and other receivables	**130,752**	366,857
	$ 445,872	$ 846,899

The Company's trade receivables are monitored on an ongoing basis for impairment and an estimate of credit loss is recorded to reduce the trade receivables to their expected realizable value when the account is determined to be not fully collectible. It is management's view that amounts outstanding from customers have no risk of not being collected. The Company has collected all outstanding trade receivables for March 31, 2021 and March 31, 2020.

An analysis of the aging of trade receivables is as follows:

	March 31, 2021	March 31, 2020
31 – 60 days	**$ 419**	$ -
61 – 90 days	**5,248**	-
Greater than 90 days	**-**	-
Balance past due	**$ 5,667**	$ -
Current balance	**309,453**	480,042
Trade accounts receivable	**$ 315,120**	$ 480,042

19. Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	March 31, 2019	Cash flows (1)	Non-cash changes IFRS 16 adjustments/ additions	FX impact on foreign leases	Other (2)	Amortization of financing costs	March 31, 2020
Long-term debt	$ 6,463,120	$ 3,677,724	$ -	$ -	$ 440,513	$ 40,117	**$ 10,621,474**
Lease liabilities	187,828	(286,276)	2,047,036	12,723	-	-	**1,961,311**
Short term borrowings	-	2,315,679	-	-	-	110,593	**2,426,272**
	$ 6,650,948	**$ 5,707,127**	**$ 2,047,036**	**$ 12,723**	**$ 440,513**	**$ 150,710**	**$ 15,009,057**

	March 31, 2020	Cash flows (1)	Non-cash changes Shares for debt	FX impact on foreign leases	Other (3)	Financing costs	March 31, 2021
Long-term debt	$ 10,621,474	$ -	$ (1,162,500)	$ -	$ -	$ 123,618	**$ 9,582,592**
Lease liabilities	1,961,311	(326,846)	-	(33,781)	(363,013)	79,499	**1,317,170**
Short term borrowings	2,426,272	(360,715)	(2,200,000)	-	(219,937)	1,354,380	**1,000,000**
	$ 15,009,057	**$ (687,561)**	**$ (3,362,500)**	**$ (33,781)**	**$ (582,950)**	**$ 1,557,497**	**$ 11,899,762**

Notes:
(1) Cash flows includes cash paid related to financing costs and repayments.
(2) Loss on extinguishment of long-term debt.
(3) Lease termination of lease liabilities; debt forgiveness on short term borrowings

20. Employee salaries and benefits

	Year ended March 31, 2021	2020
Included in:		
Cost of sales	**$ 293,684**	$ 538,633
General and administrative	**811,990**	2,186,551
Production plant	**183,806**	1,517,655
Process development	**478,966**	1,533,496
Engineering	**763,608**	1,362,597
Quality control and assurance	**160,618**	964,283
Business and corporate development	**124,445**	251,055
Research and development	**110,299**	129,099
Total employee salaries and benefits	**$ 2,927,416**	$ 8,483,369

In response to the negative impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. Under the plan, businesses are eligible for wage subsidies for any week retroactive from March 15, 2020 to December 19, 2020 for which certain criteria are met. Under the CEWS program, the Company is entitled to receive a subsidy equal to a percentage of employees' wages up to a set amount per week depending on the relevant period. During the year ended, the Company recognized payroll subsidies under CEWS of $1,352,162 (2020 - $nil). Germany had a similar program for the year ended March 31, 2021 and the Company received $95,450 during this period (2020 - $nil), which were recorded net against the above expenses.

21. Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company's chief operating decision maker, the Chief Executive Officer. For the year ended March 31, 2020, the Company had a single reporting segment which is the extraction, isolation and purification of soluble products from a wide range of materials using microwave technology. For the year ended March 31, 2021, the Company had a single reporting segment which is the production and sale of cannabis related retail products.

a) Information about geographic areas

The Company has non-current assets of $nil (March 31, 2020 - $2,702,273) located in Europe with all remaining assets in Canada. All of the Company's revenues from external customers are generated in Canada.

b) Information about major customers

During the year ended March 31, 2021, the Company earned 74% of its revenue from two customers (2020– 98% of revenue from one customer).

22. Loss per share

Diluted net income per common share is calculated by dividing the applicable net income by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. As at March 31, 2021 and 2020, all instruments were anti-dilutive based on having a net loss attributable to common shareholders for the period.

23. Subsequent events

Acquisition of Tunaaaa Room Xtracts Inc. ("Tunaaaa")

On June 30, 2021, the Company announced that it had signed a binding letter of intent to acquire Tunaaaa to acquire 100% of the issued and outstanding shares of Tunaaaa, a 100% subsidiary of Tunaaaa Room created for the purpose of entering into a licensing agreement with the Company. In consideration for the acquisition, the Company will issue 50 million shares for an aggregate deemed value of $6 million, 15 million common share purchase warrants with an exercise price of $0.15 for a period of 24 months following closing, and 30 million common share purchase warrants with an exercise price of $0.20 for a period of 24 months following closing. The transaction had not closed at the date of filing.

Acquisition of PBR Laboratories Inc. ("PBR Labs")

On July 29, 2021, the Company announced that it had signed a binding letter of intent to acquire 100% of the issued and outstanding shares of PBR Labs. Pursuant to the terms of the letter of intent, in consideration for the acquisition, the Company expects to issue 9 million common shares of the Company pro rata to the current shareholders of PBR Labs for an aggregate deemed value of $1,080,000.