



Radiant Technologies Inc.

Interim Condensed Consolidated Financial Statements

Three and Nine Months Ended December 31, 2018 and 2017  
(Unaudited)

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# Radiant Technologies Inc.

## Interim Condensed Consolidated Balance Sheets

(Unaudited) December 31, March 31,  
**As at** **2018** **2018**

### Assets

#### Current assets

Cash	\$ 37,631,023	\$ 21,855,304
Accounts receivable	330,251	244,438
Prepays and deposits (Note 4)	2,471,900	1,915,683
Inventory	380,971	30,829
	<b>40,814,145</b>	<b>24,046,254</b>

#### Non-current assets

Long-term prepaids and deposits	1,251,780	490,293
Investment in related company (Note 6)	-	1,119,015
Plant and equipment (Note 4)	22,350,702	4,272,452
Intangible assets (Note 5)	350,361	84,640
	<b>23,952,843</b>	<b>5,966,400</b>

<b>Total assets</b>	<b>\$ 64,766,988</b>	<b>\$ 30,012,654</b>
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### Liabilities

#### Current liabilities

Accounts payable and accrued liabilities	\$ 3,214,745	\$ 1,669,206
Current portion of long-term debt (Note 9)	60,927	166,335
Current portion of finance lease obligations	97,496	99,488
Current portion of due to related company (Note 6)	-	50,053
Advances from related company (Note 6)	-	31,287
	<b>3,373,168</b>	<b>2,016,369</b>

#### Non-current liabilities

Long-term debt (Note 9)	6,413,244	1,090,015
Finance lease obligations	114,126	187,828
Other long-term liabilities	-	87,694
Due to related company (Note 6)	-	758,623
	<b>6,527,370</b>	<b>2,124,160</b>

<b>Shareholders' equity</b>	<b>54,866,450</b>	<b>25,872,125</b>
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<b>Total liabilities and shareholders' equity</b>	<b>\$ 64,766,988</b>	<b>\$ 30,012,654</b>
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See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

Director (signed by)           "Denis Taschuk"          

Director (signed by)           "Francesco Ferlano"

# Radiant Technologies Inc.

## Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the periods ended December 31	Three months		Nine months	
	2018	2017	2018	2017
<b>Revenues</b>				
Contract manufacturing	\$ -	\$ 134,522	\$ 214,060	\$ 334,146
Technical assessments	-	4,377	-	4,377
	-	138,899	214,060	338,523
<b>Cost of revenues</b>				
Contract manufacturing (Note 17)	-	59,384	131,249	200,425
	-	79,515	82,811	138,098
<b>Expenses</b>				
General and administrative (Note 17)	1,726,783	753,317	3,807,161	2,229,917
Production plant (Note 17)	1,174,147	370,752	2,420,888	990,430
Process development (Note 17)	557,073	230,290	1,355,348	550,460
Corporate development	502,357	207,383	1,113,737	308,465
Business development (Note 17)	379,602	192,109	1,001,490	457,085
Depreciation and amortization	282,502	129,623	782,046	366,132
Quality control and assurance (Note 17)	229,304	118,874	594,962	249,043
Financing fees (Note 14)	160,302	34,443	557,500	413,702
Research and development	-	-	95,040	-
	5,012,070	2,036,791	11,728,172	5,565,234
<b>Loss before other income (expenses)</b>	<b>(5,012,070)</b>	<b>(1,957,276)</b>	<b>(11,645,361)</b>	<b>(5,427,136)</b>
<b>Other income (expenses)</b>				
Interest and other income	162,768	12,506	315,165	12,738
Rental income	6,858	24,996	19,147	77,904
Share-based payments (Note 10)	(8,265,303)	(1,553,510)	(9,086,640)	(5,847,976)
Allocation of related company loss (Note 6)	-	(66,610)	(45,032)	(59,170)
Foreign exchange gain (loss)	24,979	(1,393)	(2,447)	(23,284)
Other expenses	-	-	-	(13,346)
	(8,070,698)	(1,584,011)	(8,799,807)	(5,853,134)
<b>Net loss and comprehensive loss</b>	<b>\$ (13,082,768)</b>	<b>\$ (3,541,287)</b>	<b>\$ (20,445,168)</b>	<b>\$ (11,280,270)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.05)</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>	<b>264,386,453</b>	<b>197,549,414</b>	<b>258,357,933</b>	<b>177,273,147</b>

See accompanying notes to the consolidated financial statements

# Radiant Technologies Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended December 31

2018

2017

### Operating Activities

Net loss	\$	(20,445,168)	\$	(11,280,270)
Add (deduct) items not affecting cash:				
Share-based payments (Note 10)		9,086,640		5,847,976
Depreciation and amortization		782,046		366,132
Interest expense and pay-out penalties (Note 14)		342,841		156,810
Finance fees accretion and amortization (Note 14)		214,659		256,892
Allocation of related company loss (Note 6)		45,032		59,170
Doubtful debts provision		2,462		52,107
Interest income		(315,165)		(12,737)
Accretion of rent liability		(4,518)		(5,512)
		(10,291,171)		(4,559,432)
Change in non-cash operating working capital (Note 7)		836,202		(631,242)
<b>Cash used in operating activities</b>		<b>(9,454,969)</b>		<b>(5,190,674)</b>

### Financing Activities

Proceeds from long-term debt (Note 9)		5,500,000		-
Proceeds from placements (Note 10)		34,202,759		6,222,388
Proceeds from exercise of warrants (Note 10)		4,127,845		12,718,099
Proceeds from exercise of stock options (Note 10)		266,519		1,163,548
Proceeds from exercise of finders options (Note 10)		-		420,000
Share issuance costs (Note 10)		(2,373,519)		(60,167)
Repayment of debt associated with purchase of assets (Note 6)		(2,218,614)		-
Repayment of debt associated with acquisition of 1631807 AB Ltd. (Note 6)		(1,388,691)		-
Repayment of due to related company		(996,471)		(37,676)
Interest and pay-out penalties paid		(396,467)		(89,664)
Financing costs paid on long-term debt		(236,608)		-
Repayment of long-term debt		(121,710)		(199,174)
Repayment of finance lease obligations		(75,694)		(8,672)
Repayment of royalty financial liability		-		(41,085)
Change in restricted cash		-		1,960,000
<b>Cash provided by financing activities</b>		<b>36,289,349</b>		<b>22,047,597</b>

### Investing Activities

Purchase of plant and equipment		(10,201,107)		(688,316)
Increase in long-term prepaids and deposits		(786,487)		(464,521)
Investment in intangible assets (Note 5)		(291,780)		-
Acquisition of 1631807 AB Ltd.		93,396		-
Interest received		127,317		12,737
Advances from related company		-		134,389
<b>Cash used in investing activities</b>		<b>(11,058,661)</b>		<b>(1,005,711)</b>

<b>Net increase in cash</b>		<b>15,775,719</b>		<b>15,851,212</b>
Cash, beginning of period		21,855,304		8,507,747
<b>Cash, end of the period</b>	<b>\$</b>	<b>37,631,023</b>	<b>\$</b>	<b>24,358,959</b>

Non-cash transactions (Note 7)

See accompanying notes to the consolidated financial statements

**Radiant Technologies Inc.**  
**Interim Condensed Consolidated Statements of Changes in Equity**  
(Unaudited)

As at December 31, 2017	Common Shares	Contributed Surplus	Deficit	Equity
Balance March 31, 2017	\$ 40,639,772	\$ 11,718,108	\$(47,961,786)	\$ 4,396,094
Share-based payments	-	5,847,976	-	5,847,976
Private placement	6,222,388	-	-	6,222,388
Warrant exercises	17,117,232	(4,399,133)	-	12,718,099
Stock option exercises	2,137,330	(973,782)	-	1,163,548
Finders' option exercises	895,066	(475,066)	-	420,000
Conversion of debenture	1,909,636	-	-	1,909,636
Conversion of interest payable	91,096	-	-	91,096
Conversion of royalty financial liability	5,453,457	-	-	5,453,457
Shares issued for services	26,208	-	-	26,208
Share issuance costs	(60,167)	-	-	(60,167)
Warrant issuance	(3,360,002)	3,360,002	-	-
Net loss	-	-	(11,280,270)	(11,280,270)
<b>Balance December 31, 2017</b>	<b>\$ 71,072,016</b>	<b>\$ 15,078,105</b>	<b>\$(59,242,056)</b>	<b>\$ 26,908,065</b>
As at December 31, 2018	Common Shares (Note 10)	Contributed Surplus (Note 10)	Deficit	Equity
<b>Balance March 31, 2018</b>	<b>\$ 73,281,762</b>	<b>\$ 14,600,466</b>	<b>\$(62,010,103)</b>	<b>\$ 25,872,125</b>
Share-based payments	-	9,086,640	-	9,086,640
Private placement	9,362,759	-	-	9,362,759
Brokered placement	24,840,000	-	-	24,840,000
Warrant exercises	4,706,637	(578,792)	-	4,127,845
Stock option exercises	484,633	(218,114)	-	266,519
Shares issued for services	212,594	-	-	212,594
Shares issued for debt	32,769	-	-	32,769
Shares issued for asset purchases	3,883,886	-	-	3,883,886
Share issuance costs	(2,373,519)	-	-	(2,373,519)
Finders' options issued	(1,296,996)	1,296,996	-	-
Warrant issuance	(7,139,826)	7,139,826	-	-
Net loss	-	-	(20,445,168)	(20,445,168)
<b>Balance December 31, 2018</b>	<b>\$ 105,994,699</b>	<b>\$ 31,327,022</b>	<b>\$(82,455,271)</b>	<b>\$ 54,866,450</b>

See accompanying notes to the consolidated financial statements

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# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2018

(Unaudited)

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### 1. Nature of operations and general information

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 9426 – 51 Avenue NW, Edmonton, Alberta T6E 5A6 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

These interim condensed consolidated financial statements, including comparatives, were authorized for issue by the Board of Directors of the Company on February 27, 2019.

### 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, 2018 except for the effects of applying IFRS 15 and IFRS 9. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2018.

#### b) Basis of consolidation

The interim condensed 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”), and 1631807 Alberta Ltd (Note 6).

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) Basis of measurement

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

These interim condensed consolidated financial statements were prepared on a going concern basis.

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# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2018  
(Unaudited)

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### 2. Basis of presentation (cont'd)

#### d) Functional and presentation currency

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

### 3. New accounting standards

#### IFRS 9 - *Financial Instruments*

In 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. The Company adopted IFRS 9 retrospectively on April 1, 2018. The adoption of this standard did not have a significant impact to the interim condensed consolidated financial statements. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt, finance lease obligations and due to related company and have been classified as financial liabilities at amortized cost. Financial liabilities are measured initially at fair value and subsequently at amortized cost using the effective interest method. The fair value of accounts payable and accrued liabilities approximates their carrying amount due to their short-term nature. The fair value of loans and borrowings approximates their carrying value as the interest rates approximates market rates. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

IFRS 9 has eliminated the previous IAS 39 categories for held to maturity, loans and receivables and available for sale financial assets. A financial asset is now classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPTL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the new standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist of cash, accounts receivable, deposits and advances to/from related company are classified as financial assets at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The fair value of cash, accounts receivable, deposits and advances to/from related company approximates their carrying value due to their short-term nature.

IFRS 9 results in a single impairment model being applied to all financial instruments measured at amortized cost or at fair value through other comprehensive income. This expected credit loss impairment model requires more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The Company's policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.



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# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2018  
(Unaudited)

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### 3. New accounting standards (cont'd)

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

The Company adopted IFRS 15 – *Revenue from Contracts with Customers* on April 1, 2018 using the modified retrospective approach where the cumulative impact of adoption would be recognized in retained earnings as of April 1, 2018 and comparatives would not be restated. IFRS 15 replaced IAS 18 - *Revenue* in its entirety. The standard contains a single model that applies to contracts with customers and two approaches to recognize revenue: at a point in time or over time. This single model sets out a five-step framework to determine whether, how much and when revenue is recognized.

The Company derives revenue from contracts with customers to extract natural compounds from a range of biological materials for health and wellness and cannabis products. The accounting policy under IAS 18 described in the Company's 2018 annual consolidated financial statements states that all income relating to the sale of processing services is recognized as revenue when the amount of revenue can be measured reliably, economic benefits are probable, the stage of completion at the balance sheet date can be measured reliably, and the costs related to the transaction can be measured reliably. When all these criteria have not been met, the revenue will only be recognized to the extent of the expenses recognized that are recoverable. The Company considers delivery of the extracted compounds to have occurred upon shipment when the significant risks and rewards of ownership have been transferred to the customer. Under IFRS 15's new guidelines, revenues from extraction services are recognized when the extraction services are completed or when extracted compounds are loaded for shipping, which is the point in time when the Company transfers control and satisfies its service obligation. The Company applied IFRS 15 retrospectively to all contracts that were not complete on April 1, 2018, the date of initial application to determine if a restatement was required for prior periods presented. The Company performed a comprehensive review of existing contracts, control processes and revenue recognition methodology. In evaluating the impact of the standard on previously reported comparative figures, the Corporation determined that there was no change required as the existing revenue recognition practices met the requirements of IFRS 15. Consequently, there was no adjustment to the opening balance of retained earnings as at April 1, 2018, no change to the classification and timing of revenue recognition, the measurement of contract costs or the recognition of contract assets (costs in excess of billings) and contract liabilities (deferred revenue).

**Radiant Technologies Inc.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
December 31, 2018  
(Unaudited)

**4. Plant and equipment**

	Equipment	Leasehold improvements	Buildings and improvements	Assets under construction	Land and improvements	Other (1)	Total
<b>Cost</b>							
March 31, 2017	\$ 6,412,175	\$ 5,148,532	\$ -	\$ -	\$ -	\$ 53,799	\$ 11,614,506
Additions	1,017,418	140,508	-	538,922	-	154,135	1,850,983
Transfers	5,000	-	-	-	-	(5,000)	-
Disposals	-	-	-	-	-	(29,669)	(29,669)
March 31, 2018	\$ 7,434,593	\$ 5,289,040	\$ -	\$ 538,922	\$ -	\$ 173,265	\$ 13,435,820
Additions	5,470,060	119,638	1,980,522	4,263,824	2,308,042	279,022	14,421,108
Assets acquired in 1631807 AB Ltd.	-	-	3,150,410	-	1,262,719	-	4,413,129
Transfers	619,806	(5,162,889)	7,980,294	(3,732,866)	267,235	28,420	-
Disposals	(636,494)	-	-	-	-	(3,260)	(639,754)
<b>December 31, 2018</b>	<b>\$ 12,887,965</b>	<b>\$ 245,789</b>	<b>\$ 13,111,226</b>	<b>\$ 1,069,880</b>	<b>\$ 3,837,996</b>	<b>\$ 477,447</b>	<b>\$ 31,630,303</b>
<b>Accumulated depreciation and impairment</b>							
March 31, 2017	\$ 4,505,597	\$ 4,121,895	\$ -	\$ -	\$ -	\$ 48,651	\$ 8,676,143
Depreciation	341,729	151,060	-	-	-	24,105	516,894
Disposals	-	-	-	-	-	(29,669)	(29,669)
March 31, 2018	\$ 4,847,326	\$ 4,272,955	\$ -	\$ -	\$ -	\$ 43,087	\$ 9,163,368
Depreciation	418,607	22,220	243,089	-	9,373	62,698	755,987
Transfers	-	(4,269,564)	4,269,564	-	-	-	-
Disposals	(636,494)	-	-	-	-	(3,260)	(639,754)
<b>December 31, 2018</b>	<b>\$ 4,629,439</b>	<b>\$ 25,611</b>	<b>\$ 4,512,653</b>	<b>\$ -</b>	<b>\$ 9,373</b>	<b>\$ 102,525</b>	<b>\$ 9,279,601</b>
<b>Carrying value</b>							
March 31, 2018	\$ 2,587,267	\$ 1,016,085	\$ -	\$ 538,922	\$ -	\$ 130,178	\$ 4,272,452
<b>December 31, 2018</b>	<b>\$ 8,258,526</b>	<b>\$ 220,178</b>	<b>\$ 8,598,573</b>	<b>\$ 1,069,880</b>	<b>\$ 3,828,623</b>	<b>\$ 374,922</b>	<b>\$ 22,350,702</b>

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

\$1,515,085 of equipment (March 31, 2018 – \$nil) is not available for use and therefore depreciation has not yet commenced.

Included in prepaids and deposits is \$678,463 (March 31, 2018 - \$861,652) which are advance payments on the purchase of various pieces of equipment. \$83,763 of the equipment is expected to be delivered in Q4 fiscal 2019 and the remaining \$594,700 is expected to be delivered in fiscal 2020 related to the Company's future capital expansion projects.

Included in the additions of land and improvements is capitalized borrowing costs of \$24,313 (March 31, 2018 - \$nil) related to the purchase of vacant land. 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 5.05% per annum (December 31, 2018 – 9.0%).

**Radiant Technologies Inc.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
December 31, 2018  
(Unaudited)

**5. Intangible assets**

	Patents		Licenses		ERP <sup>(1)</sup>		Other		Total
<b>Cost</b>									
Balance March 31, 2017	\$	100,000	\$	-	\$	-	\$	-	\$ 100,000
Additions		-		47,044		26,045		-	73,089
Balance March 31, 2018	\$	100,000	\$	47,044	\$	26,045	\$	-	\$ 173,089
Additions		-		54,398		194,067		43,315	291,780
<b>Balance December 31, 2018</b>	<b>\$</b>	<b>100,000</b>	<b>\$</b>	<b>101,442</b>	<b>\$</b>	<b>220,112</b>	<b>\$</b>	<b>43,315</b>	<b>\$ 464,869</b>
<b>Accumulated amortization</b>									
Balance March 31, 2017	\$	65,455	\$	-	\$	-	\$	-	\$ 65,455
Amortization		21,818		1,176		-		-	22,994
Balance March 31, 2018	\$	87,273	\$	1,176	\$	-	\$	-	\$ 88,449
Amortization		12,727		8,012		3,669		1,651	26,059
<b>Balance December 31, 2018</b>	<b>\$</b>	<b>100,000</b>	<b>\$</b>	<b>9,188</b>	<b>\$</b>	<b>3,669</b>	<b>\$</b>	<b>1,651</b>	<b>\$ 114,508</b>
<b>Carrying value</b>									
March 31, 2018	\$	12,727	\$	45,868	\$	26,045	\$	-	\$ 84,640
<b>December 31, 2018</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>92,254</b>	<b>\$</b>	<b>216,443</b>	<b>\$</b>	<b>41,664</b>	<b>\$ 350,361</b>

Notes: <sup>(1)</sup> Enterprise resource planning system ("ERP")

**6. Investment in, advances from and due to related company**

On December 14, 2011, the Company acquired a 50% interest in 1631807 Alberta Ltd. in exchange for \$1,050,000. This affiliate acquired land and buildings at 4035 - 101 Street in Edmonton, Alberta for \$3,800,000 and assumed a \$1,700,000 mortgage that was held by Business Development Corporation (BDC). The property was then leased to the Company as its Edmonton production plant.

On May 3, 2018, the Company purchased the remaining 50% interest in 1631807 Alberta Ltd. from Amnor Group Inc., a company controlled by one of the directors of the Company and the other 50% shareholder of 1631807 Alberta Ltd. Pursuant to this transaction, the Company issued 1,246,449 common shares for total share consideration of \$1,882,500, less cash receivable from Amnor Group Inc. of \$75,297 for total consideration of \$1,807,203. The transaction has been accounted for as a purchase of assets. The Company continued to account for its investment in 1631807 Alberta Ltd. using the equity method until May 3, 2018 and recorded its portion of the related company loss as \$nil (2017 - \$66,610) for the three months and \$45,032 for the nine months ended December 31, 2018 (2017 - \$59,170).

The balance in the investment in related company account on the closing date of the transaction follows:

<b>Investment in related company</b>	
Balance at March 31, 2018	\$ 1,119,015
Allocation of loss to May 3, 2018	(45,032)
<b>Balance at May 3, 2018</b>	<b>\$ 1,073,983</b>

Subsequent to the closing of the transaction, the results of 1631807 Alberta Ltd. are fully consolidated within the Company's financial statements and the investment in related company eliminated upon consolidation.

**Radiant Technologies Inc.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
December 31, 2018  
(Unaudited)

**6. Investment in, advances from and due to related company (cont'd)**

The total deemed consideration and fair value of identifiable assets acquired and liabilities assumed as a result of the transaction, are as follows:

***Consideration for acquisition of assets of 1631807 Alberta Ltd.***

Investment in related company at May 3, 2018	\$	1,073,983
Fair value of consideration for remaining 50% interest		1,807,203
Acquisition costs		28,714
Deemed consideration	<u>\$</u>	<u>2,909,900</u>

***Fair value of identifiable assets acquired***

Current assets		
Cash	\$	46,814
Accounts receivable		2,232
		<u>49,046</u>
Non-current assets		
Advances to related company		331
Other non-current assets		83,176
Plant and equipment		4,413,129
		<u>4,496,636</u>
Total assets	<u>\$</u>	<u>4,545,682</u>

***Less fair value of liabilities assumed***

Current liabilities		
Accounts payable and accrued liabilities	\$	199,639
Non-current liabilities		
Long term debt		1,411,143
Other long-term liabilities		25,000
		<u>1,436,143</u>
Total liabilities	<u>\$</u>	<u>1,635,782</u>

***Net identifiable assets acquired less liabilities assumed*** \$ 2,909,900

On May 3, 2018, subsequent to the acquisition of the remaining shares of 1631807 Alberta Ltd., the Company completed a real estate transaction with Amnor Group Inc. to purchase two parcels of land and existing buildings, (the "Adjacent Lands") adjacent to the Company's production facility. As consideration for the Adjacent Lands, the Company issued 1,553,190 common shares for total consideration of \$2,001,386 and also assumed debt of \$2,218,614 related to the purchased assets. The Company then secured a \$5,500,000 mortgage which was used to repay the existing mortgage on the production facility of \$1,411,143 less a pay-out penalty of \$22,452 as well as the debt assumed on the Adjacent Lands (Note 9).

In conjunction with the transaction above, the Company repaid the loan payable to 1631807 Alberta Ltd. of \$993,017 at May 3, 2018 (March 31, 2018 - \$996,471) as well as a pay-out penalty of \$16,414.

**Radiant Technologies Inc.**  
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**7. Change in non-cash operating working capital**

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 101,805	\$ (128,820)
Prepays and deposits	(556,217)	(851,664)
Inventory	(350,142)	-
Accounts payable and accruals	1,640,756	349,242
Net change in non-cash operating working capital	<u>\$ 836,202</u>	<u>\$ (631,242)</u>

**Non-cash transactions**

Purchase of assets through issuance of shares (Note 6)	\$ 2,001,386	\$ -
Acquisition of 1631807 AB Ltd. through issuance of shares (Note 6)	1,882,500	-
Assumption of debt on purchase of assets (Note 6)	2,218,614	-
Settlement of debt through issuance of shares	32,769	-
Settlement of services payable through issuance of shares	212,594	26,208
Settlement of royalty liability through issuance of shares	-	5,453,457
Settlement of convertible debenture through issuance of shares	-	1,909,636
Conversion of repayable government contributions to long-term debt	-	888,493
Settlement of interest payable through issuance of shares	-	91,096
Equipment acquired through finance lease obligations	-	292,710
Settlement of account receivable through extinguishment of other long-term liability	-	9,013
Payment of arrears interest on repayable government contributions through advance on debt	-	5,193

**8. Capital management**

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

- Provide an adequate return to its shareholders;
- Provide adequate and efficient funding for operations;
- Finance growth; and
- 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 equity as follows:

	December 31, 2018	March 31, 2018
Long-term debt (Note 9)	\$ 6,413,244	\$ 1,090,015
Due to related company	-	758,623
Other long-term liabilities	-	87,694
Finance lease obligations	114,126	187,828
Total debt	<u>6,527,370</u>	<u>2,124,160</u>
Shareholders' equity	<u>54,866,450</u>	<u>25,872,125</u>
	<u>\$ 61,393,820</u>	<u>\$ 27,996,285</u>

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 8. Capital management (cont'd)

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 nine months ended December 31, 2018.

### 9. Long-term debt

	December 31, 2018	March 31, 2018
Loan payable bearing interest at 5.8% with monthly payments of \$9,327 maturing October 1, 2021	\$ 290,589	\$ 360,725
Loan payable bearing interest at 4.55% with monthly payments of \$2,586 maturing March 1, 2023	119,912	138,848
Loan payable bearing interest at Bank of Canada policy interest rate plus 3% with variable payments maturing June 1, 2025	724,139	756,777
Mortgage payable bearing interest at the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05% per annum with monthly interest only payments commencing on May 1, 2018 and principal maturing on May 1, 2020	5,500,000	-
Financing costs	(160,469)	-
	6,474,171	1,256,350
Current portion	(60,927)	(166,335)
	<b>\$ 6,413,244</b>	<b>\$ 1,090,015</b>

On May 3, 2018, the Company acquired the remaining 50% interest in 1631807 Alberta Ltd. and the Adjacent Lands from Amnor Group Inc. (Note 6). In conjunction with these transactions, the Company entered into a \$5,500,000 mortgage with Moskowitz Capital Mortgage Fund II Inc. ("Moskowitz") to discharge the previous mortgage loans on these properties. The mortgage is secured by the Company's production facility and the Adjacent Lands.

Interest expense that has not been capitalized as a borrowing cost is presented under financing fees and is \$129,096 (2017 - \$15,299) for the three months and \$342,014 (2017 - \$36,300) for the nine months ended December 31, 2018.

The Company is in compliance with all terms and conditions of its long-term debt agreements.

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

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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, 2017	150,688,265	\$ 40,639,772
Issuance of shares on private placements	4,541,889	6,222,388
Warrant exercises	41,561,932	18,163,374
Conversion of debenture	14,285,714	1,909,636
Conversion of interest payable	181,707	91,096
Conversion of royalty financial liability	9,424,330	5,453,457
Stock options exercises	2,584,090	3,131,071
Finders' option exercises	1,060,500	1,017,019
Shares issued for services	74,824	75,530
Share issuance costs	-	(103,540)
Warrant issuance	-	(3,318,041)
<b>Balance March 31, 2018</b>	<b>224,403,251</b>	<b>\$ 73,281,762</b>
Issuance of shares to acquire 50% interest in related company (Note 6)	<b>1,246,449</b>	<b>1,882,500</b>
Issuance of shares to purchase the Adjacent Lands (Note 6)	<b>1,553,190</b>	<b>2,001,386</b>
Issuance of shares on placements	<b>28,502,299</b>	<b>34,202,759</b>
Warrant exercises	<b>9,232,166</b>	<b>4,706,637</b>
Stock option exercises	<b>409,055</b>	<b>484,633</b>
Shares issued for services	<b>169,155</b>	<b>212,594</b>
Shares issued for debt	<b>35,236</b>	<b>32,769</b>
Share issuance costs	-	<b>(2,373,519)</b>
Warrant issuance	-	<b>(7,139,826)</b>
Finders' option issuance	-	<b>(1,296,996)</b>
<b>Balance December 31, 2018</b>	<b>265,550,801</b>	<b>\$ 105,994,699</b>

#### b) Placements

##### Shares issued for asset purchases

The Company issued 1,246,449 common shares, for total consideration of \$1,882,500 to Amnor Group Inc. for the purchase of its 50% interest in 1631807 Alberta Ltd. (Note 6).

The Company also issued 1,553,190 common shares for total consideration of \$2,001,386 on behalf of its wholly owned subsidiary 1631807 Alberta Ltd to purchase the Adjacent Lands (Note 6).

Share issue costs include \$20,582 for the nine months ended December 31, 2018 (\$nil for the year ended March 31, 2018) of costs incurred related to shares issued for asset purchases.

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 10. Share capital (cont'd)

#### b) Placements (cont'd)

##### Shares issued for debt

During the nine months ended December 31, 2018, the Company issued 35,236 common shares on November 8, 2018 at a share price of \$0.93 to an arm's length third party creditor, to settle outstanding debt of \$32,769 (USD \$25,000). Share issue costs include \$664 of costs incurred related to the issuance of these shares.

During the year ended March 31, 2018, units of the Company were issued on various dates in exchange for quarterly interest payments due under a \$2,000,000 convertible debenture that was outstanding during that time as well as for the subsequent conversion of that debenture on July 28, 2017. Each unit issued consisted of one common share and one common share purchase warrant exercisable for one additional common share. Specific details for each transaction are summarized in the table below.

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.

Share issue date	(1) Jun 15, 2017	(2) Jul 28, 2017	(3) Jul 28, 2017	Total
Issue price per unit	\$ 0.48	\$ 0.14	\$ 0.53	
Common shares issued	104,167	14,285,714	77,540	14,467,421
Warrants issued	104,167	14,285,714	77,540	14,467,421
Warrants exercise price	\$ 0.48	\$ 0.33	\$ 0.53	
Warrant term in months	20	18.5	18.5	
Debt amount settled	\$ 50,000	\$ 1,909,636	\$ 41,096	\$ 2,000,732
Cash issuance costs	-	(3,700)	-	(3,700)
Fair value on warrant issuance	(18,750)	(760,820)	(14,791)	(794,361)
Net value allocated to common shares	\$ 31,250	\$ 1,145,116	\$ 26,305	\$ 1,202,671

Notes:

(1) Units issued to Aurora Cannabis Inc. ("Aurora") in exchange for quarterly interest due on the convertible debenture based on the closing market price of the Company's common shares on May 12, 2017.

(2) Units issued to Aurora on conversion of the convertible debenture on July 28, 2017. The number of units issued were based on the face value of the debenture of \$2,000,000. The outstanding debenture balance net of financing fees at the time of the conversion was \$1,909,636.

(3) Units issued to Aurora in exchange for quarterly interest due on the convertible debenture up to the date of conversion based on the closing market price of the Company's common shares on July 27, 2017.

A summary of the assumptions used for each debt settlement is set out below:

	Jun 15, 2017	Jul 28, 2017	Jul 28, 2017
<b>Common share purchase warrants</b>			
Common share market price	\$ 0.51	\$ 0.53	\$ 0.53
Risk free interest rate	0.75%	0.75%	0.75%
Expected dividend yield	-	-	-
Estimated common share price volatility	126%	124%	124%
Estimated life in years	1.67	1.55	1.55



# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2018  
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### 10. Share capital (cont'd)

#### b) Placements (cont'd)

##### Shares issued for debt (cont'd)

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

Furthermore, during the year ended March 31, 2018, 9,424,330 common shares of the Company were issued to settle the non-current portion owing under the royalty financial liability of \$5,453,457 that was previously outstanding and subsequently extinguished on October 2, 2017. Share issue costs include \$31,550 related to the issuance of these shares.

##### Shares for services

During the nine months ended December 31, 2018, the Company approved a share for service agreement with a third party in exchange for consulting services. Pursuant to the terms of the agreement the Company may issue common shares in exchange for up to \$27,000 USD at the option of the third party. The number of shares will be issued quarterly based on the closing price of the Company's shares on the last trading day each quarter. The agreement was approved by the TSX Venture Exchange and will be subject to approval for each successive 2-year renewal term. No common shares have been issued under this agreement.

During the year ended March 31, 2018, the Company approved multiple share for service agreements with third parties in exchange for business development and consulting services. Pursuant to the terms of the agreements the Company may issue common shares in exchange for a maximum amount of services provided at the option of the third party. The number of shares will be issued quarterly based on the closing price of the Company's shares on the last trading day each quarter. The agreements were approved by the TSX Venture Exchange and will be subject to approval for each successive 2-year renewal term.

Details of the agreements and the number of shares issued during the nine months ended December 31, 2018 and year ended March 31, 2018 are shown below:

##### Shares issued for the nine months ended December 31, 2018

Agreement issue date	(1) Aug 28, 2017	(2) Nov 28, 2017	(3) Dec 6, 2017	Total
Maximum services amount	\$ 250,000 USD	\$ 102,000 USD	\$ 96,000 CAD	
Common shares issued	47,264	100,299	21,592	169,155
Value of services (contract currency)	\$ 45,750 USD	\$ 96,050 USD	\$ 27,971 CAD	
Value of services (CAD)	\$ 59,661 CAD	\$ 124,962 CAD	\$ 27,971 CAD	\$ 212,594 CAD
Weighted average issue price per common share	\$ 1.26 CAD	\$ 1.25 CAD	\$ 1.30 CAD	
Balance included in accounts payable and accrued liabilities				
Contract currency	\$ - USD	\$ - USD	\$ - CAD	
CAD	\$ - CAD	\$ - CAD	\$ - CAD	\$ - CAD

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**10. Share capital (cont'd)**

**b) Placements (cont'd)**

**Shares for services (cont'd)**

**Shares issued for the year ended March 31, 2018**

<b>Agreement issue date</b>	<b>(1) Aug 28, 2017</b>	<b>(2) Nov 28, 2017</b>	<b>(3) Dec 6, 2017</b>	<b>Total</b>
Maximum services amount	\$ 250,000 USD	\$ 102,000 USD	\$ 96,000 CAD	
Common shares issued	68,184	4,847	1,793	74,824
Value of services (contract currency)	\$ 51,000 USD	\$ 6,800 USD	\$ 3,156 CAD	
Value of services (CAD)	\$ 63,843 CAD	\$ 8,531 CAD	\$ 3,156 CAD	\$ 75,530 CAD
Weighted average issue price per common share	\$ 0.94 CAD	\$ 1.76 CAD	\$ 1.76 CAD	
Balance included in accounts payable and accrued liabilities				
Contract currency	\$ 15,750 USD	\$ 24,225 USD	\$ 13,265 CAD	
CAD	\$ 20,308 CAD	\$ 31,236 CAD	\$ 13,265 CAD	\$ 64,809 CAD

Share issue costs include \$677 for the nine months ended December 31, 2018 (\$3,465 for the year ended March 31, 2018) of costs incurred related to shares issued for services.

**Placements**

During the nine months ended December 31, 2018, the Company completed placements with specific details for each placement summarized in the tables below. Each placement was completed in a unit offering consisting of one common share and one-half common share purchase warrant. In each placement, the Company also issued finders' options to certain underwriters or finders. These options, if exercised would include issuance of one common share and one-half common share purchase warrant. Each whole common share purchase warrant issued is exercisable for one common share.

During the year ended March 31, 2018, the Company completed a placement with Aurora as noted below. The placement was completed in a unit offering consisting of one common share and one share purchase warrant. Each common share purchase warrant is exercisable for one common share.

In each of the placements the common share purchase warrants and the finders' options were allocated a portion of the proceeds based upon their relative fair value at the date of issuance as applicable to the placement. The fair values of the common share purchase warrants and the finders' options were determined using a Black-Scholes option pricing valuation model.

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**10. Share capital (cont'd)**

**b) Placements (cont'd)**

Placement closing date	Nine months ended December 31, 2018			Year ended March 31, 2018
	(1) July 31, 2018	(2) July 31, 2018	Total	Dec 12, 2017
Issue price per unit	\$ 1.20	\$ 1.20		\$ 1.37
Common shares issued	20,700,000	7,802,299	28,502,299	4,541,889
Warrants issued	10,350,000	3,901,149	14,251,149	4,541,889
Warrant exercise price	\$ 1.50	\$ 1.50		\$ 1.71
Warrant term in months	24 <sup>(3)</sup>	24 <sup>(3)</sup>		24
Cash proceeds summary:				
Gross proceeds	\$ 24,840,000	\$ 9,362,759	\$ 34,202,759	\$ 6,222,388
Cash issuance costs	(1,846,851)	(506,312)	(2,353,163)	(38,837)
Net cash proceeds on issuance	\$ 22,993,149	\$ 8,856,447	\$ 31,849,596	\$ 6,183,551
Fair value of finders' options	(991,737)	(305,259)	(1,296,996)	-
Total issuance costs	\$ (2,838,588)	\$ (811,571)	\$ (3,650,159)	\$ (38,837)
Fair value on warrant issuance	(5,185,350)	(1,954,476)	(7,139,826)	(2,397,753)
Net value allocated to common shares	\$ 16,816,062	\$ 6,596,712	\$ 23,412,774	\$ 3,785,798
Finders' options issued	1,242,000	382,290	1,624,290	-
Exercise price	\$ 1.20	\$ 1.20		\$ -
Options term in months	24	24		-
Amounts if options are exercised:				
Common shares	1,242,000	382,290	1,642,290	-
Warrants	621,000	191,145	812,145	-
Warrant exercise price	\$ 1.50	\$ 1.50		\$ -
Warrant term in months	24	24		-
Fair value of finders' options allocated to:				
Common shares	\$ 680,616	\$ 209,495	\$ 890,111	\$ -
Common share purchase warrants	311,121	95,764	406,885	-
	\$ 991,737	\$ 305,259	\$ 1,296,996	\$ -

- Notes:
- (1) Bought deal offering with Canaccord Genuity Corp (the lead underwriter), GMP Securities L.P. and Laurentian Bank Securities Inc.
- (2) The placement consisted of the first and only tranche of the non-brokered private placement announced on July 5, 2018.
- (3) The term of the warrants is 24 months from the closing date which can be accelerated if the Company provides the warrant holder 30 days notice should the weighted average price of the common shares exceed \$2.25 in 20 consecutive trading days.

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**10. Share capital (cont'd)**

**b) Placements (cont'd)**

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

Placement closing date	Nine months ended December 31, 2018		Year ended March 31, 2018
	(1) July 31, 2018	(2) July 31, 2018	Dec 12, 2017
<b>Common share purchase warrants</b>			
Common share market price	\$ 0.99	\$ 0.99	\$ 1.82
Risk free interest rate	1.75%	1.75%	1.25%
Expected dividend yield	-	-	-
Estimated common share price volatility	116%	116%	122%
Estimated life in years	2.0	2.0	2.0
<b>Finders' options allocated to common shares and common share purchase warrants</b>			
Common share market price	\$ 0.99	\$ 0.99	\$ -
Risk free interest rate	1.75%	1.75%	-
Expected dividend yield	-	-	-
Estimated common share price volatility	116%	116%	-
Estimated life in years	2.0	2.0	-

Notes: (1) and (2) see above.

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

	Nine months ended December 31, 2018		Year ended March 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	70,000	\$ 0.45	1,130,500	\$ 0.45
Finders' options issued	1,624,290	1.20	-	-
Finders' options exercised	-	-	(1,060,500)	0.45
Outstanding, end of period	1,694,290	\$ 1.17	70,000	\$ 0.45

During the year ended March 31, 2018, the exercise of finders' options included the issuance of 1,060,500 common shares and 530,250 common share purchase warrants exercisable at a price of \$0.70 per common share until March 9, 2019. The gross proceeds of these exercises of \$477,225 plus the net value attributed to the common shares on the initial grant of the finders' options of \$539,794 were recognized in common shares.

**Radiant Technologies Inc.**  
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**10. Share capital (cont'd)**

**b) Placements (cont'd)**

The common share purchase warrants issued on exercise of the finders' options were allocated a portion of the gross proceeds based upon their relative fair value at the date of issuance. This fair value of \$121,177 was determined using a Black-Scholes option pricing valuation model with the following assumptions:

	Nov 17, 2017	Jan 10, 2018
<b>Finders' warrants</b>		
Common share market price	\$ 1.35	\$ 2.05
Risk free interest rate	0.75%	1.25%
Expected dividend yield	0%	0%
Estimated common share price volatility	122%	121%
Estimated life in years	1.3	1.2

If exercised, the options outstanding at December 31, 2018 of 1,694,290 (March 31, 2018 – 70,000) would include 1,694,290 (March 31, 2018 – 70,000) common shares and 847,145 (March 31, 2018 - 35,000) common share purchase warrants.

**c) Warrants**

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

	Nine months ended December 31, 2018		Year ended March 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	33,139,452	\$ 0.54	54,911,824	\$ 0.34
Warrants issued	14,251,149	1.50	19,789,560	0.66
Warrants exercised	(9,232,166)	0.45	(41,561,932)	0.32
Warrants expired	(1)	0.10	-	-
Outstanding, end of period	38,158,434	\$ 0.92	33,139,452	\$ 0.54

During the nine months ended December 31, 2018 and the year ended March 31, 2018, 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 nine months ended December 31, 2018**

Warrant exercise price	Number of warrants exercised	Gross proceeds	Fair value of warrants transferred to common shares	Common shares
\$0.25	2,842,692	\$ 710,673	\$ 178,629	\$ 889,302
\$0.50	5,277,300	2,638,650	156,746	2,795,396
\$0.70	1,112,174	778,522	243,417	1,021,939
	9,232,166	\$ 4,127,845	\$ 578,792	\$ 4,706,637

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 10. Share capital (cont'd)

#### c) Warrants (cont'd)

#### Warrants exercised for the year ended March 31, 2018

Warrant exercise price	Number of warrants exercised	Gross proceeds	Fair value of warrants transferred to common shares	Common shares
\$0.10	847,738	\$ 84,774	\$ 69,311	\$ 154,085
\$0.11	3,209,853	337,034	1,215,867	1,552,901
\$0.25	17,217,379	4,304,345	1,152,936	5,457,281
\$0.33	14,285,714	4,714,286	760,820	5,475,106
\$0.48	104,167	50,000	18,750	68,750
\$0.50	500,000	250,000	15,000	265,000
\$0.53	77,540	41,096	14,791	55,887
\$0.70	5,319,541	3,723,679	1,410,685	5,134,364
	41,561,932	\$ 13,505,214	\$ 4,658,160	\$ 18,163,374

Share issue costs include \$12,635 for the nine months ended December 31, 2018 (\$25,988 for the year ended March 31, 2018) of costs incurred related to warrant exercises.

The following table summarizes information about warrants outstanding at December 31, 2018 and March 31, 2018.

December 31, 2018			March 31, 2018		
Exercise price	Number of warrants	Remaining contractual life (years)	Exercise Price	Number of warrants	Remaining contractual life (years)
\$ 0.50	-	-	\$ 0.50	1,510,000	0.3
0.10	-	-	0.10	1	0.4
0.50	-	-	0.50	1,857,400	0.4
0.50	-	-	0.50	864,650	0.5
0.50	-	-	0.50	250,000	0.7
0.50	-	-	0.50	625,000	0.7
0.50	636,050	0.1	0.50	636,050	0.9
0.70	2,247,329	0.2	0.70	3,359,503	0.9
0.50	319,850	0.3	0.50	319,850	1.1
0.25	250,000	0.4	0.25	250,000	1.2
-	-	-	0.50	170,250	1.2
0.25	1,132,950	0.7	0.25	1,132,950	1.5
0.25	500,000	0.9	0.25	500,000	1.7
1.71	4,541,889	0.9	1.71	4,541,889	1.7
0.25	1,000,000	1.0	0.25	1,000,000	1.7
0.25	1,175,000	1.1	0.25	1,175,000	1.9
0.25	1,869,335	1.2	0.25	1,869,335	1.9
0.25	1,070,712	1.3	0.25	1,070,712	2.0
0.25	3,051,310	1.4	0.25	3,051,310	2.2
0.25	6,112,860	1.5	0.25	8,955,552	2.2
1.50	14,251,149	1.6	-	-	-
\$ 0.92	38,158,434	1.3	\$ 0.54	33,139,452	1.6

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

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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 Corporation 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, 2018		Year ended March 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	9,993,224	\$ 0.82	2,114,362	\$ 0.76
Options granted	14,465,000	1.16	10,495,765	0.79
Options exercised	(409,055)	0.65	(2,584,090)	0.66
Options forfeited	(60,000)	1.13	(32,813)	0.66
Outstanding, end of period	23,989,169	\$ 1.03	9,993,224	\$ 0.82
Exercisable, end of period	19,318,482	\$ 0.76	8,007,390	\$ 0.82

The following tables summarize information about stock options granted during the nine months ended December 31, 2018 and year ended March 31, 2018. 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, 2018

Original grant date	June 4, 2018	October 1, 2018	November 28, 2018	Total
<b>Options granted:</b>				
Options granted	1,475,000	3,900,000	9,090,000	14,465,000
Exercise price	\$ 1.20	\$ 1.82	\$ 0.87	
Weighted average grant date fair value	\$ 0.98	\$ 0.96	\$ 0.70	
<b>Assumptions used:</b>				
Grant date stock price	\$ 1.20	\$ 1.24	\$ 0.87	
Risk free interest rate	1.75%	2.0%	2.0%	
Expected dividend yield	-	-	-	
Estimated common share price volatility	117%	115%	114%	
Estimated life in years	5	5	5	

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**10. Share capital (cont'd)**

**d) Stock option plan (cont'd)**

**Options granted for the year ended March 31, 2018**

<b>Original grant date</b>	<b>April 3, 2017</b>	<b>August 28, 2017</b>	<b>December 6, 2017</b>	<b>Total</b>
<b>Options granted:</b>				
Options granted	8,517,765	700,000	1,278,000	10,495,765
Exercise price	\$ 0.66	\$ 0.50	\$ 1.82	
Weighted average grant date fair value	\$ 0.55	\$ 0.42	\$ 1.41	
<b>Assumptions used:</b>				
Grant date stock price	\$ 0.65	\$ 0.50	\$ 1.71	
Risk free interest rate	0.50%	1.00%	1.00%	
Expected dividend yield	-	-	-	
Estimated common share price volatility	128%	123%	122%	
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.

During the nine months ended December 31, 2018 and year ended March 31, 2018 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 nine months ended December 31, 2018**

<b>Original grant date</b>	<b>Exercise price</b>	<b>Number of options exercised</b>	<b>Gross proceeds</b>	<b>Fair value of options transferred to common shares</b>	<b>Common shares</b>
April 3, 2017	\$ 0.66	305,000	\$ 201,300	\$ 167,750	\$ 369,050
August 28, 2017	\$ 0.50	75,000	37,500	31,275	68,775
May 22, 2014	\$ 1.00	25,715	25,715	17,229	42,944
April 17, 2014	\$ 0.60	3,340	2,004	1,860	3,864
		<b>409,055</b>	<b>\$ 266,519</b>	<b>\$ 218,114</b>	<b>\$ 484,633</b>



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**10. Share capital (cont'd)**

**d) Stock option plan (cont'd)**

**Stock options exercised for the year ended March 31, 2018**

Original grant date	Exercise price	Number of options exercised	Gross proceeds	Fair value of options transferred to common shares	Common shares
August 26, 2013	\$ 0.60	501	\$ 301	\$ 10	\$ 311
April 17, 2014	\$ 0.60	627	376	582	958
June 23, 2014	\$ 0.75	100,000	75,000	66,900	141,900
April 3, 2017	\$ 0.66	2,426,712	1,601,630	1,334,691	2,936,321
August 28, 2017	\$ 0.50	56,250	28,125	23,456	51,581
		<b>2,584,090</b>	<b>\$ 1,705,432</b>	<b>\$ 1,425,639</b>	<b>\$ 3,131,071</b>

The following table summarizes information about stock options outstanding at December 31, 2018 and March 31, 2018:

December 31, 2018			March 31, 2018		
Exercise price	Number of options	Remaining contractual life (years)	Exercise price	Number of options	Remaining contractual life (years)
\$ 0.60	3,340	1.4	\$ 0.60	3,340	2.1
1.00	51,428	2.9	1.00	77,143	3.6
0.66	5,753,240	3.3	0.66	6,058,240	4.0
0.50	568,750	3.7	0.50	643,750	4.4
1.82	1,278,000	3.9	1.82	1,278,000	4.7
1.20	1,425,000	4.4	-	-	-
0.60	3,340	4.7	0.60	3,340	5.4
1.82	3,900,000	4.8	-	-	-
0.87	9,090,000	4.9	-	-	-
0.60	16,071	5.3	0.60	19,411	6.1
0.75	1,900,000	5.5	0.75	1,910,000	6.2
\$ 1.03	23,989,169	4.4	\$ 0.82	9,993,224	4.5

The total share-based payments recognized during the three and nine months ended December 31, 2018 of \$8,265,303 (2017 - \$1,553,510) and \$9,086,640 (2017 - \$5,847,976) respectively was recorded as an expense.

**11. Operating lease arrangements**

**Leasing arrangements**

Operating leases relate to leases for office and warehouse space with lease terms between 1 and 5 years. The lease for the premises at 8223 Roper Road in Edmonton expires September 30, 2019 and has been renewed for a 5-year term, expiring September 30, 2024 at the same rate as the existing term. The remaining operating leases do not contain renewal options.

Leasing payments recognized as an expense are \$158,490 (2017- \$115,336) for the three months and \$271,954 (2017 - \$344,172) for the nine months ended December 31, 2018.

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 11. Operating lease arrangements (cont'd)

#### Non-cancellable operating lease commitments

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	December 31, 2018
Within one year	\$ 657,124
After one year but not more than five years	1,134,158
Later than five years	165,848
	<u>\$ 1,957,130</u>

### 12. Commitments for expenditure

The Company has entered into various contracts for the purchase of plant and equipment related to its planned capital expansion projects. As at December 31, 2018, the remaining commitments related to these contracts is \$2,034,546 (\$1,770,736 for assets under construction and \$268,810 for equipment).

In addition, the Company has entered into a contract for the maintenance of certain assets with a remaining commitment of \$29,213 being required within one year.

### 13. 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:

	Three months ended December 31		Nine months ended December 31	
	2018	2017	2018	2017
Compensation	\$ 230,375	\$ 263,355	\$ 684,375	\$ 697,225
Short-term benefits	6,435	6,121	18,805	18,363
Share-based compensation	5,885,834	943,475	6,052,951	3,913,500
	<u>\$ 6,122,644</u>	<u>\$ 1,212,951</u>	<u>\$ 6,756,131</u>	<u>\$ 4,629,088</u>
Number of stock options issued	9,425,000	768,000	9,425,000	6,589,102
Weighted average exercise price	\$ 1.26	\$ 1.82	\$ 1.26	\$ 0.80

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

As at December 31, 2018, \$59,092 (March 31, 2018 - \$106,895) 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.

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2018  
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### 13. Related party transactions (cont'd)

#### b) Equity transactions

##### i) During the nine months ended December 31, 2018

Pursuant to the private placement that closed on July 31, 2018, a key management personnel and two directors participated directly or indirectly in the placement for total proceeds of \$1,309,920.

A director and a key management personnel exercised 625,000 warrants for total gross proceeds of \$312,500. There were no warrants exercised in the three months ended December 31, 2018.

##### ii) During the year ended March 31, 2018

Two directors and two key management personnel exercised 460,973 warrants for total gross proceeds of \$103,777 and one director and one key management personnel exercised 406,250 stock options for total gross proceeds of \$268,125.

#### c) Services provided

##### i) During the nine months ended December 31, 2018

A property management company owned by a director received \$39,625 for rent and operating costs associated with the rental of a warehouse required by the Company. Further, a construction company owned by a director received \$95,000 for site clearing and preparation services related to the Company's Edmonton capital expansion project.

As at December 31, 2018, \$95,000 (March 31, 2018 - \$nil) was included in accounts payable and accrued expenses relating to these amounts.

The transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

### 14. Financing fees

	Three months ended December 31		Nine months ended December 31	
	2018	2017	2018	2017
Amortization of financing costs on due to related company	\$ -	\$ 2,357	\$ 138,520	\$ 7,071
Amortization of financing costs on long-term debt	28,918	-	76,139	-
Amortization of financing costs on convertible debenture	-	-	-	10,170
Accretion of convertible debenture	-	-	-	1,703
Adjustment of convertible debenture to fair value	-	-	-	(43,868)
Interest on convertible debenture	-	-	-	64,692
Interest on loan due to related company	-	16,417	5,655	46,465
Interest on long-term debt	129,096	15,299	342,014	36,300
Interest on repayable gov't contributions	-	-	-	7,998
Interest on lease obligations	1,889	370	8,128	1,355
Payout penalty on due to related company	-	-	16,414	-
Accretion of royalty financial liability	-	-	-	281,816
Other	399	-	(29,370)	-
	\$ 160,302	\$ 34,443	\$ 557,500	\$ 413,702

**Radiant Technologies Inc.**  
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**15. Financial instruments**

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

	December 31, 2018	March 31, 2018
<b>Financial assets</b>		
Cash	\$ 37,631,023	\$ 21,855,304
Accounts receivable	330,251	244,438
Deposits	84,615	71,174
	<b>\$ 38,045,889</b>	<b>\$ 22,170,916</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,214,745	\$ 1,669,206
Advances from related company	-	31,287
Loans and borrowings	6,685,793	2,352,342
	<b>\$ 9,900,538</b>	<b>\$ 4,052,835</b>

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'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	\$ 3,214,745	\$ -	\$ -	\$ -	\$ 3,214,745
Long-term debt	727,950	6,125,143	230,740	400,515	7,484,348
Lease obligation	105,394	110,588	-	-	215,982
<b>Balance December 31, 2018</b>	<b>\$ 4,048,089</b>	<b>\$ 6,235,731</b>	<b>\$ 230,740</b>	<b>\$ 400,515</b>	<b>\$ 10,915,075</b>
Accounts payable and accrued liabilities	\$ 1,669,206	\$ -	\$ -	\$ -	\$ 1,669,206
Long-term debt	220,950	479,400	317,195	438,737	1,456,282
Lease obligation	110,784	189,633	-	-	300,417
Due to related company	108,488	207,967	195,955	1,087,006	1,599,416
<b>Balance March 31, 2018</b>	<b>\$ 2,109,428</b>	<b>\$ 877,000</b>	<b>\$ 513,150</b>	<b>\$ 1,525,743</b>	<b>\$ 5,025,321</b>

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

# Radiant Technologies Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2018  
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### 15. Financial instruments (cont'd)

#### 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 December 31, 2018, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to \$62,126 (2017 - \$7,570).

### 16. 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, 2018	Cash flows (1)	Non-cash changes				December 31, 2018
			Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	
Long-term debt	\$ 1,256,350	\$ 5,141,682	\$ -	\$ -	\$ -	\$ 76,139	\$ 6,474,171
Finance lease obligations	287,316	(75,694)	-	-	-	-	211,622
Debt related to the purchase of assets	-	(2,218,614)	2,218,614	-	-	-	-
Debt related to the acquisition of 1631807 AB Ltd. assets	-	(1,388,691)	1,388,691	-	-	-	-
Due to related company (4)	808,676	(996,471)	49,275	-	-	138,520	-
	<b>\$ 2,352,342</b>	<b>\$ 462,212</b>	<b>\$ 3,656,580</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 214,659</b>	<b>\$ 6,685,793</b>

	March 31, 2017	Cash flows (1)	Non-cash changes				March 31, 2018
			Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	
Convertible debenture (2)	\$ 1,941,631	\$ 1,960,000	\$ (1,960,000)	\$ (1,909,636)	\$ (42,165)	\$ 10,170	\$ -
Repayable government contributions (3)	878,300	-	5,193	(883,493)	-	-	-
Royalty financial liability	5,212,726	(41,085)	-	(5,453,457)	281,816	-	-
Long-term debt	612,057	(239,200)	-	883,493	-	-	1,256,350
Finance lease obligations	17,180	(22,574)	292,710	-	-	-	287,316
Due to related company	849,437	(50,190)	-	-	-	9,429	808,676
	<b>\$ 9,511,331</b>	<b>\$ 1,606,951</b>	<b>\$ (1,662,097)</b>	<b>\$ (7,363,093)</b>	<b>\$ 239,651</b>	<b>\$ 19,599</b>	<b>\$ 2,352,342</b>

#### Notes:

- (1) Cash flows includes cash received from acquisitions and cash paid related to financing costs and repayments.
- (2) The convertible debenture acquisition was \$2,000,000, net of financing costs of \$40,000 and is disclosed as restricted cash on the Balance Sheet as at March 31, 2017. On July 28, 2017, the debenture was converted to units of the Company with the cash becoming unrestricted.
- (3) Arrears interest of \$5,193 was added to the repayable government contributions owing.
- (4) A non-cash adjustment to deferred financing costs of \$49,275 was recorded on extinguishment of the related company loan.

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**17. Employee salaries and benefits**

	Three months ended December 31		Nine months ended December 31	
	2018	2017	2018	2017
Salaries	\$ 1,490,407	\$ 697,397	\$ 3,608,673	\$ 1,706,714
Short-term employee benefits	121,286	37,379	312,491	101,799
Employee share purchase plan	11,493	-	11,493	-
Salaries and benefits capitalized	(108,817)	-	(259,257)	-
Salary recovery – IRAP	-	(10,455)	-	(30,000)
<b>Total employee salaries and benefits</b>	<b>\$ 1,514,369</b>	<b>\$ 724,321</b>	<b>\$ 3,673,400</b>	<b>\$ 1,778,513</b>

**Included in:**

Cost of revenues	\$ -	\$ 34,307	\$ 87,307	\$ 90,053
General and administrative	400,918	197,170	895,432	501,585
Production plant	630,260	194,404	1,382,551	484,414
Process development	324,938	156,539	827,342	372,031
Quality control and assurance	122,428	110,868	350,200	235,900
Business development	35,825	31,033	130,568	94,530
<b>Total employee salaries and benefits</b>	<b>\$ 1,514,369</b>	<b>\$ 724,321</b>	<b>\$ 3,673,400</b>	<b>\$ 1,778,513</b>

Through the Company's Employee Share Purchase Plan ("ESPP"), employees and certain contractors purchase shares of the Company on the open market. The Company matches contributions to a maximum fixed percentage based on the individual's compensation with amounts expensed in the period in which the contributions are made. The plan was effective November 1, 2018.

**18. Post-reporting date events**

Subsequent to December 31, 2018, the Company issued 1,028,827 common shares related to warrant exercises for total proceeds of \$592,969 at a weighted average exercise price of \$0.58. The Company also issued 70,000 common shares related to finders' option exercises for total proceeds of \$31,500 at a weighted average exercise price of \$0.45. As well, the Company issued 606,767 common shares related to stock option exercises for total proceeds of \$424,466 at a weighted average exercise price of \$0.70.

On February 27, 2019, the Company approved to issue 1,025,000 incentive stock options. Of these options, 250,000 were granted to a director of the Company and the remainder to management and consultants based on the Company's share price as of that date.