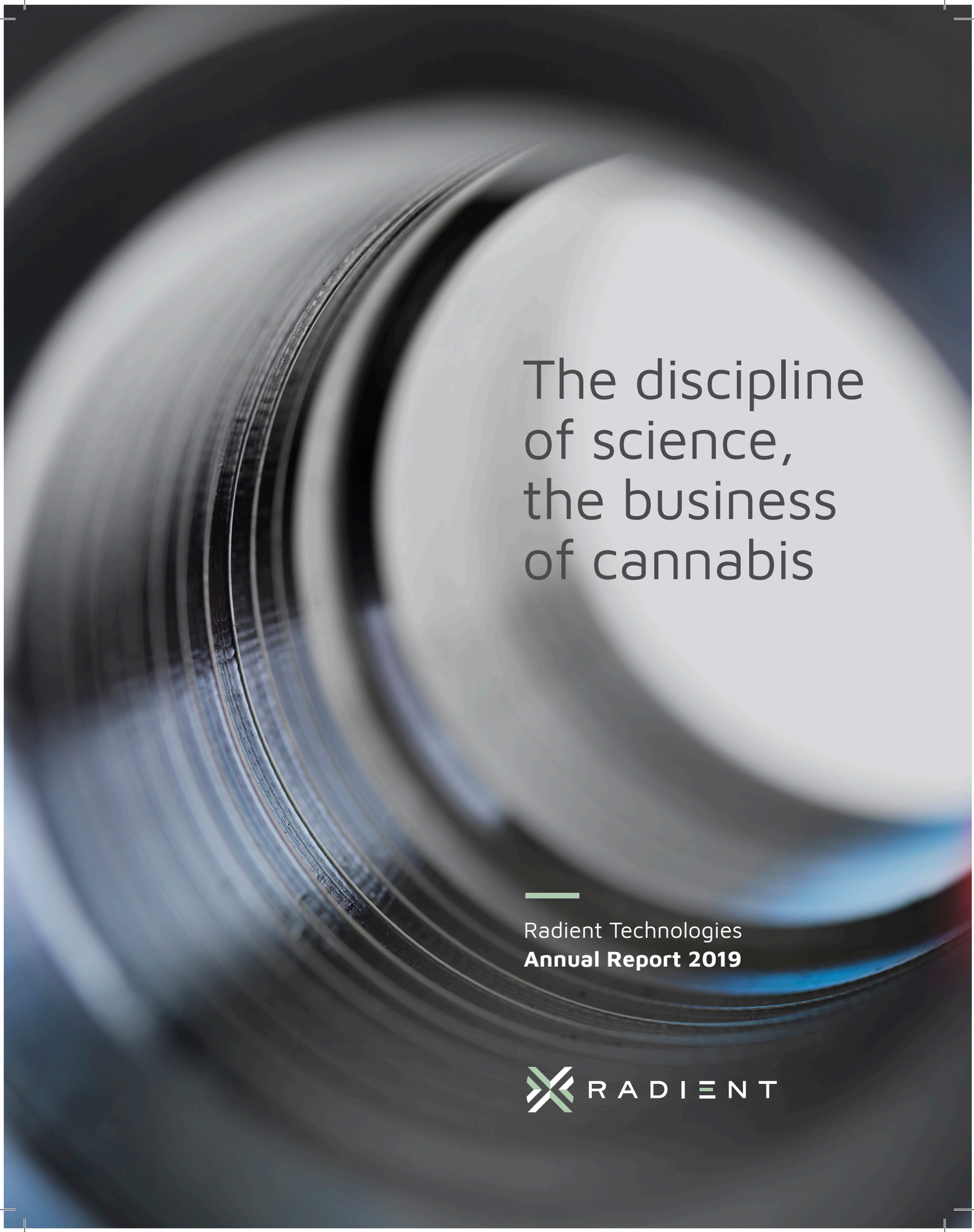


The discipline of science, the business of cannabis

Radient Technologies
Annual Report 2019

RADIENT

At a glance

In Fiscal 2019 Radient made a number of key strategic investments that will facilitate our mission to be the world's leading developer of premium cannabinoid derivatives, ingredients, and products.

With the ongoing scaling up of operations in fiscal 2020, we believe these investments are a key part of our pathway to profitability.

These investments included:

+ CA, DE

Real estate acquisitions which allowed for substantially expanded operating capacity in Canada and Germany.

See more on p.10/11

$19.5m

Subsequent to Fiscal Year 2019, the purchase of CAD $19.5M worth of dried cannabis biomass from Canadian Licensed Producers ("LPs"), in order to develop extracts for sale to Canadian LPs and brands.

See more on p.16

Financial highlights:

$23.5m

Post fiscal 2019, as at the end of fiscal Q1 2020, Radient had maintained a strong cash position of CAD $23.5 Million.

See Q1 2020 financials

$34,202,759

Raised a total of CAD $34,202,759 as a result of equity financings closed in July and August 2018.

See year end 2019 financials

p.71

Corporate highlights

During Fiscal 2019 Radient achieved the following key milestones:

Received a Standard Processing License from Health Canada under the new Cannabis Act, allowing for the extraction and downstream processing of cannabinoids from cannabis and hemp biomass for the purpose of sale.

Completed construction of the Edmonton I extraction line, dedicated to the industrial scale extraction and downstream processing of cannabis biomass, with an annual throughput capacity of 56,000 kg/year of cannabis.

Commenced industrial-scale extraction and processing of cannabis biomass at Edmonton I facility.

First foray into international market with commencement of construction of high throughput facility in Germany (expected total throughput capacity: 280,000 kg/year of cannabis, and 2.8 million kg/year of hemp).

Embarked on a marketing strategy to target tobacco companies, the FDA, advocacy groups and equipment manufacturers with respect to Radient's proprietary extraction technology as a viable nicotine reduction strategy within the tobacco industry.

Significant expansion of future throughput capacity in Canada with commencement of construction of Edmonton II hemp processing line (expected total throughput capacity: 420,000 kg/year) and Edmonton III processing line (expected total throughput capacity:280,000 kg/year of cannabis and 2.8 million kg/year of hemp).

Significantly expanded IP Portfolio, filing 58 provisional patent applications with the United States Patent and Trademark Office during fiscal 2018 and fiscal 2019.

Post-Fiscal 2019:

Successfully scaled up throughput capacity at Edmonton I facility, and reported:

- Recovery of active compounds (yield) from biomass consistently above 90%, and up to 99%.
- Cannabis extracts maintained product stability, including minimal cannabinoid degradation.

Commenced processing a total inventory of CAD $21.7 million of dried cannabis biomass at Edmonton I facility for sale to Canadian LPs, including Aurora Cannabis Inc.

Began development of vaping liquid formulations for commercialization, with production expected to begin in fiscal Q3 2020 following legalization.

Dear Fellow Shareholders,

This is our first annual report. It's a testament to 20 years of building an outstanding foundation for our cannabinoid business, and signals the beginning of the next generation in Radient's evolution.

Our company is built on science. We have 20 years of experience in the extraction of ingredients for the pharmaceutical, food and beauty industries. Our team of more than 30 in-house scientists has paved the way for relentless innovation. Guided by the acumen of a seasoned management team, we're focused on performance – in our operations and our balance sheet.

We're bringing the discipline of science to the business of cannabis.

This past year, we put our proprietary process for cannabinoid derivative extraction to the test. The bottom line: our engineered, industrial-scale process delivers the scale, speed and efficiencies that allow us to produce a spectrum of products, from targeted formulations to white-label finished goods, at economies of scale and levels of consistency and quality that our competitors can't match.

Our systems, and our company, are engineered to perform.

Looking ahead, our focus is on increasing our production capacity here in Canada and in other geographies, and migrating our business to a contract manufacturing model.

Increasing Capacity at Home

As our manufacturing operations expand to meet the needs of new partners and the demand to develop tailor-made formulations increases, we're investing in our Canadian operations.

Edmonton II is on track for completion at the end of calendar 2019 (fiscal Q3 2020) and will have an expected annual throughput capacity of approximately 420,000 kilograms of hemp per year when operations begin.

After acquiring the land adjacent to our existing Edmonton facilities in early fiscal 2019, we began the construction of a new 89,000 square foot manufacturing facility, Edmonton III. When complete, Edmonton III will process more than 280,000 kilograms of cannabis annually, and more than 2.8 million kilograms of hemp per year. This facility is expected to be production-ready in the second half of calendar 2020.

Denis Taschuk
President and
Chief Executive Officer

Building our Global Presence

We're accelerating the construction of our facilities in Germany to be ready to support demand in the European market. This represents an important investment in our organic growth – and an important foothold in the European market. We expect this facility to be production-ready at approximately the same time as our Edmonton III facility. We will be phasing in the production lines gradually, in order to scale production in line with demand.

With our expanding operations in Canada and Germany, we will have a total expected annual throughput capacity of more than 600,000 kilograms of cannabis, and more than 6 million kilograms of hemp upon completion of the Edmonton and Germany facilities.

Focusing on Value Creation

Within the cannabis value chain, being an extractor provides a unique opportunity for value creation: first, through our intellectual property and secondly, through the opportunity to recognize value in the sale of new white-label derivatives and ingredients.

In 2020, we'll complete our migration to a full-fledged contract manufacturer in order to position the Company to capitalize on those value creation opportunities. With our industrial-scale process, proprietary technologies and superior speed, scale, efficiency and throughput, we are extremely well positioned to be the leading high-quality producer of cannabinoid ingredients.

This is a unique competitive advantage and is driving our innovation and investment strategies into 2020 and beyond.

Our systems, and our company, are engineered to perform.

Our goal is simple. We will be the leading manufacturer of cannabinoid based derivatives in the world.

Responsible Leadership

We have established our reputation, first in botanicals and now in cannabis, as the industry leader in quality and consistency. While some companies are working to meet regulatory standards, we're pushing those standards higher. We're doing this in the best interests of our customers around the world. Patients and consumers deserve to get what they pay for. They deserve to be confident that what's on the label is what's in the product they're buying.

Looking ahead, we remain committed to setting the highest standards for our products and for the industry. We take this responsibility very seriously – we always have – because simply put it's a matter of public health.

Driven to Lead

Our goal is simple. We will be the leading manufacturer of cannabinoid based ingredients and products in the world. It's a passion that creates opportunity for our partners, exciting new products for consumers and patients, and energy and excitement for our team.

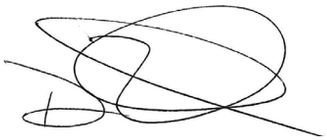
For our valued shareholders, it means performance – growing revenues and enhanced profitability from a Canadian leader who's already earned our place in this burgeoning industry.

And Finally

Thank you. To our board of directors, whose guidance and experience has been invaluable. To our management team, whose expertise in science, engineering and the business of cannabis will serve Radient well as we drive forward in pursuit of new opportunities. And to our employees – the more than 140 men and women whose commitment to excellence is the driving force behind our success.

I look forward to reporting our progress to you in the coming months.

Sincerely,



Denis Taschuk
President and Chief Executive Officer

Our foundation

A Company Built on Science and Innovation

At the heart of Radient lies our proprietary extraction and processing technology, on which the company was founded in 2001. Today, with nearly 20 years' worth of R&D and engineering experience in the production of naturally-derived extracts and ingredients, Radient is well positioned to be one of the world's leading cannabis product developers. As the Company has evolved, the key foundational principles of innovation, science, and technology continue to drive us forward.

Leveraging our unique extraction and processing platform - which operates at significant economies of scale while maintaining the highest standards of product quality and safety - today Radient delivers a spectrum of cannabinoid ingredients, formulations, and finished products that will enable brand owners to develop their own differentiated offerings.

Ready for Liftoff: Supplying a New Demand

Radient became a publicly traded company in 2014, before cannabis was legalized in Canada. Harnessing our expertise in the extraction of valuable botanical materials from plant biomass, we began to explore the potential of extracting cannabinoids and other compounds from cannabis after the Government of Canada officially began the process of legalization in 2016.

Shortly after Aurora Cannabis paid a visit to our Edmonton facility and saw firsthand what our proprietary technology could deliver to the cannabis industry, our strategic partnership with them was solidified. Aurora subsequently invested CAD $15 Million into Radient, and a Master Services Agreement between the two companies was signed in November of 2017.

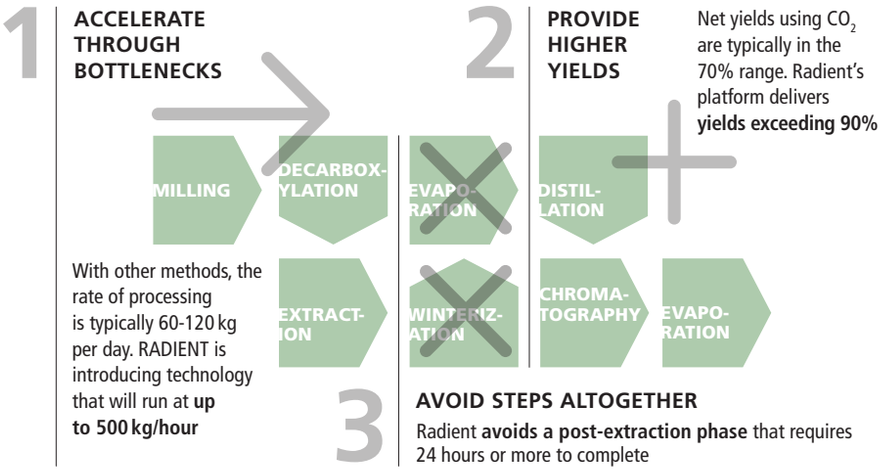
It was official - Radient was now the extraction partner of one of the largest cannabis companies in the world.

With the demand for reliable cannabis extraction and quality driven product development gaining momentum, Radient was quickly propelled into one of the most exciting and rapidly progressive sectors of the last several decades.

The technology behind our growth

As a unique innovator in extraction and downstream processing, with our own proprietary extraction platform and continuous-flow process, Radient possesses demonstrable advantages over competitors.

Relative to other cannabinoid extraction providers, Radient can:



How we compare to our competitors

After beginning commercial extraction at our Edmonton I facility in fiscal Q4 2019, we confirmed that our proprietary extraction platform delivers cannabinoid extraction efficiency (recovery) consistently above 90%, and up to 99%. Additionally, further analysis revealed that cannabinoid extracts maintained product stability over time, including negligible cannabinoid degradation.

	RADIENT	OTHERS
Daily scale of operations	100s to 1,000s of kgs	10s to 100s of kgs
Cannabinoid recovery	90–99%	70–80%
Total completion time	24 hours	48–96 hours
Product quality and consistency	High	Varied

Our execution

$22b

Hemp-derived CBD market estimated to reach USD $22 billion by 2022 in the US alone

Scaling Up at Rapid Pace

Realizing our potential to serve a booming new market that suffers many hurdles in terms of scaling up efficiently, we knew there was much to accomplish in a short period of time.

During fiscal 2018 and 2019 we achieved many key milestones that have paved the way to our vision to become the world's leading cannabis processor and product developer.

First, we reconfigured our existing manufacturing facility to accommodate cannabis and hemp materials. We successfully obtained our Standard Processing License from Health Canada in fiscal Q4 2019 (February 2019), after the completion of our "Edmonton I" facility, dedicated to the processing of cannabis biomass.

This facility, which has a throughput capacity of 56,000 kg/year, began initial commercial operations at the tail end of fiscal 2019 (March 2019), with Radient successfully delivering its first batch of cannabinoid derivatives to Aurora in fiscal Q1 2020 (May 2019). Operations at this facility have continued to scale up to full capacity throughout early fiscal 2020.

Expanding our Presence in Canada

With interest in our unique extraction and manufacturing capabilities intensifying, we set our sights on the market opportunity presented by hemp-derived CBD, estimated to reach USD $22 Billion by 2022 in the United States alone (source: Brightfield Group).

Hemp is also a source of CBD, though typically contains lower concentrations than cannabis, and so requires higher processing capacities to be economical. With this in mind, we began retrofitting our preexisting Edmonton manufacturing facility into a hemp processing line ("Edmonton II"), dedicated to the extraction and downstream processing of CBD from hemp biomass. This facility is on track for completion at the end of calendar 2019 (fiscal Q3 2020), and is expected to process approximately 420,000 kg of hemp/year.

After acquiring the land adjacent to our existing Edmonton facilities in early fiscal 2019, we began the construction of a brand new 89,000 sq. ft. manufacturing facility ("Edmonton III").

Our Edmonton I facility, currently operational, can process 56,000 kg of cannabis per year.

Radient's estimated annual throughput capacity, Canada: Current – 2020[1]

Facility	Biomass	Throughput/year (kg)	Commissioned[2]
Edmonton I	Cannabis	56,000	In operation
Edmonton II	Hemp	420,000	End of 2019
Edmonton III	Cannabis	280,000	2nd half of 2020
Edmonton III	Hemp	2,800,000	2nd half of 2020
Total Canada	**Cannabis**	**336,000**	**2nd half of 2020**
Total Canada	**Hemp**	**3,220,000**	**2nd half of 2020**

1. Management's best estimate based on a 280-day operational year
2. Expected commissioning timelines based on calendar year

With construction well underway, when complete Edmonton III will have the capacity to process more than 280,000 kg/year of cannabis, and more than 2.8 million kg of hemp per year. This facility is expected to be commissioned in the second half of calendar 2020, scaling up to full capacity thereafter.

A Global Footprint: Expanding into Europe

Realizing our potential to serve a booming new global industry, Radient began laying the groundwork for our entry into the European market. In 2017, we started the process of site selection for a new facility in Germany.

Radient's German facility is a vital part of our ambition to be the leading global cannabinoid derivatives manufacturer in the world. The plan to enter the European market was hatched with much strategic forethought, including a thorough market assessment that took into account Europe's growing geographical market demand, an existing shortage of extraction service providers, and our strategic partner Aurora's recent acquisition of Pedanios GmbH (now Aurora Deutschland GmbH) - the largest distributor of medical cannabis in Europe.

When completed, Radient's 100,000+ sq. ft. manufacturing facility in Germany will process more than 280,000 kg/year of cannabis and more than 2.8 million kg/year of hemp.

This facility is expected to be ready for initial commissioning in the second half of of calendar 2020, with additional scaling up taking place thereafter, until full capacity is reached.

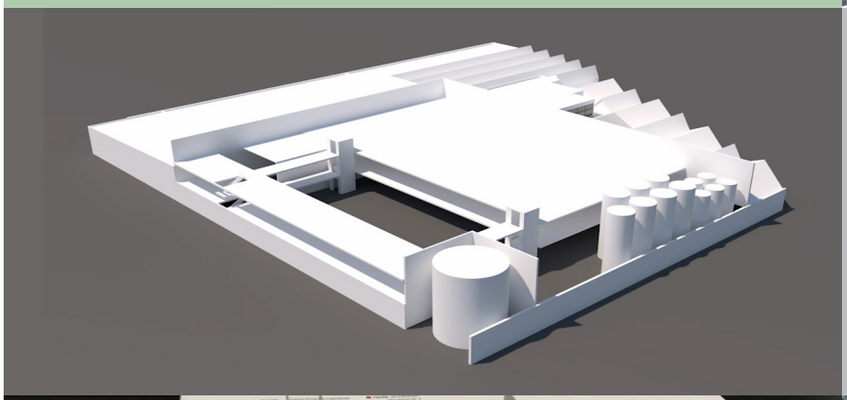
Radient's estimated annual throughput capacity, Germany:[1]

Facility	Biomass	Throughput/year (kg)	Commissioned[2]
Germany	Cannabis	280,000	2nd half of 2020
Germany	Hemp	2,800,000	2nd half of 2020

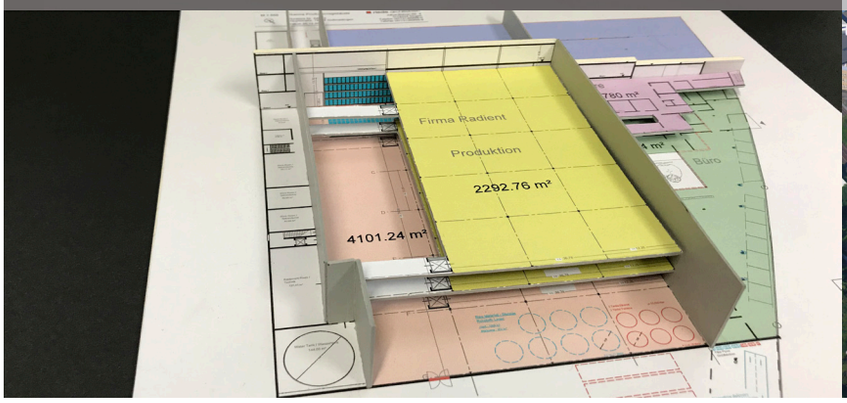
1. Management's best estimate based on a 280-day operational year
2. Expected commissioning timelines based on calendar year

Our new German facility –

Currently on track to begin initial commissioning by the second half of calendar 2020 – this facility is a vital part of our ambition to be the leading global cannabinoid derivatives manufacturer in the world.



Size	100,000+ sq. ft.
Annual cannabis throughput	280,000 kg/year
Annual hemp throughput	2.8 million kg/year



Germany: Sowing the seeds of international expansion

In March 2017, Germany became the first European country to legalize medical cannabis, allowing patients to access medical cannabis by prescription. This led to a sharp rise in the demand for cannabis in Germany, as patients sought alternative therapies for relief of symptoms from medical conditions including multiple sclerosis, AIDS, cancer, and chronic pain.

Initially Germany did not grant any licenses to cultivate cannabis domestically, and the German Government permitted the importation of cannabis flower from other countries while solutions to the cannabis supply bottleneck were considered.

In April 2019, the German Federal Institute for Drugs (BfArM) awarded a total of three companies the first licenses to cultivate medical cannabis in Germany. One of these three companies was Aurora Cannabis Inc. (operating as Aurora Produktions GmbH), a strategic partner of Radient, which was awarded the maximum of five lots for cultivation.

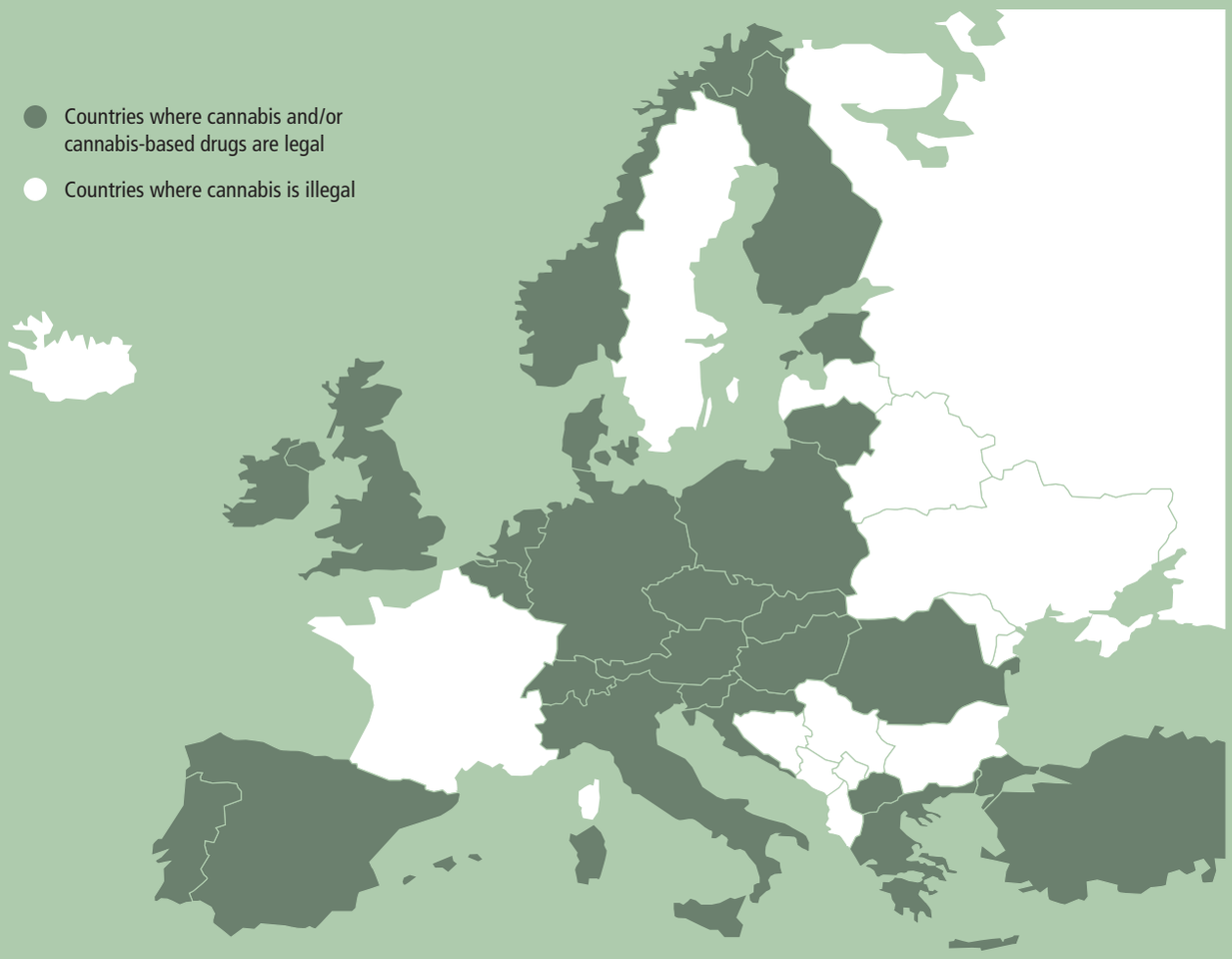
Legalization in Europe and Beyond

The growth of the legal cannabis sector in Europe is estimated to reach CAD $180 Billion by 2028 (source: Prohibition Partners), making it potentially the world's largest legal cannabis market over the next five years.

While many European countries have been slow to fully legalize cannabis for recreational use, many are choosing to loosen regulations around cannabis and cannabis-derived medications.

In other European countries, policymakers have chosen to liberalize regulations surrounding cannabis, taking steps to enforce measures such as decriminalization for possession of cannabis.

Global regulators have also shown support for the legalization of cannabis. In January 2019, the World Health Organization (WHO) recommended rescheduling cannabis and removing CBD from international control under the 1961 and 1971 UN Conventions, which previously banned cannabis worldwide. And in February 2019, the European Parliament voted to improve access to medical cannabis, recommending that the European Commission review certain regulations which currently inhibit medical cannabis research and funding.



Our competitive advantage

Industry-leading Differentiators

Radient has a number of key competitive advantages that will serve to benefit us as the industry matures. The majority of our competitors and peers operate on third-party equipment and turnkey platforms, for example by purchasing large quantities of Supercritical CO_2 machines. This ultimately limits their capacity for innovation, unique customer solutions, and responsiveness to market shifts - most notably in scaling up to meet the mounting demand. Radient's continuous-flow platform does not rely on pressurized batch vessels and so is much more easily scaled to large throughputs.

Science-driven, IP Protected

At Radient, we always have our eye on the future. That's why a key part of our defensible growth strategy was prioritized early in our formative years: IP development and protection. Our core extraction and downstream processing technology was patent protected when the Company was founded, and since then our IP portfolio has grown substantially.

In fiscal 2018, Radient engaged a world-class intellectual property and innovation consulting firm and began executing on a plan to strategically enhance our IP Portfolio. This was part of a larger strategy to support and protect Radient's competitive advantage as the Company matured and the space became more competitive.

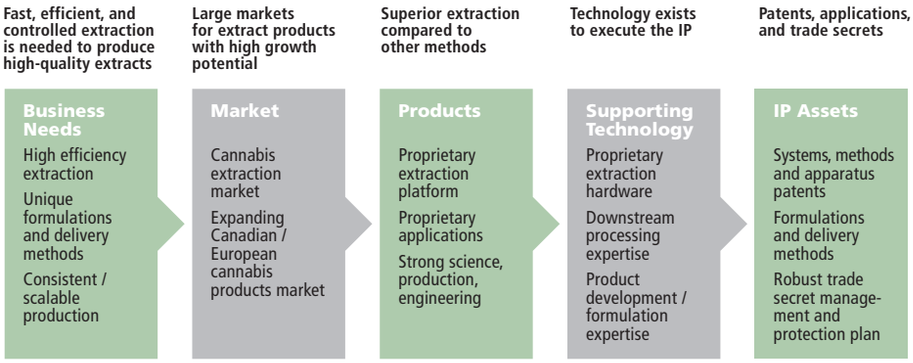
As a result, several of Radient's key innovations, which range from new data tracking and measuring technologies to scientific formulations for cannabinoid ingredients, have been incorporated into a thorough patent and IP protection program.

In total, during fiscal 2018 and 2019 Radient filed 58 provisional patent applications with the United States Patent & Trademark Office for technologies and systems related to:

- Methods, systems and apparatus for improving the efficiency, purity, quality, and yield with respect to cannabis biomass extraction;
- Methods and systems for improving the efficiency, accuracy, and security of supply chain tracking for extractable cannabis biomass;
- Methods for improving the safety, potency, and flavour of cannabinoid extracts used in the manufacturing of food and beverage products;
- Methods and systems for cannabinoid consumption products and devices;
- Methods for obtaining nicotine-depleted tobacco.

Because Radient is devoted to our vision to be a global manufacturer of cannabinoid products, during early fiscal 2020 the Company began the process of filing Patent Treaty Cooperation ("PTC") applications with the World Intellectual Property Organization ("WIPO"), for acceptance in PCT countries of the Company's choice, including but not limited to Canada, the USA, Australia, and EU countries.

Our proprietary technology platform has evolved from more than 200 documented items of Intellectual Property.



The science of cannabinoid ingredients

Through a years-long, highly selective hiring process, Radient has employed a team of more than 30 highly qualified in-house scientists, dedicated to the development of premium grade cannabinoid extracts and ingredients. Led by Radient's Founder & CTO, Dr. Steven Splinter, our Scientists are developing ground-breaking cannabinoid extracts and formulations that we believe will revolutionize the manufacturing of cannabinoid products – from improving the taste and shelf life of cannabis infused beverages, to standardized ingredients that can reproducibly ensure exact strength and potency.

The Nicotine Equation

In late fiscal 2019 Radient hired two ex-British American Tobacco ("BAT") executives to spearhead our global nicotine extraction initiatives. This is part of a larger strategy that was launched off the back of a four-year study, completed in 2017 with a leading tobacco manufacturer, in which Radient's extraction technology was proven capable of reducing nicotine levels in tobacco at industrial scale.

Radient is now executing on a multi-pronged nicotine extraction marketing strategy that targets tobacco companies, the FDA, advocacy groups and equipment manufacturers to promote industry-wide acceptance of our extraction technology as a solution for reducing nicotine in tobacco products.

How Radient plays into the FDA's plan to reduce nicotine levels in tobacco products

In July 2017, the US Food and Drug Administration (FDA) launched their Comprehensive Plan for Tobacco and Nicotine Regulation, to be executed in incremental stages. This Plan vows to place nicotine and addiction at the centre of tobacco regulation in the USA, with the goal of reducing the risk of tobacco-related death and disease in the future.

As part of this Comprehensive Plan, in March 2018 the FDA issued an Advanced Notice of Proposed Rulemaking (ANPRM) to explore a product standard to set the maximum nicotine level for cigarettes, so that cigarette products are minimally addictive or non-addictive.

On June 5, 2018, Radient announced we had filed a provisional patent application with the US Patent and Trademark Office (USPTO) for innovation related to methods for obtaining nicotine depleted tobacco, without materially altering the desirable properties of the tobacco (appearance, taste, smell). The patent application provides a method to selectively extract nicotine from tobacco via Radient's proprietary, continuous-flow extraction and processing technology.

In addition, the patent application discloses the ability of Radient's proprietary extraction technology to achieve nicotine depletion of more than 95% across multiple cured tobacco types, leaving the reduced-nicotine tobacco intact and fit for processing into cigarettes and other combustible tobacco products. The patent also includes methods for recovering and purifying the nicotine as a co-product. Nicotine has commercial value for inclusion in smoking cessation products and in e-liquids for use in e-cigarettes and vaping.

The tobacco industry anticipates that the FDA will publish their proposed rule regulating the amount of nicotine in cigarettes and other tobacco products so that they are "minimally addictive" in late 2019.

Radient is supportive of the FDA's initiatives to reduce disease and death caused by tobacco, and believes that reducing the nicotine content in tobacco products is a positive step toward improving the health and wellbeing of citizens. We believe that our technology and extraction expertise can provide a feasible solution for the reduction of nicotine from tobacco at industrially relevant volumes. This strategy would also eliminate the need to implement complicated and time-consuming changes to the tobacco agricultural supply chain, such as replacing existing tobacco crops with genetically modified crops.

Our Future

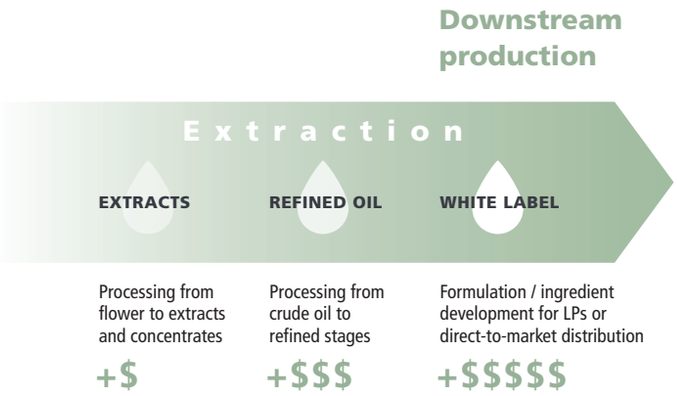
The Road to Profitability

Having achieved many key milestones in fiscal 2019, Radient is now at the forefront of our most rapid phase of growth yet. As we continue to scale up, part of a healthy growth strategy means adapting our business model to suit a maturing market.

This is why, with higher profit margins and additional strategic partnerships as our goal, we decided to focus on a "white label" strategy of creating cannabinoid derivatives and end products for sale to other Licensed Producers and brands.

Why? Simply put, it's where we want to be - and where we can excel. Our proprietary technology and decades of expertise in the extraction of valuable materials from plants gives us the opportunity to stand out as the very best manufacturer of custom, premium-grade cannabinoid derivatives and ingredients.

Compared to a purely extraction-as-a-service model, by purchasing biomass at a wholesale price and creating our own white label formulations and ingredients for sale, we expect to increase our revenues and ensure greater profit margins.



The Inflection Point: Revenue Generation

In early fiscal 2020 Radient purchased CAD $19.5 million worth of dry cannabis biomass from Canadian Licensed Producers ("LPs"), including Aurora Cannabis Inc.

Leveraging our proprietary extraction and downstream processing platform, Radient is processing a total inventory of CAD $21.7 million of cannabis biomass into extracts and intermediate products for sale to Canadian Licensed Producers. We expect the revenue generated from this inventory to positively impact our earnings reported in fiscal Q2 2020 and Q3 2020.

Moving up the value chain

Consumer Goods Manufacturing | In anticipation of upcoming changes to the Cannabis Act, which will make the production and sale of edible cannabis, cannabis extracts and cannabis topicals legal in Canada, Radient has been preparing compounds and formulations to meet the demand of our clients and partners. By focusing on providing unique, value-added products that meet specific consumer demands, Radient is carving out a niche as a manufacturer of premium grade white-label cannabinoid products.

Specifically, we have developed formulas for vaping products, edible cannabis products, cannabis extracts and topicals that our clients and partners will introduce to the Canadian marketplace. To that end, we have developed vaping liquid formulations for commercialization and are preparing for the production of vaping liquids and cartridge filling, which we expect to begin in fiscal Q3 2020.

The foundation for success

When we think about Radient as both a company and a global brand, we are truly excited about what lies ahead in 2020 and beyond. Through consistent innovation, product reliability, quality systems and scalability, we see our extracts and formulations as tools that enable product developers in the cannabinoid space to bring novel, safe products to the markets they serve.

Fiscal 2019 was a landmark year of growth for Radient, and as we prepare for the year ahead we are ready to meet a new set of milestones along our growth trajectory. During fiscal 2020 we are looking forward to significantly expanding our manufacturing capacity, entering new international product markets, working with new production partners, and continuing to be leaders in the scientific development of premium cannabinoid derivatives, ingredients and products.

Cautionary note about forward-looking statements and information

This Annual Report contains certain "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements"), within the meaning of applicable Canadian securities laws, which are based upon Radient's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy.

Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this Annual Report.

Forward-looking statements in this Annual Report include, but are not limited to, statements with respect to:

- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the anticipated growth of the cannabis industry;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis and cannabis-derived products;
- the cannabis industry (medical and recreational) as a whole;
- the Company's ability to obtain or maintain, as the case may be, the requisite licensing in Canada and in Europe;
- regulatory changes and the timing for proposed legislation and legalization of cannabis in Europe;
- the grant and impact of any licence or supplemental licence to conduct activities in Canada or in Europe with cannabis or any amendments thereof;
- the expected growth in the Company's extraction capacity;
- the competitive conditions of the industry;
- the applicable laws, regulations and any amendments thereof;
- the competitive and business strategies of the Company;
- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's relationship with Aurora Cannabis Inc. ("Aurora");
- the scale-up of cannabis processing at the Company's current Edmonton I facility;
- the hemp retrofit of the Company's Edmonton II facility and the associated costs;
- the construction of the new Edmonton III facility and the associated costs;
- the proposed design plans for the new German manufacturing facility and the associated costs; and
- the methods used by the Company to produce cannabis extract products.

With respect to the forward-looking statements contained in this Annual, the Company has made assumptions regarding, among other things:

- interest rates;
- operating and capital costs;
- the Company's ability to generate sufficient cash flow from operations and to access existing credit
- facilities and capital markets to meet its future obligations;
- opportunities available to or pursued by the Company;
- the Company's ability to attract and retain qualified personnel or management; and
- stability of general economic and financial market conditions.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements contained in this Annual Report include, but are not limited to:

- general economic, market and business conditions in Canada, Europe and the United States,
- including reduced availability of debt and equity financing generally;
- the Company's ability to raise equity and/or debt financing on acceptable terms;
- risks relating to the effective management of the Company's growth;
- liabilities and risks, including environmental liabilities and risks associated with the Company's
- operations;
- the Company's ability to attract and retain customers;
- the competitive nature of the industries in which the Company operates;
- competition for, among other things, capital and skilled personnel and management;
- limitations on insurance;
- failure to obtain industry partner and other third-party consents and approvals when required;
- imprecision in estimating capital expenditures and operating expenses;
- fluctuations in foreign exchange and interest rates and stock market volatility;
- the impact of new laws and regulatory requirements, including the adoption of new environmental
- regulations, as it relates to the cannabis industry and other laws and regulations and changes in how
- they are interpreted and enforced;
- the Company's ability to maintain required regulatory approvals;
- political and economic conditions;
- the results of litigation or regulatory proceedings that may be brought against the Company;
- changes in income tax laws; and
- the other risk factors disclosed under "Risk Factors" in the Company's Annual Information Form and MD&A.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this Annual Report are expressly qualified by this cautionary statement. The Company is not under any duty to update any of the forward-looking statements after the date of this Annual Report or to conform such statements to actual results or to changes in the Company's expectations and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Management Discussion & Analysis

Year ended March 31, 2019
July 8, 2019

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Management Discussion and Analysis ("MD&A")

The following MD&A is prepared as of July 8, 2019 and is intended to assist the understanding of the results of operations and financial condition of Radient Technologies Inc. (the "Company" or "Radient").

This MD&A should be read in conjunction with Radient's audited consolidated financial statements and related notes for the year ended March 31, 2019 and the MD&A and audited consolidated financial statements for the year ended March 31, 2018. The statements and additional information about Radient, including Radient's Annual Information Form for the year ended March 31, 2019, can be found on SEDAR at www.sedar.com. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be part of this MD&A.

The Company's audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar amounts are expressed in Canadian currency unless otherwise indicated.

Forward Looking Statements

The MD&A offers our assessment of Radient's future plans and operations as of July 8, 2019 and contains forward-looking statements. This MD&A should be read in conjunction with the "Forward Looking Statements" section as described in Radient's Annual Information Form for the year ended March 31, 2019.

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

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

Core Businss and Strategy

Overview

Radient Technologies Inc. ("Radient") was initially incorporated on June 12, 2001 pursuant to the provisions of the Company Act (British Columbia), transitioned pursuant to the provisions of the Business Corporations Act (British Columbia) on July 7, 2004 and was continued under the Canada Business Corporations Act on February 3, 2010. On May 22, 2014, pursuant to a plan of arrangement, Radient amalgamated with Madison Capital Corporation ("Madison"), a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of the TSX Venture Exchange ("TSXV"), incorporated pursuant to the provisions of the Alberta Business Corporations Act ("ABCA") on June 13, 2011 and continued under the Canada Business Corporations Act on May 14, 2014, forming a new entity called "Radient Technologies Inc."

This transaction constituted the qualifying transaction of Madison in accordance with the requirements of the TSXV Policy 2.4 – Capital Pool Companies. Radient trades on the TSXV under the symbol "RTI" and on the OTCQX ®Best Market ("OTC"), operated by OTC Markets Group under the ticker symbol "RDDTF".

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

The subsidiaries of the Company at March 31, 2019 are:

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

RTC was incorporated on February 20, 2018 and holds certain of the Company's Canadian cannabis related licenses and will hold the Company's Canadian cannabis operations. Effective May 3, 2018, Radient owns 100% of 1631807 Alberta Ltd., which is the owner and landlord of various properties including Radient's Edmonton production facility. Prior to May 3, 2018, Radient owned a 50% interest in 1631807 Alberta Ltd. RII was incorporated on October 12, 2018 and is intended to hold the Company's Canadian generated intellectual property. RTS was incorporated on February 2, 2019 and will hold the Company's European investments, including MAG which was incorporated on February 21, 2019. MAG will hold all assets related to the Company's German cannabis related operations.

Radient has historically manufactured high-value natural ingredients for global customers in the Food and Beverage, Nutraceuticals, Pharmaceuticals and Cosmetics and Personal Care industries. Since the latter part of fiscal 2017, the Company has expanded its offerings to the fast-growing cannabinoids market utilizing an extraction platform to process and extract cannabinoids including cannabidiol ("CBD") and tetrahydrocannabinol ("THC") from cannabis biomass.

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

Subsequent to March 31, 2019, the Company has decided to focus its processing and manufacturing efforts on the cannabis industry for the near and mid-term.

Background

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

More recently, throughout calendar 2016 and 2017, the Company explored opportunities with Aurora Cannabis Inc. ("Aurora") which culminated in a Master Services Agreement ("MSA") finalized on November 6, 2017, pursuant to which the Company has agreed to perform certain services for Aurora using its proprietary MAP™ technology, in relation to supply of standardized cannabis extracts. The agreement has an initial term of five years, with an option for Aurora to renew the agreement for an additional five years.

As a part of the partnership, Aurora has invested approximately $14.0M in the Company through a combination of convertible debentures (that converted into equity in fiscal 2018), private placements and warrant exercises. As of March 31, 2019, Aurora held 37,643,431 common shares and 4,541,889 common share purchase warrants of Radient representing approximately 13.98% of the issued and outstanding common shares and 12.73% of the issued and outstanding common shares on a fully diluted basis. The MSA includes an Investor Rights Agreement that provides Aurora with certain rights to participate in future offerings, providing Aurora with the option to expand its ownership in the Company up to 19.99%. Also, in accordance with the Investor Rights Agreement, Aurora has the right to appoint one director to the Company's Board of Directors who as of February 4, 2019 was Allan Cleiren, Chief Operating Officer of Aurora. During the year the Company paid $34,550 to Anandia Laboratories Inc., a wholly owned subsidiary of Aurora for performing third party testing of materials and products.

The Aurora MSA was the precursor of the Company's entry into the cannabis space where the Company then began focusing on establishing appropriate production facilities, required licenses and human capital to deliver on the MSA. In the latter half of fiscal 2018, the Company secured two additional MSAs to provide similar services to that outlined in the Aurora MSA. At this time, the Company does not anticipate executing on these two additional MSAs due to customer circumstances unrelated to the Company.

The Technology

Radient's MAP™ technology is based on the use of microwave energy to enhance the extraction of valuable natural compounds from renewable biomass. Microwaves do not heat by conventional processes of convection, conduction and radiation phenomena through external surfaces, but rather by direct interactions of the material with the electromagnetic field via dielectric loss. The dielectric properties of the material (dielectric constant and loss factor) determine how much of the microwave energy is absorbed and dissipated as heat. Because the dielectric properties of different parts of a mixture are different, it is possible to deposit the energy selectively, and so cause selective, controlled heating. For extraction, this can result in a rapid buildup of pressure within biomass cells leading to a pressure-driven enhanced mass transfer of target compounds out of the source material. This mechanism for extraction is unique to MAP™ and results in very fast extraction rates and high extraction yield. In addition, because the microwave energy is selectively deposited in the target biomass and less so in the surrounding solvent, the mixture stays cool, leading to energy efficiency and reduced heat degradation of sensitive products.

Further, the instant volumetric heating of the continuously flowing material possible with MAP™ enables precise control of temperature and extraction time, both of which typically affect purity and extract profile. This careful control of extraction parameters is something that is nearly impossible to achieve at large scale with different techniques. In addition, this volumetric heating ensures that any possible effects associated with excessive heating can be minimized and that all the material is extracted for the same time at the same temperature. Compared to conventional solid-liquid extraction methods, MAP™ offers some combination of increased extraction efficiency, improved extract purity, unique extract profiles, increased processing speed and reduced solvent and energy usage.

Intellectual Property
A summary of Radient's patents and registered trade-marks follows:

Title	Jurisdiction	Status	Number	Expiry Date
Patents and Trade-Marks				
Controlled energy density microwave assisted processes	Canada	Granted	2287841	Nov 2019
Methods for making Cyclopamine	Canada	Granted	2727986	July 2029
Methods for making Cyclopamine	USA	Granted	9000168	July 2029
Trade-mark	Canada	Registered	933950	N/A
Trade-mark	France	Registered	94/512023	N/A
Trade-mark	Italy	Registered	0001601704	N/A
Trade-mark	USA	Registered	2012278	N/A
Trade-mark	Canada	Registered	1861307	N/A
Trade-mark	Canada	Application	1868465	N/A

Radient purchased the MAP™ patent CA 2287841 from the Government of Canada as of May 1, 2014. This patent expires November 2019. In November 2018, the MAP™ patent US 6061926 expired. Radient does not believe that the expiration of these patents will negatively impact the Company's business as the claims for these patents do not include the specifics of how Radient implements the MAP™ technology. The Company has spent over 15 years innovating MAP™ and MAP™-based processes for the extraction and processing of natural ingredients and has developed significant know-how and trade secrets in applying the technology at commercially relevant scales.

Late in fiscal 2018, Radient engaged an intellectual property and innovation consulting firm to help strategically enhance the Company's intellectual property portfolio and install processes to manage and protect the intellectual property which supports Radient's competitive advantage. As a result of this initiative, Radient has identified a number of innovations that have been filed as provisional patent applications.

In total, 58 provisional patent applications have been filed with the United States Patent and Trademark Office ("USPTO"). To date, 11 of these provisional patent applications have been combined and filed as 9 Patent Cooperation Treaty ("PCT") patent applications, which claim priority benefit of the 11 provisional applications. The technologies covered in these patent applications relate to:

- methods for obtaining nicotine-depleted tobacco without materially altering certain desirable properties of the tobacco;
- methods, systems and apparatus for improving the efficiency, purity, quality, and yield of biomass extraction, especially biomass related to cannabis, and compositions relating to the same;
- methods and systems for improving the efficiency, accuracy, and security of supply chain tracking for extractable biomass, especially cannabis biomass;
- methods and systems for improving the safety, potency, flavour, and experience of cannabinoid extracts used in the manufacturing of food and beverage products;

- methods and systems for cannabinoid consumption products and devices.

The provisional applications were filed with the USPTO to establish a priority date and allow for future filings in other selected jurisdictions, as appropriate, including Canada. Provisional applications do not require formal claims and provide a 12-month time period during which subsequent applications, claiming the benefit of the priority date, can be prepared. The Company has elected to pursue international coverage by filing PCT applications with the World Intellectual Property Organization ("WIPO"). This allows the applications to enter national stage in appropriate jurisdictions within chosen PCT countries, including for example Canada, the United States, Australia and European Union ("EU") countries. The Company is on-track filing the relevant PCT applications and claiming benefit of the priority dates of the original filings.

Corporate Focus

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

Scalability has been demonstrated by continuous processing at the Edmonton production facility, which has provided final validation for operating MAP™ at a scale appropriate to capture immediate value for partners. Further, the Edmonton production facility was originally designed to handle up to 5 tonnes per day of input biomass. The facility's current operating capacity is between 1 and 2.5 tonnes per day depending on the type of biomass with the ability to increase operating capacity up to design capacity should business activity warrant.

Radient's corporate focus has previously been classified into three main areas – Cannabis, Health and Wellness and Nicotine Reduction Activities. Through to Q3 fiscal 2019, the Company continued processing natural ingredients for customers in the Food and Beverage, Nutraceuticals, Pharmaceuticals and Cosmetics and Personal Care industries at its Edmonton manufacturing facilities. However, in conjunction with the Company's application for its Standard Processing License, it was determined that the production of cannabis products could not occur in the same facility. The Company made a strategic decision to discontinue processing natural ingredients and instead focus on processing cannabis ingredients and products in the Edmonton manufacturing facilities.

Since the discontinuance of these manufacturing activities in Edmonton and subsequent to year end, the Company has concluded that its near and mid-term focus should primarily be directed towards Cannabis and Nicotine Reduction Activities.

Cannabis Activities

In February 2019, the Company received its Standard Processing license from Health Canada and began processing dried cannabis biomass to cannabis oil at commercial scale in March 2019

Radient's MAP™ technology is well positioned to meet the needs of the growing cannabinoids extraction industry. Current methods of extraction using supercritical CO_2 will be constrained by scale limitations of equipment.

Radient possesses extraction technology at its Edmonton plant and has proven this technology on a number of different biomasses including cannabis biomass. Radient is currently using its MAP™ technology to extract cannabinoids with higher efficiency and at a high purity level from cannabis while meeting the strict quality assurance standards of the industry amidst current regulatory environment changes. Radient also anticipates the same results from using its technology on hemp in the future.

Compared to conventional extraction technologies, Radient is extracting cannabinoids with a higher efficiency, and foresees developing standardized extracts with specific concentrations of cannabinoids which is of particular interest to the therapeutic industry. Further, Radient's industrial-scale Good Manufacturing Practice ("GMP") extraction facility is an important resource to the industry, providing capacity to meet anticipated growing demand. In addition to large-scale capacity, Radient's MAP™ technology, based on the Company's past extraction activities, typically allows for:

- precise control of temperature;
- control of extraction time of continuously flowing material; and
- retained terpene profiles.

Control of these parameters typically allows for a high-quality product and a broader extract profile. Conventional methods existing in the Cannabis industry today do not allow for precise control of parameters at larger scales of production. Through the Company's relationship with Aurora, in January 2017, a technical assessment of Radient's extraction capabilities, via a third-party independent laboratory, was performed yielding the following results:

- MAP™ has the potential to deliver high quality and broad extraction profiles, while reducing extraction times from several hours to minutes;
- While conventional processes allowed for extraction efficiencies of approximately 80%, MAP™ has the potential for efficiencies in excess of 95% and up to 99% as per Q1 2020 MD&A
- High throughputs of biomass are possible; and
- Extraction profiles indicated near full retention of cannabinoid and terpene profiles unlike other technologies.

The encouraging results of the technical assessment ultimately yielded the MSA that the Company finalized with Aurora later in calendar 2017.

To deliver cannabinoid extracts and refined products at industrial scale while maintaining a high standard of quality and consistency, the Company is establishing the following vehicles under which it intends to commercially execute (or support commercial execution) in the cannabis space:

Edmonton I

The Company expanded its existing manufacturing facility in Edmonton to incorporate a dedicated cannabis (primarily THC) production line. This facility which received its Standard Processing License from Health Canada in February 2019 began production of smaller commercial batches in late March 2019. Following this initial production, batch sizes are expected to scale to approximately 200kgs of input biomass on a daily basis.

Edmonton II

The Company's main facility is currently being retrofitted to accommodate CBD extraction from industrial hemp. The Company expects to be able to process between 1,000 and 1,500 kgs per day

of input biomass after the project is completed, which is expected before the end of calendar 2019.

Edmonton III

As announced on November 5, 2018, the Company is building a new manufacturing facility to add over 100,000 square feet dedicated to cannabinoid extraction and product development. Construction has begun on the land adjacent to the Company's existing facilities – Edmonton I and Edmonton II. Edmonton III is expected to be completed in the second half of calendar 2020 and will allow Radient additional extraction capacity and cannabinoid ingredient development capability.

Germany

Also announced on November 5, 2018, the Company plans to construct a large-scale cannabis processing facility in Germany. This facility, which will be a build to suit leased facility, will be comparable in capacity to the Edmonton III facility currently being built in Canada. Designs for the European facility are focused in the near-term on the consistent, industrial-scale delivery of CBD derivatives and formulations, manufactured in the EU GMP environment. In July 2018, the European cannabis market was estimated by the strategic consultancy firm, Prohibition Partners, to be worth €123.0 billion by 2028. For more information, see page 10 of the European Cannabis Report 4th Edition per the Prohibition Partners' website.

Natac Solutions

Radient has entered into a joint arrangement with Grupo Natac S.L. ("Natac") which will operate as Natac Solutions. Natac is an expert in natural extracts from Mediterranean plants with a strong presence in the EU. Natac is focused on plant-based ingredients used as dietary supplements in the food industry, as well as ingredients for the nutraceutical and pharmaceutical industries. Natac will be based in Madrid, Spain. The relationship will leverage Radient's disruptive extraction and downstream technologies and Natac's expertise with clinically validated natural ingredients.

The parties intended to begin collaborating on certain natural product opportunities. However, with the Company's refinement of its near and mid-term strategy, the Company and Natac are currently negotiating a revised business strategy for Natac Solutions with a potential focus on cannabis related initiatives.

France

In November 2018, Radient entered into a Facilities Access and Technical Services Agreement ("Agreement") with Processium based in Villeurbanne, France. Processium is a company specializing in process and product design mainly for the chemical, pharmaceutical, and biotech industries. The fixed fee Agreement is for an initial 12-month term and may be terminated at any time by Radient giving 60 days notice. The agreement gives Radient access to laboratory facilities, equipment, expertise in separation and purification processes, and technical and operational support within the Villeurbanne laboratory and pilot plant operations. The Company will also acquire and hold certain of its proprietary equipment at this facility. This agreement provides the Company with a European-based centre for conducting further development and demonstrations of its core MAPTM technology and discovery research on related technologies.

Nicotine Reduction Activities

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

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

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

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

Cannabis Regulatory Considerations

Canadian Requirements

Licenses

Under the Cannabis Act of October 17, 2018, new classifications of licences are required to reflect the activities undertaken by the Company. The Dealers Licence for the Company's Roper Road location (granted March 22, 2018) was transitioned under the new regulations for Research and Analytical Testing Licences (granted February 8, 2019). The Dealers Licence (granted October 10, 2018) for the plant was transitioned under the new regulations to a Research and Analytical Testing Licence (granted March 8, 2019). A Research licence authorizes the holder, for the purposes of research, to possess, produce and transport cannabis. The Analytical Testing licence authorizes the holder to possess cannabis and alter the chemical or physical properties of cannabis for the purposes of testing. The Standard Processing licence for the Plant (granted February 1, 2019), in addition to allowing for the possession, production, and selling of cannabis extracts (as per section 17(5) of the Cannabis Regulations), will also allow for research related to the same format of material (i.e. oil production related activities).

Standard Processing License

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

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

Subsection 17(5) of the Cannabis Regulations allows for a standard processor to sell and distribute cannabis to a holder of the licence for processing, analytical testing, research or cannabis drug licence.

With receipt of this license, commercial processing of cannabis biomass to extract cannabinoids including CBD and THC began in March 2019 at Radient's Edmonton I manufacturing facility with the first bulk finished product shipped in June 2019.

Canadian Securities Regulation Regarding U.S. Cannabis Activities

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

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

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

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

EU Requirements

Manufacturers, importers and distributors of medicines in the EU must be licensed before they can carry out those activities. Manufacturers listed in the application of a medicine to be marketed in the EU are inspected by an EU competent authority. If the medicinal product is imported from a third country, the application should also include information on GMP inspections of the manufacturing site(s) concerned carried out in the last 2-3 years by European Economic Area (EEA) competent authorities and/or by competent authorities of countries where a Mutual Recognition Agreement (MRA) is in operation. Obtaining a favorable GMP compliance inspection result from an EU competent authority against the EU GMP requirements will allow product manufactured at Radient to be imported into Europe.

German Requirements for Processing of Cannabis

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

Manufacturing permit

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

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

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

Narcotics Handling Permit

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

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

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

Import Permits

Should the Company decide to handle medical cannabis that has not originated from Germany, the Company will be required to import the material from another country. To do so, the Company would require two kinds of import permits.

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

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

Wholesale Permit

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

Annual Developments

Significant activities undertaken by the Company in fiscal 2019 are discussed below.

Licensing

On February 1, 2019, the Company received its Standard Processing license from Health Canada for its Edmonton I manufacturing facility. This allows the Company to possess, produce, and sell cannabis extracts to other Standard Processing license holders.

Commercial Production of Cannabis Extracts

Prior to the end of fiscal 2019, the Company began extracting cannabinoids from dried cannabis biomass at a commercial scale. The first commercial batch of finished cannabis extracts was delivered to the Company's partner Aurora in Q1 2020.

Financing

On July 31, 2018, the Company completed a bought deal offering and issued 20,700,000 units of the Company at $1.20 per unit for total gross proceeds of $24,840,000. The Company also completed a private placement and issued 7,802,299 units at $1.20 per unit for gross proceeds of $9,362,759. The net proceeds of the offerings will be used for the addition of cannabis processing capacity in Edmonton, to upgrade the main Edmonton manufacturing facility hemp extraction line, site identification and permitting activities for a cannabis processing facility in Europe, general corporate and working capital purposes.

Corporate Structure

On May 3, 2018, the Company completed the acquisition of a 100% interest in 1631807 Alberta Ltd. (the "JV Company") from the Amnor Group Inc. (previously 1396730 Alberta Ltd.). Amnor Group Inc. is controlled by Harry Kaura, a director of the Company. The JV Company owns the land and building that contains the 23,000 sq. ft manufacturing facility in Edmonton, Canada operated by Radient. Immediately subsequent to the acquisition, the JV Company completed a real estate transaction with Amnor Group Inc. to purchase two parcels of land, including an existing warehouse and office building (the "Adjacent Lands") adjacent to Radient's production facility. In January of 2019 these buildings were demolished, and the Company commenced construction of "Edmonton III", its planned 100,000 sq. ft manufacturing facility.

During the year the Company also incorporated RII to hold the Company's Canadian intellectual property, RTS to hold the Company's European investments, and MAG, a subsidiary of RTS to hold the assets related to the Company's German cannabis operations.

As disclosed in the Company's July 2018 short form prospectus, $0.5M which was increased to $0.8M in the December 31, 2018 MD&A, was budgeted to establish the German operation including identification of a viable site for the Company's German cannabis operation. To March 31, 2019, the Company has completed this identification exercise, incurring approximately $0.7M in operating costs and a small amount of capital related to computers and office equipment for the team as they prepare to move into the more detailed planning and construction phases.

Board of Directors

The Company appointed Allan Cleiren (February 4, 2019) to Radient's Board of Directors. Concurrently, directors Terry Booth and Jith Veeravalli stepped down from Radient's Board of Directors. Jocelyne F. Lafreniere (April 17, 2019), and Yves Gougoux (April 17, 2019) were appointed, subject to receipt of Health Canada security clearances that are still pending, to Radient's Board of Directors.

Allan Cleiren is the Chief Operating Officer for Aurora and a director for Hempco Food & Fiber Ltd. He has more than 30 years of leadership experience working with private and public companies on the execution of strategic business operations. He has extensively been involved with Radient over the past couple of years as the Company progressed to become licensed and will be a valuable addition as the Company moves forward with the commercial production of cannabinoid extracts and products, along with the global expansion of its operations.

Ms. Lafrenière is the President & Chief Executive Officer of JFL International Inc., a management consulting firm. She is a retired partner of KPMG with more than 35 years of audit and consulting experience and has served as an advisor to a broad spectrum of public and private companies, non-profit organizations, government departments and agencies, crown corporations and United Nations agencies.

Mr. Gougoux has more than 40 years in the field of advertising and marketing. He currently serves as a non-executive Chairman on the Board of Publicis Canada and on the Board of Directors of the Mira Foundation, a non-profit organization that trains and supplies service dogs to blind and handicapped persons as well as children with autism.

Listings

TSXV Status Upgrade

Effective October 29, 2018, the Company was approved for graduation from the TSXV Tier 2 status to TSXV Tier 1 status. Tier 1 is reserved for the Exchange's most advanced issuers with significant financial resources. Tier 1 status gives companies access to a more favorable regulatory environment, decreased filing requirements and increased opportunity for participation by institutional investors.

This enables the Company to have a broader investor reach with the goal of enhanced liquidity. The Company's successful capital raises throughout this fiscal year coupled with improvement in its market capitalization over the last 18 months were favorable factors that facilitated the Company's graduation.

OTC Listing

Effective December 19, 2018, the Company's common shares commenced trading on the OTC in the United States, under the trading symbol RDDTF. The OTC is operated by the OTC Markets Group in New York, and is reserved for established, investor-focused U.S. and international companies. Radient believes that listing on this platform will increase its visibility and accessibility amongst investors in the U.S., while also helping the Company to build liquidity.

Expansion Projects

Edmonton I - Plant Expansion (Cannabis Processing Line)

In March 2019, Radient began processing cannabis biomass at initial commercial scale from its 23,000 square foot Manufacturing Facility (the "Facility") located at 4035 101 St. in Edmonton, Alberta. Production is anticipated to scale further to full capacity over the next two to three quarters. Capital expenditures related to the expansion project is now complete. Remaining expenditures will relate to any required replacement or maintenance of production assets.

Disclosed	Budget	Revised Budget	Reason
June 2017 MD&A	$1.5-2.0M	-	Original budget
September 2017 MD&A	$1.5-2.0M	$3.5-4.0M	Additional equipment modifications required
December 2017 MD&A	$3.5-4.0M	$6.0-7.0M	3000 sq. ft building addition, rather than modifications only
June 2018 MD&A	$6.0-7.0M	$8.0M	Accelerated commissioning, shipping, and overtime costs as well as additional equipment purchases
September 2018 MD&A	$8.0M	$8.0M	No revision
December 2018 MD&A	$8.0M	$8.0M	No revision
March 2019 MD&A	$8.0M	$8.0M	No revision

As at March 31, 2019 the total amount spent on this project is $8.1M. Approximately $3.2M relates to renovation related costs and $4.9M for equipment.

Edmonton II - Plant Retrofit (Hemp Processing Line)

The Company is currently upgrading its main Edmonton extraction line for dedicated hemp extraction. The project encompasses equipment refurbishment, plant renovations, and new equipment installation expected to be completed before December 31, 2019. The budget of $3.0M disclosed in the Company's Short Form Prospectus dated July 24, 2018 has not been revised. As of March 31, 2019, $41K has been spent on deposits for equipment and $674K has been incurred for equipment and construction related costs.

Edmonton III – New Plant

The Company's 100,000 square foot new manufacturing facility is underway with funding for this project from the bought deal equity offering that closed on July 31, 2018 as well as the concurrent private placement. As of the date of this MD&A, the existing buildings have been demolished, and accommodations for the new structure has begun including grading and surface preparation for footings and foundation. Furthermore, the lead construction and project management firm has been engaged.

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

The increase in the December budget relates to the inclusion of additional GMP compliant processing areas to allow for further extract refinement up to and including final customer packaging as well as costs associated with the redesign and incorporation of additional laboratory space, suitable for quality assurance purposes. Further specialized equipment anticipated to support new product development both internally and through the use of third-party technologies has also been added. In addition, there have been increased costs associated with preparation of the site and ensuring environmental readiness. As at March 31, 2019, the total amount spent on this project is approximately $3.9M which includes $278K of equipment deposits, $928K of equipment and $2.7M of assets under construction (including both renovation and equipment related costs).

Germany

The development phase of the large-scale cannabis processing facility project in Germany is now moving beyond site selection and permitting. Design and engineering for EU GMP compliant production has begun, along with architectural and landscaping designs, activities which require immediate-term funding. The Company expects this design phase to cost approximately $3.7M, funded by capital raised during fiscal 2019. Third-party process engineering, architectural and utility designs and environmental assessments are expected to benefit the Company's German manufacturing facility as well as Edmonton III which is currently underway.

France

Radient's Facilities Access and Technical Services Agreement ("Agreement") with Processium, Lyon, France commenced November 2018. The agreement is for an initial 12-month term. The fixed fee Agreement gives Radient access to laboratory facilities, equipment, expertise in separation and purification processes, and technical and operational support within its Villeurbanne (Lyon) laboratory and pilot plant operations. The Company has acquired and setup two microwave lines in a dedicated modern laboratory space within these facilities. The equipment is representative of the industrial equipment already developed for Edmonton I and II and will be mainly used for innovative R&D projects, project development, and to support the activities of Edmonton's product development team. The Company's initial capital budget disclosed in the Q2 MD&A was $0.5M to which there have been no changes. These capital expenditures will be in addition to the monthly fees paid to Processium. To March 31, 2019, approximately $162K of operating expenses and $126K of equipment purchases have been made.

Spain

The Company is currently in the process of finalizing the joint arrangement with Natac and specific terms and as a result, estimates of operating expenses and capital expenditures have not been finalized.

Results of Operations Annual Highlights

	Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2017
Revenues	$214,060	$455,827	$293,447
Loss before other income and expenses	($18,236,356)	($7,897,461)	($4,352,900)
Loss per share, before other income and expenses (basic and diluted)	($0.07)	($0.04)	($0.05)
Net loss and comprehensive loss	($27,855,567)	($14,048,317)	($4,316,270)
Net loss per share (basic and diluted)	($0.11)	($0.07)	($0.05)
Cash used in operating activities	($15,322,007)	($8,291,603)	($5,062,554)
Cash provided by financing activities	$38,352,660	$23,320,870	$13,542,851
Cash used by investing activities	($13,106,105)	($1,681,710)	($397,566)
Total assets	$61,026,273	$30,012,654	$15,107,628
Working capital [1]*	$30,144,247	$22,029,885	$6,723,110
Total non-current liabilities	$6,493,082	$2,124,160	$6,597,174
Weighted average number of common shares outstanding (basic and diluted)	251,884,940	188,638,932	85,862,057

Notes [1]*
Working capital is a non-IFRS term definied as curreent assets less current liabilities.

During the year ended March 31, 2019, the Company's balance sheet continued to strengthen primarily through a bought deal offering that raised gross proceeds of $24.8 million and through a concurrent private placement that raised $9.4 million. In addition, $5.8 million was raised through exercises of warrants and $0.7 million from the exercise of stock options. These additional funds resulted in a working capital surplus at March 31, 2019 of $30,144,247 in comparison to a surplus of $22,029,885 at March 31, 2018. The funds raised were partially used towards the completion of additional cannabis processing capacity at Edmonton 1, the upgrade project at Edmonton II for hemp extraction, and for site identification and permitting activities for a cannabis processing facility in Europe. Non-current liabilities as of March 31, 2019 were $6,493,082 compared to $2,124,160 at March 31, 2018. The increase is due to a $5.5 million mortgage from Moskowitz Capital Mortgage Fund II Inc. ("Moskowitz") to complete the real estate transactions related to the purchase of a 100% interest in 1631807 Alberta Ltd., and the Adjacent Lands next to the existing manufacturing facility.

During the year ended March 31, 2018, the Company's balance sheet continued strengthening through a combination of financings and restructuring of debt. $6.2 million was raised via a private placement with Aurora, $13.5 million through exercises of warrants and $1.7 million from exercise of stock options. The Company settled the royalty financial liability with AVAC Ltd ("AVAC") and the convertible debenture with Aurora through a conversion to shares of the Company. As well, the Company successfully restructured its repayable government contribution with Agriculture and Agri-Food Canada ("AAFC") to a long-term debt repayable over an 8-year term. The additional funds along with the reduced liabilities resulted in a working capital surplus at March 31, 2018 of $22,029,885 in comparison to a surplus of $6,723,110 at March 31, 2017. The fiscal 2018 working capital surplus was partially used to fund the $8 million Edmonton I plant expansion project which was completed on August 28, 2018.

Summary of Results by Quarter

Quarter ended	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenues	-	-	$155,571	$58,489
Loss before other income and expenses	($6,590,995)	($5,012,070)	($3,445,784)	($3,187,507)
Loss per share, before other income and expenses (basic and diluted)	($0.02)	($0.02)	($0.01)	($0.01)
Net loss	($7,410,399)	($13,082,768)	($3,817,382)	($3,545,018)
Net loss per share (basic and diluted)	$(0.03)	$(0.05)	$(0.01)	$(0.02)
Weighted average number of common shares outstanding	266,815,579	264,386,453	249,529,84	226,860,451
Total assets	$61,026,273	$64,766,988	$67,035,138	$37,558,954
Long term liabilities	$6,493,082	$6,527,370	$6,573,331	$6,618,306

Quarter ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenues	$117,304	$138,899	$103,702	$95,922
Loss before other income and expenses	($2,470,325)	($1,957,276)	($1,734,433)	($1,735,427)
Loss per share, before other income and expenses (basic and diluted)	($0.01)	($0.01)	($0.01)	($0.01)
Net loss	($2,768,047)	($3,541,287)	($2,102,361)	($5,636,622)
Net loss per share (basic and diluted)	$(0.01)	$(0.01)	$(0.01)	$(0.04)
Weighted average number of common shares outstanding	223,367,719	197,549,414	175,147,455	158,923,114
Total assets	$30,012,654	$30,835,344	$14,651,260	$16,634,789
Long term liabilities	$2,124,160	$2,196,646	$7,509,318	$7,434,920

Consolidated Statement of Operations and Comprehensive Loss

(unaudited)	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018 (Note1)
Revenues	-	$117,304	$214,060	$455,827
Cost of revenues	-	$60,290	$131,249	$260,715
	-	$57,014	$82,811	$195,112
Expenses				
General and administrative	$2,194,082	$810,051	$5,502,399	$2,827,056
Production plant	$1,026,439	$486,808	$3,185,009	$1,415,233
Process development	$586,755	$368,574	$1,942,103	$919,034
Corporate development	$385,393	$218,523	$1,499,130	$526,988
Business development	$284,186	$199,070	$1,285,676	$656,155
Engineering	$601,458	$74,914	$1,266,762	$243,374
Depreciation and amortization	$346,001	$173,756	$1,128,047	$539,888
Quality control and assurance	$460,281	$119,195	$1,055,243	$368,238
Research and development	$586,677	$36,084	$776,962	$142,541
Financing fees	$119,723	$40,364	$677,836	$454,066
	$6,590,995	$2,527,339	$18,319,167	$8,092,573
Loss before other income (expenses)	($6,590,995)	($2,470,325	($18,236,356)	($7,897,461)
Other income (expenses)				
Reversal of impairment losses	$2,209,811	-	$2,209,811	-
Interest and other income	$129,462	$53,514	$444,627	$66,252
Rental income	$5,180	$9,812	$24,327	$87,716
Share-based payments	($1,235,928)	($339,934)	($10,322,568)	($6,187,910)
Loss on demolition of buildings	($1,928,637)	-	($1,928,637)	-
Allocation of related company loss	-	($15,963)	($45,032)	($75,133)
Foreign exchange gain (loss)	$708	($5,151)	($1,739)	($28,435)
Other expenses	-	-	-	($13,346)
	($819,404)	($297,722)	($9,619,211)	($6,150,856)
Net loss and comprehensive loss	($7,410,399)	($2,768,047)	($27,855,567)	($14,048,317)

Note 1

The Company reclassified amounts in the Consolidated Statement of Operations and Comprehensive Loss relating to salary, consulting fees, travel, maintenance and rent and utilities to present these costs consistently with the current fiscal year. The 2018 comparatives have been reclassified as follows:

Year ended March 31, 2018	Previously presented	Reclassification	Amount after reclassification
Cost of revenues			
Contract manufacturing	$269,915	($9,200)	$260,175
	$3,112,138	($285,082)	$2,827,056
Expenses			
General and administrative	$3,112,138	($285,082)	$2,827,056
Production plant	$1,506,866	($91,633)	$1,415,233
Corporate development	-	$526,988	$526,988
Business development	$1,183,143	($526,988)	$656,155
Engineering	-	$243,374	$243,374
Research and development	-	$142,541	$142,541

Revenues

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Contract manufacturing	-	$117,304	$214,060	$451,450
Technical assessments	-	-	-	$4,377
Total revenues	-	$117,304	$214,060	$455,827

In preparation of receiving the Standard Processing license during the quarter, contract manufacturing services were not provided to clients as the Company's production facility was being used to conduct analytical testing of cannabis. With the receipt of the license on February 1, 2019, the Company commenced cannabis extraction activities prior to the end of its fiscal year however revenue was not recognized as the quality control process was not complete.

Cost of Revenues

A further break-down of the cost of revenue expenses as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Contract manufacturing	-			
Salaries and benefits	-	$27,532	$87,307	$117,585
Supplies and materials	-	$21,029	$37,250	$102,603
Waste removal	-	$1,051	$6,435	$16,844
Transportation fees	-	$1,495	$257	$9,041
Equipment and rentals	-	$5,727	-	$7,005
Product development		$3,456	-	$7,637
Total cost of revenues	-	$60,290	$131,249	$260,715

Total cost of revenue decreased by $129,466 for the year ended March 31, 2019 which directly relates to the decrease in revenue for the same period.

General and Administrative

A further break-down of the general and administrative expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Consulting fees	$705,862	$244,585	$1,456,287	$834,923
Salaries and benefits	$473,941	$183,417	$1,236,825	$495,772
Salaries and benefits capitalized	-	-	($18,476)	-
Travel	$306,578	$91,592	$780,852	$348,782
Public company compliance	$249,624	$32,741	$500,650	$146,542
Professional fees	$84,916	$90,529	$374,367	$282,813
Rent and utilities	$93,984	$42,922	$327,735	$163,677
Investor relations	$83,861	$51,426	$250,885	$211,926
Insurance	$79,052	$15,969	$180,478	$59,626
Office	$34,160	$24,657	$162,291	$76,296
Computer software	$52,667	$6,197	$125,652	$15,117
Directors' fees	$15,308	$17,375	$78,183	$80,750
Maintenance	$12,605	$8,311	$41,172	$44,815
Supplies	$1,524	$330	$3,036	$330
Doubtful debts provision	-	-	$2,462	$65,687
Total general and administrative	$2,194,082	$810,051	$5,502,399	$2,827,056

General and administrative increased by $1,384,031 and $2,675,343 for the quarter and the year ended March 31, 2019, respectively, compared to the same periods in the prior year with variances in several cost categories.

Consulting fees increased by $461,277 and $621,364 for the quarter and year ended March 31, 2019. The Company incurred approximately $420,000 during the quarter for the addition of key members to its management team which also impacts the year to date variance. As well, significant IT services were required to support the Company's expanded organizational infrastructure and to set-up the new in-house IT department which accounts for $129,441 of the year to date variance.

Salaries and benefits increased by $290,524 and $741,053 for the quarter and year ended March 31, 2019, compared to the same periods in the prior year. The quarterly and year to date increases are due to new hires in finance as well as newly created in-house support teams for human resources, IT, and investor relations. These staff are required to support the growing organizational infrastructure. Salaries and benefits directly related to the implementation of the new enterprise resource planning system ("ERP") have been capitalized and included in intangible assets.

Travel costs increased by $214,986 and $432,070 for the quarter and year ended March 31, 2019. This is due to increasing activity related to new business initiatives, alternative financing arrangements that the Company continues to explore, and the Company's European expansion plan.

Public company compliance costs increased by $216,883 and $354,108 compared to the same periods in the prior year. This increase is predominantly due to preparation work performed related to compliance requirements to list on the European market. Additionally, the year to date increases are also driven by fees associated with the Company's new OTC listing, increased TSXV fees and increased costs incurred related to hosting the Company's annual general meeting with an increased base of shareholders.

Rent and utilities increased by $51,062 and $164,058 for the quarter and year ended March 31, 2019, compared to the same periods in the prior year. During the quarter and year to date the increase is due to rental costs related to the new office space in Toronto (April 1, 2018), new head office space in Edmonton (November 1, 2018) and property taxes incurred related to the new buildings purchased from the Amnor Group Inc. (May 3, 2018).

Insurance expense increased by $63,083 and $120,852 respectively, compared to the same periods in the prior year. The Company's insurance policy was renewed and renegotiated as of September 2018. As a result, there were limit increases, rate increases, and several new coverages added. The Company also obtained coverage for the buildings purchased in Q1 2019 from Amnor Group Inc. which contributed to the increase.

Computer software increased by $46,470 and $110,535 for the quarter and the year ended March 31, 2019. This increase is primarily attributable to costs related to the recently implemented ERP, the new stock option and the payroll and time reporting systems.

Production Plant

A further break-down of the production plant expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and benefits	$360,216	$215,087	$1,499,355	$639,502
Rent and utilities	$188,918	$149,794	$549,277	$487,094
Supplies	$212,226	$14,307	$417,508	$24,172
Maintenance	$125,085	$91,783	$353,077	$236,199
Security	$79,114	-	$190,317	-
Office	$38,758	$12,432	$96,201	$21,889
Equipment and rentals	$15,596	-	$46,704	$890
Travel	$6,938	$3,405	$21,941	$5,169
Consulting fees	($502)	-	$10,629	-
Product development	-	-	-	$318
Total production plant	$1,026,349	$486,808	$3,185,009	$1,415,233

-

During the year, the Company focused on preparing for cannabis oil extraction activities which commenced just prior to year end. As a result, total production plant salaries and benefits expense increased by $145,129 and $859,853 for the quarter and year ended March 31, 2019, respectively. In the prior year there were twelve plant employees compared to twenty plant employees as at March 31, 2019.

Supplies expense increased $197,919 and $393,336 in the quarter and the year ended March 31, 2019, respectively. The increase is due to production runs related to cannabis testing which required additional purchases of supplies and related consumables.

Maintenance expense increased by $33,302 and $116,878 for the quarter and the year ended March 31, 2019. The Company has acquired a significant amount of new equipment through its capital expansion initiative and to keep this highly specialized equipment in optimal performance condition, an ongoing preventative maintenance program has been put in place related to the production equipment portfolio. There were also costs incurred for service and maintenance related to preparation activities for cannabis oil production.

Security costs relate to the Health Canada security requirements surrounding cannabis which resulted in the Company obtaining security services for the plant effective in late Q2 2019. These fees are approximately $80,000 each quarter and can vary based on actual hours required.

Process Development

A further break-down of the process development expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and benefits	$355,058	$208,038	$1,182,400	$598,069
Salaries and benefits capitalized	($117,681)	-	($117,681)	-
Salary recovery - IRAP	-	-	-	($18,000)
Rent and utilities	$120,165	$36,232	$283,547	$137,722
Consulting fees	$67,307	$24,260	$183,039	$26,208
Supplies	$44,727	$23,162	$166,337	$41,751
Maintenance	$32,624	$43,120	$97,038	$63,464
Product development	$42,924	$29,122	$68,028	$35,547
Travel	$34,298	($420)	$61,300	$15,447
Office	$4,660	$633	$15,069	$5,138
Computer software	$2,673	-	$2,673	-
Equipment and rentals	-	$533	$353	$9,071
Production materials	-	$3,894	-	$4,617
Total process development	$586,755	$368,574	$1,942,103	$919,034

Process development salaries and benefits increased by $147,020 and $584,331 for the quarter and the year ended March 31, 2019, respectively, compared to the same periods in the prior year. The increase includes bonuses and salary adjustments for existing staff as well as increases in total staff to seventeen employees versus twelve in the prior year. Salaries and benefits related to the development of patents have been capitalized to long-term prepaids and deposits and will be added to intangible assets upon notification of successful patent applications.

Rent and utilities increased by $83,933 and $145,825 for the quarter and year ended March 31, 2019, respectively. The increase primarily relates to the Company's usage of Processium's laboratory facilities in France to further develop the Company's core MAP™ technology and other research related technologies.

Consulting fees were $43,047 and $156,831 greater than the same three and twelve month periods last year. The increase in the year to date cost is due to the engagement of technical consulting services related to equipment setup, equipment purchasing, and training staff on operating the equipment. Further contributing to the increase were costs directly related to activities undertaken at the Processium laboratory which did not exist last year.

Supplies expense has increased by $21,565 and $124,586 for the quarter and the year ended March 31, 2019. The increase relates to increased process and product development activities to support the continued development of intellectual property and efforts focused on converting provisional patent applications into full utility patent applications.

Corporate Development

A further break-down of the corporate development expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Consulting fees	$293,213	$159,831	$1,117,467	$396,975
Travel	$91,093	$58,692	$374,979	$130,013
Promotion	$1,087	-	$6,684	-
Total corporate development	$385,393	$218,523	$1,499,130	$526,988

To support the Company's efforts in actively pursuing strategic corporate initiatives and opportunities, the corporate development team was formed in Q1 2018 and has experienced consistent growth since that time. The initiatives of this department also include technical services and support building a platform for the Company's unique MAP™ technology. Significant travel costs have been incurred related to these opportunities and initiatives.

Business Development

A further break-down of the business development expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Consulting fees	$116,403	$97,168	$671,588	$320,426
Travel	$60,312	$56,086	$287,556	$176,320
Salaries and benefits	$37,722	$33,842	$168,290	$140,371
Salary recovery - IRAP	-	-	-	($12,000)
Marketing material	$66,781	$8,435	$145,132	$22,807
Utilities	$2,416	$1,350	$7,706	$3,605
Office	$552	$2,189	$5,287	$4,626
Supplies	-	-	$117	-
Total business development	$284,186	$199,070	$1,285,676	$656,155

Business development expenses increased by $85,116 and $629,521 for the quarter and year ended March 31, 2019, compared to the same periods in the prior year. To support the Company's efforts in actively pursuing new business initiatives and opportunities, the business development consulting team has doubled over the last twelve months. Further impacting the increase is significant travel related to European operations and the nicotine and health and wellness initiatives. The development of marketing materials was also incurred pursuing these opportunities and initiatives.

Engineering

A further break-down of the engineering expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and benefits	$247,222	$57,660	$566,146	$212,276
Consulting fees	$208,443	-	$383,016	-
Rent and utilities	$77,465	$408	$161,207	$648
Travel	$61,201	$16,846	$145,719	$30,450
Computer software	$2,105	-	$5,652	-
Office	$3,573	-	$3,573	-
Maintenance	$1,449	-	$1,449	-
Total engineering	$601,458	$74,914	$1,266,762	$243,374

As the Company develops and moves its strategic, capital expansion projects forward, the engineering department continues to play a more comprehensive role within the corporate group. Specifically, this is the case as efforts towards the design and build of Edmonton III and the German manufacturing facilities ramp up. As a result, engineering expenses (and prior year figures) have been reclassified from production plant and general and administrative expenses and are now disclosed separately. Notably, engineering salaries and benefits increased by $189,562 and $353,870 for the quarter and year ended March 31, 2019, as staff increased from two in the prior year to nine at March 31, 2019. Related to the Company's new German operation, $337,531 of consulting fees, $157,526 of rent and utilities and $68,270 of travel for the fiscal year to date account for the majority of the remaining variances within engineering expenses.

Depreciation and Amortization

Depreciation and amortization increased by $172,245 and $588,159 for the quarter and year ended March 31, 2019, respectively, compared to the same periods in the prior year. The increase is due to depreciation associated with additions related to the Company's capital expansion initiatives. Additions for the fiscal year total $21,867,632 including the assets acquired through 1631807 Alberta Ltd. compared to a depreciable asset base of $13,435,820 as at March 31, 2018.

Quality Control and Assurance

A further break-down of the quality control and assurance expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and benefits	$232,024	$101,971	$801,115	$337,871
Salaries and benefits capitalized	-	-	($218,891)	-
Third party testing	$101,661	-	$173,015	-
Supplies	$29,501	$5,730	$100,076	$6,756
Consulting fees	$45,794	-	$93,544	-
Rent and utilities	$32,064	-	$39,815	-
Maintenance	$7,617	$8,155	$36,862	$18,097
Office	$4,702	$3,028	$15,196	$5,057
Travel	$6,771	$311	$10,809	$457
Production materials	-	-	$3,555	-
Computer software	$147	-	$147	-
Total quality control and assurance	$460,281	$119,195	$1,055,243	$368,238

The Company began building the quality control and assurance team in fiscal 2018 focusing on developing a robust, qualified team to fulfill quality control, regulatory, and assurance requirements related to cannabis extraction. Through the current fiscal, the primary focus of the department was preparation for live production of cannabis oil extraction which commenced in the fourth quarter with the receipt of the Company's Standard Processing license. Salaries and benefits related to the licensing initiative have been capitalized and included in the intangible license asset.

Salaries and benefits increased by $130,053 and $463,244 for the three months and year ended March 31, 2019 as staff increased from eight employees to twelve. With the increase in activity related to reaching production readiness, additional supplies and third-party laboratories were utilized to test material and products, and ensure a thorough, fully compliant production process. Consulting fees incurred in the year relate to recruiting staff and services associated with testing equipment.

Research and Development

A further break-down of the research and development expenses are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Consulting fees	$505,905	-	$600,945	-
Salaries and benefits	$52,497	$23,077	$128,010	$117,692
Travel	$9,809	$13,007	$29,541	$24,849
Professional fees	$18,466	-	$18,466	-
Total quality control and assurance	$586,677	$36,084	$776,962	$142,541

Research and development expenses were $550,593 and $634,421 greater than the quarter and year ended March 31, 2019 respectively, with the majority of these amounts related to consulting fees which were $505,905 for the quarter and $600,945 for year ended March 31, 2019. The consulting fees relate to services for the research and development of patents as well as documenting, completing an inventory and creating a registry for the Company's trade secrets.

Financing Fees

A further break-down of the financing fees are as follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Amortization of financing costs on due to related company	-	$2,357	$138,520	$9,428
Amortization of financing costs on long-term debt	$30,088	-	$106,227	-
Amortization of financing costs on convertible debenture	-	-	-	$10,170
Adjustment of convertible debenture to fair value	-	-	-	($43,868)
Interest on long-term debt	$86,229	$20,081	$428,243	$56,381
Interest on lease obligations	$3,390	$1,822	$11,337	$3,177
Interest on loan due to related company	-	$16,104	$5,655	$62,569
Interest on convertible debenture	-	-	-	$64,692
Interest on repayable gov't contributions	-	-	-	$7,998
Payout penalty on due to related party	-	-	$16,414	-
Accretion of royalty financial liability	-	-	-	$281,816
Accretion of convertible debenture	-	-	-	$1,703
Other	$16	-	($28,560)	-
Total financing fees	$119,723	$40,364	$677,836	$454,066

Total financing fees increased $79,359 and $223,770 for the quarter and year ended March 31, 2019 compared to the same periods in the prior year.

The Company's acquisition of its 100% interest in 1631807 Alberta Ltd. followed by 1631807 Alberta Ltd.'s acquisition of the Adjacent Lands has resulted in financing activity related to both transactions:

- On May 3, 2018, Radient repaid the loan payable to 1631807 Alberta Ltd. (loan due to related company) in full. Remaining unamortized financing costs were recognized and a payout penalty of$16,414 owing to the Business Development Corporation (BDC) was paid.

- 1631807 Alberta Ltd. secured a new $5,500,000 mortgage with proceeds used to discharge the previous BDC Canada mortgage as well as the existing mortgage on the newly purchased assets. Finance costs of $236,608 were incurred on this transaction including related amendment fees and will be amortized over the 24-month life of the mortgage with $30,088 and $106,227 of the amount amortized in the quarter and year ended March 31, 2019. The interest rate on the new debt is calculated at the greater of 8.5% or the Bank of Nova Scotia Prime Rate plus 5.05% per annum (March 31, 2019 – 9.0%). The portion not capitalized was $73,144 for the three months and$371,051 for the year ended March 31, 2019. This is the primary driver in the overall increase in interest on long-term debt compared to the same period of the prior year.

Included in the quarter and the year ended March 31, 2018 are costs related to the:

- convertible debenture which was converted to common shares of the Company on July 28, 2017
- royalty financial liability which was converted to common shares of the Company on October 2, 2017; and
- repayable government contributions which was converted to long-term debt on May 18, 2017.

As a result of these conversions, there are no corresponding expenses in the current fiscal year.

Reversal of Impairment Losses

The Company recorded a reversal of impairment losses on plant and equipment of $2,209,811. During the year ended March 31, 2015, due to concern regarding the Company's ability to generate sufficient cash flows to maintain normal operations, the Company performed impairment tests on plant and equipment. The Company determined the recoverable amount for its leasehold improvements and equipment on the basis of fair value less costs of disposal ("FVLCD") and concluded that as the carrying amount was higher than the recoverable amount, a provision for impairment was required. Impairment losses of $2,248,173 was recorded against equipment and $3,223,918 was recorded against the Company's leasehold improvements.

For the year ended March 31, 2019, as a result of the new cannabis market and the acquisition of the production facility during the year, there was a change in the highest and best use of the plant and equipment, resulting in the FVLCD being greater than prior years. This supports the reversal of impairment losses on leasehold improvements (transferred to buildings and improvements) and equipment.

The Company determined the recoverable amount as the FVLCD based on an estimate determined by an independent third-party appraisal of its production facility (including equipment). The key assumptions used in determining the fair value include comparable market data and fixed depreciation rates. The fair value measurement of the Company's plant and equipment is designated Level 3 on the fair value hierarchy.

As a result, $2,209,811 of the previously recognized impairment losses on plant and equipment were reversed which represents the lesser of the FVLCD and the carrying amount of the assets that would have been determined had no impairment loss been previously recognized.

Interest and Other Income

Interest and other income have increased over the prior year. The increase is due to interest earned on excess cash which has been invested in short-term, readily converted investments.

Share-Based Payments

Share-based payments include vested amounts which relate to stock option grants previously approved as well as amounts related to new grants approved during the period as those grants begin to vest.

Share based payments were $1,235,928 and $10,322,568 for the quarter and year ended March 31, 2019, respectively. New stock option grants for the year ended March 31, 2019 were:

- On June 4, 2018, the Company granted 1,475,000 stock options to certain employees and consultants with an exercise price of $1.20 and vesting terms quarterly over three years. The share-based payments recognized on this new grant are $172,475 for the three months and $834,520 for the year ended March 31, 2019.

- On October 1, 2018, the Company granted 3,900,000 stock options to certain directors and officers with an exercise price of $1.82. Of these options, 1,950,000 vested December 2018 and as a result, share based payments on this grant are $344,952 for the three months and $2,306,922 for the year ended March 31, 2019.

- On November 28, 2018, the Company granted 9,090,000 stock options to directors, officers, employees and consultants with an exercise price of $0.87. Of these options, 8,445,000 vested immediately. The share-based payments recognized on this grant are $132,453 for the three months and $6,116,403 for the year ended March 31, 2019.

- On February 27, 2019, the Company granted 1,025,000 stock options to a director and certain employees with an exercise price of $0.93. Of these options, 637,501 vested immediately and as a result a total of $510,020 was recognized in the three months and year ended March 31, 2019.

Share based payments were $339,934 and $6,187,910 for the quarter and the year ended March 31, 2018, respectively. Stock option grants for the year ended March 31, 2018 were:

- On April 3, 2017, the Company granted 8,517,765 stock options to certain directors, officers, employees and consultants with an exercise price of $0.66. Of these options, 6,455,544 vested immediately. The share-based payments recognized on this grant are $16,512 for the three months and $203,000 for the year ended March 31, 2019.

- On August 28, 2017, the Company granted 700,000 stock options to certain employees and consultants with an exercise price of $0.50. The share-based payments recognized on this grant are $9,689 for the three months and $73,847 for the year ended March 31, 2019.

- On December 6, 2017, the Company granted 1,278,000 stock options to certain directors, officers, and consultants with an exercise price of $1.82. Of these options, 889,000 vested immediately. The share-based payments recognized on this grant were $39,268 for the three months ended and$283,014 for the year ended March 31, 2018.

Loss on Demolition of Buildings

In January 2019, the Company demolished the warehouse and office building adjacent to Radient's production facility. Subsequent to the demolition the Company commenced construction of Edmonton III, its planned 100,000 square foot manufacturing facility anticipated to be operational in the second half of calendar 2020. Although the demolition of the buildings resulted in a loss on disposal, the strategic purchase and demolition of these properties provides the Company with controlled access to its production facility as well as necessary expansion capacity.

Liquidity and Capital Resources

	March 31, 2019	March 31, 2018
Non-current assets	$27,191,234	$5,966,400
Current assets	$33,835,039	$24,046,254
Current liabilities	($3,690,792)	($2,016,369)
Total assets less current liabilities	$57,335,481	$27,996,285
Non-current liabilities	$6,493,082	$2,124,160
Shareholders' equity	$50,842,399	$25,872,125
	$57,335,481	**$27,996,285**

Non-Current Assets

Non-current assets increased by $21,224,834 at March 31, 2019, as compared to March 31, 2018, which is attributable to:

Plant and Equipment

Plant and equipment increased $21,066,407 from March 31, 2018. This increase is related to assets acquired from 1631807 Alberta Ltd. of $4,413,129 and additional land and building purchased from the Amnor Group Inc. of $4,220,000 of which $1,960,000 was subsequently disposed. The increase was also due to $13,234,503 of additions related to the Company's capital expansion projects and other corporate capital requirements. Further contributing to the positive variance, a reversal of impairment losses previously recorded on plant and equipment of $2,209,811 was recorded in the current fiscal year. Plant and equipment were depreciated by $1,082,399 during the year ended March 31, 2019.

Long-Term Prepaids and Deposits

Long-term prepaids and deposits increased by $515,150 related to various patent update initiatives which commenced in fiscal 2018 and continued through the current fiscal year. Upon notification of successful patent application, the costs will be added to the Company's intangible non-current assets.

Intangible Assets

Additions to intangible assets of $807,940 include investment in the Company's recently implemented ERP system, a new corporate website, software additions, the Company's Research and Analytical Testing Licenses (formerly known as the Dealers License) and the Standard Processing License from Health Canada for the manufacturing facility.

The increases noted above are partly offset by a decrease of $1,119,015 in investment in related company which subsequent to May 3, 2018 is eliminated on consolidation as the Company acquired the remaining 50% interest in 1631807 Alberta Ltd.

Current Assets

Current assets increased by $9,788,785 at March 31, 2019 as compared to March 31, 2018, with notable variances as follows:

Cash

The Company's cash balance increased by $9,897,548, primarily due to proceeds received from the brokered and private placements of $34,202,759, net cash received on long-term debt of $5,263,392, proceeds received from the exercise of warrants of $5,779,704, proceeds from the exercise of stock options of $738,864, and interest received of $444,627. This increase is partly offset by cash requirements for operating

activities of $15,322,077, cash purchases of plant and equipment of $12,296,038, the repayment of debt associated with the purchase of the Amnor Group Inc. assets of $2,218,614, the repayment of debt associated with the acquisition of 1631807 AB Ltd. of $1,388,691, repayment of the loan due to related company of $996,471, share issuance costs of $2,378,803, patent initiatives of $540,150, interest and pay-out penalties of $445,643, and the investment in intangible assets of $807,940.

Prepaids and Deposits

Prepaids and deposits decreased by $443,480 during the year ended March 31, 2019. This is primarily due to a reduction on production equipment deposits. In the prior year, as the Company was preparing for bringing the Edmonton I plant expansion online, there were a number of significant pieces of equipment with long lead-times that required deposits in advance.

Inventory

Contributing to the increase in current assets was an increase of $380,019 in inventory. The majority of this increase is due to materials purchased in preparation for cannabis oil extraction activities which commenced prior to the end of the fiscal year given the receipt of the Company's Standard Processing License granted in February 2019. In addition, due to the length of the time required to order and source customized parts for equipment, the Company has purchased spare parts to have on hand.

Current Liabilities

Current liabilities increased by $1,674, 423 compared to the balance at March 31, 2018. This increase is predominantly driven by an increase in accounts payable and accrued liabilites of $1,853,622 due to a continued increase in activites related to the Company's preparation for growth expected as cannabis extraction production continues in the coming quarters. Offsetting the increase is a decrease in the current portion of long-term debt which is less than the prior year by $97,011.

Non-Current Liabilities

Non-current liabilities increased by $4,368,922 which is mostly attributable to the Moskowitz loan which accounts for an increase of $5,489,971 of which $5,500,000 is the principle portion net of $10,029 long-term deferred finance costs associated with the loan's acquisition. This increase is offset by a reduction in due to related company of $758,623, the previous loan owed to 1631807 Alberta Ltd. which was fully discharged in the first quarter of fiscal 2019 as well as a reduction in finance lease obligations of $98,640 as the leases near the end of their term.

Shareholders' Equity

Shareholders' equity increased by $24,970,274 as compared to the balance at March 31, 2018. This is primarily due the issuance of 20,700,000 common shares for the proceeds of $24,840,000 from the brokered placement, the issuance of 7,802,299 common shares for the proceeds of $9,362,759 from the private placement, the exercise of 11,773,693 warrants for total proceeds of $5,779,704, an issuance of 2,799,639 common shares related to assets purchased of $3,883,886, the exercise of 1,081,870 options for total proceeds of $738,864, and an issuance of 169,155 common shares related to shares issued for $212,594 of services rendered. As well, the Company recorded share-based compensation of $10,322,568. These increases were offset by share issuance costs of $2,378,803 and the recognition of a net loss of $27,855,567 for the year ended March 31, 2019.

Contingencies and Commitments

Operating Lease Arrangements

The Company has entered into non-cancellable operating lease agreements for office and warehouse space. Future minimum lease payments payable are as follows:

	March 31, 2019
Within one year	$612,674
After one year but not more than five years	$899,515
Later than five years	$112,439
	$1,624,628

Commitments for Expenditures

The Company has entered into various contracts for the construction of Edmonton III manufacturing facility and the purchase and retrofitting of equipment related to its planned capital expansion projects. As at March 31, 2019, the remaining commitments related to these contracts are $16,098,096 for assets under construction and $178,059 for equipment (2018 - $2,118,092 for leasehold improvements and $1,053,060 for equipment).

In addition, the Company has entered into a contract for the maintenance of certain assets as well as a contract for network services with a remaining commitment of $468,368 being required. Contract terms range between one and five years.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Related Party Transactions

The Company's related parties are its Board of Directors and key management personnel (President and Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO) and Chief Technology Officer (CTO)) as well as any companies controlled by key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Details of the related party transactions follow:

Key Management Personnel and Director Remuneration

The remuneration of directors and key management personnel follows:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Compensation	$237,409	$222,875	$921,784	$920,100
Short-term benefits	$6,935	$6,121	$25,740	$24,483
Share-based compensation	$556,567	$147,047	$6,609,518	$4,060,547
	$800,911	$376,043	$7,557,042	$5,005,130
Number of stock options issued	250,000	-	9,675,000	6,589,102
Weighted average exercise price	$0.93	-	$1.25	$0.80

Compensation includes key management salaries, consulting fees and director's fees. As at March 31, 2019, $109,804 (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.

Equity Transactions

During the year ended March 31, 2019

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

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

During the Year Ended March 31, 2018

460,973 common shares were issued to certain directors and key management personnel of the Company for warrants exercised for total proceeds of $103,777. These officers and directors included the CEO ($75,000), CFO ($12,500), two directors Dimitris Tzanis ($7,974) and Jan Petzel ($8,303). The COO and one director, Jan Petzel, exercised 406,250 options for total proceeds of $103,125 and $165,000 respectively.

Services Provided

During the year ended March 31, 2019
Akaura Holdings Inc., owned by Harry Kaura, a director of the Company, received $103,668 for rent and operating costs associated with the rental of a warehouse required by the Company. Further, Amnor Group Inc., also owned by Harry Kaura received $95,000 for site clearing and preparation services related to the Company's Edmonton III capital expansion project.

During the year ended March 31, 2018
ITW – Global GmbH owned by Dimitris Tzanis, a director of the Company, received $11,605 for providing design services to the Company.

New Accounting Standards

The following new IFRS accounting standards have been adopted by the Company and are further discussed below.

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 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 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.

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 adoption of IFRS 9 had no material impact to the financial statements.

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 performance obligations in each contract are met.

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).

Future Changes in Accounting Standards

The following are the new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on the Company in the future, as discussed below.

IFRS 16 – Leases, replaces IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating Leases and SIC 27 – Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The following changes are anticipated as a result of the implementation of IFRS 16:

- Leases previously classified as operating leases under IAS 17 with a lease term greater than 12 months will be recognized as right-of-use assets and financial liabilities. This will increase the amount of total assets and total liabilities in the consolidated balance sheets.

- The depreciation expense from the right-of-use assets and interest expense from the financial liabilities will be recorded in the consolidated income statement. These operating leases were previously recorded as operating expenses. Any payments such as utilities, common area maintenance costs, property tax, or any additional service payment associated with the leases will continue to be recorded in the income statement as operating expenses.

- As a result of adopting the new standard, the Company has estimated as at April 1, 2019 that property, plant, and equipment will increase by approximately $687,241, long-term debt will increase by $687,241, and there will be no cumulative impact to the Company's opening retained earnings. The above amounts are based on lease information gathered and evaluated to date and are subject to change.

The Company expects to implement the standard using the modified retrospective approach which would result in any cumulative effect of adoption being recognized as an adjustment to the opening retained earnings at April 1, 2019. The Company expects to adopt the practical expedient to account for leases with a remaining term of less than 12 months as at April 1, 2019 as short-term leases and to grandfather previous assessments of whether a contract was or contained a lease under IAS 17 and IFRIC 4 at the date of initial application.

Financial Instruments and Related Risk

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.

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

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

Credit Risk

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

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

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

As at March 31, 2019, the Company had $nil trade accounts receivable balances. GST of $180,483 (2018 - $76,235) comprises the majority of the other receivables balance and is consistently received subsequent to filing of applicable returns.

Interest Rate Risk

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

For the period ended March 31, 2019, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to $61,972 (2018 - $7,568).

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 could encounter difficulty in meeting its financial obligations if certain risks were to occur. See the risk factors section for additional related discussion and details.

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

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued					
liabilities	$3,522,828	-	-	-	$ 3,522,828
Long-term debt	$733,950	$5,971,912	$222,982	$376,939	$7,305,783
Lease obligation	$105,394	$91,053	-	-	$196,447
Balance March 31, 2019	$4,362,172	$6,062,965	$222,982	$376,939	$ 11,025,058
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
Balance March 31, 2018	$2,109,428	$877,000	$513,150	$1,525,743	$ 5,025,321

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

Foreign Exchange Risk

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

The Company operates on an international basis and is subject to foreign exchange risk related to financial assets and liabilities denominated in a foreign currency. The Company's objective with respect to foreign exchange risk, is to minimize the impact of the volatility where possible, through effective cash flow management. The following table provides an indication of the Company's exposure to changes in the value of foreign currencies relative to the Canadian dollar as at March 31, 2019. The analysis is based on financial assets and liabilities denominated in US Dollar ("USD"), Euro ("EUR"), British Pound ("GBP"), and Swiss Franc ("CHF") ("balance sheet exposure").

March 31, 2019				
	(USD)	(Euro)	(GBP)	(CHF)
Cash	$451,320	$46,923	-	$100,000
Accounts receivable	-	$9,734	-	-
Accounts payable and accrued liabilities	($364,902)	($155,975)	($170,750) ($170,750)	-
Net balance sheet exposure	$86,418	$(99,318)	($170,750)	$100,000
Translation rate at March 31, 2019	1.3768	1.5262	1.8144	1.3859
Net income impact of a 10% rate change	$11,898	$15,158	$30,981	$13,859

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

Risk Factors

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to and must be read in conjunction with the additional information on these and other factors that could affect the Company's operations and financial results that may be accessed through the Company's profile on SEDAR (www.sedar.com), including Radient's Annual Information Form for the year ended March 31, 2019.

Ability to Implement Business Plan

There can be no assurance that Radient will successfully market its technology and earn sufficient revenue to permit the level of research and development spending required to maintain the stream of new technological advances and product development. Radient's success will depend upon market acceptance of its technology and products, its ability to enhance its existing technology and products and its ability to introduce new products a nd features that meet customer requirements. There can be no assurance that Radient will be successful in developing, manufacturing, marketing or enhancing its technology and products. Radient's business would be adversely affected if it incurs delays in developing its technology, products or enhancements or if such technology, products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render Radient's technology or products non-competitive or obsolete.

Radient's sales and marketing plan and its professional sales and marketing function have not yet progressed significantly into commercial scale and are based on several assumptions which may or may not prove to be accurate. Poor market acceptance of Radient's technology, products or other unanticipated events may result in lower revenues than anticipated.

Limited Operating History

Radient has a limited commercial operating history and no recent, significant revenues. The likelihood of the success of Radient must be considered in light of the risks, costs, complications and delays frequently encountered in the establishment of a new technology and product. Radient may encounter unforeseen difficulties or delays in its operations and the development of its market.

Technology Scale-Up

Radient has successfully completed scale-up of its technology to commercial scale. The success of Radient's business will be largely dependent on the ability to replicate its technology, and its inherent benefits on a commercial scale for different biomasses. Failure to do so will result in an inability to secure commercial contracts.

Cost Control

Success will largely be predicated upon Radient's ability to use its technology to develop, sell and distribute consistent, high quality, products at competitive prices, and at a commercial scale. There can be no assurance that Radient will be able to develop, sell and distribute its products and technology at competitive prices. Failure to do so will result in smaller profit margins or losses.

Cannabis Industry

In late calendar 2016, the Company entered into the cannabinoids market by applying for the relevant accreditation and permits from the Canadian Government for conducting research and the eventual commercial production of standardized cannabinoids extracts. The Company's initial application for a Controlled Drugs and Substances Dealers license was prepared for submission at that time.

Licensing

On February 4, 2019, the Company announced that it received its Standard Processing License from Health Canada under the new Cannabis Act regulations which came into force on October 17, 2018. The receipt of this license is a key factor in the Company's operational viability. The license permits Radient to legally process, sell and distribute cannabis materials to other federal cannabis license holders. Processing of cannabis biomass to extract cannabinoids including CBD and THC commenced at the Edmonton I manufacturing facility during the 4th quarter of fiscal 2019. The existing facility is capable of processing approximately 200 kg of cannabis biomass per day. As the Company has successfully obtained the License, the risk of receipt no longer exists.

Any failure to comply with the terms of the licenses, or to renew the licenses after their expiry dates, could have a material adverse impact on the financial condition and operations of the business of the Company. Achievement of the Company's business objectives are contingent, in part, upon compliance with the regulatory requirements, including those imposed by Health Canada and other government authorities and obtaining all regulatory approvals, where necessary, for its cannabis related activities. Radient cannot predict the time required to secure all appropriate regulatory approvals for its activities, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

Radient's business will be subject to a variety of laws, regulations and guidelines relating to marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of cannabis but is also subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations.

On October 16, 2017, the TSX issued guidance stating that issuers with ongoing marijuana-related business activities in the U.S. would not be complying with the requirements of the TSX company manual and therefore could be subject to a delisting review at the discretion of the TSX. At present, the Company is not conducting any U.S. marijuana-related activities and further has no plans to do so. As a result, the Company is in full compliance with the Canadian regulatory requirements.

Medical Cannabis

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis's medicinal applications. Medical cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical cannabis will be favourable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical cannabis may have a material adverse effect on our operational results, consumer base and financial results.

Should the size of the medical cannabis market increase as projected the demand for products will increase as well, and for the Company to be competitive, it will need to invest significantly in research and development, marketing, production expansion and further amendments to its Standard Processors License. If the Company is not successful in obtaining sufficient resources to invest in these areas or receive the necessary license amendments, if and when required, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition and operations.

The Company's Relationship with Aurora

Aurora's Shareholdings and Conflicts of Interest with Aurora

As at March 31, 2019, Aurora holds a 13.98% interest in the Company and has the right to vote for the election of directors to the Company's board of directors.

The Company's relationship with Aurora does not impose any duty on Aurora or its affiliates to act in the best interest of the Company. The Company's ownership structure involves a number of relationships that may give rise to conflicts of interest between the Company and the Company's shareholders, on the one hand, and Aurora, on the other hand. In certain instances, the interests of Aurora may differ from the interests of the Company and its shareholders, including with respect to future acquisitions or strategic decisions involving the Company's business. It is possible that conflicts of interest may arise between the Company and Aurora, and that such conflicts may not be resolved in a manner that is in the best interests of the Company or its shareholders. Additionally, Aurora and its affiliates will have access to material confidential information respecting the Company.

Future Changes in Relationship with Aurora

The arrangements between the Company and Aurora do not require Aurora, either directly or indirectly, to maintain any ownership level in the Company. Accordingly, Aurora may transfer all or a substantial portion of its interest in the Company to a third party, including in a merger or consolidation or sale of the common shares, without the consent of the Company or its shareholders, but subject to market conditions, Aurora's requirements for capital or other circumstances that may arise in the future. The interests of a transferee of the common shares may be different from Aurora's and may not align with those of other shareholders. The Company cannot predict with any certainty the effect that any such transfer would have on the trading price of the common shares or the Company's ability to raise capital in the future. As a result, the future of the Company would be uncertain and the Company's business and financial condition may suffer.

Government Regulation

If Radient, or any future marketing collaborators or contract manufacturers, fail to comply with applicable regulatory requirements, the Company may be subject to sanctions including fines, product recalls or seizures and related publicity requirements, injunctions, total or partial suspension of production, civil penalties, suspension or withdrawals of previously granted regulatory approvals, warning or untitled letters, refusal to approve pending applications for marketing approval of new products, import or export bans or restrictions, and criminal prosecution and penalties. Any of these penalties could delay or prevent the promotion, marketing or sale of Radient products and product candidates.

Environmental

Safety, health and environmental laws and regulations affect nearly all aspects of the Company's operations, including product development, working conditions, waste disposal, emission controls, the maintenance of air and water quality standards and land reclamation, and, with respect to environmental laws and regulations, impose limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Continuing to meet GMP standards, which the Company follows voluntarily, requires satisfying additional standards for the conduct of its operations and subjects the Company to ongoing compliance inspections in respect of these standards. Compliance with safety, health and environmental laws and regulations can require significant expenditures, and failure to comply

standards. Compliance with safety, health and environmental laws and regulations can require significant expenditures, and failure to comply with such safety, health and environmental laws and regulations may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, the imposition of clean-up costs resulting from contaminated properties, the imposition of damages and the loss of or refusal of governmental authorities to issue permits or licenses to us or to certify our compliance with GMP standards.

Exposure to these liabilities may arise in connection with the Company's existing and future operations as well as its historical operations. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurance that the Company will always be in compliance with all safety, health and environmental laws and regulations notwithstanding the Company's attempts to comply with such laws and regulations.

Changes in applicable safety, health and environmental standards may impose stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on the Company's industry, operations and/or activities and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental laws and regulations. Further changes in safety, health and environmental laws and regulations, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits in relation thereto, may require increased compliance expenditures by the Company.

Competition

While the Radient MAP™ technology is potentially disruptive in the marketplace, the industrial technology industry is intensely competitive in all its phases, and Radient will compete with many companies that have substantially greater financial and technical resources.

New technology may be developed, and new advances may significantly reduce the value of Radient's MAP™ technology. In recent history, Radient has not sold its technology on a commercial scale, and it will compete against more established companies, some of which have greater financial, marketing and other resources than that of Radient.

There can be no assurance that potential competitors of Radient, which may have greater financial, R&D, sales and marketing and personnel resources than Radient, are not currently developing, or will not in the future develop, products and strategies that are equally or more effective and/or economical as any products or strategies developed by Radient or which would otherwise render its products or strategies obsolete.

Radient operates within competitive markets and the Company believes that it has adopted a competitive business strategy. However, Radient's business, results, operations and financial condition could be materially a dversely affected by the actions of its competitors (including their marketing and pricing strategies and product and services). Radient may be forced to change the nature of its business as a result of competitive factors and there is no assurance that Radient will be able to compete successfully in the marketplace in which it seeks to operate.

Dependence on Key Personnel

The success of Radient depends upon attracting and retaining the services of its management team as well as Radient's ability to attract and retain a sufficient number of other highly qualified personnel to run the business. There is substantial competition for highly qualified personnel in the biotechnology industry, as well as the Alberta marketplace. As most key personnel devote their full time to the business, the loss of any member of Radient's management team or other key person could have a material adverse effect on its business. As Radient's level of business activity grows, it will require additional key administrative and marketing personnel. There can be no assurance that the Company will be successful in hiring such personnel.

Customer Concentration

Although Radient has not generated significant revenue in recent history, nor is there any assurance thereof, its marketing strategy is not to rely on large volumes of customers but instead on a small number of high-volume customers. As Radient expects to have a small number of customers, the loss of any one could have a material adverse effect on its revenues and financial results.

Volatile Market Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies experience wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company.

Additional Financing

Radient has not generated significant revenues in its recent history. As a growing business, Radient's need for operational capital will also grow. The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that additional financing can be obtained on terms favourable to Radient or on any terms. Failure to raise the necessary funds in a timely fashion may also limit Radient's ability to move its programs forward in a timely and satisfactory manner, or to abandon the programs or force it to pursue alternative strategic options; any of which would harm its business, financial condition and results of operations, or affect its ability to continue operating.

Risks Related to Intellectual Property

Radient's success and ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology

and manufacturing processes, the ability to secure and protect its patents, trade secrets, trademarks and other intellectual property rights either developed internally or acquired, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights that it owns or licenses. There can be no assurance that any of Radient's patents will be sufficiently broad to protect the Company's technology or that they will not be challenged or found to be invalid. Moreover, there can be no assurance that the numerous patent applications that the Company has filed will become successful patents or that the claims made in the various applications will remain intact even if the applications become patents.

Outstanding Share Data

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

Common shares issued and outstanding: 270,735,995

Fully diluted capital: 331,772,785

Stock Options

24,645,150 are issued and outstanding with a weighted average exercise price of $1.03. Each stock option entitles its holder to purchase one common share of the Company with varying expiry dates up to June 23, 2024. Additionally, on June 5, 2019, the Company approved to issue 470,000 incentive stock to certain employees and consultants in which 50% vests immediately and 50% quarterly over two years at an exercise price of $0.93. Each stock option entitles its holder to purchase one common share of the Company until June 5, 2024.

Finders' Options

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

Warrants

33,955,205 are issued and outstanding with a weighted average exercise price of $0.97. Each warrant entitles its holder to purchase one common share of the Company with varying expiry dates up to July 31, 2020.

Shares Issued for Services

During the year ended March 31, 2019 and the year ended March 31, 2018, the Company approved multiple shares for service agreements with third parties in exchange for corporate development, business development and consulting services. Pursuant to the terms of the agreements the Company may issue common shares in exchange for a maximum of $379,000 USD, $585,000 GBP and $96,000 CAD of services provided in the fiscal year at the option of the third party. The number of shares issued and the share price will be based on the terms of the agreements. The agreements were approved by the TSXV and will be subject to approval for each successive 2-year renewal term. Common shares with a value of $146,250 GBP and $5,630 USD have been issued as of the date of this MD&A for services rendered during the year ended March 31, 2019. Common shares with a value of $97,500 GBP have been issued as of the date of this MD&A for services rendered for April and May 2019.

Other Shareholder Information

Directors

Denis Taschuk, CA (Board Member, Compensation Governance & Nominating Committee) (Non- Independent)

Harry Kaura (Board Member, Health & Safety Committee)

Mike Cabigon (Board Member, Health & Safety Committee) (Non-Independent)

Steve Dauphin (Board Member, Audit Committee (Chairman) Compensation Governance & Nominating Committee)

Francesco Ferlaino (Board Member (Chairman), Audit Committee, Compensation Governance & Nominating Committee (Chairman)

Dimitris Tzanis (Board Member)

Jan Petzel (Board Member, Audit Committee)
Steven Splinter (Board Member) (Non-Independent)

Allan Cleiren (Board Member) (Non-Independent)

Officers

Denis Taschuk, CA
(President and Chief Executive Officer)

Mike Cabigon (Chief Operating Officer)

Steven Splinter, PhD (Chief Technology Officer and Corporate Secretary)

Prakash Hariharan, (Chief Financial Officer)

Corporate Counsel

Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver BC

Auditors

Grant Thornton LLP, Chartered Professional Accountants, 1701 Scotia Place 2, 10060-Jasper Avenue, Edmonton AB

Trust Agent

Odyssey Trust Company (Canada), 350 – 300 5th Avenue S.W., Calgary, AB

Contacts (780-465-1318)

Corporate & Strategic –
Denis Taschuk

Investor Relations –
Bill Wasson

Administration & Finance –
Prakash Hariharan

Consolidated Financial Statements

March 31, 2019
and 2018

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Independent Auditor's Report

To the Shareholders of Radient Technologies Inc.

Opinion

We have audited the consolidated financial statements of Radient Technologies Inc. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as at March 31, 2019 and March 31, 2018 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises:
- The information included in the Management Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton LLP

Chartered Professional Accountants
Edmonton, Canada
July 8, 2019

Radient Technologies Inc. Consolidated Balance Sheets

As at March 31	2019	2018
Assets		
Current assets		
Cash	$31,752,852	$21,855,304
Accounts receivable	$199,136	$244,438
Prepaids and deposits (Note 4)	$1,472,203	$1,915,683
Inventories (Note 22)	$410,848	$30,829
	$33,835,039	$24,046,254
Non-current assets		
Long-term prepaids and deposits (Note 5)	$1,005,443	$490,293
Investment in related company (Note 6)	-	$1,119,015
Plant and equipment (Note 4)	$25,338,859	$4,272,452
Intangible assets (Note 5)	$846,932	$84,640
	$27,191,234	$5,966,400
Total assets	$61,026,273	$30,012,654
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$3,522,828	$1,669,206
Current portion of long-term debt (Note 9)	$69,324	$166,335
Current portion of finance lease obligations (Note 10)	$98,640	$99,488
Current portion of due to related company (Note 6)	-	$50,053
Advances from related company (Note 6)	-	$31,287
	$3,690,792	$2,016,369
Non-current liabilities		
Long-term debt (Note 9)	$6,393,796	$1,090,015
Finance lease obligations (Note 10)	$89,188	$187,828
Other long-term liabilities	$10,098	$87,694
Due to related company (Note 6)	-	$758,623
	$6,493,082	$2,124,160
Shareholders' equity	$50,842,399	$25,872,125
Total liabilities and shareholders' equity	$61,026,273	$30,012,654

See accompanying notes to the consolidated financial statements

Radient Technologies Inc. Consolidated Statements of Operations and Comprehensive Loss

For the years ended March 31	2019	2018
Revenues		(Note 23)
Contract manufacturing	$214,060	$451,450
Technical assessments	-	$4,377
	$214,060	$455,827
Cost of revenues		
Contract manufacturing	$131,249	$260,715
	$82,811	$195,112
Expenses		
General and administrative	$5,502,399	$2,827,056
Production plant	$3,185,009	$1,415,233
Process development	$1,942,103	$919,034
Corporate development	$1,499,130	$526,988
Business development	$1,285,676	$656,155
Engineering	$1,266,762	$243,374
Depreciation and amortization	$1,128,047	$539,888
Quality control and assurance	$1,055,243	$368,238
Research and development	$776,962	$142,541
Financing fees (Note 16)	$677,836	$454,066
	$18,319,167	$8,092,573
Loss before other income (expenses)	($18,236,356)	($7,897,461)
Other income (expenses)		
Reversal of impairment losses on plant and equipment (Note 4)	$2,209,811	-
Interest and other income	$444,627	$66,252
Rental income	$24,327	$87,716
Share-based payments (Note 11)	($10,322,568)	($6,187,910)
Loss on demolition of buildings (Note 4)	($1,928,637)	-
Allocation of related company loss (Note 6)	($45,032)	($75,133)
Foreign exchange loss	($1,739)	($28,435)
Other expenses	-	($13,346)
	($9,619,211)	($6,150,856)
Net loss and comprehensive loss	($27,855,567)	($14,048,317)
Basic and diluted loss per common share (Note 21)	($0.11)	($0.07)
Weighted average number of common shares outstanding		
Basic and diluted	251,884,940	188,638,932

See accompanying notes to the consolidated financial statements

Radient Technologies Inc. Consolidated Statements of Cash Flows

For the years ended March 31	2019	2018
Operating Activities		
Net loss	($27,855,567)	($14,048,317)
Adjustments for:		
Share-based payments	$10,322,568	$6,187,910
Loss on demolition of buildings	$1,928,637	-
Depreciation and amortization	$1,128,047	$539,888
Interest expense and pay-out penalties	$433,089	$194,817
Finance fees accretion and amortization	$244,747	$259,249
Allocation of related company loss	$45,032	$75,133
Non-cash rent incentive received	$15,147	-
Doubtful debts provision	$2,462	$65,686
Reversal of impairment losses on plant and equipment	($2,209,811)	-
Interest income	($444,627)	-
Accretion of rent liability	($9,567)	($9,508)
	($16,399,843)	($6,735,142)
Change in non-cash operating working capital (Note 7)	$1,077,836	($1,556,461)
Cash used in operating activities	($15,322,007)	($8,291,603)
Financing Activities		
Proceeds from placements	$34,202,759	$6,222,388
Proceeds from exercise of warrants	$5,779,704	$13,505,214
Proceeds from exercise of stock options	$738,864	$1,705,432
Proceeds from exercise of finders options	$31,500	$477,225
Proceeds from long-term debt	$5,500,000	-
Share issuance costs	($2,378,803)	($73,540)
Repayment of debt associated with purchase of assets	($2,218,614)	-
Repayment of debt on purchase of 1631807 AB Ltd. assets	($1,388,691)	-
Repayment of due to related company	($996,471)	($50,190)
Interest and pay-out penalties paid	($445,643)	($122,800)
Financing costs paid on long-term debt	($236,608)	-
Repayment of long-term debt	($162,849)	($239,200)
Repayment of finance lease obligations	($99,488)	($22,574)
Repayment of royalty financial liability	-	($41,085)
Change in restricted cash	-	$1,960,000
Cash provided by financing activities	$38,325,660	$23,320,870
Investing Activities		
Purchase of plant and equipment	($12,296,038)	($1,252,717)
Investment in intangible assets	($807,940)	($73,089)
Increase in long-term prepaids and deposits	($540,150)	($490,293)
Interest received	$444,627	-
Purchase of 1631807 AB Ltd. assets	$93,396	-
Advances from related company	-	$134,389
Cash used in investing activities	($13,106,105)	($1,681,710)
Net increase in cash	$9,897,548	$13,347,557
Cash, beginning of year	$21,855,304	$8,507,747
Cash, end of the year	$31,752,852	$21,855,304
Non-cash transactions (Note 7)		

See accompanying notes to the consolidated financial statements

Radient Technologies Inc. Consolidated Statements of Changes in Equity

For the years ended March 31, 2019 and 2018	Common Shares (Note 11)	Contributed Surplus (Note 11)	Deficit	Equity
Balance March 31, 2017	$ 40,639,772	$ 11,718,108	$(47,961,786)	$ 4,396,094
Share-based payments	-	$6,187,910	-	$6,187,910
Private placement	$6,222,388	-	-	$6,222,388
Warrant exercises	$18,163,374	($4,658,160)	-	$13,505,214
Stock option exercises	$3,131,071	($1,425,639)	-	$1,705,432
Finders' option exercises	$1,017,019	($539,794)	-	$477,225
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	$75,530	-	-	$75,530
Share issuance costs	($103,540)	-	-	($103,540)
Warrant issuance	($3,318,041)	$3,318,041	-	-
Net loss	-	-	($14,048,317)	($14,048,317)
Balance March 31, 2018	$ 73,281,762	$ 14,600,466	$(62,010,103)	$ 25,872,125

For the years ended March 31, 2019 and 2018	Common Shares (Note 11)	Contributed Surplus (Note 11)	Deficit	Equity
Balance March 31, 2018	$ 73,281,762	$ 14,600,466	($62,010,103)	$ 25,872,125
Share-based payments	-	$10,322,568	-	$10,322,568
Brokered placement	$24,840,000	-	-	$24,840,000
Private placement	$9,362,759	-	-	$9,362,759
Warrant exercises	$6,805,474	($1,025,770)	-	$5,779,704
Stock option exercises	$1,366,662	($627,798)	-	$738,864
Finders' option exercises	$67,130	($35,630)	-	$31,500
Shares issued for asset purchases	$3,883,886	-	-	$3,883,886
Shares issued for services	$212,594	-	-	$212,594
Shares issued for debt	$32,769	-	-	$32,769
Share issuance costs	($2,378,803)	-	-	($2,378,803)
Warrant issuance	($7,146,387)	$7,146,387	-	-
Finders' options issued	($1,296,996)	$1,296,996	-	-
Net loss	-	-	($27,855,567)	($27,855,567)
Balance March 31, 2019	$109,030,850	$31,677,219	($89,865,670)	$50,842,399

See accompanying notes to the consolidated financial statements

1. Nature of operations and general information

Radient Technologies Inc. was incorporated on June 12, 2001. The principal activities of Radient Technologies Inc. and its subsidiaries, (collectively, the "Company") are research, development and commercialization of an efficient and environmentally responsible technology for the extraction, isolation and purification of soluble products from a wide range of materials using microwave technology. The 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 consolidated financial statements, including comparatives, were authorized for issue by the Board of Directors of the Company on July 8, 2019.

2. Basis of presentation

a) Statement of compliance

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

b) Basis of consolidation

The consolidated financial statements of the Company include the financial statements of Radient Technologies Inc. and its wholly-owned subsidiaries Radient Technologies (Cannabis) Inc. ("RTC"), Radient Technologies Innovations Inc. ("RII"), Radient Technologies (Switzerland) Inc. ("RTS"), and 1631807 Alberta Ltd (Note 6). 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.

c) Basis of measurement

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

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

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.

3. Summary of significant accounting policies

Use of management critical judgments, estimates and assumptions

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

Management critical judgments, estimates and assumptions

Available for use

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

Impairment and reversals of impairment of non-financial assets

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

The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Cash flows are derived from the budgets and forecasts and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows.

Considerable judgment is applied in assessing indicators of impairment or impairment reversal and

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

Provisions

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

Depreciation and amortization

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

Inventories

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

Income taxes

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

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

Share-based payments

The fair value of share-based payments is determined using the Black Scholes Option Pricing Model based on estimated fair values at the date of grant. The Black Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

Functional currency

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

Investments

Prior to May 3, 2018, the Company's 50% interest in 1631807 Alberta Ltd was accounted for as a joint venture.

A joint venture is an arrangement that the Company controls jointly with one or more other investors, and over which the Company has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Investments in joint ventures are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Company's share in the joint venture is not recognized separately and is included in the amount recognized as investment.

The carrying amount of the investment in joint ventures is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealized gains and losses on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and highly liquid financial instruments with original maturities of three months or less. Cash equivalents are held in a chequing account and a premier investment account and are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

Plant and equipment

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

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

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

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

Intangible assets

Acquired

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

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

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

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

Research and development costs

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

Inventories

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

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
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company's contract with its main client through fiscal 2019 to process biomass and extract natural compounds consisted of one performance obligation which occurred at the point of delivery to the client. The transaction price was for a fixed fee per the contract agreement. Revenue was recognized at the point of delivery when the performance obligation was satisfied.

The Company's current MSA for processing dried cannabis into cannabis oil (processed biomass) 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 THC and the amount of processed biomass. Since the commercial processing of cannabis oil only commenced in March 2019, the revenue earned from this MSA during the fiscal year is $nil.

Consideration received in advance of revenue being recognized will be deferred until the conditions are met.

During the fiscal year ended March 31, 2018, revenue was recognized in accordance with IAS 18 Revenue by reference to the stage of completion of the contract at the balance sheet date. The stage of completion was determined as the proportion of the total effort that was completed as at the end of the reporting period and recognised when the following conditions were satisfied:

- the amount of revenue could be measured reliably;
- it was probable that the economic benefits associated with the transaction would flow to the Company;
- the stage of completion at the balance sheet date could be measured reliably; and
- the costs incurred or to be incurred in respect of the transaction could be measured reliably.

When the above criteria were not met, revenue arising from provision of these services was recognized only to the extent of the expenses recognized that were recoverable.

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

Interest income

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

Rental income

Rental income from operating leases to subtenants of the Company's office space is recognised on a straight-line basis over the term of the lease.

Impairment and reversals of impairment of long-lived assets

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

Leases

Leases are classified as finance or operating leases. A lease is classified as a finance lease if it effectively transfers substantially the entire risks and rewards incidental to ownership.

At the commencement of the lease, the Company recognizes finance leases as an asset acquisition and an assumption of an obligation in the consolidated balance sheet at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the incremental borrowing rate is used. The interest element of the lease payment is recognized as finance cost over the lease term to achieve a constant periodic rate of interest on the remaining balance of the liability.

Any initial direct costs of the lessee are added to the amount recognized as an asset. The useful life and depreciation method is determined on a consistent basis with the Company's policies for property and equipment. The asset is depreciated over the shorter of the lease term and its useful life.

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

Government assistance

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

Foreign currency translation

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

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

Income (loss) per common share

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

Deferred taxes

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

Share issue costs

Share issue costs associated with the liability component of the convertible and retractable financial instruments are recorded at cost and are deferred and subsequently recognized over a period beginning from the date of issuance to the earliest redemption date using the effective interest method. The unamortized charges are presented net with the liability component. Upon conversion of the financial instruments into common shares, any unamortized balance is charged to share capital.

Share issuance costs relating to the issuance of share capital are deferred in prepaids and netted against the proceeds when the related shares are issued.

Share-based payments

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

Employee Share Purchase Plan

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

Financial instruments

Financial assets

During the fiscal year ended March 31, 2019, under IFRS 9 Financial instruments (IFRS 9) financial assets are initially recognized at fair value plus directly attributable transaction costs. The classification is based on the Company's business approach for managing the financial assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (SPPI test). The business approach considers whether a Company's objective is to receive cash flows from holding assets, from selling assets in a portfolio, or a combination of both.

Subsequent measurement of financial assets is at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Assets held only for the collection of contractual cash flows and that meet the SPPI test, are classified and subsequently measured at amortized cost using the effective interest rate method. Cash, account receivables, deposits and advances to/from related parties have been included in this category.

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

During the fiscal year ended March 31, 2018, under IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), the Company's financial assets were classified as loans and receivables for initial recognition. These assets consisted of cash, restricted cash, accounts receivable, deposits and advances to related company. Loans and receivables were subsequently measured at amortized cost using the effective interest method.

Financial liabilities

The accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39. Under IFRS 9 financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt, finance lease obligations, due to related company,

advances from related company have been classified as financial liabilities. During the fiscal year ended March 31, 2018, under IAS 39, the initial and subsequent recognition of financial liabilities are the same with the exception that they are classified as other financial liabilities.

Fair value

During the fiscal year 2019, under IFRS 9 and during the fiscal year 2018, under IAS 39, financial instruments are initially measured at fair value. The Company categorizes its fair value measurements for financial assets and financial liabilities measured at fair value according to a three-level hierarchy which prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the overall fair value measurement. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

Level 1
fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

Level 2
fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3
fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment

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

The Company applies the simplified approach to trades receivables and calculates expected credit losses (ECLs) based on lifetime expected credit losses taking into considerations historical credit loss experience and general economic conditions. When the carrying amount of financial assets are reduced through an ECL allowance, this is recognized in the consolidated statements of income.

During the fiscal year ended March 31, 2018, under IAS 39, financial assets measured at amortized cost were assessed for indicators of impairment at the end of each reporting period. Financial assets were impaired when there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset were affected.

Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty had defaulted. Accounts receivable were also assessed for impairment on a collective basis. This was determined by reference to industry and experience, as well as observable changes in national or local economic conditions that correlated with default on receivables. The amount of the impairment loss recognized was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the accounts receivables was reduced by use of an allowance account. When a receivable was considered uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against the allowance account. Changes in the carrying amount of the allowance account were recognized in profit and loss.

New accounting standards adopted April 1, 2018

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 without restatement. The adoption of this standard did not have a significant impact to the 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 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 adoption of IFRS 9 had no material impact to the financial statements.

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.

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 performance obligations in each contract are met.

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 Company 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).

Future changes in accounting standards not yet adopted

The following are the new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on the Company in the future, as discussed below.

IFRS 16 – Leases, replaces IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating Leases and SIC 27 – Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The following changes are anticipated as a result of the implementation of IFRS 16:

- Leases previously classified as operating leases under IAS 17 with a lease term greater than 12 months will be recognized as right-of-use assets and financial liabilities. This will increase the amount of total assets and total liabilities in the consolidated balance sheets.

- The depreciation expense from the right-of-use assets and interest expense from the financial liabilities will be recorded in the consolidated income statement. These operating leases were previously recorded as operating expenses. Any payments such as utilities, common area maintenance costs, property tax, or any additional service payment associated with the leases will continue to be recorded in the income statement as operating expenses.

- As a result of adopting the new standard, the Company has estimated as at April 1, 2019 that property, plant, and equipment will increase by approximately $687,241, long-term debt will increase by $687,241, and there will be no cumulative impact to the Company's opening retained earnings. The above amounts are based on lease information gathered and evaluated to date and are subject to change.

The Company expects to implement the standard using the modified retrospective approach which would result in any cumulative effect of adoption being recognized as an adjustment to the opening retained earnings at April 1, 2019. The Company expects to adopt the practical expedient to account for leases with a remaining term of less than 12 months as at April 1, 2019 as short-term leases and to grandfather previous assessments of whether a contract was or contained a lease under IAS 17 and IFRIC 4 at the date of initial application.

4. Plant and equipment

	Equipment	Buildings and improvements	Land and improvements	Assets under construction	Leasehold improvements	Other (1)	Total
Cost		-	-	-			
March 31, 2017	$6,412,175	-	-		$5,148,532	$53,799	$ 11,614,506
Additions	$1,017,418	-	-	$538,922	$140,508	$154,135	$1,850,983
Transfers	$5,000	-	-	-	-	($5,000)	-
Disposals	-	-	-	-	-	($29,669)	($29,669)
March 31, 2018	$7,434,593			$538,922	$5,289,040	$173,265	$13,435,820
Additions	$6,840,609	$1,993,302	$2,307,575	$5,783,194	$164,770	$365,053	$17,454,503
Assets acquired in							
1631807 AB Ltd.	-	$3,150,410	$1,262,719	-	-	-	$4,413,129
Transfers	($926,582)	$8,218,213	$267,235	($2,424,397)	($5,162,889)	$28,420	-
Disposals	($899,293)	($1,972,021)	-	-	-	($3,260)	($2,874,574)
March 31, 2019	$12,449,327	$ 11,389,904	$3,837,529	$3,897,719	$290,921	$563,478	$32,428,878
Accumulated depreciation and impairment							
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	$677,914	$254,767	$15,343	-	$33,459	$100,916	$1,082,399
Transfers	$91,633	$4,177,931	-	-	($4,269,564)	-	-
Reversal of				-			
Impairment losses	($1,059,852)	($1,149,959)	-		-	-	($2.209,811)
Disposals	($899,293)	($43,384)	-	-	-	($3,260)	($945,937)
March 31, 2019	$3,657,728	$3,239,355	$15,343	-	$36,850	$140,743	$7,090,019
Carrying value							
March 31, 2018	$2,587,267	-	-	$538,922	$1,016,085	$130,178	$4,272,452
March 31, 2019	$8,791,599	$8,150,549	$3,822,186	$3,897,719	$254,071	$422,735	$25,338,859

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

The Company's finance lease obligations (Note 10) are secured by the lessor's title to the leased assets, which have a carrying amount of $425,487 (2018 - $536,170) and are included in equipment.

Included in prepaids and deposits is $330,628 (2018 - $861,652) which are advance payments on the purchase of various pieces of equipment related to the Company's capital expansion projects. Delivery is expected early in fiscal 2020.

Included in the additions of land and improvements is capitalized borrowing costs of $23,847 (2018 - $nil) related to the purchase of vacant land and $51,073 (2018 - $nil) in assets under construction. The borrowing costs have been capitalized at the rate of the specific borrowing which is the greater of 8.5% or the Bank of Nova Scotia prime rate plus 5.05% per annum (March 31, 2019 – 9.0%).

Reversal of impairment losses on plant and equipment

During the year ended March 31, 2015, due to concern regarding the Company's ability to generate sufficient cash flows to maintain normal operations, the Company performed impairment tests on plant and equipment. The Company determined the recoverable amount for its leasehold improvements and equipment on the basis of fair value less costs of disposal ("FVLCD") and concluded that as the carrying amount was higher than the recoverable amount, a provision for impairment was required. Impairment losses of $2,248,173 was recorded against equipment and $3,223,918 was recorded against the Company's leasehold improvements.

4. Plant and equipment

For the year ended March 31, 2019, as a result of the new cannabis market and the acquisition of the production facility during the year (Note 6), there was a change in the highest and best use of the plant and equipment, resulting in the FVLCD being greater than prior years. This supports the reversal of impairment losses on leasehold improvements (transferred to buildings and improvements) and equipment. The Company determined the recoverable amount as the FVLCD based on an estimate determined by an independent third-party appraisal of its production facility (including equipment). The key assumptions used in determining the fair value include comparable market data and fixed depreciation rates. The fair value measurement of the Company's plant and equipment is designated Level 3 on the fair value hierarchy.

As a result, $2,209,811 of the previously recognized impairment losses on plant and equipment were reversed which represents the lesser of the FVLCD and the carrying amount of the assets that would have been determined had no impairment loss been previously recognized.

Loss on demolition of buildings

In January 2019, the Company demolished the warehouse and office building adjacent to Radient's production facility to commence construction of Edmonton III, its planned 100,000 square foot manufacturing facility. The demolition of the buildings resulted in a loss on disposal of $1,928,637 (cost $1,972,021 net of accumulated depreciation $43,384).

5. Intangible assets

	Patents	Licenses	ERP(1)	Other(2)	Total
Cost					
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	-	$412,949	$217,312	$177,679	$807,940
Balance March 31, 2019	$100,000	$459,993	$243,357	$177,679	$981,029
Accumulated amortization					
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	$15,752	$13,302	$3,867	$45,648
Balance March 31, 2019	$100,000	$16,928	$13,302	$3,867	$134,097
Carrying value					
March 31, 2018	$12,727	$45,868	$26,045	-	$84,640
March 31, 2019	-	$443,065	$230,055	$173,812	$846,932

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

Included in long-term prepaids and deposits is $892,770 (2018 - $424,994) related to patent applications that are expected to be recorded to intangible assets as patents are granted.

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 $45,032 for the year ended March 31, 2019 (2018 - $75,133).

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

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

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.

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	$2,909,900

Fair value of identifiable assets acquired	
Current assets	
Cash	$46,814
Accounts receivable	$2,232
	$49,046
Non-current assets	331
Advances to related company	83,176
Other non-current assets	4,413,129
Plant and equipment	4,496,636
Total assets	$4,545,682

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
	$1,436,143
Total liabilities	$1,635,782
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.

7. Change in non-cash operating working capital

	Year ended March 31, 2019	Year ended March 31, 2018
Accounts receivable	$45,072	($154,075)
Prepaids and deposits	$443,480	($1,737,580)
Inventory	($380,019)	($4,275)
Accounts payable and accruals	$969,303	$339,469

Non-cash transactions

Non-cash transactions	Year ended March 31, 2019	Year ended March 31, 2018
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	$75,530
Settlement of royalty liability through issuance of shares	-	$5,453,457
Settlement of convertible debenture through issuance of shares	-	$1,909,636
Settlement of interest payable through issuance of shares	-	$91,096
Conversion of repayable government contributions to long-term debt	-	$883,493
Equipment acquired through finance lease obligations	-	$292,710
Settlement of account receivable through extinguishment of other long-term liability	-	($9,017)
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:

	Year ended March 31, 2019	Year ended March 31, 2018
Long-term debt	6,393,796	1,090,015
Due to related company	-	758,623
Other long-term liabilities	10,098	87,694
Finance lease obligations	89,188	187,828
Total debt	6,493,082	2,124,160
Shareholders' equity	50,842,399	25,872,125
	57,335,481	27,996,285

The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2019.

9. Long-term debt

	Year ended March 31, 2019	Year ended March 31, 2018
Loan payable bearing interest at 5.8% with monthly payments of $9,327 maturing October 1, 2021 (a)	$266,602	$360,725
Loan payable bearing interest at 4.55% with monthly payments of $2,586 maturing March 1, 2023 (a)	$113,465	138,848
Loan payable bearing interest at Bank of Canada policy interest rate plus 3% with variable payments maturing June 1, 2025 (b)	$713,434	$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 required and principal maturing on November 1, 2020 (c) Financing costs	$5,500,000	-
	($130,381)	-
	$6,463,120	$1,256,350
Current portion	**($69,324)**	($166,335)
	$6,393,796	$1,090,015

Interest expense that has not been capitalized as a borrowing cost is presented under financing fees and is $428,243 (2018 - $56,381).

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

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

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

The security for these loans is by way of a promissory note and security agreement on all present and after acquired personal property, including proceeds and including but limited to specialized equipment subject to no prior registrations and encumbrances. The Company has also given a Priority Agreement, in a form satisfactory to AFSC, confirming AFSC's priority relationship over the equipment being purchased.

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

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

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

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

On May 3, 2018, the Company acquired the remaining 50% interest in 1631807 Alberta Ltd. and the Adjacent Lands from Amnor Group Inc. (Note 6). In conjunction with these transactions, the Company entered into a $5,500,000 mortgage with Moskowitz to discharge the previous mortgage loans on these properties. The mortgage bears interest at the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05% (March 31, 2019 – 9.00%). Monthly interest only payments commenced May 1, 2018 and are required until the loan is due in full on November 1, 2020.

The mortgage is secured by the Company's production facility and the Adjacent Lands.

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

10. Finance lease obligations

The Company has finance leasing arrangements related to equipment. As at March 31, 2019, the average remaining lease term is 1.6 years (March 31, 2018 – 3.0 years) with an underlying interest rate of 4.7% (March 31, 2018 – 4.7 to 13.3%) per annum.

The finance lease repayments are due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	Year ended March 31, 2019	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2018
Less than one year	$105,394	$110,965	$98,640	$99,488
Between one and five years	$91,053	$196,617	$89,188	$187,828
	$196,447	$307,582	$187,828	$287,316
Less future finance charges	($8,619)	($20,266)	-	-
Present value of minimum lease payments	$187,828	$287,316	$187,828	$287,316
Current portion			($98,640)	($99,488)
			$89,188	$187,828

11. 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)
Balance March 31, 2018	224,403,251	$73,281,762
Issuance of shares to acquire 50% interest in related company (Note 6)	1,246,449	$1,882,500
Issuance of shares to purchase the Adjacent Lands (Note 6)	1,553,190	$2,001,386
Issuance of shares on placements	28,502,299	$34,202,759
Warrant exercises	11,773,693	$6,805,474
Stock option exercises	1,081,870	$1,366,662
Shares issued for services	169,155	$212,594
Shares issued for debt	35,236	$32,769
Share issuance costs	-	($2,378,803)
Warrant issuance	-	($7,146,387)
Finders' option exercises	70,000	$67,130
Finders' option issuance	-	($1,296,996)
Balance March 31, 2019	**268,835,143**	**$109,030,850**

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 $20,582 for the year ended March 31, 2019 ($nil for the year ended March 31, 2018) of costs incurred related to shares issued for asset purchases.

Shares issued for debt

During the year ended March 31, 2019, 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. Conversion of the quarterly interest payments and convertible debenture was completed in accordance with the original agreement. 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) June 15, 2017	(2) June 28, 2017	(3) June 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:

	June 15, 2017	June 28, 2017	June 28, 2017
Common share purchase warrants			
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

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 year ended March 31, 2019, the Company approved multiple shares for service agreements with third parties in exchange for consulting services. Pursuant to the terms of the agreements the Company may issue 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 will vary based on the terms of the agreements. Per the terms of the agreement on December 1, 2018, 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. Per the terms of the agreement on January 1, 2019, the number of shares will be issued monthly and the issue price of these shares will be the greater of (i) the 15 day VWAP share trading price of the shares on the TSX Venture Exchange on the last financial trading day of the relevant month; (ii) the "Discounted Market Price" (as defined in the policies of the TSX Venture Exchange) on the last financial trading day of the relevant month. The agreements were 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 these agreements as of March 31, 2019.

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 year ended March 31, 2019 and year ended March 31, 2018 are shown below:

Shares issued for the year ended March 31, 2019

Agreement issue date	December 1, 2018	January 1, 2019	Toital
Maximum services amount	$27,000 USD	$585,000 GBP	-
Common shares issued	-	-	-
Value of services (contract currency)	-	-	-
Value of services (CAD)	-	-	-
Weighted average issue price per common share	-	-	-
Balance included in accounts payable and accrued liabilities			
Contract currency	$5,927 USD	$146,250 GBP	
CAD	$8,160 CAD	$254,739 CAD	$262,899 CAD

Agreement issue date	August 28, 2017	November 28, 2017	December 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	

Shares issued for the year ended March 31, 2018

Agreement issue date	(1) August 28, 2017	(2) November 28, 2017	(3) December 6, 2017	Total
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 year ended March 31, 2019 ($3,465 for the year ended March 31, 2018) of costs incurred related to shares issued for services.

Placements

During the year ended March 31, 2019, 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.

Placement closing date	(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 (3)	24 (3)		24
Cash proceeds summary:				
Gross proceeds	$24,840,000	$9,362,759	$34,202,759	$6,222,388
Cash issuance costs	(1,846,851)	(492,109)	(2,338,960)	(38,837)
Net cash proceeds on issuance	$22,993,149	$8,870,650	$31,863,799	$6,183,551
Fair value of finders' options	(991,737)	(305,259)	(1,296,996)	-
Total issuance costs	($2,838,588)	($797,368)	($3,635,956)	($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	$6,610,915	$23,426,977	$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	1,624,290	-
Warrants	621,000	191,145	812,145	-
Warrant exercise price	$1.50	$1.50		
Warrant term in months	24	24		
Fair value of finders' 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.

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

Placement closing date	(1)Nov 28, 2017	(2)July 31, 2018	Dec 12, 2017
Common share purchase warrants			
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
Finders' options allocated to common shares and common share purchase warrants			
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:

	Year ended March 31, 2019		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	(70,000)	$0.45	(1,060,500)	$0.45
Outstanding, end of period	1,624,290	$1.20	70,000	$0.45

During the year ended March 31, 2019, the exercise of finders' options included the issuance of 70,000 common shares and 35,000 common share purchase warrants. The gross proceeds of these exercises of $31,500 plus the net value attributed to the common shares on the initial grant of the finders' options of $35,630 were recognized in common shares.

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 all of which were exercised prior to expiry. 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.

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. The fair value for the year ended March 31, 2019 of $6,561 (March 31, 2018 - $121,177) was determined using a Black-Scholes option pricing valuation model with the following assumptions:

	Nov 17, 2017	Jan 10, 2018
Finders' warrants		
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 March 31, 2019 of 1,624,290 (March 31, 2018 – 70,000) would include 1,624,290 (March 31, 2018 – 70,000) common shares and 812,145 (March 31, 2018 - 35,000) common share purchase warrants.

c) Warrants

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

	Year ended March 31, 2019 Number of warrants	Year ended March 31, 2019 Weighted average exercise price	Year ended March 31, 2018 Number of warrants	Year ended March 31, 2018 Weighted average exercise price
Outstanding, beginning of period	33,139,452	$0.54	54,911,824	$0.34
Warrants issued	14,286,149	$1.50	19,789,560	$0.66
Warrants exercised	(11,773,693)	$0.49	(41,561,932)	$0.32
Warrants expired	(376,853)	$0.70	-	-
Outstanding, end of period	35,275,055	$0.95	33,139,452	$0.54

During the year ended March 31, 2019 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 year ended March 31, 2019

Warrant exercise price	Number of warrants exercised	Gross proceeds	Fair value of warrants transferred to common shares	Weighted average exercise price
$0.25	2,842,692	$710,673	$178,629	$889,302
$0.50	5,913,350	$2,956,675	$172,010	$3,128,685
$0.70	3,017,651	$2,112,356	$675,131	$2,787,487
	11,773,693	$5,779,704	$1,025,770	$6,805,474

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 $17,920 for the year ended March 31, 2019 ($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 March 31, 2019 and March 31, 2018.

	March 31, 2019			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	636,050	0.9
$0.70	-	-	$0.70	3,359,503	0.9
$0.50	319,850	0.1	$0.50	319,850	1.1
$0.25	250,000	0.2	$0.25	250,000	1.2
-	-	-	$0.50	170,250	1.2
$0.25	1,132,950	0.5	$0.25	1,132,950	1.5
$0.25	500,000	0.7	$0.25	500,000	1.7
$1.71	4,541,889	0.7	$1.71	4,541,889	1.7
$0.25	1,000,000	0.7	$0.25	1,000,000	1.7
$0.25	1,175,000	0.9	$0.25	1,175,000	1.9
$0.25	1,869,335	0.9	$0.25	1,869,335	1.9
$0.25	1,070,712	1.0	$0.25	1,070,712	2.0
$0.25	3,051,310	1.2	$0.25	3,051,310	2.2
$0.25	6,112,860	1.2	$0.25	8,955,552	2.2
$1.50	14,251,149	1.3	-	-	-
$0.95	35,275,055	1.1	$0.54	33,139,452	1.6

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:

	Year ended March 31, 2019		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	15,490,000	$1.14	10,495,765	$0.79
Options exercised	(1,081,870)	$0.68	(2,584,090)	$0.66
Options forfeited	(79,204)	$1.01	(32,813)	$0.66
Outstanding, end of period	24,322,150	$1.03	9,993,224	$0.82
Exercisable, end of period	19,846,757	$0.95	8,007,390	$0.82

The following tables summarize information about stock options granted during the year ended March 31, 2019 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 year ended March 31, 2019

Original grant date	June 4, 2018	October 1, 2018	November 28, 2018	February 27, 2019	Total
Options granted:					
Options granted	1,475,000	3,900,000	9,090,000	1,025,000	15,490,000
Exercise price	$1.20	$1.82	$0.87	$0.93	
Weighted average grant date fair value	$0.98	$0.96	0.70	0.74	
Assumptions used:					
Grant date stock price	$1.20	$1.24	$0.87	$0.93	
Risk free interest rate	1.75%	$2.0%	2.0%	2.25%	
Expected dividend yield	-	-	-	-	
Estimated common share price volatility	117%	115%	114%	112%	
Estimated life in years	5	5	5	5	

Options granted for the year ended March 31, 2018

Original grant date	April 3, 2017	August 28, 2017	December 6, 2017	Total
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	
Assumptions used:				
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				
Estimated life in years	128%	123%	122%	
	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 year ended March 31, 2019 and the 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 year ended March 31, 2019

Original grant date	Exercise price	Number of options exercised	Gross proceeds	Fair value of options transferred to common shares	Common shares
April 3, 2017	$0.66	605,517	$399,641	$333,034	$732,675
August 28, 2017	$0.50	93,750	$46,875	$39,094	$85,969
June 23, 2014	$0.75	350,000	$262,500	$234,150	$496,650
May 22, 2014	$1.00	25,715	$25,715	$17,229	$42,944
April 17, 2014	$0.60	3,548	$2,129	$2,053	$4,182
May 17, 2010	$0.60	3,340	$2,004	$2,238	$4,242
		1,081,870	$738,864	$627,798	$1,366,662

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, 201	$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
		2,584,090	$1,705,432	$1,425,639	$3,131,071

The following table summarizes information about stock options outstanding at March 31, 2019 and March 31, 2018:

March 31, 2019			March 31, 2018		
Exercise price	Number of options	Remaining contractual life (years)	Exercise price	Number of options	Remaining contractual life (years)
$0.60	-	-	$0.60	3,340	2.1
$1.00	51,428	2.6	$1.00	77,143	3.6
$0.66	5,433,519	3.0	$0.66	6,058,240	4.0
$0.50	550,000	3.4	$0.50	643,750	4.4
$1.82	1,278,000	3.7	$1.82	1,278,000	4.7
$1.20	1,425,000	4.2	-	-	-
$0.60	3,340	4.4	$0.60	3,340	5.4
$1.82	3,900,000	4.5	-	-	-
$0.87	9,090,000	4.7	-	-	-
$0.93	1,025,000	4.9	-	-	-
$0.60	15,863	5.1	$0.60	19,411	6.1
$0.75	1,550,000	5.2	$0.75	1,910,000	6.2
$1.02	24,322,150	4.2	$0.82	9,993,224	4.5

The total share-based payments recognized during the year ended March 31, 2019 of $10,322,568 (2018 - $6,187,910) was recorded as an expense.

12. 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 $425,508 (2018 - $496,869) for the year ended March 31, 2019. Of these amounts, $21,964 (2018 - $257,093) were lease payments made to 1631807 Alberta Ltd. prior to the acquisition on May 3, 2018 (Note 6).

Non-cancellable operating lease commitments

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

	March 31, 2019
Within one year	$612,674
After one year but not more than five years	$899,515
Later than five years	$112,439
	$1,624,628

13. Commitments for expenditures

The Company has entered into various contracts for the construction of the Edmonton III facility and the purchase and retrofitting of equipment related to its planned capital expansion projects. As at March 31, 2019, the remaining commitments related to these contracts are $16,098,096 for assets under construction and $178,059 for equipment (2018 - $2,118,092 for leasehold improvements and $1,053,060 for equipment).

In addition, the Company has entered into a contract for the maintenance of certain assets as well as a contract for network services with a remaining commitment of $468,368 being required. Contract terms range between one and five years.

14. Income taxes

a) Income tax expense

	March 31, 2019	March 31, 2018
Current tax expense	-	-
Current period		
Deferred tax expense		
Origination and reversal of temporary differences	($5,054,413)	($2,598,855)
Change in unrecognized deductible temporary differences	$5,054,413	$2,598,855
Prior period adjustments	-	-
Total income tax expense from continuing operations	-	-

The actual income tax provision differs from the expected amount which would be obtained by applying the combined statutory income tax rate to the loss before income taxes as follows:

	March 31, 2019	March 31, 2018
Net loss before tax	$(27,855,567)	($14,048,317)
Statutory income tax rate	27.0%	27.0%
Expected income tax recovery	($7,521,003)	($3,793,046)
Increase (decrease) resulting from:		
Non-deductible amounts	$2,376,682	$1,203,506
Change in unrecognized deductible temporary differences	$5,054,413	$2,598,855
Change in tax rates and rate differences	$89,908	($9,315)
Income tax expense (recovery)	-	-

(b) Recognized deferred tax assets and liabilities

	March 31, 2019	March 31, 2018
Deferred tax assets are attributable to the following:		
Non-capital loss carry-forward	$117,142	$177,693
Deferred tax asset	$117,142	$177,693
Set-off of tax	($117,142)	($177,693)
Net deferred tax asset	-	-
Deferred tax liabilities are attributable to the following:		
Investment tax credits	($98,380)	($98,380)
Other	($18,762)	($79,313)
Deferred tax liabilities	($117,142)	($177,693)
Set-off of tax	117,142	$177,693
Net deferred tax liabilities	-	

c) Unrecognized deferred tax assets

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	March 31, 2019	March 31, 2018
Deductible temporary differences	$16,460,732	$14,720,245
Tax losses	$48,162,955	$30,031,988
	$64,623,687	$44,752,233
		-

d) Non-capital losses carried forward

As at March 31, 2019, the Company has Canadian federal non-capital losses carried forward of $47,132,372 (2018 - $31,216,605) and provincial non-capital losses carried forward of $49,726,002 (2018 - $32,850,798) available for use in future years. These non-capital losses carried forward expire between 2028 and 2039. The Company also has German net operating loss carryforwards of $704,479 that may be carried forward indefinitely and net operating losses available for carryforward in Switzerland of $690,473 that can be carried forward for seven years.

15. Related party transactions

The Company's related parties are its Board of Directors and key management personnel (President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Technology Officer) as well as any companies controlled by key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

a) Key management personnel and director remuneration

The remuneration of directors and key management personnel follows:

For the year ended March 31	2019	2018
Compensation	$921,784	$920,100
Short-term benefits	$25,740	$24,483
Share-based compensation	$6,609,518	$4,060,547
	$7,557,042	$5,005,130
Number of stock options issued	9,675,000	6,589,102
Weighted average exercise price	$1.25	$0.80

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

As at March 31, 2019, $109,804 (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.

b) Equity transactions

i) During the year ended March 31, 2019

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

A director and a key management personnel exercised 625,000 warrants for total gross proceeds of $312,500.

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 year ended March 31, 2019

A property management company owned by a director received $103,668 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.

ii) During the year ended March 31, 2018

A design company owned by a director received $11,605 for providing design services to the Company.

16. Financing fees

For the year ended March 31	2019	2018
Amortization of financing costs on due to related company	$138,520	$9,428
Amortization of financing costs on long-term debt	$106,227	-
Amortization of financing costs on convertible debenture	-	$10,170
Adjustment of convertible debenture to fair value	-	($43,868)
Interest on long-term debt	$428,243	$56,381
Interest on lease obligations	$11,337	$3,177
Interest on loan due to related company	$5,655	$62,569
Interest on convertible debenture	-	$64,692
Interest on repayable government contributions	-	$7,998
Payout penalty on due to related company	$16,414	-
Accretion of royalty financial liability	-	$281,816
Accretion of convertible debenture	-	$1,703
Other	($28,560)	-
	$677,836	$454,066

17. Financial instruments

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

For the year ended March 31	2019	2018
Financial assets		
Cash	$31,752,852	$21,855,304
Accounts receivable	$199,136	$244,438
Deposits	$98,651	$71,174
	$32,050,639	$22,170,916
Financial liabilities		
Accounts payable and accrued liabilities	$3,522,828	$1,669,206
Advances from related company	-	$31,287
Loans and borrowings	$6,650,948	$2,352,342
	$10,173,776	$4,052,835

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

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

Interest rate risk

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

For the period ended March 31, 2019, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to $61,972 (2018 - $7,568).

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	$3,522,828	-	-	-	$3,522,828
Long-term debt	$733,950	$5,971,912	$222,982	$376,939	$7,305,783
Lease obligations	$105,394	$91,053	-	-	$196,447
Balance March 31, 2019	**$4,362,172**	**$6,062,965**	**$222,982**	**$376,939**	**$ 11,025,058**
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 obligations	$110,784	$189,633	-	-	$300,417
Due to related company	$108,488	$207,967	$195,955	$1,087,006	$1,599,416
Balance March 31, 2018	$2,109,428	$877,000	$513,150	$1,525,743	$5,025,321

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

Foreign Exchange Risk

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

The Company operates on an international basis and is subject to foreign exchange risk related to financial assets and liabilities denominated in a foreign currency. The Company's objective with respect to foreign exchange risk, is to minimize the impact of the volatility where possible, through effective cash flow management. The following table provides an indication of the Company's exposure to changes in the value of foreign currencies relative to the Canadian dollar as at March 31, 2019. The analysis is based on financial assets and liabilities denominated in US Dollar ("USD"), Euro ("EUR"), British Pound ("GBP"), and Swiss Franc ("CHF") ("balance sheet exposure").

March 31 2019				
	(USD)	(EUR)	(GBP)	(CHF)
Cash	$451,320	$46,923	-	$100,000
Accounts receivable	-	$9,734	-	-
Accounts payable and accrued liabilities	($364,902)	($155,975)	($170,750)	-
Net balance sheet exposure	$86,418	($99,318)	($170,750)	$100,000
Translation rate at March 31, 2019	1.3768	1.5262	1.8144	1.3859
Net income impact of a 10% rate change	$11,898	$15,158	$30,981	$13,859

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

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in the Company incurring a financial loss.

The Company is exposed to credit risk on its cash and accounts receivable to a maximum of the carrying value of the items at the reporting date. The Company mitigates its exposure to credit risk related to its cash by holding funds with reputable financial institutions.

Accounts receivable is composed of the following:

Accounts receivable is composed of the following:

	March 31, 2019	March 31, 2018
Trade receivables	-	$497,313
Expected credit losses	-	($329,110)
Net trade receivables	-	$168,203
Other receivables	$199,136	$76,235
	$199,136	$244,438

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

Movement in the allowance for doubtful debts during the year was as follows:

	March 31, 2019	March 31, 2018
Outstanding, beginning of the year	$329,110	$263,424
Impairment losses recognized on trade receivables	$2,462	$65,686
Write-offs	($331,572)	-
Outstanding, end of the year	-	$329,110

An analysis of the aging of receivables is as follows:

	March 31, 2019	March 31, 2018
31 – 60 days	-	-
61 – 90 days	-	$28,373
Greater than 90 days	-	$345,566
Balance past due	-	$373,939
Current balance	-	$123,374
Trade accounts receivable	-	$497,313

18. Reconciliation of liabilities arising from financing activities

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

Non-cash changes	March 31, 2018	Cash flows (1)	Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	March 31, 2019
Long-term debt	$ 1,256,350	$ 5,100,543	-	-	-	$106,227	$ 6,463,120
Finance lease obligations	287,316	($99,488)	-	-	-	-	187,828
Debt related to the							
purchase of assets	-	($2,218,614)	$2,218,614	-	-	-	
Debt related to the	-			-	-	-	-
acquisition		($1,388,691)	$1,388,691				
of 1631807 AB Ltd. assets				-	-		-
Due to related company (4)	$808,676	($996,471)	$49,275			$138,520	-
	$2,352,342	$397,279	$3,656,580	-	-	$244,747	$ 6,650,948

Non-cash changes	March 31, 2017	Cash flows (1)	Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	March 31, 2019
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
	$ 9,511,331	$ 1,606,951	($1,662,097)	$ (7,363,093)	$239,651	$19,599	$ 2,352,342

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 on July 28, 2017, the debenture was converted to units of the Company.
(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.

19. Employee salaries and benefits

	March 31, 2019	March 31, 2018
Salaries	$5,139,575	$2,468,663
Short-term benefits	$493,582	$190,474
Employee share purchase plan	$32,793	-
Salaries and benefits capitalized	($347,517)	-
Salaries and benefits in finished goods inventory	($4,032)	-
Salary recovery – IRAP	-	($30,000)
Total employee salaries and benefits	**$5,314,401**	**$2,629,137**

	March 31, 2019	March 31, 2018
Included in:		
Cost of revenues	$87,307	$117,585
Production plant	$1,499,356	$639,502
General and administrative	$1,218,349	$495,772
Process development	$1,064,719	$580,069
Quality control and assurance	$582,224	$337,871
Engineering	$566,146	$212,275
Business development	$168,290	$128,371
Research and development	$128,010	$117,692
Total employee salaries and benefits	**$5,314,401**	**$2,629,137**

20. Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company's chief operating decision maker, the Chief Executive Officer. The Company has a single reporting segment which is the extraction, isolation and purification of soluble products from a wide range of materials using microwave technology.

a) Information about geographic areas

The Company's revenues from external customers are divided into the following geographical areas:

	March 31, 2019	March 31, 2018
Canada	$214,060	$408,003
USA	-	$47,824
	$214,060	$455,827

The Company has non-current assets of $251,288 located in Europe with all remaining assets in Canada.

b) Information about major customers

During the year ended March 31, 2019, the Company earned 100% of its revenue from one customer (2018 – 83% of revenue from one customer).

21. Loss per share

Diluted net income per common share is calculated by dividing the applicable net income by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. As at March 31, 2019 and 2018, all instruments were anti-dilutive based on having a net loss attributable to common shareholders for the period.

22. Inventories

Inventories are composed of the following:

	March 31, 2019	March 31, 2018
Raw materials	$281,054	$30,829
Spare parts	$120,443	-
Finished goods	$9,351	-
	$410,848	$30,829

Inventories expensed to costs of revenues during the year ended March 31, 2019 are $52,291 (March 31, 2018 – $19,896). Inventories expensed to operating expenses during the year ended March 31, 2019 are $124,571 (March 31, 2018 - $nil).

23. Comparative figures

The Company reclassified amounts in the Consolidated Statement of Operations and Comprehensive Loss relating to salary, consulting fees, travel, maintenance, rent and utilities to present these costs consistently with the current fiscal year. The 2018 comparatives have been reclassified as follows:

	Previously presented	Reclassification	Amount after reclassification
Cost of revenue			
Contract manufacturing	$269,915	($9,200)	$260,175
Expenses			
General and administrative	$3,112,138	($285,082)	$2,827,056
Production plant	$1,506,866	($91,633)	$1,415,233
Corporate development	-	$526,988	$526,988
Business development	$1,183,143	($526,988)	$656,155
Engineering	-	$243,374	$243,374
Research and development	-	$142,541	$142,541

The reclassifications presented in the table above did not impact the net earnings of the Company for the year ended March 31, 2018.

24. Post-reporting date events

Stock options and warrants exercised

Subsequent to March 31, 2019, the Company issued 1,319,850 common shares related to warrant exercises for total proceeds of $409,925 at a weighted average exercise price of $0.31. The Company also issued 147,000 common shares related to stock option exercises for total proceeds of $101,520 at a weighted average exercise price of $0.69.

Shares for services

Subsequent to March 31, 2019, the Company issued 434,002 common shares in exchange for consulting services of $434,796. Of this amount, $262,899 was for services incurred during the year ended March 31, 2019 (Note 11) and $171,897 was for services incurred in April and May 2019. The shares were issued based on the terms of the shares for service agreements at a weighted average price of $1.00.

Issuance of stock options

On June 5, 2019, the Company approved to issue 470,000 incentive stock options to certain employees and consultants in which 50% vests immediately and 50% quarterly over two years at an exercise price of $0.93. These options expire on June 5, 2024.

Purchase of inventory

Subsequent to March 31, 2019, the Company entered into agreements to purchase dried cannabis biomass up to $19,540,669. Upon receipt of the biomass, the Company will process the cannabis into extracts and intermediate products for sale.

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