Radient Technologies Inc.

Consolidated Financial Statements

March 31, 2018 and 2017

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Independent auditor's report

To the Shareholders of
Radient Technologies Inc.

We have audited the accompanying consolidated financial statements of Radient Technologies Inc., which comprise the consolidated balance sheets as at March 31, 2018 and March 31, 2017, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Radient Technologies Inc. as at March 31, 2018 and March 31, 2017, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Edmonton, Canada

July 24, 2018

Grant Thornton LLP

Chartered Professional Accountants

Radient Technologies Inc.
Consolidated Balance Sheets

As at March 31		2018		2017
Assets				
Current assets				
Cash	**$**	**21,855,304**	$	8,507,747
Restricted cash (Note 8)		**-**		1,960,000
Accounts receivable (Note 20)		**244,438**		165,066
Prepaids and deposits (Note 4)		**1,915,683**		178,103
Inventory		**30,829**		26,554
		24,046,254		10,837,470
Non-current assets				
Advances to related company (Note 9)		**-**		103,102
Long-term prepaids and deposits		**490,293**		**-**
Investment in related company (Note 9)		**1,119,015**		1,194,148
Plant and equipment (Note 4)		**4,272,452**		2,938,363
Intangible assets (Note 5)		**84,640**		34,545
		5,966,400		4,270,158
Total assets	**$**	**30,012,654**	$	15,107,628
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**1,669,206**	$	1,093,984
Convertible debenture (Note 8)		**-**		1,941,631
Repayable government contributions (Note 12)		**-**		878,300
Current portion of royalty financial liability (Note 10)		**-**		26,879
Current portion of long-term debt (Note 11)		**166,335**		111,723
Current portion of due to related company (Note 9)		**50,053**		50,053
Current portion of finance lease obligations (Note 13)		**99,488**		11,790
Advances from related company (Note 9)		**31,287**		**-**
		2,016,369		4,114,360
Non-current liabilities				
Royalty financial liability (Note 10)		**-**		5,185,847
Long-term debt (Note 11)		**1,090,015**		500,334
Finance lease obligations (Note 13)		**187,828**		5,390
Other long-term liabilities		**87,694**		106,219
Due to related company (Note 9)		**758,623**		799,384
		2,124,160		6,597,174
Shareholders' equity		**25,872,125**		4,396,094
Total liabilities and shareholders' equity	**$**	**30,012,654**	$	15,107,628

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

Director (signed by) *"Denis Taschuk"*

Director (signed by) *"Francesco Ferlaino"*

Radient Technologies Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended March 31		2018		2017 (Note 24)
Revenues				
Contract manufacturing (Note 18)	**$**	**451,450**	$	293,447
Technical assessments (Note 18)		**4,377**		-
		455,827		293,447
Cost of revenues				
Contract manufacturing		**269,915**		178,876
		185,912		114,571
Expenses				
General and administrative		**3,112,138**		1,885,836
Production plant		**1,506,866**		774,977
Business development		**1,183,143**		255,329
Process development		**919,034**		592,636
Depreciation and amortization		**539,888**		455,829
Financing fees (Note 19)		**454,066**		483,669
Quality control and assurance		**368,238**		19,195
		8,083,373		4,467,471
Loss before other income (expenses)		**(7,897,461)**		(4,352,900)
Other income (expenses)				
Rental income		**87,716**		114,475
Interest and other income		**66,252**		22,823
Forgiveness of repayable grant (Note 15)		-		30,000
Share-based payments (Note 14)		**(6,187,910)**		(184,531)
Allocation of related company (loss) income (Note 9)		**(75,133)**		61,318
Foreign exchange loss		**(28,435)**		(6,833)
Other expenses		**(13,346)**		(622)
		(6,150,856)		36,630
Net loss and comprehensive loss	**$**	**(14,048,317)**	$	(4,316,270)
Basic and diluted loss per common share	**$**	**(0.07)**	$	(0.05)
Weighted average number of common shares outstanding		**188,638,932**		85,862,057

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Consolidated Statements of Cash Flows

For the years ended March 31	2018	2017
Operating Activities		
Net loss	**$ (14,048,317)**	$ (4,316,270)
Add (deduct) items not affecting cash:		
Share-based payments (Note 14)	**6,187,910**	184,531
Depreciation and amortization	**539,888**	455,829
Finance fees accretion and amortization (Note 19)	**259,249**	228,031
Interest expense (Note 19)	**194,817**	255,638
Doubtful debts provision (Note 20)	**65,686**	263,424
Allocation of related company loss (income) (Note 9)	**75,133**	(61,318)
Forgiveness of repayable grant (Note 15)	-	(30,000)
Accretion of rent liability	**(9,508)**	(54,821)
	(6,735,142)	(3,074,956)
Change in non-cash operating working capital (Note 6)	**(1,556,461)**	(1,987,598)
Cash used in operating activities	**(8,291,603)**	(5,062,554)
Financing Activities		
Proceeds from exercise of warrants (Note 14)	**13,505,214**	1,066,261
Proceeds from private placements (Note 14)	**6,222,388**	14,155,708
Proceeds from exercise of stock options	**1,705,432**	-
Proceeds from exercise of finders options	**477,225**	-
Share issuance costs	**(73,540)**	(924,719)
Change in restricted cash	**1,960,000**	-
Interest paid	**(122,800)**	(251,806)
Repayment of long-term debt	**(239,200)**	(136,325)
Repayment of due to related company	**(50,190)**	(50,053)
Repayment of royalty financial liability (Note 10)	**(41,085)**	(33,497)
Repayment of finance lease obligations	**(22,574)**	(10,332)
Repayment of promissory notes	-	(250,000)
Financing costs paid on convertible debenture	-	(22,386)
Cash provided by financing activities	**23,320,870**	13,542,851
Investing Activities		
Purchase of plant and equipment	**(1,252,717)**	(6,458)
Increase in long-term prepaids and deposits	**(490,293)**	-
Investment in intangible assets (Note 5)	**(73,089)**	-
Advances from (to) related company	**134,389**	(391,108)
Cash used in investing activities	**(1,681,710)**	(397,566)
Net increase in cash	**13,347,557**	8,082,731
Cash, beginning of year	**8,507,747**	425,016
Cash, end of the year	**$ 21,855,304**	$ 8,507,747

Non-cash transactions (Note 6)

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Consolidated Statements of Changes in Equity
For the years ended March 31, 2018 and 2017

	Common Shares (Note 14)	Contributed Surplus (Note 14)	Deficit	Equity
Balance March 31, 2016	$ 32,258,167	$ 5,241,680	$(43,645,516)	$ (6,145,669)
Share-based payments	-	184,531	-	184,531
Private placement	14,155,708	-	-	14,155,708
Warrant exercises	1,338,700	(272,439)	-	1,066,261
Conversion of payables	376,252	-	-	376,252
Share issuance costs	(924,719)	-	-	(924,719)
Finders' compensation	(2,305,088)	2,305,088	-	-
Warrant issuance	(4,259,248)	4,259,248	-	-
Net loss	-	-	(4,316,270)	(4,316,270)
Balance March 31, 2017	$ 40,639,772	$ 11,718,108	$(47,961,786)	$ 4,396,094

	Common Shares (Note 14)	Contributed Surplus (Note 14)	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**

See accompanying notes to the consolidated financial statements

1. Nature of operations and general information

Radient Technologies Inc. ("Radient") was incorporated on June 12, 2001. The Company is in the business of 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". The Company's registered and primary place of business is located at 8223 Roper Road, Edmonton, Alberta T6E 6S4.

These consolidated financial statements, including comparatives, were authorized for issue by the Board of Directors of the Company on July 24, 2018.

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 subsidiary Radient Technologies (Cannabis) Inc. ("RTC"). RTC was incorporated on February 20, 2018 and it is intended that RTC will hold certain of the Company's Canadian cannabis related licenses when granted by Health Canada.

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. Any excess of the cost over the fair values of the identifiable net assets acquired is recognized as goodwill. The financial statements of the subsidiary are prepared for the same reporting period as the parent company using consistent accounting policies. All transactions and balances between the Company and its subsidiary are eliminated upon consolidation.

c) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit and loss.

d) Functional and presentation currency

Amounts presented in these consolidated financial statements and the notes hereto are in Canadian dollars, the 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 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. 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.

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.

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.

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

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.

Depreciation and amortization
The Company provides for depreciation expense on 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.

Investment tax credits and government assistance
The recognition of investment tax credits relating to the Company's qualifying scientific research and experimental development expenditures requires management to estimate the amount and timing of recovery.

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.

Royalties
When funding from royalty agreements is received, management is required to recognize a liability initially at fair value. To estimate the fair value of the obligation, the Company makes estimates of future cash flows and discounts those cash flows at an estimated prevailing market rate of interest for a similar instrument. Management updates the estimated cash flows required under the royalty agreements annually to assess whether the value of obligation should be adjusted. The effects of any change in obligation are recognized in profit or loss in the current period.

Convertible debenture
The Company must assess the debenture and determine if it is a compound instrument that has both an equity and liability component. The determination of the fair value of the liability component of the convertible debenture requires management to make estimates regarding the interest rate that the Company would have obtained for a similar loan without the conversion feature.

Cash and cash equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

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

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 (55 months)
Licenses	Term of the lease (80 months)
Software	Expected life of the software (10 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.

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. The Company has not deferred any development costs to date.

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:

Research and development ("R&D") equipment	5 years
Computer equipment	3 years
Office furniture	5 years
Production equipment	10 to 20 years
Leasehold improvements	Term of the lease

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.

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

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.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Contract Manufacturing and Technical Assessments
Revenue is recognised by reference to the stage of completion of the contract at the balance sheet date. The stage of completion of the contract is determined as the proportion of the total effort that has been completed as at the end of the reporting period and is recognised when the following conditions are satisfied:

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

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

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

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

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect on the date of the transaction. Foreign exchange gains and losses are included in the determination of the results of operations for the year.

Investment tax credits and government assistance

The benefits of investment tax credits ("ITCs") for scientific research and experimental development expenditures ("SRED") are recognized in the year the qualifying expenditure is made providing there is reasonable assurance of recoverability. The investment tax credits recorded are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credit reduces the carrying cost of expenditures for equipment and research and development expenses to which they relate.

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.

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.

Convertible debenture

The convertible debenture has been separated into liability and equity components for accounting purposes based on the residual value method, whereby the fair value of the liability component is measured first with the residual value being allocated to the conversion feature. The fair value of the liability component is measured using a discount rate for a similar financial instrument without the conversion feature. The liability component is subsequently measured at amortized cost using the effective interest rate method and will accrete up to the principal balance at maturity.

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

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 and convertible debenture 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 and convertible debentures are converted using the "if converted" 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.

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

Investments

The Company's 50% interest in 1631807 Alberta Ltd is 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.

Inventories

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

Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

All financial instruments and certain non-financial derivatives are initially measured at fair value. Financial assets and financial liabilities are measured subsequently as described below. 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).

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

Financial instruments (cont'd)

Financial assets

The Company's financial assets are comprised of cash, restricted cash, accounts receivable, deposits and advances to related company and have been classified as loans and receivables for initial recognition. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

Financial assets measured at amortized cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is 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 have been affected.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Accounts receivable are also assessed for impairment on a collective basis. This is determined by reference to industry and experience, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is 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 is reduced by use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt, finance lease obligations, royalty financial liability, repayable government contributions, due to related company, advances from related company and convertible debenture and have been classified as other financial liabilities. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

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 9 - Financial Instruments replaces the current standard *IAS 39 - Financial Instruments: Recognition and Measurement*. The new standard includes guidance on the recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any material impact from the adoption of IFRS 9 on these consolidated financial statements

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

Future Changes in Accounting Standards (cont'd)

IFRS 15 - Revenue from Contracts with Customers, replaces *IAS 11 – Construction Contracts, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programmes.* This standard outlines a single comprehensive revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any material impact from the adoption of IFRS 15 on these consolidated financial statements.

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 Company has not yet evaluated the impact of IFRS 16 on the consolidated financial statements.

4. Plant and equipment

	R&D equipment	Computer equipment	Office furniture	Production equipment	Leasehold improvements	Total
Cost						
Balance March 31, 2016	$ 1,263,607	$ 47,289	$ 3,260	$ 5,145,360	$ 5,148,532	$ 11,608,048
Additions	3,208	3,250	-	-	-	6,458
Balance March 31, 2017	$ 1,266,815	$ 50,539	$ 3,260	$ 5,145,360	$ 5,148,532	$ 11,614,506
Additions	787,267	109,134	45,001	230,151	679,430	1,850,983
Transfers	-	-	(5,000)	5,000	-	-
Disposals	-	(29,669)	-	-	-	(29,669)
Balance March 31, 2018	$ 2,054,082	$ 130,004	$ 43,261	$ 5,380,511	$ 5,827,962	$ 13,435,820
Accumulated depreciation and impairment						
Balance March 31, 2016	$ 1,178,364	$ 43,155	$ 2,880	$ 3,043,270	$ 3,974,463	$ 8,242,132
Depreciation	22,681	2,236	380	261,282	147,432	434,011
Balance March 31, 2017	$ 1,201,045	$ 45,391	$ 3,260	$ 3,304,552	$ 4,121,895	$ 8,676,143
Depreciation	81,929	23,324	781	259,800	151,060	516,894
Disposals	-	(29,669)	-	-	-	(29,669)
Balance March 31, 2018	$ 1,282,974	$ 39,046	$ 4,041	$ 3,564,352	$ 4,272,955	$ 9,163,368
Carrying value						
March 31, 2017	$ 65,770	$ 5,148	$ -	$ 1,840,808	$ 1,026,637	$ 2,938,363
March 31, 2018	$ 771,108	$ 90,958	$ 39,220	$ 1,816,159	$ 1,555,007	$ 4,272,452

The cost of equipment has been reduced for recoveries under grants during the years 2009 to 2014 by $411,649. These recoveries will reduce depreciation expense on a straight-line basis over the useful life of the equipment. For the year ended March 31, 2018, the depreciation of the related equipment was reduced by $26,601 (2017 - $45,051)

The Company's finance lease obligations (see Note 13) are secured by the lessor's title to the leased assets, which have a carrying amount of $536,170 (2017 - $40,373) and are included in R&D and production equipment.

4. Plant and equipment (cont'd)

Leasehold improvements include $538,922 (2017 - $nil) of additions which were not available for use and therefore are not yet depreciated for the year ended March 31, 2018.

Included in prepaids and deposits is $861,652 which are advance payments on the purchase of a various pieces of equipment. Delivery is expected early in fiscal 2019.

5. Intangible assets

	Patents	Licenses	Software	Total
Cost				
Balance March 31, 2016	$ 100,000	$ -	$ -	$ 100,000
Additions	-	-	-	-
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**
Accumulated amortization				
Balance March 31, 2016	$ 43,637	$ -	$ -	$ 43,637
Amortization	21,818	-	-	21,818
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**
Carrying value				
March 31, 2017	$ 34,545	$ -	$ -	$ 34,545
March 31, 2018	**$ 12,727**	**$ 45,868**	**$ 26,045**	**$ 84,640**

At March 31, 2018, the Company's ERP software implementation project is in progress and expected to be operational in the second quarter of fiscal 2019. As a result, the full carrying value of software assets are not available for use and no amortization was recorded.

6. Change in non-cash operating working capital

	March 31, 2018	March 31, 2017
Accounts receivable	**$ (154,075)**	$ (255,961)
Prepaids and deposits	**(1,737,580)**	(131,063)
Inventory	**(4,275)**	7,358
Accounts payable and accruals	**339,469**	(1,607,932)
Net change in non-cash operating working capital	**$ (1,556,461)**	$ (1,987,598)

6. Change in non-cash operating working capital (cont'd)

		March 31, 2018		March 31, 2017
Non-cash transactions				
Settlement of royalty liability through issuance of shares	**$**	**5,453,457**	$	-
Settlement of convertible debenture through issuance of shares		**1,909,636**		-
Settlement of payables through issuance of shares		**-**		376,252
Settlement of interest payable through issuance of shares		**91,096**		-
Settlement of services payable through issuance of shares		**75,530**		-
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**		36,954

7. 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:

		March 31, 2018		March 31, 2017
Royalty financial liability (Note 10)	**$**	**-**	$	5,185,847
Due to related company (Note 9)		**758,623**		799,384
Long-term debt (Note 11)		**1,090,015**		500,334
Other long-term liabilities		**87,694**		106,219
Finance lease obligations (Note 13)		**187,828**		5,390
Total debt		**2,124,160**		6,597,174
Shareholders' equity		**25,872,125**		4,396,094
	$	**27,996,285**	$	10,993,268

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, 2018.

8. Convertible debenture

On February 13, 2017, the Company issued a $2,000,000 convertible debenture to Aurora Cannabis Inc. (the holder). All or a portion of the principal amount of the debenture was convertible into units of the Company at a conversion price of $0.14 per unit, at the option of the holder, at any time prior to the maturity date of February 13, 2019. Each unit was comprised of one common share of the Company and one common share purchase warrant, exercisable within 24 months, for one common share of the Company at an exercise price of $0.33 per warrant. The total number of common shares that could be issued on conversion was 14,285,714 with an additional 14,285,714 that could be issued if the warrants were exercised.

The debenture bore interest at 10% per annum on the outstanding principal sum and was payable quarterly in arrears. This interest payable was converted to units of the Company at the market price on the quarterly anniversary date unless this conversion would result in the holder of the debenture holding more than 19.9% of the common shares of the Company. In the event that this had occurred, the interest would have been paid in cash.

At any time during the period from February 13, 2017 to June 13, 2017, the Company was able to provide the holder of the debenture written notice of its intention to repay the principal sum outstanding. If this occurred, the holder would have 30 days to decide if they wish to convert the debenture or accept repayment. The Company did not exercise this repayment option.

Furthermore, at any time during the period from February 13, 2017 to July 13, 2017, the holder was able to demand immediate repayment of any principal sum outstanding under the debenture. The holder did not exercise this demand option.

Finally, the aggregate principal amount of the debenture was subject to a mandatory conversion provision if at any time following July 13, 2017 either of the following conditions occurred:

a) The volume weighted average price of the Company's common shares equaled or exceeded $0.40 per share for 10 consecutive trading days, or
b) The Company and the holder entered into an exclusivity, licensing, service or similar agreement.

On issuance of the debenture, the Company paid the holder a fee of $40,000, representing 2% of the gross proceeds of the debenture, as well as legal fees and expenses of $22,386 related to the issuance of the debenture. During the year ended March 31, 2018, $10,170 (2017 - $4,017) of these fees were amortized.

The debenture contained two components consisting of a liability and an equity element. However, as the debenture had a demand provision during the period February 13, 2017 to July 13, 2017, the liability component was initially recorded as the full amount of the debenture payable on demand. The equity component was valued at $nil.

This demand period ended on July 13, 2017 and the liability element was measured as of that date at the fair value of the future payments using an effective interest rate of 12% per annum, which is the Company's prevailing market rate of interest for a similar instrument assuming no conversion features existed. At that point in time, the fair value of the liability was measured as $1,956,132 with the residual difference of $43,868 recognized as a change in fair value which was recorded in net income (loss). Subsequently, the liability component was measured at amortized cost using the effective interest method from July 14, 2017 to July 28, 2017 and $1,703 of accretion was recognized during this period.

On July 28, 2017 the outstanding debenture balance net of financing fees of $1,909,636 was converted pursuant to one of the mandatory conversion provisions contained therein into 14,285,714 units of the Company (see Note 14).

8. Convertible debenture (cont'd)

The balance of the convertible debenture is as follows:

		March 31, 2018		March 31, 2017
Outstanding, beginning of the year	**$**	**2,000,000**	$	-
Issued		**-**		2,000,000
Adjustment to fair value		**(43,868)**		-
Accretion		**1,703**		-
Outstanding, before conversion		**1,957,835**		2,000,000
Financing fees net of amortization		**(48,199)**		(58,369)
Outstanding, net of financing fees		**1,909,636**		1,941,631
Conversion to units		**(1,909,636)**		-
	$	**-**	$	1,941,631

Under the terms of the debenture, the proceeds were to be used for purposes of research activities as agreed to with the holder under a separate agreement or as approved by the holder in writing. At March 31, 2017, the net proceeds received of $1,960,000 was considered restricted cash to be used for research activities over the next 12 months as per the agreement. On conversion of the debenture on July 28, 2017, the restriction was removed and the funds included in cash.

During the year ended March 31, 2018, 181,707 units of the Company were issued in exchange for $91,096 of interest payments due up to the conversion date of July 28, 2017 (see Note 14). As at March 31, 2018 accrued interest of $nil (March 31, 2017 - $26,404) is included in accounts payable and accrued liabilities.

9. Investment in, advances (from) to and due to related company

		March 31, 2018		March 31, 2017
Investment in related company				
Purchase price of shares	**$**	**1,050,000**	$	1,050,000
Income allocation		**69,015**		144,148
	$	**1,119,015**	$	1,194,148
Advances (from) to related company	**$**	**(31,287)**	$	103,102
Due to related company				
Loan payable to 1631807 Alberta Ltd.	**$**	**996,471**	$	1,046,660
Deferred financing costs		**(187,795)**		(197,223)
		808,676		849,437
Current portion		**(50,053)**		(50,053)
	$	**758,623**	$	799,384

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, AB for $3,800,000 and assumed a $1,700,000 mortgage that is held by Business Development Corporation (BDC). The property is leased to the Company as its Edmonton production plant.

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

BDC agreed to advance another $1,250,000 to 1631807 Alberta Ltd. which was then advanced by 1631807 Alberta Ltd. to the Company and used for the construction of leasehold improvements required by the Company. The Company agreed to repay 1631807 Alberta Ltd. the advanced amount under the same terms and conditions as the BDC loan agreement. As such, the BDC loan bears interest at 6% per annum and is repayable in fixed monthly amounts of $10,000 principal plus interest of which the Company pays their pro-rata share of $4,171 plus interest per month. In addition, the Company paid Amnor Group Inc. (previously 1396730 Alberta Ltd.), the joint venture owner of 1631807 Alberta Ltd., a guarantee fee of $250,000 for providing security to BDC and has provided the shares of 1631807 Alberta Ltd as security to Amnor Group Inc.

On September 1, 2011, the Company entered into a 10-year lease with Amnor Group Inc. (subsequently transferred on December 14, 2011 to 1631807 Alberta Ltd.) for the property at 4035 - 101 Street, Edmonton, AB. Base rent under the lease is:

Years 1 - 3	$186,435 per annum payable in equal monthly instalments
Years 4 – 6	$222,687 per annum payable in equal monthly instalments
Years 7 – 9	$238,223 per annum payable in equal monthly instalments
Year 10	$268,259 per annum payable in equal monthly instalments

In addition to the above base rent, the Company is responsible to pay $25,344 per annum in equal monthly instalments as additional rent in respect of landlord capital improvement and to pay additional rent to cover operating costs. For the year ended March 31, 2018 the Company's share of the operating loss of 1631807 Alberta Ltd. was $75,133 (2017 – operating income of $61,318).

Summarised financial information for 1631807 Alberta Ltd. follows:

		March 31, 2018		March 31, 2017
Non-current assets	**$**	**4,751,669**	$	5,037,552
Current assets (a)		**68,959**		89,756
Total assets	**$**	**4,820,628**	$	5,127,308
Non-current liabilities (b)	**$**	**2,415,000**	$	2,535,000
Current liabilities (c)		**167,598**		204,012
Total liabilities	**$**	**2,582,598**	$	2,739,012
(a) Includes cash	**$**	**37,672**	$	89,756
(b) Includes financial liabilities (excluding trade and other payables and provisions)	**$**	**2,415,000**	$	2,535,000
(c) Includes financial liabilities (excluding trade and other payables and provisions)	**$**	**-**	$	100,878
Revenue	**$**	**251,061**	$	434,200
Net (loss) income and comprehensive (loss) income	**$**	**(150,266)**	$	122,635
Depreciation and amortization	**$**	**98,706**	$	101,088
Interest expense	**$**	**88,062**	$	83,951

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

A reconciliation of the above summarised financial information to the carrying amount of the investment in 1631807 Alberta Ltd. is set out below:

		March 31, 2018		March 31, 2017
Total net assets of 1631807 Alberta Ltd.	**$**	**2,238,030**	$	2,388,296
Proportion of ownership interest held by the Company		**50%**		50%
Carrying value of investment in 1631807 Alberta Ltd.	**$**	**1,119,015**	$	1,194,148

No dividends were received from 1631807 Alberta Ltd. during the years ended March 31, 2018 or 2017.

1631807 Alberta Ltd. is a private company; therefore, no quoted market prices are available for its shares.

On February 9, 2016, Amnor Group Inc., a company controlled by one of the directors of the Company, issued a notice of default to the Company regarding the loan between the Company and 1631807 Alberta Ltd. that is guaranteed by Amnor Group Inc. Pursuant to the agreement, Amnor Group Inc. has the right to the shares of 1631807 Alberta Ltd. that the Company pledged as collateral in exchange for the guarantee provided by Amnor Group Inc. For the year ended March 31, 2016, the Company reached an agreement with Amnor Group Inc. to continue repaying the loan on existing terms and repay the arrears during fiscal 2017. During the year ended March 31, 2017, the Company paid all arrears related to this loan. Amnor Group Inc. agreed that the joint venture and existing loan would continue pending the removal of the existing guarantee by way of refinancing of the loan.

On January 9, 2018, the Company announced that it had entered into a binding letter of intent with Amnor Group Inc. to acquire a 100% interest in 1631807 Alberta Ltd in exchange for 1,246,449 common shares. A share purchase agreement was finalized on April 17, 2018 and subsequently closed on May 3, 2018 (see Note 23). In connection with the closing of this transaction, the Company discharged the existing loan held on the facility which extinguished the related guarantee.

As the Company continued to exert joint control over 1631807 Alberta Ltd. during the year ended March 31, 2018, the Company continued to account for its investment in 1631807 Alberta Ltd. using the equity method.

10. Royalty financial liability

In January 2009, the Company entered into an investment agreement with AVAC Ltd. (AVAC). AVAC is an Alberta-based investment company that invests in promising early-stage commercial ventures in value-added agri-business, information and communication, technology, life sciences and other industrial technology sectors. AVAC's mandate is to help bridge Alberta's investment gap that exists between technology creation and commercial business success.

Under this agreement, AVAC invested $2,935,000 in the form of six tranches based upon the achievement of specific milestones with the last tranche disbursed in fiscal 2016. The investment was secured by a General Security Agreement whereby the Company granted a security interest covering all present and future acquired property including a specific charge covering all intellectual property rights. No future shareholder loans would be repaid, nor could the Company issue any dividends, repay lines of credit or make any other disbursements of a similar nature without prior written consent of AVAC until the earlier occurrence of either:

a. Three months following the full disbursement of project funds or;
b. Royalties had been repaid in full.

Repayment of this investment began on August 1, 2010 and the repayment per the initial agreement was based on a royalty on gross revenues until an amount equal to twice the initial investment is repaid. The royalty rate of the revenues earned before July 31, 2010 was nil% and for revenues subsequent was 3%.

On June 28, 2013, the Company entered into an Inter-Creditor Agreement with AVAC and the Convertible Debt Financing participants, whereby AVAC would subordinate its security interest on amounts advanced by AVAC to that date, being $2,385,000. In consideration of AVAC executing the Inter-Creditor Agreement, AVAC and the Company agreed that the royalty payable of two times (2X) the investment, be increased to a minimum of two and one-tenth times (2.1X) the investment, and a maximum of two and a half times (2.5X) the investment, subject to specific conditions on the Convertible Debt Financing being met. This was accounted for as a debt modification during the year ended March 31, 2014 with the repayment terms revised to be two and one-tenth times (2.1X) the investment.

On September 1, 2011, the Company entered into a second investment agreement with AVAC to provide up to a maximum of $1,750,000 for corporate and business development purposes with the last disbursement in fiscal 2016. A total of $1,750,000 was received under this agreement. The second investment agreement was covered by the General Security Agreement described above.

The Company agreed to repay AVAC's second investment agreement by way of a quarterly royalty, calculated in arrears until an aggregate sum of two times the gross amount invested by AVAC was been remitted.

Royalty payments commenced with the quarter ended October 31, 2012 on the following basis: 0% of gross revenues earned to March 31, 2012 and 3% of gross revenues earned thereafter for each loan.

10. Royalty financial liability (cont'd)

As the funding received was contingently repayable, it was recognized as a liability initially recorded at fair value and subsequently at amortized cost using the effective interest method. The amount owing by the Company was based on the applicable multiple of each original amount loaned. The Company recalculated the carrying value for changes in actual and revised estimated cash flows by computing the present value of estimated future cash flows at the original effective interest rates of the loans. The key assumptions for the calculation of the carrying value of the royalty liability were the timing of the corresponding repayment of the liability, which was based on the expected timing of revenues in the Company. The estimated timing of revenues was based on three possible scenarios (maintaining capacity, modest expansion and full capacity). The scenarios were probability weighted and used to determine the estimated timing of cash flows for repayment. The impact of the revised cash flows was recognized in net income. Management updated the estimate of future cash flows required under these agreements at least annually, or more frequently if material changes to the expected cash flows occurred or were expected to occur since the last update.

During the year ended March 31, 2017, the Company revised the estimated amount and timing of future repayments resulting in a benefit of $444,098 which was included in financing fees. This benefit was calculated assuming that the first and second investment agreements would be repaid in full by fiscal 2030 and 2026 respectively, and the resulting gross amounts of royalties and principal repayments were discounted to their carrying values at an effective interest rate of 8.4% and 15% respectively.

At March 31, 2016, the Company was in arrears in the amount of $33,010 for royalty payments. During the year ended March 31, 2017, the Company remedied all arrears amounts.

On July 19, 2017, the Company reached an agreement with AVAC to settle the non-current portion owing of $5,453,457 in exchange for 9,424,330 common shares with the conversion approved by the TSX Venture Exchange on September 29, 2017. The settlement results in the termination of AVAC's entitlement to any future royalty payments by the Company to AVAC. The conversion was completed on October 2, 2017. The shares issued were subject to a 4-month hold period.

		March 31, 2018		March 31, 2017
Outstanding, beginning of the year	**$**	**5,212,726**	$	5,125,746
Revision of repayment timing		**-**		(444,098)
Repayments		**(41,085)**		(33,497)
Accretion		**281,816**		564,575
Outstanding, end of the year		**5,453,457**		5,212,726
Current portion		**-**		(26,879)
Outstanding before conversion		**5,453,457**		5,185,847
Conversion to shares (Note 14)		**(5,453,457)**		-
	$	**-**	$	5,185,847

11. Long-term debt

		March 31, 2018		March 31, 2017
Loan payable bearing interest at 5.8% with monthly payments of $9,327 maturing October 1, 2021 (a)	**$**	**360,725**	$	454,724
Loan payable bearing interest at 4.55% with monthly payments of $2,586 maturing March 1, 2023 (a)		**138,848**		157,333
Loan, bearing interest at Bank of Canada policy interest rate plus 3% with variable payments maturing June 1, 2025 (b)		**756,777**		-
		1,256,350		612,057
Current portion		**(166,335)**		(111,723)
	$	**1,090,015**	$	500,334

Interest expense related to the long-term debt of $56,381 (2017 - $37,451) is presented under financing fees.

(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. During the year ended March 31, 2017, the Company remedied amounts owing. 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. During the year ended March 31, 2017, the Company fully paid all amounts in arrears.

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 repayable government contributions (Note 12) were restructured and 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.

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

12. Repayable government contributions

		March 31, 2018		March 31, 2017
Outstanding, beginning of the year	**$**	**878,300**	$	755,467
Accretion		**-**		94,108
Arrears interest		**7,998**		36,954
Interest payments		**(2,805)**		(8,229)
Extinguishment of repayable government contributions and conversion to long-term debt (Note 11)		**(883,493)**		-
	$	**-**	$	878,300

In January 2009, the Company entered into a repayable contribution agreement with AAFC. In conjunction with this agreement AAFC would contribute 33.3% of eligible costs for a defined project supporting the expansion of the Company's product capacity and business development to a maximum of $1,115,000. Total contributions received under the agreement were $1,086,313.

The contributions were repayable in 60 equal monthly instalments of $18,583 which commenced on January 1, 2014. As the contributions were non-interest bearing, the fair value at inception was estimated as the present value of the principal payments required, discounted using the prevailing market rates of interest for a similar instrument, estimated to be 15% per annum. The difference between the fair value of the contributions and the cash received was accounted for as a government grant.

At March 31, 2017, the repayable contributions were twenty-seven months in arrears and the Company in default of its obligation. Arrears interest was charged during the period of default with the Company recording $7,998 during the year ended March 31, 2018 (2017 - $36,954).

On May 18, 2017, the Company reached an agreement with AAFC to restructure the debt. The new agreement is substantially different than the preceding one and is therefore accounted for as an extinguishment of the repayable government contributions with the amount payable being converted to long-term debt (Note 11). The balance of the repayable government contributions as of May 18, 2017 was $883,493.

13. Finance lease obligations

The Company has finance leasing arrangements related to R&D and production equipment. As at March 31, 2018, the average lease term is 3 years (March 31, 2017 – 1.5 years) with underlying interest rates ranging from 4.7% to 13.3% (March 31, 2017 – 13.3%) per annum.

The finance lease repayments are due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Less than one year	$ 110,965	$ 13,372	$ 99,488	$ 11,790
Between one and five years	196,617	5,571	187,828	5,390
	307,582	18,943	287,316	17,180
Less future finance charges	(20,266)	(1,763)	-	-
Present value of minimum lease payments	$ 287,316	$ 17,180	287,316	17,180
Current portion			(99,488)	(11,790)
			$ 187,828	$ 5,390

14. 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, 2016	56,681,820	$	32,258,167
Issuance of shares on private placements	85,509,261		14,155,708
Warrant exercises	3,949,589		1,338,700
Conversion of payables	3,583,344		376,252
Share issuance costs	-		(924,719)
Finders' options	-		(833,178)
Finders' common shares and warrants	964,251		(1,471,910)
Warrant issuance	-		(4,259,248)
Balance March 31, 2017	150,688,265	$	40,639,772
Issuance of shares on private placement	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 option 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**

b) Private placements

Shares issued for debt

During the year ended March 31, 2018 units of the Company were issued on various dates in exchange for quarterly interest payments due under the convertible debenture as well as for the conversion of that debenture (see Note 8). Specific details for each transaction are summarized in the table below. Each unit issued consisted of one common share and one common share purchase warrant exercisable for one additional common share.

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

14. Share capital (cont'd)

b) Private placements (cont'd)

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

Notes:

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

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

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

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

	Jun 15, 2017	Jul 28, 2017	Jul 28, 2017
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 (Note 10). Share issue costs include $31,550 related to the issuance of these shares.

Shares for services

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 in the fiscal year 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.

14. Share capital (cont'd)

b) Private placements (cont'd)

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

Agreement issue date	(1) Aug 28, 2017	(2) Nov 28, 2017	(3) Dec 6, 2017	Total
Maximum services amount	$ 250,000 USD	$ 102,000 USD	$ 96,000 CAD	
Common shares issued	68,184	4,847	1,793	74,824
Value of services (contract currency)	$ 51,000 USD	$ 6,800 USD	-	$ 57,800 USD
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 (see Note 18)				
Contract currency	$ 15,750 USD	$ 24,225 USD	$ 13,266 CAD	
CAD	$ 20,308 CAD	$ 31,236 CAD	$ 13,266 CAD	$ 64,810 CAD

Share issue costs include $3,465 for the year ended March 31, 2018 (2017 - $nil) of costs incurred related to shares issued for services.

Placement during the year ended March 31, 2018

The Company completed a private placement with Aurora as part of the investor rights agreement between both companies. The private placement was completed in a unit offering consisting of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share.

A total of 4,541,889 units were issued at $1.37 per unit for gross proceeds of $6,222,388 offset by share issuance costs of $38,837. These units included issuance of 4,541,889 common shares and 4,541,889 common share purchase warrants with each warrant exercisable for $1.71 for a period of 24 months.

The common share purchase warrants were allocated a portion of the proceeds based upon their relative fair value at the date of issuance. This fair value of $2,397,753 was determined using a Black-Scholes option pricing valuation model with the following assumptions: common share market price $1.82; risk free interest rate 1.25%; expected dividend yield 0%; estimated common share price volatility 122%; estimated life of 2 years.

Placements during the year ended March 31, 2017

The Company completed four private placements on various dates with specific details for each private placement summarized in the table below. Each private placement was completed in a unit offering consisting of one common share and one half common share purchase warrant. Each whole common share purchase warrant and any finders' warrants issued in each private placement were exercisable for one common share.

14. Share capital (cont'd)

b) Private placements (cont'd)

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

Private placement closing date	(1) Jun 29, 2016	(2) Oct 14, 2016	(3) Dec 22, 2016	(4) Mar 9, 2017	Total
Issue price per unit	$ 0.10	$ 0.10	$ 0.105	$ 0.45	
Common shares issued	4,339,590	18,217,292	47,619,050	15,333,329	85,509,261
Warrants issued	2,169,795	9,108,644	23,809,530	7,666,668	42,754,637
Warrants exercise price	$ 0.25	$ 0.25	$ 0.25	$ 0.70	
Warrant term in months	42	42	42	24	
Finders' shares issued				(5) 964,251	964,251
Finders' warrants issued	433,959	1,266,988	3,209,853	(5) 482,126	5,392,926
Finders' warrants exercise price	$ 0.10	$ 0.10	$ 0.105	$ 0.70	
Warrant term in months	24	24	24	24	
Cash proceeds summary:					
Gross proceeds	$ 433,959	$ 1,821,749	$ 5,000,000	$ 6,900,000	$ 14,155,708
Cash issuance costs	(105,144)	(156,295)	(404,822)	(248,852)	(915,113)
Net cash proceeds on issuance	$ 328,815	$ 1,665,454	$ 4,595,178	$ 6,651,148	$ 13,240,595
Fair value of finders' options	-	-	-	(833,178)	(833,178)
Fair value of finders' warrants	(29,465)	(121,106)	(1,215,867)	(105,472)	(1,471,910)
Total issuance costs	$ (134,609)	$ (277,401)	$ (1,620,689)	$ (1,187,502)	$ (3,220,201)
Fair value on warrant issuance	(133,537)	(863,397)	(1,585,128)	(1,677,186)	(4,259,248)
Net value allocated to common shares	$ 165,813	$ 680,951	$ 1,794,183	$ 4,035,312	$ 6,676,259

Notes:

(1) The private placement consisted of the second and third tranche closing on May 30 and June 29, 2016 respectively of a financing commenced in the prior fiscal year with the first tranche closing on March 31, 2016

(2) The private placement consisted of three tranches closing on August 19, August 26, and October 14, 2016 respectively.

(3) The private placement consisted of two tranches closing on December 2 and 22, 2016 respectively.

(4) The private placement consisted of a brokered and non-brokered placement both closing on March 9, 2017.

(5) Finders' units including one common share and one half common share purchase warrant were issued as payment for finders' fees of $433,913. Of this total, $328,441 was allocated to common shares and $105,472 was allocated to warrants.

14. Share capital (cont'd)

b) Private placements (cont'd)

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

	Jun 29, 2016	Oct 14, 2016	Dec 22, 2016	Mar 9, 2017
Common Share Purchase Warrants				
Common share market price	$ 0.08 - 0.10	$ 0.13 - 0.16	$ 0.14 - 0.50	$ 0.71
Risk free interest rate	3.75%	1.75%	1.75%	0.50%
Expected dividend yield	-	-	-	-
Estimated common share price volatility	124 – 125%	121 – 123%	119 – 131%	129%
Estimated life in years	3.5	3.5	3.5	2.0
Finders' Warrants				
Common share market price	$ 0.08 - 0.10	$ 0.13 - 0.16	$ 0.14 - 0.50	$ 0.71
Risk free interest rate	0.25%	0.50%	0.50%	0.50%
Expected dividend yield	-	-	-	-
Estimated common share price volatility	124 - 125%	121 – 123%	119 – 131%	129%
Estimated life in years	2	2	2	2

In addition to these private placements, during the year ended March 31, 2017 the Company issued 3,583,344 common shares as settlement for payable amounts of $376,252 to certain creditors, employees, officers and directors of the Company.

Finders' Options

As part of the private placement on March 9, 2017, the Company also issued 1,130,500 finders' options to certain finders that entitle them to acquire 1,130,500 units at an exercise price of $0.45 for a period of 24 months following the completion of the offering. If exercised, these units would include 1,130,500 common shares and 565,250 common share purchase warrants entitling the holder to subscribe for additional common shares at a price of $0.70 per common share until March 9, 2019.

The fair value of the finders' options was estimated using the Black-Scholes option pricing model. A total of $833,178 was recorded as share issue costs as of March 31, 2017 ($575,424 and $257,754 allocated to common shares and common share purchase warrants respectively). A summary of the assumptions used for each component is set out below:

	Common Shares	**Common Share Purchase Warrants**
Finder's Options		
Common share market price	$ 0.71	$ 0.71
Risk free interest rate	0.50%	0.50%
Expected dividend yield	-	-
Estimated common share price volatility	129%	129%
Estimated life in years	2	2

14. Share capital (cont'd)

b) Private placements (cont'd)

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

	March 31, 2018			March 31, 2017		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of year	**1,130,500**	**$**	**0.45**	-	$	-
Finders' options issued	**-**		**-**	1,130,500		0.45
Finders' options exercised	**(1,060,500)**		**0.45**	-		-
Outstanding, end of year	**70,000**	**$**	**0.45**	1,130,500	$	0.45

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

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

	Nov 17, 2017	Jan 10, 2018
Finder's 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, 2018 of 70,000 (March 31, 2017 – 1,130,500) would include 70,000 (March 31, 2017 – 1,130,500) common shares and 35,000 (March 31, 2017 - 565,250) common share purchase warrants.

c) Warrants

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

	March 31, 2018			March 31, 2017		
	Number of warrants		**Weighted average exercise price**	Number of warrants		Weighted average exercise price
Outstanding, beginning of year	**54,911,824**	**$**	**0.34**	11,539,987	$	0.40
Warrants issued	**19,789,560**		**0.66**	42,754,637		0.33
Finders' and agent warrants	**-**		**-**	5,392,926		0.16
Warrants expired	**-**		**-**	(826,137)		0.15
Warrants exercised	**(41,561,932)**		**0.32**	(3,949,589)		0.27
Outstanding, end of year	**33,139,452**	**$**	**0.54**	54,911,824	$	0.34

14. Share capital (cont'd)

c) Warrants (cont'd)

During the year ended March 31, 2018 and year ended March 31, 2017, 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, 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

Warrants exercised for the year ended March 31, 2017

Warrant exercise price	Number of warrants exercised	Gross proceeds	Fair value of warrants transferred to Common Shares	Common shares
$0.10	1,178,408	$ 117,841	$ 90,275	$ 208,116
$0.25	1,748,681	437,170	150,927	588,097
$0.50	1,022,500	511,250	31,237	542,487
	3,949,589	$ 1,066,261	$ 272,439	$ 1,338,700

Share issue costs include $25,988 for the year ended March 31, 2018 (2017 - $9,606) of costs incurred related to warrant exercises.

14. Share capital (cont'd)

c) Warrants (cont'd)

The following table summarizes information about warrants outstanding at March 31, 2018 and March 31, 2017.

	March 31, 2018				March 31, 2017		
	Exercise price	**Number of warrants**	**Remaining contractual life (years)**		Exercise Price	Number of warrants	Remaining contractual life (years)
$	-	-	-	$	0.10	100,000	0.2
	0.50	**1,510,000**	**0.3**		0.50	1,510,000	1.3
	0.10	**1**	**0.4**		0.10	527,974	1.4
	0.50	**1,857,400**	**0.4**		0.50	1,857,400	1.4
	-	**-**	**-**		0.10	219,765	1.5
	0.50	**864,650**	**0.5**		0.50	614,650	1.5
	-	**-**	**-**		0.11	3,209,853	1.7
	0.50	**875,000**	**0.7**		0.50	1,375,000	1.7
	0.50	**636,050**	**0.9**		0.50	636,050	1.9
	0.70	**3,359,503**	**0.9**		0.70	8,148,794	1.9
	0.50	**319,850**	**1.1**		0.50	319,850	2.1
	0.25	**250,000**	**1.2**		0.25	750,000	2.2
	0.50	**170,250**	**1.2**		0.50	170,250	2.2
	0.25	**1,132,950**	**1.5**		0.25	2,132,950	2.5
	0.25	**1,500,000**	**1.7**		0.25	2,169,795	2.7
	1.71	**4,541,889**	**1.7**		-	-	-
	0.25	**3,044,335**	**1.9**		0.25	4,149,885	2.9
	0.25	**1,070,712**	**2.0**		0.25	3,260,078	3.0
	0.25	**12,006,862**	**2.2**		0.25	23,759,530	3.2
$	**0.54**	**33,139,452**	**1.6**	$	0.34	54,911,824	2.6

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.

14. Share capital (cont'd)

d) Stock option plan (cont'd)

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

	March 31, 2018		March 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**2,114,362**	**$ 0.76**	2,156,362	$ 0.76
Options granted	**10,495,765**	**0.79**	-	-
Options exercised	**(2,584,090)**	**0.66**	-	-
Options expired	**-**	**-**	(42,000)	1.00
Options forfeited	**(32,813)**	**0.66**	-	-
Outstanding, end of year	**9,993,224**	**$ 0.82**	2,114,362	$ 0.76
Exercisable, end of year	**8,007,390**	**$ 0.82**	1,600,885	$ 0.76

The following table summarizes information about stock options granted during the year ended March 31, 2018. The weighted average grant date fair values were estimated using the Black Scholes option pricing model using the following grant date assumptions:

	April 3, 2017	**August 28, 2017**	**December 6, 2017**	**Total**
Options granted:				
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	128%	123%	122%	
Estimated life in years	5	5	5	

In addition to the 1,278,000 options granted on December 6, 2017, the Company approved the grant of 3,900,000 options to certain key management personnel of the Company. Because these options will vest based on specific milestones which have not yet been determined, the options have not been included in the balance of options granted.

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

The estimated volatility is based on the Company's historic volatility since May 22, 2014. The Company did not issue any options during the year ended March 31, 2017.

14. Share capital (cont'd)

d) Stock option plan (cont'd)

During 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, 2018

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

There were no stock options exercised during the year ended March 31, 2017.

The following table summarizes information about stock options outstanding at March 31, 2018 and March 31, 2017:

	March 31, 2018				March 31, 2017		
	Exercise price	**Number of options**	**Remaining contractual life (years)**		Exercise price	Number of options	Remaining contractual life (years)
$	**0.60**	**3,340**	**2.1**	$	0.60	3,340	3.1
	1.00	**77,143**	**3.6**		1.00	77,143	4.6
	0.66	**6,058,240**	**4.0**		-	-	-
	0.50	**643,750**	**4.4**		-	-	-
	1.82	**1,278,000**	**4.7**		-	-	-
	0.60	**3,340**	**5.4**		0.60	3,841	6.4
	0.60	**19,411**	**6.1**		0.60	20,038	7.1
	0.75	**1,910,000**	**6.2**		0.75	2,010,000	7.2
$	**0.82**	**9,993,224**	**4.5**	$	0.76	2,114,362	7.1

The total share-based payments recognized during the year ended March 31, 2018 $6,187,910 (2017 - $184,531) respectively was recorded as an expense.

15. Commitments and contingencies

Contribution agreement

On August 5, 2004, the Company signed a Contribution Agreement with Sustainable Development Technology Canada (SDTC) to fund the Company's manufacturing facility and its pilot plant expansion. SDTC would contribute 40% of all eligible costs to a maximum of $1,000,000. That Agreement was amended November 11, 2009.

SDTC requested an audit of the expenses incurred from 2004 to 2010 on the project. As a result of this audit during the year ended March 31, 2014, it was agreed that $90,000 would be repaid by the Company to SDTC in 18 monthly installments, beginning March 1, 2014. The balance owing to SDTC at March 31, 2016 was $30,000. On March 9, 2017, the Company received notification from SDTC that the remaining balance of $30,000 was forgiven. This amount has been recognized in income during the year ended March 31, 2017.

Facility leases

The Company is party to a facility lease in Edmonton, Alberta which requires minimum monthly lease payments of $12,216 plus monthly operating costs of approximately $6,800 commencing on October 1, 2014 through September 30, 2019.

The Company is party to a facility lease for the Edmonton production facility as discussed in Note 9.

Manufacturing facility expansion

During the year ended March 31, 2018, the Company entered into various contracts related to expansion of the Edmonton manufacturing facility and equipment that would be required in the newly renovated building. Total cost for these contracts was $3,672,025 ($2,347,189 for leasehold improvements and $1,324,836 for equipment) with completion expected during the coming fiscal year. As of March 31, 2018, the remaining balance owing on these contracts is $3,171,152 ($2,118,092 for leasehold improvements and $1,053,060 for equipment).

16. Income taxes

a) Income tax expense

	March 31, 2018	March 31, 2017
Current tax expense		
Current period	**$ -**	$ -
Deferred tax expense		
Origination and reversal of temporary differences	**(2,598,855)**	(1,099,874)
Change in unrecognized deductible temporary differences	**2,598,855**	1,026,711
Prior period adjustments	**-**	73,163
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:

16. Income taxes (cont'd)

a) Income tax expense (cont'd)

		March 31, 2018		March 31, 2017
Net loss before tax	**$**	**(14,048,317)**	$	(4,316,274)
Statutory income tax rate		**27.0%**		27.0%
Expected income tax recovery		**(3,793,046)**		(1,165,394)
Increase (decrease) resulting from:				
Non-deductible amounts		**1,203,506**		65,520
Change in unrecognized deductible temporary differences		**2,598,855**		1,026,711
Change in tax rates and rate differences		**(9,315)**		-
Prior period tax adjustments		**-**		73,163
Income tax expense (recovery)	**$**	**-**	$	-

b) Recognized deferred tax assets and liabilities

		March 31, 2018		March 31, 2017
Deferred tax assets are attributable to the following:				
Non-capital loss carry-forward	**$**	**177,693**	$	728,024
Deferred tax asset		**177,693**		728,024
Set-off of tax		**(177,693)**		(728,024)
Net deferred tax asset	**$**	**-**	$	-
Deferred tax liabilities are attributable to the following:				
Repayable government contributions	**$**	**-**	$	(18,762)
Investment tax credits		**(98,380)**		(98,380)
Common shares		**-**		(518,182)
Other		**(79,313)**		(92,700)
Deferred tax liabilities		**(177,693)**		(728,024)
Set-off of tax		**177,693**		728,024
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, 2018		March 31, 2017
Deductible temporary differences	**$**	**14,720,245**	$	15,147,854
Tax losses		**30,031,988**		18,798,015
	$	**44,752,233**	$	33,945,869

d) Non-capital losses carried forward

As at March 31, 2018, the Company has Canadian federal non-capital losses carried forward of $31,216,605 (2017 - $23,756,635) and provincial non-capital losses carried forward of $32,850,798 (2017 - $24,041,051) available for use in future years. These non-capital losses carried forward expire between 2027 and 2038.

17. 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.

a) Key management personnel and director remuneration

The remuneration of directors and key management personnel follows:

For the year ended March 31		**2018**		2017
Compensation	**$**	**920,100**	$	659,613
Short-term benefits		**24,483**		37,404
Share-based compensation		**4,060,547**		115,251
	$	**5,005,130**	$	812,268
Number of stock options issued		**6,589,102**		-
Weighted average exercise price	**$**	**0.80**	$	-

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

As at March 31, 2018, $106,895 (March 31, 2017 - $368,831) 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, 2017

Pursuant to the private placement that closed on October 14, 2016, one key management personnel and one director participated in the placement for total proceeds of $102,250.

Pursuant to the private placement that closed on December 22, 2016, two directors and three key management personnel participated directly or indirectly in the placement for total proceeds of $364,500.

During the year ended March 31, 2017, 2,228,569 common shares were issued to certain directors and key management personnel of the Company as settlement for compensation related payables of $234,000.

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) Debt transactions

i) During the year ended March 31, 2017

On August 4, 2015, the Company received a bridge loan from one of its directors for $50,000. The loan was repaid during the year ended March 31, 2017.

18. 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:

For the year ended March 31		2018		2017
Canada	**$**	**408,003**	$	293,447
USA		**47,824**		-
	$	**455,827**	$	293,447

All the Company's non-current assets are located in Canada.

b) Information about major customers

During the year ended March 31, 2018, the Company earned revenue greater than 10% from one customer aggregating to $380,130 or 83% (2017 – one customer, $293,447 or 100%).

19. Financing fees

For the year ended March 31		2018		2017
Accretion of royalty financial liability (Note 10)	**$**	**281,816**	$	564,575
Accretion of repayable government contributions (Note 12)		**-**		94,108
Accretion of convertible debenture (Note 8)		**1,703**		-
Adjustment of convertible debenture to fair value (Note 8)		**(43,868)**		-
Change in royalty financial liability estimate (Note 10)		**-**		(444,098)
Interest on promissory notes		**-**		19,820
Interest on long-term debt		**56,381**		37,451
Interest on finance lease obligations		**3,177**		3,040
Interest on due to related company		**62,569**		61,682
Interest on convertible debenture (Note 8)		**64,692**		26,404
Interest on repayable government contributions (Note 12)		**7,998**		36,954
Amortization of financing costs on convertible debenture (Note 8)		**10,170**		4,017
Amortization of financing costs on due to related company		**9,428**		9,429
Other		**-**		70,287
	$	**454,066**	$	483,669

20. Financial instruments

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

		March 31, 2018		March 31, 2017
Financial assets				
Cash	**$**	**21,855,304**	$	8,507,747
Restricted cash		**-**		1,960,000
Accounts receivable		**244,438**		165,066
Deposits		**71,174**		89,241
Advances to related company		**-**		103,102
	$	**22,170,916**	$	10,825,156
Financial liabilities				
Accounts payable and accrued liabilities	**$**	**1,669,206**	$	1,093,984
Advances from related company		**31,287**		-
Loans and borrowings		**2,352,342**		9,511,331
	$	**4,052,835**	$	10,605,315

The fair value of cash, restricted cash, accounts receivable, deposits, advances to/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, due to related company and convertible debenture 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).

Repayable government contributions included in the March 31, 2017 balances are recorded at the amount drawn under the agreement using a discounted market rate which represents the estimated fair value of the obligation. The fair value of the repayable government contributions is not materially different from their carrying amounts as funding received was discounted using an estimate of a market rate of interest and is being accreted back to its nominal amount (level 2). On May 18, 2017, the repayable government contributions were restructured (Note 12) with the amount payable being converted to long-term debt with fair value estimated to approximate carrying value as the interest rate does not differ significantly from current interest rates for similar types of borrowing arrangements.

The Company has exposure to credit, liquidity, foreign exchange and interest rate 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, restricted 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 by maintaining its Canadian domiciled bank accounts with a Canadian Chartered Bank.

20. Financial instruments (cont'd)

Accounts receivable is composed of the following:

		March 31, 2018		March 31, 2017
Trade receivables	**$**	**497,313**	$	355,685
Allowance for doubtful debts		**(329,110)**		(263,424)
Net trade receivables		**168,203**		92,261
Other receivables		**76,235**		72,805
	$	**244,438**	$	165,066

The Company's trade receivables are monitored on an ongoing basis for impairment. During the years ended March 31, 2018 and 2017, the Company assessed that a receivable from its subtenant was impaired and an allowance for the impairments were made in each year. During the year ended March 31, 2017 the Company also assessed that a receivable from a customer was impaired and an allowance for that impairment was also made.

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

		March 31, 2018		March 31, 2017
Outstanding, beginning of the year	**$**	**263,424**	$	-
Impairment losses recognized on trade receivables		**65,686**		263,424
Outstanding, end of the year	**$**	**329,110**	$	263,424

An analysis of the age of receivables is as follows:

		March 31, 2018		March 31, 2017
31 – 60 days	**$**	**-**	$	10,942
61 – 90 days		**28,373**		10,942
Greater than 90 days		**345,566**		243,768
Balance past due		**373,939**		265,652
Current balance		**123,374**		90,033
Trade accounts receivable	**$**	**497,313**	$	355,685

As at March 31, 2018, $345,566 (2017 - $265,652) of the balance past due less Goods and Services Tax (GST) of $16,456 (2017 - $12,650) which can be recovered, is impaired. Other receivables at March 31, 2018 consist of GST $76,235 (2017 - $35,652) and revenue earned but not yet billed of $nil (2017 - $37,153) all of which were received subsequent to the end of the year.

20. Financial instruments (cont'd)

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	$ 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
Accounts payable and accrued liabilities	$ 1,093,984	$ -	$ -	$ -	$ 1,093,984
Convertible debenture	1,941,631	-	-	-	1,941,631
Repayable government contributions	878,300	-	-	-	878,300
Long-term debt	142,950	285,899	237,162	30,982	696,993
Lease obligation	13,371	5,571	-	-	18,942
Royalty financial liability	158,914	1,412,022	2,081,675	5,949,785	9,602,396
Due to related company	111,492	213,974	201,961	1,183,481	1,710,908
Balance March 31, 2017	$ 4,340,642	$ 1,917,466	$ 2,520,798	$ 7,164,248	$ 15,943,154

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

Foreign Exchange Risk

The Company earns certain revenues and incurs certain operating expenses and capital expenditures in U.S. dollars. Accordingly, the fluctuations in the exchange rate between the U.S. and Canadian dollar can impact the Company's reported results. The following table provides an indication of the Company's exposure to changes in the value of the U.S. dollar relative to the Canadian dollar as at March 31, 2018. The analysis is based on financial assets and liabilities denominated in US dollars at the end of the year ("balance sheet exposure").

20. Financial instruments (cont'd)

(in U.S. dollars)		March 31, 2018
Cash	$	120,162
Accounts receivable		20,000
Accounts payable and accrued liabilities		(95,625)
Total balance sheet exposure	$	44,537

The translation rate as at March 31, 2018 was 1.2894. Based on the Company's balance sheet exposure noted above, with other variables unchanged, net income would change by $561 for each one percent change in the foreign exchange rate.

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 minimal interest rate risk on its long-term liabilities as all are at fixed rates except for the recently converted repayable government contributions, classified as long-term debt.

For the year ended March 31, 2018, the increase or decrease in annual net income for each one percent change in interest rate on the variable rated long-term debt would amount to $7,568 (2017 - $nil).

21. Government assistance

On May 18, 2017, the Company entered into a non-repayable Contribution Agreement with the National Research Council Canada as represented by its Industrial Research Assistance Program ("IRAP") for $30,000. The project start date was May 15, 2017 and includes costs incurred on the project to October 30, 2017. During the year ended March 31, 2018, $30,000 was received from IRAP and is offset against process development and business development expenses.

22. 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, 2016	Cash flows (1)	Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	March 31, 2017
Convertible debenture (2)	$ -	$ (22,386)	$ 1,960,000	$ -	$ -	$ 4,017	$ 1,941,631
Repayable government contributions (3)	755,467	-	28,725	-	94,108	-	878,300
Royalty financial liability	5,125,746	(33,497)	-	-	120,477	-	5,212,726
Long-term debt	748,382	(136,325)	-	-	-	-	612,057
Finance lease obligations	27,512	(10,332)	-	-	-	-	17,180
Due to related company	890,061	(50,053)	-	-	-	9,429	849,437
Promissory notes	250,000	(250,000)	-	-	-	-	-
	$ 7,797,168	$ (502,593)	$ 1,988,725	$ -	$ 214,585	$ 13,446	$ 9,511,331

			Non-cash changes				
	March 31, 2017	Cash flows (1)	Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	March 31, 2018
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 is disclosed as restricted cash on the Balance Sheet as at March 31, 2017. On July 28, 2017, the debenture was converted to units of the Company with the cash becoming unrestricted.

(3) Arrears interest of $5,193 (2017 - $28,725) was added to the repayable government contributions owing.

23. Post-reporting date events

Investments

On January 9, 2018, the Company announced that it had entered into a binding letter of intent with 1396730 Alberta Ltd, a company controlled by one of the directors of the Company, to acquire a 100% interest in 1631807 Alberta Ltd. (the "JV"). The JV owns the land and building that contains the 20,000 square foot manufacturing facility in Edmonton, Canada operated by the Company. Pursuant to this transaction, the Company issued 1,246,449 common shares, at a price of $1.40 to Amnor Group Inc. as consideration for a 100% ownership in the JV. This transaction was completed on May 3, 2018.

On April 18, 2018, the Company, via 1631807 Alberta Ltd., entered into a real estate purchase agreement with a company controlled by one of the directors of the Company, pursuant to which 1631807 Alberta Ltd. would purchase two parcels of land (the "Adjacent Lands") adjacent to the Company's production facility. As consideration for the Adjacent Lands, the Company issued 1,553,190 common shares at a price of $1.34. 1631807 Alberta Ltd. also secured a $5,500,000 mortgage ("Mortgage") which will be used to repay the existing mortgage on the production facility as well as the mortgage on the Adjacent Lands on the closing of both transactions. The Mortgage has a term of 24 months with monthly interest payments calculated at the greater of 8.50% or the Bank of Nova Scotia Prime Rate plus 5.05% per annum. The Mortgage will be secured by the production facility and the Adjacent Lands. On May 3, 2018, 1631807 Alberta Ltd. completed the real estate purchase transaction and obtained the Mortgage.

23. Post-reporting date events (cont'd)

Stock options and warrants exercised

Subsequent to March 31, 2018, the Company issued 2,381,379 common shares related to warrant exercises for total proceeds of $1,250,130 at a weighted average exercise price of $0.52. The Company also issued 179,465 common shares related to stock option exercises for total proceeds of $124,190 at a weighted average exercise price of $0.69.

Shares for services

On April 13, 2018, the Company issued 44,088 common shares in exchange for business development and consulting services of $59,122 and $5,688 for services related to the implementation of the Company's new ERP project which were capitalized to intangible assets. The services were incurred during the three months ended March 31, 2018 and the shares issued based on the closing market price of the Company's common shares on March 29, 2018 of $1.47 (see Note 14).

Issuance of stock options

On June 4, 2018, the Company approved to issue 1,475,000 incentive stock options to certain employees and consultants. These options are subject to a three-year vesting period and can be exercised quarterly at $1.20 each after the vesting period and expire on June 4, 2023.

Bought deal offering

On July 5, 2018, the Company entered into an underwriting agreement with a syndicate of underwriters including Canaccord Genuity Corp. (the Lead Underwriter), GMP Securities L.P. and Laurentian Bank Securities Inc. for a bought deal offering of 18,000,000 units of the Company at a price of $1.20 per unit for aggregate gross proceeds of $21,600,000. Each unit consists of one common share and one-half of one common share purchase warrant, exercisable within two years from the closing date of the offering at a price of $1.50 per share. Each warrant is exercisable to acquire one additional common share. The warrants will expire within 30 days' notice to the warrant holders through a news release issued by the Company if the volume weighted average price of the Common Shares exceeds $2.25 for 20 consecutive trading days. Further, the underwriters have been granted the option to purchase up to an additional 2,700,000 units at $1.20 per unit at any time up to 30 days from the closing date of this offering. As compensation, the Company has agreed to pay to the underwriters a cash commission equal to 6% of the gross proceeds from this offering and will issue to the underwriters, compensation options to purchase such number of units as is equal to 6% of the aggregate number of units sold at an exercise price of $1.20 within two years of the closing date.

Brokered private placement

Concurrently with the bought deal offering announced on July 5, 2018, the Company has arranged a private placement for aggregate gross proceeds of up to $15,000,000 (12,500,000 units at $1.20 per unit). This private placement can be increased to $25,000,000 (20,833,333 units at $1.20 per unit) with the consent of the Lead Underwriter. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $1.50 within two years from the closing date. The expiration date can be accelerated if the Company provides the warrant holders 30 days notice should the weighted average price of the common shares exceed $2.25 for 20 consecutive trading days. The Company will compensate eligible finders a cash commission equal to 6% of the gross proceeds raised and finder warrants equal to 6% of the number of units sold by the finder. Each finder warrant will entitle the holder to purchase one common share at a price of $1.50 within two years from the closing date. Shares bought through private placement will be subject to a statutory hold period of four months plus one day from the closing date.

24. Comparative figures

The Company reclassified amounts in the Consolidated Statement of Operations and Comprehensive Loss relating to salary, travel, maintenance and property taxes to present these costs consistently with the current fiscal year. The 2017 comparatives have been reclassified as follows:

	Previously presented	Reclassification	Amount after reclassification
Cost of revenue			
Contract manufacturing	$ 234,388	$ (55,512)	$ 178,876
Expenses			
General and administrative	1,963,909	(78,073)	1,855,836
Production plant	677,666	97,311	774,977
Business development	230,048	25,281	255,329
Quality control and assurance	8,206	10,989	19,195
Other income (expenses)			
Interest and other income	22,201	622	22,823
Other expenses	-	(622)	(622)

The reclassifications presented in the table above did not impact the net earnings of the Company for the year ended March 31, 2017.