



Radiant Technologies Inc.

Interim Condensed Consolidated Financial Statements

Three and Nine months ended December 31, 2020 and 2019
(Unaudited)

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Radiant Technologies Inc.

Interim Condensed Consolidated Balance Sheets

(Unaudited)
As at **December 31,**
2020 **March 31,**
2020

Assets

Current assets

Cash	\$ 86,458	\$ 145,117
Lease receivable	62,384	-
Accounts receivable	1,840,857	846,899
Prepays and deposits	934,809	1,591,779
Inventories (Note 5)	3,594,489	8,890,777
	6,518,997	11,474,572

Non-current assets

Restricted cash	200,000	200,000
Long-term prepays and deposits	1,335,099	1,426,808
Lease receivable	43,417	-
Lease assets (Note 6)	688,841	2,069,575
Plant and equipment	41,195,840	41,892,844
Intangible assets	721,633	867,895
	44,184,830	46,457,122

Total assets **\$ 50,703,827** **\$ 57,931,694**

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 18,192,480	\$ 15,191,446
Short-term borrowings (Note 7)	3,204,517	2,576,271
Facility construction liabilities (Note 8)	7,548,367	8,569,340
Current portion of long-term debt (Note 9)	10,788,622	1,049,649
Current portion of lease liabilities	175,955	489,114
	39,909,941	27,875,820

Non-current liabilities

Long-term debt (Note 9)	-	9,571,825
Lease liabilities	1,139,809	1,472,197
	1,139,809	11,044,022

Shareholders' equity

Common shares (Note 10)	118,156,879	112,474,761
Contributed surplus	38,826,552	33,820,500
Deficit	(147,329,354)	(127,283,409)
	9,654,077	19,011,852

Total liabilities and shareholders' equity **\$ 50,703,827** **\$ 57,931,694**

See accompanying notes to the interim condensed consolidated financial statements

Approved by the Board of Directors:

Director (signed by) "Jan Petzel"

Director (signed by) "Francesco Ferlino"

Radiant Technologies Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the periods ended December 31	Three months		Nine months	
	2020	2019	2020	2019
Revenues				
Manufactured products	\$ 1,806,046	11,205,961	1,892,841	\$ 12,254,731
Manufacturing services	5,430	-	63,772	250,607
	1,811,476	11,205,961	1,956,613	12,505,338
Cost of sales				
Manufactured products	1,445,855	9,725,332	1,587,593	10,703,647
Manufacturing services	1,773	-	58,761	185,739
	1,447,628	9,725,332	1,646,354	10,889,386
	363,848	1,480,629	310,259	1,615,952
Expenses				
General and administrative	1,576,055	2,206,531	5,072,996	6,854,963
Financing fees (Note 13)	848,074	174,788	1,995,615	448,750
Depreciation and amortization	500,282	569,127	1,710,184	1,598,284
Engineering	298,326	589,947	919,092	1,660,460
Research and process development	231,795	955,509	916,289	2,381,719
Production plant	317,086	869,336	779,859	2,676,677
Quality control and assurance	7,139	408,807	155,120	1,130,731
Business and corporate development	52,445	440,111	135,315	1,236,374
	3,831,202	6,214,156	11,684,470	17,987,958
Loss before other income (expenses)	(3,467,354)	(4,733,527)	(11,374,211)	(16,372,006)
Other income (expenses)				
Impairment of inventory	(6,600,000)	-	(6,600,000)	-
Impairment of lease assets	(612,546)	-	(612,546)	-
Share-based payments (Note 10)	(362,356)	(706,265)	(505,619)	(2,166,506)
Loss on settlement of debt	-	-	(404,549)	-
Loss on modification of long-term debt	-	-	(477,810)	-
Loss on disposal of assets	(363,896)	-	(359,717)	-
Rental income	-	1,743	35,927	12,156
Foreign exchange gain (loss)	54,270	(3,465)	103,359	68,960
Interest and other income	146,269	3,179	149,221	226,567
Loss on extinguishment of long-term debt	-	-	-	(440,513)
	(7,738,259)	(704,808)	(8,671,734)	(2,299,336)
Net loss and comprehensive loss	\$ (11,205,613)	\$ (5,438,335)	\$ (20,045,945)	\$ (18,671,342)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.02)	\$ (0.06)	\$ (0.07)
Weighted average number of common shares outstanding				
Basic and diluted	328,083,242	272,983,882	314,418,064	271,436,920

See accompanying notes to the interim condensed consolidated financial statements

Radiant Technologies Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended December 31

2020

2019

Operating Activities

Net loss	\$ (20,045,945)	\$ (18,671,342)
Adjustments for:		
Impairment of inventory	6,600,000	-
Interest expense and pay-out penalties	1,879,089	401,987
Depreciation and amortization	1,710,184	1,598,284
Impairment of lease asset	612,546	-
Share-based payments	505,619	2,166,506
Loss on modification of long-term debt	477,810	-
Loss on settlement of long-term debt	404,549	-
Loss on disposal of assets	359,717	-
Finance fee accretion and amortization	168,543	40,117
Loss on extinguishment of long-term debt	-	440,513
Accretion of loss on modification of long-term debt	(204,264)	-
Interest income	-	(207,397)
Accretion of rent liability	-	(9,088)
Unrealized foreign exchange on lease liability	-	(8,618)
	(7,532,152)	(14,249,038)
Change in non-cash operating working capital (Note 4)	1,302,462	(9,002,327)
Cash used in operating activities	(6,229,690)	(23,251,365)

Financing Activities

Proceeds from brokered placements	5,750,000	-
Government grants received	1,428,402	-
Proceeds from private placement	905,000	-
At-the-market share issuance	880,605	-
Proceeds from long-term debt	-	8,697,500
Proceeds from exercise of warrants	-	979,174
Proceeds from exercise of stock options	-	101,520
Interest paid	(942,121)	(536,150)
Share issuance costs	(890,992)	(8,720)
Repayment of lease liabilities	(149,142)	(207,235)
Financing costs paid on long-term debt	(131,211)	(350,249)
Repayment of long-term debt	(70,000)	(5,688,583)
Change in restricted cash	-	(199,995)
Cash provided by financing activities	6,780,541	2,787,262

Investing Activities

Purchase of plant and equipment	(717,456)	(10,172,967)
Decrease (increase) in long-term prepaids and deposits	91,709	(704,570)
Proceeds on disposal of plant and equipment	16,237	100,195
Investment in intangible assets	-	(159,052)
Interest received	-	200,378
Cash used in investing activities	(609,510)	(10,736,016)

Net decrease in cash	(58,659)	(31,200,119)
Cash, beginning of period	145,117	31,752,852
Cash, end of the period	\$ 86,458	\$ 552,733

Non-cash transactions (Note 4)

See accompanying notes to the interim condensed consolidated financial statements

Radiant Technologies Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(Unaudited)

As at December 31, 2019	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	-	2,166,506	-	2,166,506
Warrant exercises	1,163,784	(184,610)	-	979,174
Stock option exercises	188,320	(86,800)	-	101,520
Shares issued for services	924,037	-	-	924,037
Shares issued for debt	99,215	-	-	99,215
Share issuance costs	(8,720)	-	-	(8,720)
Net loss	-	-	(18,671,342)	(18,671,342)
Balance December 31, 2019	\$ 111,397,486	\$ 33,572,315	\$ (108,537,012)	\$ 36,432,789

As at December 31, 2020	Common Shares (Note 10)	Contributed Surplus (Note 10)	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	2,929,634	-	-	2,929,634
Shares issued on private placement	905,000	-	-	905,000
At-the-market issuance	880,605	-	-	880,605
Shares issued for services	322,863	-	-	322,863
Share-based payments	-	505,619	-	505,619
Warrant issuance	(3,220,000)	3,505,441	-	285,441
Warrant extensions	(610,247)	610,247	-	-
Finders compensation	(384,745)	384,745	-	-
Share issuance costs	(890,992)	-	-	(890,992)
Net loss	-	-	(20,045,945)	(20,045,945)
Balance December 31, 2020	\$ 118,156,879	\$ 38,826,552	\$ (147,329,354)	\$ 9,654,077

See accompanying notes to the interim condensed consolidated financial statements

Radiant Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2020

(Unaudited)

1. Nature of operations and going concern

Radiant Technologies Inc. was incorporated on June 12, 2001. The principal activities of Radiant 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 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 interim condensed consolidated financial statements are 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’s ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the three and nine months ended December 31, 2020 were \$11,205,613 (2019 – \$5,438,335) and \$20,045,945 (2019 – \$18,671,342) respectively and as at December 31, 2020 the Company had a deficit of \$147,329,354 (March 31, 2020 - \$127,283,409).

In addition, the Company’s current liabilities exceed its current assets by \$33,390,944 (March 31, 2020 – \$16,401,248). At December 31, 2020, the Company is in arrears with certain trade creditors, rent, wages, long-term debt, and lease liabilities. Certain of the Company’s trade creditors are pursuing legal recourse for the amounts outstanding. The Company has been able thus far to negotiate settlements with the trade 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 periods 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 first quarter of the 2020 calendar year, there was 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 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 have given consideration as to the impact of COVID-19 on the Company and 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 \$1.2M in wage subsidies and \$0.3M in rent subsidies from the Canadian and Germany governments COVID-19 programs in the nine months ended December 31, 2020.

These interim condensed consolidated financial statements, including comparatives, were authorized for issue by the Board of Directors of the Company on March 1, 2021.

Radiant Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2020

(Unaudited)

2. Basis of presentation

a) Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for full annual consolidated financial statements. The same accounting policies were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended March 31, 2020. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

b) Basis of consolidation

The consolidated financial statements of the Company include the financial statements of Radiant Technologies Inc. and its wholly-owned subsidiaries Radiant Technologies (Cannabis) Inc. ("RTC"), Radiant Technologies Innovations Inc. ("RII"), Radiant Technologies (Switzerland) Inc. ("RTS"), and 1631807 Alberta Ltd and a 50% interest in the joint arrangement Natac Solutions S.L. MAG Innovation GmbH ("MAG") is a wholly-owned subsidiary of RTS.

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.

Joint arrangement

The Company had a 50% interest in Natac Solutions S.L. which was terminated during the fiscal year for nominal proceeds.

c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention unless otherwise indicated.

Radiant Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2020
(Unaudited)

2. Basis of presentation (cont'd)

d) 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

Revenue recognition

Revenue from contracts with customers

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

To determine the amount and timing of revenue to be recognized, the Company follows 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.

Manufactured Products

The Company's revenue from the production of biomass and extracted natural compounds consists of one performance obligation which occurs at the point of delivery to the customer. The transaction price is for a fixed fee. Revenue is recognized at the point of delivery when the performance obligation is satisfied.

Manufacturing Services

The Company's revenue from manufacturing services consists of one performance obligation which occurs when the customer obtains notification of satisfactory third-party testing of the processed biomass. Revenue is recognized when this performance obligation is met. The transaction price is 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 is deferred until the conditions are met.

Radiant Technologies Inc.
Notes to the Interim Condensed Consolidated Financial Statements
December 31, 2020
(Unaudited)

3. Summary of significant accounting policies (cont'd)

Significant Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on the Company's operations. The extent to which the impacts of the COVID-19 pandemic may affect the judgments, estimates and assumptions used in the preparation of the Company's interim condensed consolidated financial statements as at and for the period ended December 31, 2020 depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, assumptions, accounting policies and amounts recognized in these interim condensed consolidated financial statements, including, but not limited to, valuation of inventories, impairment of property and equipment, intangible assets, and lease assets. After careful analysis, management has applied significant judgments, estimates and assumptions in the preparation of these interim condensed consolidated financial statements consistent with those applied to the consolidated financial statements as at and for the year ended March 31, 2020 as the severity and duration of the COVID-19 pandemic are unknown.

New accounting standards issued but not yet effective

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

4. Change in non-cash operating working capital

	December 31, 2020	December 31, 2019
Accounts receivable	\$ (993,958)	\$ (2,154,558)
Prepays and deposits	656,970	241,831
Inventory	(1,303,712)	(12,214,948)
Facility construction liabilities	(20,973)	(396,574)
Accounts payable and accruals	2,964,135	3,721,922
Contract liabilities	-	1,800,000
Net change in non-cash operating working capital	<u>\$ 1,302,462</u>	<u>\$ (9,002,327)</u>
Non-cash transactions		
Settlement of debt through issuance of shares	2,795,403	99,215
Settlement of services payable through issuance of shares	322,863	924,037
Settlement of debenture interest payable through issuance of shares	15,123	-
Addition of lease assets	-	1,081,842

Radiant Technologies Inc.
Notes to the Interim Condensed Consolidated Financial Statements
December 31, 2020
(Unaudited)

5. Inventories

Inventories are composed of the following:

	December 31, 2020	March 31, 2020
Dried cannabis	\$ 1,383,938	\$ 6,661,810
Supplies and materials	721,078	555,514
Work in progress	17,308	58,230
Spare parts	261,258	253,216
Finished goods	1,210,907	1,362,007
	\$ 3,594,489	\$ 8,890,777

During the quarter ended December 31, 2020, 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 lower net realizable value for the Company's inventories. The Company has recognized impairment of inventories of \$6,600,000 during the nine months ended December 31, 2020 (March 31, 2020 - \$5,800,000).

During the quarter ended December 31, 2020, the Company entered into a Cannabis Supply Agreement to receive 2,046 kg of THC material and 500 kg of CBD material in exchange for 60kg of distillate to be produced from the THC material. Per the terms of the contract the exchange amount of the items is \$598,500.

6. Lease assets

	Equipment	Buildings and Improvements	Total
Cost			
Balance March 31, 2019	\$ -	\$ -	\$ -
Adjustments on transition to IFRS 16	576,728	687,241	1,263,969
Additions	-	1,360,382	1,360,382
Impairment	-	(25,695)	(25,695)
Balance March 31, 2020	\$ 576,728	\$ 2,021,928	\$ 2,598,656
Impairment	-	(1,334,688)	(1,334,688)
Balance December 31, 2020	\$ 576,728	\$ 687,240	\$ 1,263,968
Accumulated amortization			
Balance March 31, 2019	\$ -	\$ -	\$ -
Adjustments on transition to IFRS 16	151,241	-	151,241
Amortization	115,345	271,564	386,909
Impairment	-	(9,069)	(9,069)
Balance March 31, 2020	\$ 266,586	\$ 262,495	\$ 529,081
Amortization	86,509	295,066	381,575
Impairment	-	(335,529)	(335,529)
Balance December 31, 2020	\$ 353,095	\$ 222,032	\$ 575,127
Carrying value			
March 31, 2020	\$ 310,142	\$ 1,759,433	\$ 2,069,575
December 31, 2020	\$ 223,633	\$ 465,208	\$ 688,841

Radiant Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2020

(Unaudited)

6. Lease assets(cont'd)

During the quarter ended December 31, 2020, the Company sublet a property included in buildings and improvements. The sublease results in a gain on termination of lease assets of \$14,243 representing a derecognition of \$165,756 related to cost and \$46,619 related to accumulated amortization. At December 31, 2020, the net investment in the new sublease of \$105,802 (March 31, 2020 - \$nil) is recorded as a lease receivable.

The Company reviews the carrying value of its lease assets at each reporting period for indicators of impairment. Upon completion of this review for the quarter ending December 31, 2020, it was determined there were indicators of impairment relating to specifically identified lease assets.

During the quarter ended December 31, 2020, the Company vacated a leased property included in buildings and improvements. The Company is 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 has six months of unpaid operating costs owing of \$151,936 (March 31, 2020 - \$nil) which is included in accounts payable and accrued liabilities related to this property.

In addition, the Company vacated and received releases for two properties in Germany. The Company has recorded impairment of lease assets of \$21,248 related to this lease comprised of \$440,048 related to cost and \$179,578 related to accumulated amortization, offset by extinguishment of the related liabilities of \$281,719.

Included in equipment lease assets is equipment with a carrying value of \$223,633 (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) relate to these assets.

7. Short-term borrowings

	December 31, 2020	March 31, 2020
Due to related party bearing interest at 21% due on demand	\$ 3,204,517	\$ 2,650,000
Financing costs	-	(73,729)
	<u>\$ 3,204,517</u>	<u>\$ 2,576,271</u>

On January 31, 2020, the Company entered into a loan agreement with Akaura Holdings Inc. (a related party) to assist the Company with working capital requirements. The amount funded under the loan agreement was \$2,500,000 and bears interest at 21.0% per annum. \$200,000 was held back by the lender and is recorded as long-term restricted cash. Interest is 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 are repaid in full. In addition to the amount in short-term borrowings, monthly interest payments owing of \$87,103 (March 31 - \$45,422) at December 31, 2020, have been included in accounts payable and accrued liabilities. Subsequent to December 31, 2020, the Company announced the proposed settlement of \$6,000,000 of its outstanding current liabilities through the issuance of shares including \$2,200,000 related to this loan.

Radiant Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2020

(Unaudited)

7. Short-term borrowings (cont'd)

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. The Company has also provided a general security agreement on assets to a third-party lender to secure Akaura's loan with the third party.

Interest expense is presented under financing fees and is \$317,910 (2019 - \$nil) for the three months ended December 31, 2020 and \$953,064 (2019 - \$nil) for the nine months ended December 31, 2020.

8. Facility construction liabilities

During the quarter ended December 31, 2020, the Company reached an agreement with a supplier related to \$8,442,244 of the total outstanding balance as at March 31, 2020. The supplier has agreed to not issue a demand for repayment in favour of an assignment of rents and leases and a security interest in all present and after acquired personal property of the Company. The agreement is subject to mandatory repayment terms of the outstanding balance as follows: (i) 10% of net proceeds of the Company's private placement announced October 9, 2020 and not yet finalized up to a maximum repayment of \$400,000; and (ii) 25% of all net proceeds of any future equipment financing obtained by the Company with the remaining balance due at June 30, 2021, the date of expiry of the forbearance agreement. As part of this agreement, the supplier converted \$1,000,000 of the total amount owing into shares of the Company during the quarter ended December 31, 2020 (Note 10).

9. Long-term debt

	December 31, 2020	March 31, 2020
Loan payable bearing interest at 5.80% with monthly payments of \$9,327 maturing October 1, 2021 (Note 9(a))	\$ 175,644	\$ 175,644
Loan payable bearing interest at 4.55% with monthly payments of \$2,586 maturing March 1, 2023 (Note 9(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 9(b))	657,266	657,266
Debenture payable bearing interest at 15% with interest paid quarterly maturing March 4, 2022 (Note 9(c))	1,162,500	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 9(d))	8,773,546	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 9(d))	57,500	127,500
Financing costs	(127,073)	(90,675)
	10,788,622	10,621,474
Current portion	(10,788,622)	(1,049,649)
	\$ -	\$ 9,571,825

Radiant Technologies Inc.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2020

(Unaudited)

9. Long-term debt (cont'd)

Total interest expense related to long-term debt is \$416,566 (2019 - \$203,471) for the three months and \$1,021,363 (2019 - \$522,272) for the nine months ended December 31, 2020. Interest expense that has not been capitalized is presented under financing fees and is \$416,566 (2019 - \$151,263) for the three months and \$877,523 (2019 - \$366,216) for the nine months ended December 31, 2020. The remainder is included in plant and equipment as capitalized borrowing costs related to assets under construction.

(a) Agriculture Financial Services Corporation (“AFSC”) loans payable

As at December 31, 2020, the Company is ten months in arrears on these loans. Arrears interest and penalties owing are \$13,147 (March 31, 2020 - \$3,489) and are included in accounts payable and accrued liabilities. AFSC has provided the Company until February 15, 2021 to cure the payments in arrears as well as the additional arrears interest and penalties.

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

As at December 31, 2020, the Company is ten months in arrears on the AAFC loan with arrears interest owing of \$20,996 (March 31, 2020 - \$5,112) which is included in accounts payable and accrued liabilities.

(c) Debenture

As at December 31, 2020, the Company has included \$78,842 of arrears interest payments in accounts payable and accrued liabilities. Subsequent to December 31, 2020, the Company announced the proposed settlement of the debentures with issuance of shares. As at the date of these financial statements, this transaction is awaiting TSXV approval.

(d) Moskowitz Capital Mortgage Fund II Inc. (“Moskowitz”)

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. This adjustment is amortized back 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. As at December 31, 2020, the total arrears owing is \$491,730 (March 31 - \$ 147,500) which includes \$40,000 (\$20,000 – March 31, 2020) of the non-interest bearing amendment fees payable and \$451,730 (\$127,500 – March 31, 2020) in accounts payable and accrued liabilities.

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 Radiant to be converted on February 1, 2021.

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

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10. 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 placement	9,050,000	905,000
Shares issued under brokered placement	28,750,000	5,750,000
Shares issued for services	1,798,359	322,863
Shares for debt	22,943,922	2,929,634
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	-	(890,992)
Warrant extension	-	(610,247)
Balance December 31, 2020	345,654,017	\$ 118,156,879

b) Placements

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

On November 19, 2020, the Company issued common shares under the first tranche of a private placement. No purchase warrants were issued as part of this placement.

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10. Share capital (cont'd)

b) Placements (cont'd)

Details of both placements and the number of units issued during the nine months ended December 31, 2020 are shown below:

Placement closing date	May 26, 2020	November 19, 2020
Issue price per unit	\$ 0.20	\$ 0.10
Common shares issued	28,750,000	9,050,000
Warrants issued	28,750,000	-
Warrant exercise price	\$ 0.30	\$ -
Warrant term in months	36	-
Cash proceeds summary:		
Gross proceeds	\$ 5,750,000	\$ 905,000
Cash issuance costs	(785,837)	(49,597)
Net cash proceeds on issuance	\$ 4,964,163	\$ 855,403
Fair value of finders' options	(384,745)	-
Fair value on warrant issuance	(3,220,000)	-
Net value allocated to common shares	\$ 1,359,418	\$ 855,403

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 December 31, 2020 (\$202,154 allocated to common shares and \$182,591 to common share purchase warrants). Black-Scholes option pricing valuation model was utilized to value options.

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10. Share capital (cont'd)

b) Placements (cont'd)

A summary of the assumptions used for each component 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:

	Nine months ended December 31, 2020		Year ended March 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	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 period	1,630,275	\$ 0.20	1,624,290	\$ 1.20

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

During the nine months ended December 31, 2020, 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 December 31, 2020 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 nine months ended December 31, 2020, 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.

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10. Share capital (cont'd)

b) Placements (cont'd)

Share issue date	(1)Jun 8, 2020	(2)Jun 8, 2020	(1)Dec 16, 2020	Total
Issue price per unit / share	\$ 0.165	\$ 0.165	\$ 0.10	
Common shares issued	6,716,252	1,224,276	15,003,394	22,943,922
Warrants issued	3,358,126	-	-	3,358,126
Warrants exercise price	\$ 0.30	N/A	N/A	
Warrant term in months	24	N/A	N/A	
Debt amount settled	\$ 1,108,182	\$ 202,005	\$ 1,500,339	\$ 2,810,526
Market differential	100,744	18,364	-	119,108
Cash issuance costs	(6,240)	(1,138)	(8,302)	(15,680)
Net value allocated to common shares	\$ 1,202,686	\$ 219,231	\$ 1,492,037	\$ 2,913,954
Market differential	\$ 100,744	\$ 18,364	\$ -	\$ 119,108
Fair value on warrant issuance	285,441	-	-	285,441
Loss on settlement of debt ⁽³⁾	\$ 386,185	\$ 18,364	\$ -	\$ 404,549

Notes:

(1) Units and shares issued to third party creditors

(2) Commons shares issued include 841,585 common shares issued to certain officers and directors in exchange for settlement of \$138,861 owed by the Company to such individuals. The remainder is for 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.

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.

Radiant Technologies Inc.

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10. Share capital (cont'd)

b) Placements (cont'd)

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 December 31, 2020, 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 nine months ended December 31, 2020 and the year ended March 31, 2020 are shown below:

Shares issued for the nine months ended December 31, 2020

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

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10. Share capital (cont'd)

b) Placements (cont'd)

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 include \$nil for the nine months ended December 31, 2020 (\$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.

	Nine months ended Dec 31, 2020		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

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

	Nine months ended December 31, 2020		Year ended March 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	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 period	42,683,781	\$ 0.29	24,826,803	\$ 0.98

Warrants issued during the nine months ended December 31, 2020 relate to placements issued during that period.

Extension of Warrants

During the nine months ended December 31, 2020, 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 value of \$610,247 which is reflected on the Interim Consolidated Statement of Changes in Equity. A summary of the assumptions used as follows:

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10. Share capital (cont'd)

c) Warrants

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. 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	<u>2</u>

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

December 31, 2020			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	0.3	0.25	1,070,712	0.04
0.25	3,051,310	0.4	0.25	3,051,310	0.2
0.25	5,872,382	0.5	0.25	5,872,382	0.2
1.50	-	-	1.50	14,251,149	0.3
0.70	581,250	1.2	0.70	581,250	1.9
0.30	3,358,127	1.4	-	-	-
0.30	28,750,000	2.4	-	-	-
\$ 0.29	42,683,781	1.8	\$ 0.98	24,826,803	0.3

Radiant Technologies Inc.

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10. Share capital (cont'd)

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:

	Nine months ended December 31, 2020		Nine months ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	24,417,025	\$ 1.00	24,322,150	\$ 1.03
Options granted	8,225,000	0.12	1,220,000	0.71
Options exercised	-	-	(147,000)	0.69
Options forfeited	(8,672,328)	0.98	(1,400,000)	1.04
Outstanding, end of period	23,969,697	\$ 0.71	23,995,150	\$ 1.02
Exercisable, end of period	18,071,893	\$ 0.89	21,266,715	\$ 0.99

The following tables summarize information about stock options granted during the nine months ended December 31, 2020 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 nine months ended December 31, 2020

Original grant date	May 28, 2020	October 9, 2020	Total
Options granted:			
Options granted	2,125,000	6,100,000	8,225,000
Exercise price	\$ 0.175	\$ 0.10	
Weighted average grant date fair value	\$ 0.137	\$ 0.077	
Assumptions used:			
Grant date stock price	\$ 0.175	\$ 0.10	
Risk free interest rate	0.5%	0.5%	
Expected dividend yield	-	-	
Estimated common share price volatility	109%	107%	
Estimated forfeiture rate	3.33%	8.19%	
Estimated life in years	5	5	

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10. Share capital (cont'd)

d) Stock option plan (cont'd)

Options granted for the nine months ended December 31, 2019

Original grant date	October 23, 2019	June 5, 2019	Total
Options granted:			
Options granted	750,000	470,000	1,220,000
Exercise price	\$ 0.58	\$ 0.93	
Weighted average grant date fair value	\$ 0.45	\$ 0.74	
Assumptions used:			
Grant date stock price	\$ 0.58	\$ 0.93	
Risk free interest rate	1.50%	2.25%	
Expected dividend yield	-	-	
Estimated common share price volatility	106%	109%	
Estimated forfeiture rate	2.61%	1.47%	
Estimated life in years	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.

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

December 31, 2020			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	0.9	\$ 1.00	51,428	1.6
0.66	3,392,769	1.3	0.66	5,086,519	2.0
0.50	150,000	1.7	0.50	550,000	2.4
1.82	778,000	1.9	1.82	1,028,000	2.7
1.20	750,000	2.4	1.20	1,275,000	3.2
0.60	-	-	0.60	3,340	3.4
1.82	2,600,000	2.8	1.82	3,900,000	3.5
0.87	5,215,000	2.9	0.87	8,340,000	3.7
0.93	775,000	3.2	0.93	946,875	3.9
0.60	-	-	0.60	15,863	4.0
0.93	370,000	3.4	0.93	470,000	4.2
0.75	550,000	3.5	0.75	1,500,000	4.2
0.58	700,000	3.8	0.58	750,000	4.6
0.37	500,000	4.2	0.37	500,000	4.9
0.175	2,037,500	4.4	-	-	-
0.10	6,100,000	4.8	-	-	-
\$ 0.71	23,969,697	3.3	\$ 1.00	24,417,025	3.3

Radiant Technologies Inc.

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10. Share capital (cont'd)

d) Stock option plan (cont'd)

The total share-based payments recognized during the three and nine months ended December 31, 2020 of \$362,356 (2019 - \$706,265) and \$505,619 (2019 - \$2,166,506) respectively was recorded as an expense.

11. Related party transactions

At December 31, 2020, the Company's related parties are its Board of Directors and key management personnel (Interim President and Chief Executive 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:

	Three months ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Compensation	\$ 228,627	\$ 244,425	\$ 1,009,477	\$ 735,907
Short-term benefits	2,913	12,133	26,242	36,397
Share-based compensation	172,468	290,880	123,537	1,007,390
	\$ 404,008	\$ 547,438	\$ 1,159,256	\$ 1,779,694
Number of stock options issued	3,000,000	-	3,000,000	-
Weighted average exercise price	\$ 0.10	\$ -	\$ 0.10	\$ -

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

As at December 31, 2020, \$1,108,384 (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) Aurora

During the quarter ended December 31, 2020, Aurora ceased to have significant influence over the Company as it no longer has a director on the Company's board. As at December 31, 2020, Aurora held 33,101,542 (March 31, 2020 - 33,101,542) shares in the Company resulting in an effective ownership of 9.6% (March 31, 2020 - 11.9%) of all issued and outstanding shares. As at March 31, 2020, \$480,042 was included in accounts receivable and as at December 31, 2020, \$nil was included. As at December 31, 2020, \$3,346,681 (March 31, 2020 - \$3,187,315) was included in accounts payable for amounts owing to Aurora.

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11. Related party transactions (cont'd)

c) Equity transactions

i) During the nine months ended December 31, 2020

During the nine months ended December 31, 2020 certain directors and officers were issued 1,492,818 shares for settlement of debts outstanding of \$203,984. Certain officers participated in the brokered placement on May 26, 2020 and were issued 300,000 units for gross proceeds of \$55,000. The officers were also issued 300,000 warrants under the terms of the placement.

ii) During the nine months ended December 31, 2019

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

d) Short-term borrowings

A Company owned by a director of the Company advanced \$2,500,000 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 bears interest at 21.0%. Total interest of \$317,910 (2019 - \$nil) and \$953,064 (2019 - \$nil) was recorded in the three and nine months ended December 31, 2020 respectively.

e) Cash advances

During the nine months ended December 31, 2020, five directors and officers have advanced cash for a cumulative total of \$277,000 which is included accounts payable and accrued liabilities. The advances are unsecured with no repayment terms and bear no interest. There were no related party cash advances during the nine months ended December 31, 2019.

f) Services provided

A property management company owned by a director received \$49,130 (2019 - \$54,516) for the three months and \$165,520 (2019 - \$366,216) for the nine months ended December 31, 2020 for rental lease payments and operating costs associated with the rental of a warehouse required by the Company. The current period amounts are net of Canadian emergency commercial rent assistance.

12. Commitments for expenditures

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

	December 31, 2020	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	1,539,014	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
	\$ 3,254,814	\$ 4,088,646

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13. Financing fees

	Three months ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Interest on long-term debt	\$ 416,566	\$ 151,263	\$ 877,523	\$ 366,216
Interest on short-term borrowings	317,910	-	953,064	-
Interest on lease obligations	7,503	13,416	48,502	32,326
Amortization of financing costs on long-term debt	31,277	-	94,814	40,117
Amortization of financing costs on short-term borrowings	-	-	73,729	-
Amortization of loss on extinguishment of long-term debt	(78,369)	-	(204,264)	-
Other	153,187	10,109	152,247	10,091
	\$ 848,074	\$ 174,788	\$ 1,995,615	\$ 448,750

14. Financial instruments

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	\$ 18,192,480	\$ -	\$ -	\$ -	\$ 18,192,480
Facility construction liabilities	7,548,367	-	-	-	7,548,367
Short-term borrowings	3,004,517	-	-	-	3,004,517
Long-term debt	11,657,002	-	-	-	11,657,002
Lease liabilities	269,229	758,187	558,740	-	1,586,156
Balance December 31, 2020	\$ 40,671,595	\$ 758,187	\$ 558,740	\$ -	\$ 41,988,522
Accounts payable and accrued liabilities	\$ 15,191,446	\$ -	\$ -	\$ -	\$ 15,191,446
Facility construction liabilities	8,569,340	-	-	-	8,569,340
Short-term borrowings	2,376,271	-	-	-	2,376,271
Long-term debt	2,125,367	10,341,476	-	-	12,466,843
Lease obligations	460,601	420,693	73,293	-	954,587
Balance March 31, 2020	\$ 28,723,025	\$ 10,762,169	\$ 73,293	\$ -	\$ 39,558,487

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

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15. Employee salaries and benefits

	Three months ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Included in:				
Cost of sales	\$ 114,967	\$ 223,381	\$ 150,451	\$ 373,517
General and administrative	253,268	604,100	888,179	1,604,919
Production plant	7,284	320,315	201,428	1,144,589
Research and process development	169,011	476,486	476,605	1,240,439
Engineering	223,228	381,173	606,784	1,074,057
Quality control and assurance	(8,505)	249,582	111,664	689,862
Business and corporate development	50,574	81,828	85,007	187,483
Total employee salaries and benefits	\$ 809,827	\$ 2,336,865	\$ 2,520,118	\$ 6,314,866

Employee salaries and benefits are net of funding received under the emergency wage subsidy programs in Canada and Germany of \$334,484 (2019- \$nil) for the three months and \$1,208,438 (2019 - \$nil) for the nine months ended December 31, 2020.

16. Comparative figures

The Company reclassified amounts in the Interim Condensed Consolidated Statement of Operations and Comprehensive Loss to present these costs consistently with the current fiscal year. The 2019 comparatives have been reclassified as follows:

Three months ended December 31, 2019	Previously presented	Reclassification	Amount after reclassification
Expenses			
Process development	731,978	223,531	955,509
Research and development	223,531	(223,531)	-
Business development	208,002	232,109	440,111
Corporate development	232,109	(232,109)	-
Expenses			
Process development	1,971,972	409,747	2,381,719
Research and development	409,747	(409,747)	-
Business development	496,065	740,309	1,236,374
Corporate development	740,309	(740,309)	-
Financing fees	889,263	(440,513)	448,750
Other income (expenses)			
Loss on extinguishment of long-term debt	-	440,513	440,513

The reclassifications presented in the table above did not impact the net earnings of the Company for the three and nine months ended December 30, 2019.

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16. Comparative figures (cont'd)

Further, the Company reclassified amounts on the Interim Condensed Consolidated Balance Sheet to present these amounts consistently with the current fiscal year. Current presentation of the short-term borrowings now includes penalties and the additional per diem interest. The March 31, 2020 comparatives have been reclassified as follows:

As at March 31, 2020	Previously presented	Reclassification	Amount after reclassification
Current Liabilities			
Accounts payable and accrued liabilities	15,341,446	(150,000)	15,191,446
Short-term borrowings	2,426,271	150,000	2,576,271

17. Post-reporting date events

Financings

Subsequent to December 31, 2020, the Company closed the second tranche of the private placement for gross proceeds of \$748,000. Management and directors have subscribed to \$325,000 of the placement.

Issuance of stock options

Subsequent to December 31, 2020, the Company announced that it granted a total of 9.9 million incentive stock options at an exercise price of \$0.15 per share to certain of its directors, officers and members of the management team which include the CEO. Any shares issued on the exercise of its stock options will be subject to a four month hold period from the date of the grant.

Shares for Debt

Subsequent to December 31, 2020, the Company announced that it had entered into a series of shares for debt arrangements with various creditors for up to \$1.8 million at \$0.10 and \$6 million at a deemed value of \$0.11 per share. Of the conversions, \$2.7 million of conversion represents the conversion of amounts owing to related parties including secured debt from Akaura Holdings (a related party) of \$2.2 million. This transaction is subject to the approval of the TSXV.