



Management's Discussion & Analysis

Quarter ended June 30, 2017

Dated August 28, 2017

August 28, 2017

This Management Discussion and Analysis (“MD&A”) for Radiant Technologies Inc. (the “Company” or “Radiant”) should be read in conjunction with Radiant’s unaudited interim condensed financial statements and related notes for the three months ended June 30, 2017 and the MD&A and audited financial statements for the year ended March 31, 2017. The statements and additional information about Radiant can be found on SEDAR at www.sedar.com. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be part of this MD&A.

The Company’s interim condensed financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34: “Interim Financial Reporting.” The notes to the interim condensed financial statements are condensed as they do not include all the information required in the annual financial statements. All dollar amounts are expressed in Canadian currency unless otherwise indicated.

CORE BUSINESS AND STRATEGY

Radiant Technologies Inc. (“Radiant”) was initially incorporated on June 12, 2001 pursuant to the provisions of the Company Act (British Columbia), transitioned pursuant to the provisions of the Business Corporations Act (British Columbia) on July 7, 2004 and was continued under the Canada Business Corporations Act on February 3, 2010. On May 22, 2014, pursuant to a plan of arrangement, Radiant amalgamated with Madison Capital Corporation, a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSX Venture Exchange, incorporated pursuant to the provisions of the Alberta Business Corporations Act (“ABCA”) on June 13, 2011 and continued under the Canada Business Corporations Act on May 14, 2014, forming a new entity called “Radiant Technologies Inc.”. This transaction constituted the qualifying transaction of Madison in accordance with the requirements of the TSX Venture Exchange Policy 2.4 – *Capital Pool Companies*, which is described in more detail in the “Qualifying Transaction” section of this MD&A. Radiant trades on the TSX Venture Exchange under the symbol “RTI”.

Radiant manufactures high-value natural ingredients for global customers in the Food and Beverage, Nutrition and Supplements, Pharmaceuticals and Active Care industries. Towards the latter half of fiscal 2017, the Company has expanded its offerings to enter the fast-growing cannabinoids market as part of a joint venture (“JV”) arrangement with Aurora Cannabis Inc. (“Aurora”) to utilize an extraction platform to process and extract CBD/THC from cannabinoid biomass. Using a proven, patented technology, Radiant creates these natural ingredients at lower cost and higher quality than competing traditional methods, using a proprietary method of extraction called Microwave Assisted Processing (“MAP[™]”). MAP[™] is Radiant’s patented, core technology which yields higher results than conventional natural compound extraction. Additional details on the business and technology follows.



Background

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

Vizon was a scientific research and development company and technology incubator located in Vancouver, British Columbia, specializing in consulting and applied research and development in the areas of plant biotechnology, health and safety, transportation, specialized chemical analysis and chemical and environmental process development. In 1999, Vizon acquired a license to MAP™ from Environment Canada giving it the right to use, market and sub-license the technology for the field of industrial-scale extraction processing of organic matter. At the time of Radiant's inception, Dr. Splinter was leading Vizon's activities in chemical and environmental process development.

In 2002, concurrent with an initial seed investment from select angel investors, Radiant entered into an agreement with Vizon to acquire the rights to the MAP™ license Vizon had with Environment Canada. In consideration for rights to the license, other intangible assets and a cash contribution, Radiant issued common shares to Vizon and began operations in laboratory and pilot plant facilities located within an Environment Canada facility in Burlington, Ontario. Access to these facilities was provided under the terms and conditions of the original license agreement between Radiant and Vizon granting a sub-license to Radiant for Radiant to use the MAP™ technology. In 2003, Radiant raised a first round of venture capital financing, led by Foragen Technologies Limited Partnership, a Canadian life-sciences venture capital fund. Additional management and technical personnel were hired, a marketing and sales program was initiated and proofs of concepts and pilot-scale testing of various products were undertaken for third parties, proving the broad scale applicability and scalability of the technology across various natural product classes. In 2005, Radiant signed its first supply agreement with a US-based biopharmaceutical company to supply a purified pharmaceutical raw ingredient extracted and isolated from a natural plant source using the MAP™ technology for use as an intermediate to an experimental oncology drug entering clinical trials.

In 2006, Radiant migrated to its own leased laboratory and pilot plant facilities in North York, Ontario and Whitby, Ontario, respectively. During this period, Radiant continued to successfully commercialize its technology platform to produce the higher value, higher margin pharmaceutical intermediate, while simultaneously continuing to grow the pipeline of prospective customers and demonstrate a higher value proposition of the technology versus conventional processes. From 2003 to 2009, Radiant grew revenues from nil to \$1.8 million and processing demands began to exceed the capacity of its Whitby pilot plant. In 2008, therefore, the decision was made to consolidate operations and scale up production capacity to meet customer requirements and to demonstrate the technology at a meaningful industrial scale.

In 2009, Radiant commissioned the design and construction of a new, demonstration-scale MAP™ extraction facility, to be based in Alberta, designed to process up to 5 tonnes of biomass material per day. Alberta was deemed to offer unique infrastructure and expertise that was of strategic interest to Radiant, including access to unique bio-processing research infrastructure, proximity to biomass feedstocks of interest to Radiant's strategic partners and a critical mass of research and processing expertise. Radiant moved into new headquarters and laboratory space in Edmonton and began construction of the Edmonton production facility in late 2010. The Edmonton production facility, housed in a 20,000 square foot building is designed to be Good Manufacturing Practises (GMP) compliant for natural health products and is now in commercial operations.



On May 22, 2014, pursuant to a plan of arrangement, Radiant amalgamated with Madison Capital Corporation, a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSX Venture Exchange, incorporated pursuant to the provisions of the Alberta Business Corporations Act (“ABCA”) on June 13, 2011 and continued under the Canada Business Corporations Act on May 14, 2014, forming a new entity called “Radiant Technologies Inc.”. This transaction constituted the qualifying transaction of Madison in accordance with the requirements of the TSX Venture Exchange Policy 2.4 – *Capital Pool Companies*. Radiant trades on the TSX Venture Exchange under the symbol “RTI”.

In December 2016, Radiant signed a Memorandum of Understanding (“MOU”) with Aurora to evaluate an exclusive partnership for the Canadian market with regard to the joint development and commercialization of high quality and standardized cannabinoid extracts. In January 2017, the two companies, pursuant to the MOU, entered into a Joint Venture research agreement to confirm the effectiveness of MAP™ technology for the extraction of cannabinoids. As part of the JV, Aurora invested \$2,000,000 into Radiant via a convertible debenture. All or a portion of the principal amount of the debenture is 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. The convertible debenture will automatically convert into units of the Company in certain circumstances. Each unit is 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 is 14,285,714 with an additional 14,285,714 that would be issued if the warrants are exercised

In February 2017, the companies announced that preliminary assessments produced encouraging results. As a result, the research collaboration was furthered to the second phase, which involved preliminary scale up activities and testing. This second phase was completed after the Company’s fiscal year-end, with the results being announced on June 5, 2017. Aurora provided notice to the Company that it wished to pursue a definitive exclusive agreement which the companies are currently negotiating.

On July 28, 2017, the convertible debenture of \$2,000,000 outstanding at June 30, 2017 was converted pursuant to the acceleration provisions contained therein into 14,285,714 units of the Company. These units included the issuance of 14,285,714 common shares and 14,285,714 common share purchase warrants exercisable prior to February 13, 2019 for one additional common share of the Company at an exercise price of \$0.33.

Furthermore, on the same date, 77,540 units consisting of 77,540 common shares and 77,540 common share purchase warrants exercisable prior to February 13, 2019 were issued to Aurora in exchange for the final interest payment of \$41,096 interest due on the convertible debenture. Units were issued based on the closing market price of the Company’s common shares on July 27, 2017 of \$0.53 which is also the exercise price of the warrants.

The Technology

Radiant’s MAP™ technology is based on a method of transferring energy to a material that is fundamentally different from any other conventional process. MAP™ involves the selective and localized heating of the moisture present in all-natural materials using a very familiar energy source: microwaves. This contained in-core heating of the biomass results in a rapid buildup of pressure within cells leading to a pressure-driven enhanced mass transfer of target compounds out of the source material. This mechanism for extraction is unique to MAP™ and results in very fast extraction rates and high extraction yield. In addition, because the microwave energy is selectively deposited in the target biomass and not in the surrounding solvent, the mixture stays cool, leading to energy efficiency and reduced heat degradation of sensitive products.



In general, microwaves interact with materials in three ways:

1. reflective materials such as metals do not heat (i.e. they do not absorb energy, but rather reflect the energy);
2. transparent materials such as non-polar liquids do not heat or reflect. Microwaves pass right through them and are only absorbed to a small extent; and
3. absorptive materials such as water absorb microwaves and are heated.

The ease, or degree by which a particular material will absorb microwave energy is determined by the dielectric properties of the material. Microwaves do not heat by the conventional processes of convection, conduction and radiation phenomena through the external material surface but rather by direct molecular interactions with the electromagnetic field via dielectric loss. The dielectric properties of the material (dielectric constant and loss factor) determine how much of the microwave energy is absorbed and dissipated as heat. Water, in particular, is a strong absorber of microwave energy. It has a large dielectric constant, meaning it absorbs microwave energy more efficiently than the target compounds and much more efficiently than the surrounding liquid solvent. It is this ability to selectively deposit microwave energy into different parts of a complicated chemical system that is at the core of Radiant's MAP™ technology.

An important element of MAP™ is that the driving force for extraction is not limited to the process of diffusion. Conventional solid-liquid extraction involves soaking, washing or contacting the solid material with usually hot (50°C to 80°C) solvent to extract the target compounds. Extraction occurs by diffusion, meaning that the only driving force for the process is the concentration gradient of the product between the source material and the solvent. With MAP™, the microwave energy is selectively absorbed by the residual water present in the biomass. This creates a very rapid temperature increase within the biomass cells, leading to pressure build-up and, in some cases this can cause cell rupture, forcing the contents out into the surrounding (cool) solvent by a pressure-enhanced mass transfer. This mass transfer may be further enhanced by the fact that the thermal gradient is in the same direction as the mass transfer. In all extraction processes, mass transfer occurs from the inside of the biomass to the outside solvent. In conventional extraction, heat transfer occurs from the outside to the inside of the material. With MAP™, however, there is a volumetric in-core heating of the moisture in the biomass while the solvent remains relatively cool, leading to a heat gradient in the same direction as the mass transfer.

Finally, another key aspect of MAP™ is the fact that Radiant understands that it is the microwave energy density and, more specifically, the electric field strength that can be a very important factor in achieving desired results. The heating rate within the core of the biomass is directly proportional to the energy density of the applied microwave. This energy density is in turn determined by the applied power at the chosen frequency (driven by the microwave generator), by the dielectric properties of the biomass being treated and – importantly – by the electric field strength. The latter is influenced only by proper equipment (microwave cavity) design and control. Much of Radiant's intellectual property is centered around the use of properly focused microwave energy having a generally uniform energy density level to achieve the desired high field control. These features are captured, for example, in Radiant's proprietary large-scale continuous flow MAP™ extractor design.



Competitive Advantages

When compared to competing conventional extraction methods, Radiant's MAP™ platform offers some combination of the following competitive advantages:

- much faster extraction rates leading to reduced processing time, increased throughput and reduced processing and capital costs;
- efficient "single stage" extraction leading to increased overall recovery / yield of valuable active compounds and reduced solvent and energy usage;
- reduced heat degradation of sensitive molecules leading to improved products;
- improved extraction selectivity and purity leading to novel, differentiated products;
- improved solvent flexibility leading to the potential to replace solvents with more acceptable alternatives;
- ease of commercial scalability; and
- improved customer acceptance of products made through "cleaner, greener" technology

These technical improvements manifest themselves as distinct product or process advantages and create Radiant's core value proposition of improving existing products, reducing costs, and enabling potential novel, differentiated products while consistently offering improved environmental benefits. Further details with respect to each of these advantages are provided below.

By significantly reducing extraction time, often from hours to minutes, it is possible to increase throughput, thereby reducing plant time and so lowering labour and overhead costs per unit of product produced. At the same time, the reduced plant time required for extraction opens the door to the possibility to use the freed-up plant time to perform efficient downstream purification and isolation steps that may not be economical with conventional methods.

Further, conventional diffusion-driven solvent extraction processes are slow and eventually reach an equilibrium point before full exhaustion of the active of interest from the biomass. To achieve a reasonable yield, therefore, it is usually necessary to extract in multiple "stages", often with fresh solvent in each stage, leading to high solvent usage, high energy consumption to recover the large amount of solvent from the product, and reduced purity of the active of interest in the final extract. With MAP™, on the other hand, the pressure-driven mass transfer is not as influenced by the equilibrium state. Mass transfer continues as long as energy is applied and so it is often possible to achieve efficient, full extraction in a single stage, leading to reduced solvent and energy usage and better crude extract properties.

With MAP™, the microwave energy is selectively deposited in the core of the biomass while the surrounding solvent absorbs less energy and remains relatively cool. Because of this, thermally unstable compounds spend only a brief time at elevated temperature and so, in some cases, less degradation is observed and higher purity final products can be prepared. Similarly, with MAP™, there are more processing variables available to manipulate. In addition to solvent composition, temperature and extraction time, the applied microwave energy and power density, microwave duration and post-microwave diffusional mixing can be varied to, in some cases, achieve more selective extractions leading to different product profiles. In addition, because the extraction step is fast and efficient, alternative processing schemes can be devised, for example extracting a first in one solvent system to first recover compounds of a particular chemical property – or remove unwanted impurities - and then re-extracting the first-extracted biomass in a different solvent system to recover additional valuable compounds, often at a higher purity. Such a scheme is often not economically feasible when the extraction step is long and inefficient.



In any extraction method, the selection of the solvent to be used in the process can be an important factor in the success of the process. With MAP™, however, there is more flexibility and much greater opportunity to effect improved extraction results by proper solvent selection than with any other conventional extraction process. In both conventional and MAP™ processing, the solvent selection depends on the solubility of the compounds of interest along with other properties such as solvent penetration into and its interaction with the biomass. With MAP™, another important aspect not relevant to conventional extraction is the ability of the solvent to absorb and dissipate the microwave energy. The capacity of the solvent to absorb microwave energy is related to its dielectric properties (dielectric constant and dielectric loss). In general, low polarity solvents such as hexane are almost completely transparent to microwave energy while higher polarity solvents such as ethanol can absorb and dissipate more. In this context, there is an opportunity to be more flexible than conventional processes by understanding the impact of dielectric properties on the microwave interaction and using this to advantage. For example, the dielectric properties can be modified when combining different solvents (allowing for varying solvent selectivity for different compounds) or additions of small amounts of water or even salts to the mixture to increase heating rates. These properties can therefore often be manipulated to achieve different results than are possible with conventional processes.

The MAP™ process is also easily scalable to industrial-relevant production requirements. Because the extraction rates are fast, the equipment can be relatively small and therefore capital costs can be relatively low. Further, Radiant's industrial-scale extractor is a continuous flow extractor which comes with several benefits. First, this design allows for increased flexibility with respect to operation. The contact time between the biomass and solvent before, during and after microwave treatment can be adjusted much more easily and it is possible to precisely control biomass residence time in the microwave zone and – if desired – separate the biomass from the solvent very quickly after treatment, or continue contact for any length of time at any temperature, depending on the desired outcome. Finally, this approach lends itself well to scale-up. The continuous flow approach eliminates the requirement for having geometric similarity between scales (i.e. the equipment shape and dimensions do not have to scale proportionately). Classically, even geometric similarity does not ensure thermal similarity in scaled systems – for example, heat transfer is an interface-controlled process and so the surface area relative to the volume is critical. As volumetric scale increases, the area relative to the volume decreases and the overall efficiency of heat transfer can decline considerably. There is no thermal inertia with microwaves, on the other hand. Since penetration depth is not an issue with the continuous flow design, the energy is deposited uniformly throughout the mixture resulting in rapid energy transfer and direct "in-core" dielectric heating – hence the thermal inertia inherent to classical methods is not an issue.

Finally, the Radiant Solution is firmly aligned with the principles of "green chemistry", which is concerned with developing processes and products to reduce or eliminate hazardous substances. One of the goals of green chemistry is to prevent pollution at its source, as opposed to dealing with pollution after it has occurred. Radiant's proprietary extraction technology allows for more efficient extraction of starting raw materials, lower temperature processing, the use of more benign solvents and lesser quantities of solvent and energy.



Lines of Business

Since its inception, Radiant has completed numerous feasibility and scale studies and has proven the effectiveness of MAP™ for a broad range of biomass inputs, including plants (seeds, leaves, stems, roots) and single-cell biomasses (algae, fungi) using widely varying solvent systems and for all commercially-relevant classes of natural products, including lipids, glycosides, alkaloids, phenolics, terpenes and proteins. The majority of this work has been supported and paid for by industrial clients using customer-sourced biomass and seeking to achieve commercially relevant product and processing technical goals.

Scalability has been demonstrated by continuous processing at the pilot scale and the Edmonton production facility, which has provided final validation for operating MAP™ plants at a scale appropriate to capture immediate value for partners. Further, the Edmonton production facility has been designed to handle up to 5 tonnes per day of input biomass. The facility's current capacity is between 1 and 2.5 tonnes per day depending on the type of biomass with the ability to increase to design capacity should business activity warrant. To increase capacity to design capacity, the most significant requirement would be to add additional utilities (chilling and steam). The cost of this upgrade is currently estimated to be approximately \$1-1.5 million.

MAP™ has been demonstrated to be an effective extraction technology for a broad range of biomasses. Many industries such as the pharmaceutical, nutraceutical, food, beverage and personal care industries use extracts from natural materials. These industries rely on a number of different extraction technologies including conventional solvent and super-critical CO₂ methods. The Company's MAP™ technology has been successfully demonstrated as a suitable replacement for these technologies across multiple industries.

Late in the 2017 fiscal year the Company decided to pursue cannabinoids as a second line of business. A discussion of the Company's two lines of business follows.

Non-Cannabinoids Extraction

Radiant can manufacture high-value natural ingredients for global customers in the Food and Beverage, Nutrition and Supplements, Pharmaceuticals and Active Care industries. Radiant uniquely combines its patented MAP™ technology with considerable know-how and expertise in downstream purification and isolation of natural products. The Company's Edmonton facility has been designed so that it can process materials for each of these industries. The Edmonton facility is a GMP facility and has its Health Canada Natural and Non-prescription Product Directorate ("NNHPD") site license. This designation allows the Company to manufacture natural health products pursuant to Health Canada's regulations.

In certain situations where clients have manufacturing requirements in excess of the capacity of the Edmonton facility or in situations where the client manufactures its own extracts but requires the benefits of MAP™ technology, the Company will consider a licensing arrangement.



Radiant is executing a three-pronged commercialization strategy to best align its resources and skills with market opportunities:

- *Contract Manufacturing:* Radiant is leveraging its know-how and infrastructure to produce higher value, higher margin products on behalf of its customers. This also serves to validate and prove to a wider audience the value proposition inherent in the "Radiant Solution". The "Radiant Solution" is a combination of Radiant's MAP™ based extraction process and Radiant's substantial expertise in the critical downstream processing areas of purification and isolation.
- *Licensing:* Radiant will encourage select customers to incorporate all or part of the Radiant Solution in their in-house or supplier's extraction facilities to enhance productivity or efficiency of such plants.
- *Proprietary ('Captive') Products:* Radiant is also evaluating select applications where Radiant is developing captive products distributed through partners/distributors to capture a larger portion of the value chain. Radiant will seek to secure a proprietary position where appropriate on such products, typically through process patents.

Radiant is building its customer pipeline. Radiant's expanding business development and sales efforts are designed to specifically target high-value sustainable markets and customers. Radiant recognizes that potential customers want to fully validate the MAP™ technology before finalizing purchasing or manufacturing decisions. For this reason, Radiant has designed and has started the implementation of a partnership development program that is intended to incrementally establish the feasibility and the industrial application of MAP™ for a specific client requirement through a three-stage program:

- *Stage 1 Feasibility:* Demonstrates lab-scale proof-of-concept to client-defined product specifications;
- *Stage 2 Scale-up / Process Development:* Demonstrates scalability and optimization via larger scale pilot testing and technology transfer from pilot to commercial production; and
- *Stage 3 Partnership:* Develops commercialization steps for preferential supply agreement, or licensing agreement.

Each step of the process results in a separate agreement with the client and is revenue generating for the Company with levels increasing as a candidate advances. The process builds on each stage and there is no guarantee that a client, even with successful results, will move its candidate to the next level.

The Company's pipeline includes the following development projects for which the Company is waiting for the client's decision for next steps. Many of the projects the Company has been working with are from very large multi-national companies and have a development time line of anywhere from months to years associated with them before commercial agreements (licensing or manufacturing) can be entered into.



These opportunities include the following:

- 1) A large multi-national personal care company – This project has been conducted over a three-year period. Key terms of the agreement included the development of an anti-oxidant that required two specific chemicals derived from one extract from a proprietary leaf biomass. Work completed to date includes 1) feasibility studies and 2) scale up studies. The next phase of this project would be to run pilot manufacturing at Radiant's facility to validate the process. Preliminary terms have been discussed but no contractual commitment has been made yet. The Company does not anticipate that the client will be in a position to move to the next phase during the current fiscal year.
- 2) Mid-size US personal care ingredients company - This project has been conducted over a three-year period. Key terms were to extract active ingredients from two separate biomasses and then provide a basic formulation that could be used in a natural personal hygiene ingredient. This company is one of the largest providers of active ingredients to manufacturers of personal hygiene products. Work completed to date includes 1) feasibility study and 2) basic formulation. The client is conducting a competitive evaluation of ingredients. Should Radiant's ingredient be successfully selected then the next phase of the project is to negotiate a supply agreement with the client. The Company expects the client's decision in the second half of the year.
- 3) Small US specialty health ingredients company – This project was completed prior to the 2017 fiscal year. Key terms for this project was to develop a proprietary extract from a certain plant as the client has no extraction capability. Work completed to date included 1) feasibility study and 2) scale up study. The next phase is to enter into a supply agreement. Prior to doing so the client intends to conduct a small clinical trial to support claims for the ingredient. The client has not indicated when they expect to conduct these trials and as such the Company does not expect manufacturing revenues from this project in fiscal 2018.
- 4) Large multi-national beverage company – This project was completed prior to fiscal 2017. The key term for this project was to develop a suite of novel flavours derived from the leaf of a certain plant. Work completed was an initial feasibility study. The next phase of activity is to negotiate an agreement to conduct a feasibility study for those candidate flavours selected for further study.
- 5) Private US pharmaceutical manufacturer (pharmaceutical product) – This project was completed prior to the fiscal 2017 year. This project was to extract, isolate and highly purify a chemical extract from a rare plant. The client required a very high purity to complete final manufacturing for a drug developed for a client of theirs. Their client was conducting a phase I clinical trial (anti-cancer therapeutic) that is now currently underway. Work completed includes 1) a feasibility study and 2) scale up and first manufacture for the phase I trial. The next phase of the project would be to negotiate a supply agreement to manufacture sufficient quantities to support a phase II clinical trial (contingent on the results of phase I). It is indeterminate at this time when the client will be ready to advance.

The Company also currently has a number of early stage opportunities in the food, personal care and nutraceutical industries that it expects to be conducting, at a minimum, feasibility studies on during the current fiscal year.



The Company is currently manufacturing multiple personal care ingredients for a large multi-national ingredients company. The Company expects to increase the number of ingredients manufactured for this client during fiscal 2018 and beyond.

Additionally, the Company has a number of proprietary ingredients (either in development or ready for market) and is evaluating sales channels and market for the potential to launch these products in the second half of fiscal 2018.

The Company currently has adequate capital and sufficient plant capacity to meet the production requirements for its existing clients. However, the Company does not have enough highly qualified people ("HQP") in place to conduct the development and scale-up of a number of projects. These processes are essential as the processes developed at this stage are then transferred to the production facility for use in manufacturing activities. Delays in developing these processes will result in the delay in increasing non-cannabis manufacturing activities from current levels. The Company is actively recruiting HQPs from across North America to fill these positions.

The Company, to fully take advantage of its ability to market its proprietary products, along with the manufacture of certain client ingredients, will require certain additional production equipment. To pursue these opportunities, the Company would require a capital outlay (including installation) of approximately \$1.5 to \$2.0 million. Certain of the equipment has long-lead times for ordering and the Company expects that it would take approximately 12 months for the equipment to be ordered, designed, built and installed should the Company decide to acquire this equipment. Installation of the equipment is not expected to have a material disruption on current activities.

Cannabinoids extraction

In November 2016, the Company announced its intention to develop a line of business to address the fast-growing cannabinoids market.

Whilst cannabis has been approved only for medical purposes at this time, the Canadian cannabis industry has shown significant growth in the last 12 months. Health Canada reports that quarterly sales of dry cannabis products increased 45% to 5.8 tonnes from the quarter ended June 30, 2016 to the quarter ended March 31, 2017. Further, cannabis oil sales have grown 278% to 5.7 tonnes for the same period. Health Canada also reports that registered patients have increased 123% from approximately 75,000 at June 30, 2016 to approximately 168,000 as at March 31, 2017.

The Cannabis industry currently favours the use of super critical CO₂ extraction to perform cannabinoids extraction. The "state of the art" extraction units (typically 80-120L) are capable of handling up to 40kg of dry biomass and take approximately 6 hours to run a batch followed by a lengthy refining process. For companies using super critical CO₂, to extract at higher levels, they will require several of these units to be able to produce at industrial scale.

Moreover, for those companies looking to extract cannabinoids from hemp specifically, their volume requirements will be difficult to meet by using super critical CO₂ extraction. This is due to the fact that the cannabinoids in hemp are present at substantially lower levels than marijuana and, as such, super critical CO₂ extraction processes are likely not to be economically used to achieve the levels of production that many hemp producers require. These producers require high throughput extraction to process the volume of materials required to meet their needs.



Radiant believes it is well positioned to deal with a key concern of the cannabis industry, the industrial scale production of cannabinoid extracts. This is due to the fact that a number of licensed producers have announced or are already building much larger production facilities. The current form of super critical CO₂ equipment will be challenged to meet these increased production levels.

Radiant possesses extraction technology at its Edmonton plant that has been designed to handle the input of 5,000kgs of material per day. Radiant has proven this technology, at this rate, on a number of different biomasses and believes that its know-how and proprietary equipment can be used successfully in the extraction of cannabinoids. Radiant anticipates using its MAP™ technology to extract cannabinoids with higher efficiency and at a high purity level from both marijuana and hemp whilst meeting the strict Quality Assurance standards of the industry as the regulatory environment changes.

Compared to conventional extraction technologies, Radiant believes it is capable of extracting cannabinoids with a higher efficiency, and to develop standardized extracts with specific concentrations of cannabinoids of interest to the therapeutic industry. Further, Radiant's industrial-scale GMP extraction facility is an important resource to the industry in meeting the necessary capacity to meet demand. In addition to large-scale capacity, Radiant's MAP™ technology, based on the Company's past extraction activities, typically allows for:

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

Control of these parameters typically allows for a high-quality product and a broader extract profile. Conventional methods existing in the Cannabis industry today do not allow for precise control at larger scales of production.

Furthering the Company's initiative in the Cannabinoid industry, the Company signed, in December 2016, a Memorandum of Understanding ("MOU") with Aurora Cannabis Inc. ("Aurora") to evaluate Radiant's MAP™ for purposes of an exclusive collaboration for the Canadian market with regard to the joint development and commercialization of high quality and standardized cannabinoid extracts. The terms of the MOU provided for a technical assessment to be performed pursuant to a Joint Venture research agreement. Research was started, in qualified third-party laboratories, in January, 2017. Results of the research program were announced on June 5, 2017.

Aurora is one of the largest licensed producers of medical cannabis under Health Canada's ACMPR and is currently building a "state of the art" 800,000 square foot greenhouse facility, known as Aurora Sky, in the Edmonton region. Aurora has announced that Aurora Sky has the design production capacity of 100,000kgs of dried material annually. Aurora is an investor in Radiant with a current ownership of 16.7% of all outstanding shares (on a partially diluted basis), on the back of their participation as a lead investor in successive financings in December 2016 and March 2017.



Since the signing of the joint venture research agreement in January, 2017, Radiant and Aurora have commissioned feasibility studies to evaluate the applicability of Radiant's proprietary technology for the extraction of cannabinoids from cannabis, the establishment of parameters of extraction yields, recovery rates of available cannabinoids, purity of the extracts obtained, and the determination of cannabinoids and terpene profiles. In addition, the feasibility studies evaluated an assessment of potential processing throughput achievable using Radiant's continuous-flow MAP™ extractor. The results of the studies were validated by a cannabis industry qualified third-party laboratory. The results of the research were announced on June 5, 2017 and were found to be encouraging by both parties. The results of the program included the following points:

- MAP™ has the potential to deliver high quality and broad extraction profiles, all while reducing extraction times from several hours to minutes;
- While conventional processes allowed for extraction efficiencies of approximately 80%, MAP™ has the potential for efficiencies in excess of 95%;
- High throughputs of up to 1,500 kg/day are potentially possible; and
- Extraction profiles indicated near full retention of cannabinoid and terpene profiles unlike other technologies.

Because of the success shown through the research program, Aurora has indicated its desire to move forward, in fiscal 2018, on a definitive agreement with the Company. The companies are currently negotiating this agreement.

It is anticipated that Radiant will be extracting cannabis oil from certain of Aurora's dried cannabis. Timing of the production of cannabinoid oils is tied to the following:

- Definitive agreement between Radiant and Aurora including volumes of material to be extracted from, form of product produced, quality and security programs being agreed to and compensation to Radiant.
- Radiant has filed its license to produce under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The license was applied for during February 2017. Health Canada has not given any indication for the timelines for granting this license. The Company has been notified that it is in the Enhanced Screening and Security review stage of approval (now referred to as Detailed Review and Initiation of Security Clearance). The Company anticipates receiving its license by mid-calendar 2018. To produce cannabinoid oil, the Company will require its ACMPR license.
- Radiant needs to install enhanced security systems including significant video storage capabilities and a storage vault. Radiant may have to modify certain production equipment to handle the biomass. Preliminary estimates for these enhancements to the Edmonton facility are approximately \$1.5-2.0 million. Certain of the equipment have long lead times for order, design and install of approximately 6 months. Radiant is in the final stage of vendor selection for the security program and expects to make final decisions before the end of fiscal Q2 2018. Radiant currently has sufficient working capital to fund these enhancements.
- Successful completion, start-up and operation of Aurora Sky facility.



To accelerate the Company's development of its Cannabis activities over its current pace the Company will need the following:

- The Company applied, in December 2016, for a Controlled Substances Dealer's License for its research facility. This license will allow the Company to conduct further research and development in its own laboratory instead of having to use qualified 3rd party groups and facilities. Health Canada has indicated to the Company that it should receive its license by the end of December 2017;
- Additional HQPs, as noted earlier, to perform additional research and development activities; and
- In addition to the facility enhancements specific to the Cannabis activities noted above, additional long-lead time analytical and laboratory equipment having a value of approximately \$800,000. Certain of this equipment has a 4-6-month order and install lead time. Key long-lead time analytical equipment has already been ordered and is expected to be installed at the end of fiscal Q2 2018. To mitigate the impact to the Company's current cash position, the Company expects to lease a significant portion of this equipment.

The Company has adequate production capacity, personnel (assuming current pace of activity) and capital resources to implement its entry into the Cannabis industry. The Company, if granted an ACMPR license, does not intend to establish its own growing operation. Rather, Radiant intends to focus on the extraction of cannabinoids and the downstream refining and formulation of cannabinoid products. The Company expects that its Edmonton facility, following proper Good Manufacturing Practices ("GMP") and procedures, can be used to produce cannabis and non-cannabis extracts.

Status of Dealers License and ACMPR License

To be able to extract cannabinoids and conduct research related activities, the Company is required to have its Office of Controlled Substances Dealers License (for its research and development laboratory) and its ACMPR license to produce. The Company has submitted its license applications. Below is a discussion of requirements to obtain each license and the stage that the Company is at.

Office of Controlled Substances Dealer's License

As per Health Canada's website:

"The Office of Controlled Substances (OCS) works to ensure that drugs and controlled substances are not diverted for illegal use. This involves developing legislation, regulations, policies and operations that support the control of illicit drugs and other substances.

Activities in this area include:

- licencing manufacturers and distributors of drugs and controlled substances and issuing import/export permits when necessary, to manage and track the movement of drugs and controlled substances across the Canadian border;
- authorizing the disposal of illegal drugs that have been discovered or seized;
- licencing individuals and companies to undertake activities under the *Industrial Hemp Regulations*;
- managing an exemption process that allows individuals with legitimate scientific or medical reasons to possess a controlled substance; and



- working with other groups such as the law enforcement community to address compliance issues.

The *Controlled Drugs and Substances Act* (CDSA) prohibit certain activities with controlled substances – including possession, trafficking, importation, exportation and production – except as authorized by regulations. The *Benzodiazepines and Other Targeted Substances Regulations*, *Narcotic Control Regulations*, *Part G of the Food and Drug Regulations*, and *Part J of the Food and Drug Regulations* are regulations under the CDSA, which set out detailed requirements for persons involved in carrying out activities with controlled substances, including the requirement to seek and obtain a new controlled substances licence before conducting certain activities. The licence authorizes the person to conduct the activities specified by the licence.”

To apply for a new dealer’s licence for controlled substances, Companies applying are required to submit a completed application and supporting documentation to the OCS. The OCS then screens the applications for completeness, and incomplete applications may be returned. Once an application is deemed complete, it is reviewed in detail and a licence is issued or the application is refused.

Radiant, in December 2016, applied, for a Dealer’s License for its research laboratory, to work with controlled substances for research and development. Radiant’s current application status is that the OCS is currently going through the detailed review of the license application. Health Canada has notified the Company that the 180-day service date falls into December, 2017. Consequently, the Company expects to receive its Dealer’s License within that time frame.

ACMPR License process

Per Health Canada’s website: “effective May 25, 2017, the application process for becoming a licensed producer of cannabis for medical purposes is as follows:

1. Intake and Initial Screening
2. Detailed Review and Initiation of Security Clearance Process
3. Issuance of Licence to Produce
4. Introductory Inspection (as cultivation begins)
5. Pre-Sales Inspection
6. Issuance of Licence to Sell

Licences are only issued once it has been determined that all information submitted demonstrates compliance with the Access to Cannabis for Medical Purposes Regulations (ACMPR) and the facility has been built. Each application undergoes a detailed assessment and review, including in-depth security checks undertaken by the RCMP.”

The Company submitted its ACMPR application in February 2017 and has entered stage 2 of the application process. No indication has been provided by Health Canada as to the duration of this stage.

According to Health Canada’s website, the following is a description of activities conducted during stage 2:

“All information submitted to Health Canada, and any other relevant information, is reviewed to:

- complete the assessment of the application to ensure that it meets the requirements of the Regulations;
- establish that the issuance of the licence is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use; and
- establish that there are no other grounds for refusing the application.



An application will be thoroughly reviewed to ensure that the level of detail included in the application is sufficient to assess the requirements of the ACMPR and validate the information provided. Consideration is also given to the proposed security measures including those required by Subdivision C of the ACMPR and the description of the storage area for cannabis as required by the Security Directive; the credentials of the proposed quality assurance person to meet the good production requirements outlined in Subdivision D of the ACMPR and the details listed in the quality assurance report relating to premises, equipment and sanitation program. Physical security plans will be reviewed and assessed in detail at this stage.

While the application is in the Detailed Review stage, the security clearance forms for key personnel will be sent for processing.

Issuance of Licence to Produce

Once Health Canada confirms that the requirements of the ACMPR have been met, and the application successfully completes the Detailed Review and Security Clearance stage, a licence to produce will be issued.”

Although Health Canada has recently increased staffing levels and streamlined its approval process, the Company anticipates that Health Canada will take several months to complete its review.

Patents, Patent Applications and Registered Trade-Marks

A summary of Radiant's patents, patent applications and Registered Trade-Marks is as follows:

Title	Jurisdiction	Status	Number	Expiry Date
<u><i>Licensed IP Rights</i></u>				
Controlled energy density microwave assisted processes	USA	Granted	6061926	Nov. 2018
Controlled energy density microwave assisted processes	Canada	Granted	2287841	Nov. 2019
Trademark / Official Mark	Canada	Registered	904932	N/A
Trademark / Official Mark	France	Registered	94/512023	N/A
Trademark / Official Mark	Italy	Registered	708135	N/A
Trademark / Official Mark	USA	Registered	2012278	N/A
<u><i>Patents and Patent Applications</i></u>				
Methods for making Cyclophamine	Canada	Granted	2727986	Jul. 2029
Methods for making Cyclophamine	USA	Application	2011/0160457	N/A
Method for direct extraction and concentration of naturally-derived active compounds	Canada	Application	2780578	N/A
Method for direct extraction and concentration of naturally-derived active compounds	USA	Application	13/921850	N/A

Radiant negotiated the right to purchase the MAP™ patents US 6061926 and CA 2287841 from the Government of Canada, and as of May 1, 2014 has completed the purchase of these patents. Part of Radiant's ongoing intellectual property strategy is to file microwave-based product-by-process patents. To-date, Radiant has been granted patent CA 2727986 and has other applications pending. Radiant is also in the process of protecting novel apparatus aspects of its large-scale continuous flow microwave extractor.

Corporate Structure

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



Radiant owns a 50% interest in 1631807 Alberta Ltd., a corporation duly incorporated under the ABCA, which is the owner and landlord of real estate relating to the Edmonton production facility.

RESULTS OF OPERATIONS

Highlights for the years ended March 31, 2017, 2016 and 2015.

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015
Revenues	\$ 293,447	\$ 626,457	\$ 131,405
Loss, before other income and expenses	(4,352,904)	(4,035,600)	(6,894,676)
Loss per share, before other income and expenses (basic and diluted)	(0.05)	(0.08)	(\$0.22)
Net loss and comprehensive loss	(4,316,274)	(4,366,665)	(14,137,534)
Net loss per share (basic and diluted)	(0.05)	(0.09)	(0.45)
Cash used in operating activities	(5,062,554)	(1,510,312)	(5,916,617)
Cash provided by financing activities	13,542,851	1,625,394	5,818,031
Cash (used in) provided by investing activities	(397,566)	308,492	(105,501)
Total assets	15,107,628	5,233,606	5,448,630
Working capital ¹	6,723,110	(3,982,244)	(2,201,723)
Total non-current liabilities	\$ 6,597,174	\$ 6,718,530	\$ 6,322,286
Weighted average number of common shares outstanding	85,862,057	49,327,549	31,578,767

Notes:

1. Working capital is a non-IFRS term defined as current assets less current liabilities.

At the end of March 31, 2016, the Company was in a working capital shortfall position. Due to the severe working capital shortage during this period the Company took the measure of idling the plant to preserve working capital. This resulted in minimal staffing, reduced utilities and other related operating costs. The Company was able to secure modest amounts of working capital in August 2016 which allowed a restart of plant operations in September. Additionally, the restart was tied to entering into the first (of a number) of manufacturing contracts with a personal care ingredients client which were delivered in the second half of the 2017 fiscal year.

During the year ended March 31, 2017 the Company completed four private placements that raised gross proceeds of \$14.2 million as well as the placement of a convertible debenture with Aurora for gross proceeds of \$2.0 million. These additional funds resulted in a working capital surplus at March 31, 2017 of \$6,723,110 in comparison to a working capital deficiency of \$3,982,244 at March 31, 2016. The working capital surplus was used to fund operations including the restart of the Company's plant in September 2016.



Statement of Operations and Comprehensive Loss for the Quarter Ended June 30, 2017 and 2016

(Unaudited)	Quarter ended June 30,	
	2017	2016
Revenues	\$ 95,922	\$ -
Cost of revenues	89,483	-
	6,439	-
Expenses		
General and administrative	830,762	287,745
Production plant	311,819	159,844
Financing fees	231,487	205,561
Laboratory	157,181	93,516
Depreciation and amortization	116,384	112,172
Marketing	74,817	52,800
Quality control and assurance	19,416	-
	1,741,866	911,638
Loss before other income (expenses)	(1,735,427)	(911,638)
Other income (expenses)		
Rental income	31,264	31,264
Interest and other income	10,011	3,158
Allocation of related company income	10,000	-
Share-based payments	(3,929,044)	(85,557)
Foreign exchange (loss) gain	(10,113)	3,911
Other expenses	(13,313)	-
	(3,901,195)	(47,224)
Net loss and comprehensive loss	\$ (5,636,622)	\$ (958,862)

The following highlights key activities, milestones and initiatives undertaken in the quarter ended June 30, 2017:

- In January, 2017, the Company entered into a Joint Venture Research Agreement with Aurora to initiate the evaluation work pursuant to the MOU. The first phase of work was completed in February 2017 and a positive decision to move forward with the second and final phase of work was taken. The second phase was completed during the quarter ended June 30, 2017 with positive results being announced on June 5, 2017. Aurora advised the Company that it wanted to enter into a definitive agreement regarding the use of the Company’s technology and services. Negotiations are currently underway.
- The Company continued to enter into a number of manufacturing agreements with a global leader in the development, manufacturing and marketing of innovative ingredients for the cosmetic and personal care industry. Discussions with this client are continuing towards a broader, long-term supply relationship comprising multiple additional finished ingredients along with certain development opportunities.
- The Company issued 14,345,476 common shares related to warrant exercises for total proceeds of \$3,523,308 at a weighted average exercise price of \$0.23.
- The Company successfully restructured the repayable government contributions received from the Ministry of Agriculture and Agri-Food Canada (“Agri”). An initial payment of \$92,000 was made during the quarter which will be followed by a monthly repayment schedule commencing July 1, 2017 for an 8-year term.



Variance Analysis

Beginning March 2016 through to September 2016, the production plant was idled and all other activity and departments scaled down to minimal staffing levels. Most staff were laid off in February 2016 and then recalled at the start of September 2016. The Company was experiencing a working capital shortage during this period and took these measures to preserve working capital. This resulted in minimal staffing and reduced operating expenses through the period. Preserved activities were limited to keeping the plant secure and supporting corporate functions related to raising capital, new financing arrangements and marketing opportunities. These measures impact the specific variances discussed in more detail below:

Revenues

Contract manufacturing revenue for the quarter ended June 30, 2017 was \$95,922 with activity focused on executing the manufacturing agreements secured for specific cosmetic and personal care ingredients. No feasibility work was completed in the quarter.

Cost of Revenues

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

	Quarter ended June 30,	
	2017	2016
Contract manufacturing		
Supplies and materials	\$ 44,365	\$ -
Maintenance	1,731	-
Salaries and benefits	29,596	-
Transportation fees	1,125	-
Equipment and rentals	585	-
Waste removal	12,081	-
Total cost of revenues	\$ 89,483	\$ -

General and Administrative Expenses

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

	Quarter ended June 30,	
	2017	2016
Salaries and benefits	\$ 198,358	\$ 112,269
Consulting fees	259,293	79,988
Professional fees	66,299	25,644
Public company compliance	49,818	10,219
Rent and utilities	33,782	36,735
Office	20,409	3,919
Insurance	11,146	13,909
Investor relations	66,000	-
Travel	74,018	5,062
Directors' fees	20,375	-
Doubtful debts provision	31,264	-
Total general and administrative	\$ 830,762	\$ 287,745



General and administrative expenses for the quarter ended June 30, 2017 increased by \$543,017 from the prior period with variances in several cost categories.

During the prior period while the plant was idled and the Company was experiencing a working capital shortage, the President and CEO as well as the Chief Technology Officer were the only administrative staff retained. By June 30, 2017, the Company employed three additional staff and has reinstated the Company's benefit and RRSP plans all of which contribute to the salary and benefit variance of \$86,089 from the prior period.

Consulting fees have increased by \$179,305, professional fees by \$40,655 and public company compliance fees by \$39,599. Additional services engaged were related to preparation and support of the Company's fiscal year-end, annual audit, Scientific Research and Experimental Development Tax Incentive ("SR&ED") compliance as well as various corporate compliance matters. As well, additional services were engaged to support new business initiatives and alternative financing arrangements that the Company was exploring during the quarter ended June 30, 2017.

With the growth in the shareholder base throughout the year ended March 31, 2017, along with the Company's intent to secure adequate levels of future capital, the Company has undertaken a number of initiatives around enhancing communications and information available to adequately support investor needs. These initiatives total \$66,000 for investor relations during the quarter ended June 30, 2017.

Travel costs are \$68,956 greater than the same quarter of the prior year with activity related to new business initiatives and alternative financing arrangements that the Company has been exploring in the current quarter.

Increases in office costs and directors' fees are the result of the Company's resumption of corporate activity since the plant has been restarted. As expected, costs more closely approximate levels during the quarter ended June 30, 2015 levels where office costs were \$25,996 and director's fees were \$15,375.

General and administrative costs also include a doubtful debts provision of \$31,264 as compared to \$nil in the prior year. The Company assessed that a receivable from its subtenant was impaired resulting in an allowance for impairment of \$31,264 in the quarter ended June 30, 2017.

Production Plant

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

	Quarter ended June 30,	
	2017	2016
Salaries and benefits	\$ 170,236	\$ 38,636
Rent and utilities	110,869	111,412
Maintenance	26,266	-
Office	415	3,662
Waste removal	543	-
Supplies	2,600	-
Equipment and rentals	890	6,134
Total production plant	\$ 311,819	\$ 159,844



The production plant was idled from the beginning of March, 2016 to early September 2016. During this idled period, minimum levels of staffing were maintained to keep the plant secure. Most staff were laid off in February 2016 and then recalled at the start of September 2016. For the quarter ended June 30, 2016, the Company maintained one full-time employee for the plant. As at June 30, 2017, there are eight full-time staff along with costs related to the Company's reinstated benefit and RRSP plans all of which contribute to the variance of \$131,600.

Maintenance expenses of \$26,266 were largely attributable to the replacement, installation and inspection of the plant's two chiller pumps, both of which failed during the quarter. All other expenses incurred are a result of restarted plant activity.

Financing Fees

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

	Quarter ended June 30,	
	2017	2016
Accretion of royalty financial liability	\$ 139,363	\$ 136,958
Accretion of repayable government contributions	-	24,165
Interest on promissory notes	-	10,669
Interest on long-term debt	8,226	18,555
Interest on lease obligation	540	-
Interest on loan due to related company	15,000	15,000
Interest on convertible debenture	50,226	-
Interest on repayable government contributions	7,998	-
Amortization of financing costs on convertible debenture	7,777	-
Amortization of financing costs on due to related company	2,357	-
Other	-	214
Total financing fees	\$ 231,487	\$ 205,561

Total financing fees for the quarter ended June 30, 2017 increased by \$25,926 from the prior year.

The Company issued a \$2,000,000 interest-bearing convertible debenture on February 13, 2017. Interest of \$50,226 and amortization of associated financing costs of \$7,777 were recognized in the quarter related to the debenture.

Amounts which offset this increase include:

- Repayable government contributions were converted to long-term debt during the quarter. As a result, interest recorded was the actual interest incurred by the Company while the debt was in arrears and prior to the conversion as opposed to accretion which was recorded in the prior year.
- Interest on long-term debt in the prior year included arrears interest which was assessed by the lender related to arrears that had occurred at that point in time. As the Company had fully remedied all arrears related to the long-term debt during the year ended March 31, 2017, the current year interest is restricted to the scheduled interest on the loan.
- The promissory notes were fully paid during the year end March 31, 2017 and as a result, interest was \$nil for the quarter.



Laboratory

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

	Quarter ended June 30,	
	2017	2016
Salaries and benefits	\$ 103,405	\$ 50,043
Rent and utilities	33,923	36,769
Product development	700	-
Supplies	7,625	-
Equipment and rentals	2,846	6,173
Travel	6,176	-
Office	1,409	112
Waste removal	374	-
Production materials	723	419
Total laboratory	\$ 157,181	\$ 93,516

Total laboratory expenses for the quarter ended June 30, 2017 increased by \$63,665 from the prior period.

Salaries and benefits increased by \$53,362 due to increases in salary adjustments for existing staff as well as an increase in total staff from three at June 30, 2016 to five at June 30, 2017. Increases in product development, supplies, travel, waste removal and production materials are the result of the Company's resumption of development and commercial activity in September 2016.

Depreciation and amortization

Depreciation and amortization expense for the quarter ended June 30, 2017 was not significantly different than the prior period.

Marketing

Marketing expenses for the quarter ended June 30, 2017 increased by \$22,017 from the prior period. These increases are due to travel costs incurred as the Company is actively pursuing new business initiatives and opportunities.

Quality Control and Assurance

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

	Quarter ended June 30,	
	2017	2016
Salaries and benefits	\$ 19,174	\$ -
Office	242	-
Total quality control and assurance	\$ 19,416	\$ -

For most of the year ended March 31, 2017, the quality control and assurance department was vacant with staff being rehired late in the quarter ended March 31, 2017. As a result, current expenses reflect the rehire that occurred in the last quarter of the March 31, 2017 fiscal year as well as a second hire which occurred June 2017.



Other income (expenses)

Share-based payments

Share based payments for the three months ended June 30, 2017 were \$3,929,044 (2016 - \$85,557) and includes the impact of 8,517,765 stock options that were granted by the Company on April 3, 2017 to certain officers, employees and consultants with an exercise price of \$0.66. The weighted average grant date fair value of \$0.55 was estimated using the Black Scholes option pricing model using the following grant date assumptions: grant date stock price \$0.65; risk-free interest rate 0.5%; estimated common share price volatility 128%; expected dividend yield 0%; estimated life of the options 5 years. The estimated volatility is based on the Company's historic volatility since May 22, 2014. Of these options, 6,455,544 vested immediately and as a result a total of \$3,917,830 was recognized during the three months ended June 30, 2017. There were no stock option grants during the three months ended June 30, 2016.

Other expenses

Other expenses of \$13,313 relate to a reassessment of the Company's SR&ED claim for the fiscal year ended March 31, 2014 where it was determined that certain expenses claimed were ineligible.



SUMMARY OF QUARTERLY RESULTS

	Quarter ended			
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Revenues	\$ 95,922	\$ 145,962	\$ 116,325	\$ 31,250
Loss before other income and expenses	(1,735,427)	(1,295,760)	(1,091,034)	(1,054,472)
Loss per share, before other income and expenses (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.02)
Net loss	(5,636,622)	(1,100,737)	(1,161,550)	(1,095,125)
Net loss per share (basic and diluted)	\$ (0.04)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	158,923,114	136,107,594	85,290,762	65,171,117
Total assets	\$ 16,634,789	\$ 15,107,628	\$ 8,077,320	\$ 4,987,193
Long term liabilities	7,434,920	6,597,174	7,057,445	6,921,487

	Quarter ended			
	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Revenues	\$ -	\$ 79,598	\$ 520,031	\$ 5,500
Loss before other income and expenses	(911,638)	(708,648)	(652,940)	(1,386,301)
Loss per share, before other income and expenses (basic and diluted)	(0.02)	(0.01)	(0.01)	(0.06)
Net loss	(958,862)	(492,307)	(738,593)	(1,833,921)
Net loss per share (basic and diluted)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.06)
Weighted average number of common shares outstanding	57,059,178	52,415,920	50,935,740	47,128,995
Total assets	\$ 4,960,703	\$ 5,233,606	\$ 4,634,379	\$ 4,850,201
Long term liabilities	6,836,654	6,718,530	6,891,511	6,771,275

LIQUIDITY AND CAPITAL RESOURCES

Capital Employed

	June 30, 2017	March 31, 2017
Non-current assets	\$ 4,199,495	\$ 4,270,158
Current assets	12,435,294	10,837,470
Current liabilities	(3,227,415)	(4,114,360)
Total assets less current liabilities	\$ 13,407,374	\$ 10,993,268
Non-current liabilities	7,434,920	6,597,174
Shareholders' equity	5,972,454	4,396,094
	\$ 13,407,374	\$ 10,993,268

Non-current assets decreased by \$70,663 primarily due to depreciation and amortization of \$116,384 recorded during the period on plant and equipment and patents and decreases in advances to related company of \$12,736. These were offset by \$48,457 of purchases of plant and equipment, and an increase in investment in related company of \$10,000 due to the allocation of related company income.



Advances to/from related company include amounts owed for rent, property taxes and other required operating costs to the Company's joint venture 1631807 Alberta Ltd related to the leased plant offset by payments made for these expenses. There will be timing differences between when expenses are recognized and when payments are made resulting in an overall balance that fluctuates. Any balances due from or to the related party are non-interest bearing, unsecured and do not have conversion features.

Current assets increased by \$1,597,824 as at June 30, 2017 as compared to the prior year. Cash increased by \$1,387,220 primarily due to proceeds from the exercise of warrants of \$3,253,308 that was offset by cash used in operating activities of \$1,622,719, repayments of debt and interest of \$188,278 and purchase of plant and equipment of \$48,457. Prepaids and deposits also increased as compared to the prior year by \$205,479 primarily due to a deposit made on lab equipment of \$224,438 not yet received.

Current liabilities of \$3,227,415 decreased by \$886,945 as compared to the prior year. The decrease was primarily composed of a decrease in repayable government contributions of \$878,300. On May 18, 2017, the Company reached an agreement with Agri-Food Canada to restructure the debt. The new agreement is substantially different than the preceding one and is therefore accounted for as an extinguishment with the amount payable being converted to a 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. Interest is compounded monthly at the Bank of Canada policy interest rate plus 3%. Accounts payable and accrued liabilities and the current portion of royalty financial liability also decreased by \$42,213 and \$26,879 respectively which was offset partially by an increase in the current portion of long-term debt of \$52,274 due to the repayable government contributions restructured as long-term debt.

Current liabilities also include a convertible debenture. All or a portion of the principal amount of the debenture is 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 is 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 is 14,285,714 with an additional 14,285,714 that would be issued if the warrants are exercised. Interest is payable quarterly in arrears, at a rate of 10% and is payable in common shares of the Company at the prevailing market rate at the time of payment. Should the holder's shareholdings in the Company exceed 19.9% as a result of the interest payment, then a cash payment of interest will be made. During the three months ended June 30, 2017, 104,167 units of the Company were issued in exchange for \$50,000 quarterly interest due.

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

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

On July 28, 2017, the convertible debenture of \$2,000,000 outstanding at June 30, 2017 was converted pursuant to the acceleration provisions contained therein into 14,285,714 units of the Company. These units included the issuance of 14,285,714 common shares and 14,285,714 common share purchase warrants exercisable prior to February 13, 2019 for one additional common share of the Company at an exercise price of \$0.33.



Furthermore, on the same date, 77,540 units consisting of 77,540 common shares and 77,540 common share purchase warrants exercisable prior to February 13, 2019 were issued to Aurora in exchange for the final interest payment of \$41,096 interest due on the convertible debenture. Units were issued based on the closing market price of the Company's common shares on July 27, 2017 of \$0.53 which is also the exercise price of the warrants.

Non-current liabilities increased by \$837,746 mostly due to an increase in long-term debt of \$711,849. The increase was due to the extinguishment and conversion to long-term debt of the repayable government contributions of \$883,493 which included arrears interest of \$7,998 net of interest payments of \$2,805 and a reclassification of the current portion of \$49,406 offset by repayments of \$92,000 on the new debt. Further offsetting the increase in long-term debt related to the conversion of repayable government contributions were repayments of \$27,370 related to the original loan balances in long-term debt. There was also an increase in the royalty financial liability of \$139,363 due to current period accretion. These increases were partially offset by a decrease in due to related company of \$10,156.

The amounts due to related company are advances from the Company's joint venture 1631807 Alberta Ltd. that were 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 funds advanced to 1631807 Alberta Ltd. from BDC. 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 1396730 Alberta Ltd., the joint venture owner of 1631807 Alberta Ltd. and a company controlled by Harry Kaura, a director of the Company, a guarantee fee of \$250,000 for providing security to BDC and has provided the shares of 1631807 Alberta Ltd as security to 1396730 Alberta Ltd.

On February 9, 2016, 1396730 Alberta Ltd., issued a notice of default to the Company regarding the loan between the Company and 1631807 Alberta Ltd. that is guaranteed by 1396730 Alberta Ltd. Pursuant to the agreement, 1396730 Alberta Ltd. has the right to the shares of 1631807 Alberta Ltd. that the Company pledged as collateral in exchange for the guarantee provided by 1396730 Alberta Ltd. For the year ended March 31, 2016, the Company reached an agreement with 1396730 Alberta Ltd. 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. 1396730 Alberta Ltd. has agreed that the joint venture and existing loan will continue pending the removal of the existing guarantee by way of refinancing of the loan. The Company is actively exploring options for refinancing the loan. Should the proposed refinancing not be completed, the ownership of the Company's shares of 1631807 Alberta Ltd. would revert to 1396730 Alberta Ltd. and the Company's investment in 1631807 Alberta Ltd. would end.

On July 19, 2017, the Company reached an agreement with AVAC Ltd. to settle the total amount owing of \$5,325,210 at June 30, 2017 under the royalty financial liability in exchange for 9,424,330 common shares. This conversion will result in a decrease in non-current liabilities from \$7,434,920 to \$2,109,710 based on balances at June 30, 2017. The conversion remains subject to approval of the TSX Venture Exchange.

Shareholders' equity at June 30, 2017 increased by \$1,576,360 as compared to the prior year primarily due an increase from the exercise of 14,345,476 warrants for total proceeds of \$3,253,308, an increase from the issuance of 104,167 common shares on conversion of interest payable of \$50,000 due on the convertible debenture and an increase from the recognition of share-based compensation of \$3,929,044. These increases were offset by share issuance costs of \$19,370 and the recognition of a net loss of \$5,636,622 for the three months ended June 30, 2017.



CONTINGENCIES AND COMMITMENTS

Facility leases

Head Office

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 \$7,500 commencing on October 1, 2014 through September 30, 2019.

Production Facility

On September 1, 2011, the Company entered into a 10-year lease with 1396730 Alberta Ltd. (subsequently transferred on December 14, 2011 to 1631807 Alberta Ltd., a related party through 50% ownership) 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 improvements and to pay additional rent to cover operating costs.

Operating leases

The Company has operating lease commitments for the twelve months ended June 30, 2018 of \$22,218 and \$2,340 for the twelve months ended June 30, 2019.

Claim for amounts owing

During the year ended March 31, 2016 a utility provider to the Company commenced a civil claim against the Company for unpaid amounts of \$205,304, including an early termination fee of \$127,797, for the early termination of a supply contract. During the year ended March 31, 2017, the Company and the utility provider reached an agreed upon schedule of payments for amounts owing that eliminated the early termination fee. As at March 31, 2017, all amounts were fully paid and the utility provider has withdrawn its civil claim.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.



RELATED PARTY TRANSACTIONS

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. Key management personnel include the President and Chief Executive Officer (CEO), the Chief Operating Officer (COO), the Chief Technology Officer (CTO) and the Chief Financial Officer (CFO). Details of the related party transactions follow:

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

Pursuant to the private placement that closed on October 14, 2016, the CEO and one director, Armand Lavoie, participated in the placement for total proceeds of \$85,000 and \$17,250 respectively.

Pursuant to the private placement that closed on December 22, 2016, two directors and three officers participated directly or indirectly in the placement for total proceeds of \$364,500. The directors included Armand Lavoie (\$46,500) and Francesco Ferlino (\$105,000) and the officers included the CEO (\$157,000), the CFO (\$45,500) and the CTO (\$10,500).

During the year ended March 31, 2017, 2,228,569 common shares were issued to certain directors and officers of the Company as settlement for compensation related payables of \$234,000. These officers and directors included the CEO (\$50,000), COO (\$50,000) and CFO (\$50,000), two current directors Steve Dauphin (\$36,000) and Harry Kaura (\$24,000) as well as one former director, Wolfgang Muhs (\$24,000).

On April 3, 2017, the Company issued 5,821,102 stock options to its directors and key management personnel with an exercise price of \$0.66.

For the three months ended June 30, 2017, key management salaries, short-term benefits, consulting fees and director's fees were \$248,162 (2016 - \$167,000).

For the three months ended June 30, 2017, share based compensation expense was \$2,704,219 (2016 - \$53,654) for its directors and key management personnel.

As at June 30, 2017, \$342,743 (2016 - \$1,159,663) was included in accounts payable and accrued expenses for amounts owing to all of the Company's directors, key management personnel, and companies controlled by key management personnel or directors.

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. The Company has not yet evaluated the impact of IFRS 9 on the financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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 model for entities to account for revenue arising from contracts with customers. The Company has not yet evaluated the impact of IFRS 15 on the financial statements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.



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. The Company has not yet evaluated the impact of IFRS 16 on the financial statements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

Amendments to IAS 7 Disclosure Initiative – The amendments require the Company to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Company has not yet evaluated the impact of the amendments to IAS 7 on the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2017 and apply prospectively.

FINANCIAL INSTRUMENTS AND RELATED RISK

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

The royalty financial liability was estimated using a discount rate that results from the estimated future repayment of that obligation which is based on expected sales. As the estimated discount rate also approximates the company's estimated cost of capital for similar borrowing arrangements, management believes the carrying amount of this obligation does not differ significantly from its fair value (level 3).

The Company has exposure to credit, liquidity and market 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.

The Company's trade receivables are monitored on an ongoing basis for impairment. During the three months ended June 30, 2017, the Company assessed that a receivable from its subtenant was impaired and an allowance of \$31,264 (2016 - \$nil) for the impairment was made. This was in addition to the allowance at March 31, 2017 of \$263,424 that had been made for impaired receivables from a customer and the Company's subtenant. The lease with the subtenant has been terminated effective July 31, 2017 and the Company will continue to pursue collection of the balance owed.



At June 30, 2017, \$298,480 (March 31, 2017 - \$265,652) of the trade accounts receivable balance of \$366,040 (March 31, 2017 - \$355,685) was past due. The entire balance past due less Goods and Services Tax (GST) of \$14,213 that has been billed but not yet collected and can be recovered is impaired (March 31, 2017 \$12,650). Other receivables at June 30, 2017 consist primarily of GST \$52,647 (March 31, 2017 - \$35,652) and revenue earned but not yet billed of \$38,000 (March 31, 2017 - \$37,153).

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.

Management has been able, thus far, to finance operations through debt and equity financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. The financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and that such adjustments could be material.

At March 31, 2017, the Company has paid all the arrears on its royalty financial liability and long-term debt but remained in arrears related to its repayable government contributions. During the three months ended June 30, 2017, the Company restructured its repayable government contributions with the remaining balance to be paid over 8 years. Subsequent to June 30, 2017, the Company reached an agreement to exchange its royalty financial liability for common shares of the Company.

During the year ended March 31, 2017 the Company completed four private placements that raised gross proceeds of \$14.2 million as well as the placement of a convertible debenture for gross proceeds of \$2.0 million. During the three months ended June 30, 2017, the company issued 14,345,476 common shares related to warrant exercises for total proceeds of \$3,523,308. These additional funds have resulted in a working capital surplus at June 30, 2017 of \$9,207,878 (March 31, 2017 - \$6,723,110) in comparison to a working capital deficiency of \$3,982,244 at March 31, 2016. The current working capital surplus is being used to fund operations including the restart of the Company's plant during the year ended March 31, 2017. Subsequent to June 30, 2017, the convertible debenture together with the accrued interest therein was converted to units of the Company pursuant to the acceleration provisions of the debenture.



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	\$ 1,051,771	\$ -	\$ -	\$ -	\$ 1,051,771
Convertible debenture	1,949,408	-	-	-	1,949,408
Long-term debt	220,950	465,899	401,183	521,144	1,609,176
Lease obligation	13,371	2,229	-	-	15,600
Royalty financial liability	132,035	1,412,022	2,081,675	5,949,785	9,575,517
Due to related company	110,741	212,472	200,460	1,154,660	1,678,333
Balance June 30, 2017	\$ 3,478,276	\$ 2,092,622	\$ 2,683,318	\$ 7,625,589	\$15,879,805
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

Market Risk

Market risk is composed of interest rate risk and foreign currency risk. The Company earns certain revenues and incurs certain operating expenses and capital expenditures in U.S. dollars and EUROS. Accordingly, the fluctuations in the exchange rate between the U.S. and Canadian dollar and the EURO and the Canadian dollar can impact the Company's reported results. During the quarter ended June 30, 2017 total foreign exchange loss was \$10,113 (2016 - \$(3,911)).

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 in the current quarter.

For the period ended June 30, 2017, the increase or decrease in annual net income for each one percent change in interest rate on the repayable government contributions would amount to \$7,795 (2016 - \$nil).

RISK FACTORS

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to and must be read in conjunction with the additional information on these and other factors that could affect the Company's operations and financial results that are may be accessed through the Company's profile on SEDAR (www.sedar.com), including the Management Information Circular dated October 26, 2016.



Going Concern

Certain conditions may cast doubt upon the validity of the Company to continue as a going concern:

- The Company has a limited commercial operating history, and no recent significant revenues to provide ongoing operating capital;
- The Company may encounter unforeseen difficulties or delays in its operations, delays in the issuance of its ACMPR license, and the development of its market, which will dictate the timing and quantum of such financings;
- Until sufficient cash flows from operations are generated on a consistent basis, the Company will be reliant on debt and equity financing to sustain operations;
- Management has been able, thus far, to finance operations through debt and equity financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all.

The Company's ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the three months ended June 30, 2017 totalled \$5,636,622 (2016 - \$958,862) and as at June 30, 2017 the Company had a deficit of \$53,598,408 (March 31, 2017 - \$47,961,786). These balances indicate there is uncertainty about the Company's ability to continue as a going concern.

Management has been able, thus far, to finance operations through debt and equity financings and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its ability to obtain financing, generate sufficient cash flows and, ultimately, achieve profitable operations. The financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and that such adjustments could be material.

At March 31, 2017, the Company has paid all the arrears on its royalty financial liability and long-term debt but remained in arrears related to its repayable government contributions. During the three months ended June 30, 2017, the Company restructured its repayable government contributions with the remaining balance to be paid over 8 years. Subsequent to June 30, 2017, the Company reached an agreement to exchange its royalty financial liability for common shares of the Company.

During the year ended March 31, 2017 the Company completed four private placements that raised gross proceeds of \$14.2 million as well as the placement of a convertible debenture for gross proceeds of \$2.0 million. During the three months ended June 30, 2017, the company issued 14,345,476 common shares related to warrant exercises for total proceeds of \$3,523,308. These additional funds have resulted in a working capital surplus at June 30, 2017 of \$9,207,878 (March 31, 2017 - \$6,723,110) in comparison to a working capital deficiency of \$3,982,244 at March 31, 2016. The current working capital surplus is being used to fund operations including the restart of the Company's plant during the year ended March 31, 2017.



On July 28, 2017, the convertible debenture of \$2,000,000 outstanding at June 30, 2017 was converted pursuant to the acceleration provisions contained therein into 14,285,714 units of the Company. These units included the issuance of 14,285,714 common shares and 14,285,714 common share purchase warrants exercisable prior to February 13, 2019 for one additional common share of the Company at an exercise price of \$0.33.

Furthermore, on the same date, 77,540 units consisting of 77,540 common shares and 77,540 common share purchase warrants exercisable prior to February 13, 2019 were issued to Aurora in exchange for the final interest payment of \$41,096 interest due on the convertible debenture. Units were issued based on the closing market price of the Company's common shares on July 27, 2017 of \$0.53 which is also the exercise price of the warrants.

Limited Operating History

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

Ability to Implement Business Plan

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

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

Cannabis Industry

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



The ability of Radiant to build its business in extracting and processing cannabinoids derived from cannabis is dependent on obtaining all licenses, including the licenses to produce cannabis oil products, and adherence to all regulatory requirements related to such activities. Radiant has applied for a Controlled Drugs and Substances Dealer's License, specifically to allow for research and development activities related to cannabis. Radiant has also applied for its ACMPR license for the purposes of extracting cannabinoids from cannabis. The Company will have additional capital expenditures to be completed to adhere to the licensing requirements that will be around \$1.5 million dollars. These will include installation of a vault, security cameras and other mandatory requirements to maintain the license. These will be in addition to the existing facilities in the manufacturing plant that is in compliance with a GMP license. Additional laboratory and analytical equipment valued at approximately \$800,000 will be required.

Any failure to comply with the terms of the licenses, or to renew the licenses after their expiry dates, could have a material adverse impact on the financial condition and operations of the business of the Company. Although the Company believes that it will meet the requirements of the ACMPR and the Controlled Drugs and Substances regulations for its license applications, there can be no assurance that Health Canada will grant the licenses. Should Health Canada not grant the licenses, the business, financial condition and operating results of the Company could be materially adversely affected.

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

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

On February 24, 2016, the Federal Court released its decision in the case of *Allard et al v. Canada*, declaring that the Medical Marijuana Purposes Regulations ("MMPR"), as it was drafted, was unconstitutional in violation of the plaintiffs' rights under section 7 of the Charter of Rights and Freedoms. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis regime that permits patients to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis. The ACMPR could potentially decrease the size of the market for the Company's business, and potentially materially and adversely affect the Company's business, its results of operations and financial condition.



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

Should the size of the medical cannabis market increase as projected the demand for products will increase as well, and for the Company to be competitive it will need to invest significantly in research and development, marketing, and production expansion. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial conditions and operations.

Cost Control

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

Technology Scale-Up

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

Competition

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

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

Customer Concentration

Although Radiant has not generated significant revenue in recent history, nor is there any assurance thereof, its marketing strategy is not to rely on volume sales but instead on a small number of larger sales. Due to this, Radiant expects to have a small number of customers, the loss of any one of whom could have a material adverse effect on its revenues and financial results.



Dependence on Key Personnel

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

Volatility in the Capital Markets

Under present market conditions, publicly traded securities in the industrial technology industry are subject to price volatility. The market for securities of industrial technology companies may be subject to market trends regardless of the success of Radiant. A volatile capital market may impede the ability to undertake future financings, strategic alliances and acquisitions.

Need for Additional Financing

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

Government Regulation

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

Risks Related to Intellectual Property

Radiant's success and ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology and manufacturing processes, the ability to secure and protect its patents, trade secrets, trademarks and other intellectual property rights either developed internally or acquired, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights that it owns or licenses. There can be no assurance that any of Radiant's patents will be sufficiently broad to protect the Company's technology or that they will not be challenged or found to be invalid.



OUTSTANDING SHARE DATA

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

Common shares issued and outstanding: 179,538,210

Stock options issued and outstanding: 10,632,127 with a weighted average exercise price of \$0.68. Additionally, on August 28, 2017, the Company approved to issue 700,000 stock options to certain employees and consultants with an exercise price based on the Company's closing share price as of that date. Each stock option entitles its holder to purchase one common share of the Company with varying expiry dates up to June 23, 2024.

Finders' options issued and outstanding: 1,130,500 with an exercise price of \$0.45. Each finders' option entitles its holder to purchase one unit of the Company until March 9, 2019. If exercised, these units would include 1,130,500 common shares and 565,251 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.

Warrants issued and outstanding: 54,996,721 with a weighted average exercise price of \$0.36. Each warrant entitles its holder to purchase one common share of the Company with varying expiry dates up to June 22, 2020.

On July 19, 2017, the Company reached an agreement to settle the total amount owing of \$5,325,210 under the royalty financial liability in exchange for 9,424,330 common shares. These shares were not issued as of the date of this MD&A.

On August 28, 2017, the Company approved a share for service agreement with a third party in exchange for business development services. Pursuant to the terms of the agreement, the Company may issue common shares in exchange for up to \$250,000 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 of each quarter. The agreement is subject to approval by the TSX Venture Exchange and will be subject to approval for each successive two-year renewal term. The total number of shares to be converted under this agreement is dependent on future services provided and the Company's share price at the time of conversion.

The fully diluted capital of the Company, including common shares, options, warrants and pending conversion of liabilities is 256,987,139 common shares as at the date of this MD&A.



FORWARD LOOKING STATEMENTS

The MD&A offers our assessment of Radiant's future plans and operations as of July 26, 2017 and contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, including those discussed below. You are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. No assurance can be given that any of the events anticipated will transpire or occur, or if any of them do so, what benefits Radiant will derive from them. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by law.

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



OTHER SHAREHOLDER INFORMATION

Directors:

Armand Lavoie (Board Member, Audit Committee)
Denis Taschuk (Board Member) (Non-Independent)
Harry Kaura (Board Member, Health & Safety Committee) (Non-Independent)
Mike Cabigon (Board Member, Health & Safety Committee) (Non-Independent)
Steve Dauphin (Board Member, Compensation Governance & Nominating Committee)
Jith Veeravalli (Board Member)
Francesco Ferlaino (Board Member (Chairman), Audit Committee, Compensation Governance & Nominating Committee)
Dimitris Tzanis (Board Member)
Jan Petzel (Board Member, Audit Committee)

Officers:

Denis Taschuk, CA (President and Chief Executive Officer)
Mike Cabigon (Chief Operating Officer)
Steven Splinter, PhD (Chief Technology Officer and Corporate Secretary)
Prakash Hariharan, (Chief Financial Officer)

Corporate Counsel:

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

Auditors:

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

Trust Agent:

AST Trust Company (Canada), 600 Dome Tower, 333-7th Avenue S.W., Calgary, AB

Contacts (780-465-1318):

Corporate & Strategic – Denis Taschuk
Investor Relations – Mike Cabigon
Administration & Finance – Prakash Hariharan