Radient Technologies Inc.

Consolidated Financial Statements

March 31, 2020 and 2019

Contents

Grant Thornton

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Independent Auditor's Report

To the Shareholders of
Radient Technologies Inc.

Opinion

We have audited the consolidated financial statements of Radient Technologies Inc. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as at March 31, 2020 and March 31, 2019 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020 and March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the Company has not yet achieved profitable operations, has incurred a net loss of $37,417,739 during the year ended March 31, 2020 and, as of that date, the Company's current liabilities exceeds it current assets by $16,401,248. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the other information. The other information comprises of the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton LLP

Edmonton, Canada
September 13, 2020

Chartered Professional Accountants

Radient Technologies Inc.
Consolidated Balance Sheets

As at	March 31, 2020	March 31, 2019
Assets		
Current assets		
Cash	$ **145,117**	$ 31,752,852
Accounts receivable	**846,899**	199,136
Prepaids and deposits (Note 7)	**1,591,779**	1,472,203
Inventories (Note 4)	**8,890,777**	410,848
	11,474,572	33,835,039
Non-current assets		
Restricted cash (Note 11)	**200,000**	-
Long-term prepaids and deposits (Note 7)	**1,426,808**	1,005,443
Lease assets (Note 5)	**2,069,575**	-
Plant and equipment (Note 6)	**41,892,844**	25,338,859
Intangible assets (Note 7)	**867,895**	846,932
	46,457,122	27,191,234
Total assets	$ **57,931,694**	$ 61,026,273
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ **15,341,446**	$ 3,069,750
Short term borrowings (Note 11)	**2,426,271**	-
Facility construction liabilities	**8,569,340**	463,176
Current portion of long-term debt (Note 12)	**1,049,649**	69,324
Current portion of lease liabilities (Note 13)	**489,114**	98,640
	27,875,820	3,700,890
Non-current liabilities		
Long-term debt (Note 12)	**9,571,825**	6,393,796
Lease liabilities (Note 13)	**1,472,197**	89,188
	11,044,022	6,482,984
Shareholders' equity		
Common shares	**112,474,761**	109,030,850
Contributed surplus	**33,820,500**	31,677,219
Deficit	**(127,283,409)**	(89,865,670)
	19,011,852	50,842,399
Total liabilities and shareholders' equity	$ **57,931,694**	$ 61,026,273

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

Director (signed by) *"Denis Taschuk"* Director (signed by) *"Francesco Ferlaino"*

Radient Technologies Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended March 31,	2020	2019
Revenues		
Manufactured products	$ 17,985,341	$ -
Manufacturing services	419,174	214,060
	18,404,515	214,060
Cost of sales		
Manufactured products	17,633,949	-
Manufacturing services	322,619	131,249
	17,956,568	131,249
	447,947	82,811
Expenses		
General and administrative	9,038,346	5,502,399
Production plant	3,514,385	3,185,009
Process development	2,765,170	1,942,103
Depreciation and amortization	2,225,567	1,128,047
Engineering	2,064,378	1,266,762
Quality control and assurance	1,467,367	1,055,243
Research and development	1,209,091	776,962
Financing fees (Note 18)	1,009,358	677,836
Corporate development	815,135	1,499,130
Business development	596,376	1,285,676
	24,705,173	18,319,167
Loss before other income (expenses)	(24,257,226)	(18,236,356)
Other income (expenses)		
(Impairment) reversal of impairments of plant and equipment (Note 6)	(4,500,000)	2,209,811
Impairment of inventory (Note 4)	(5,800,000)	-
Share-based payments (Note 14)	(2,567,078)	(10,322,568)
Loss on extinguishment of debt	(440,513)	-
Foreign exchange loss	(108,383)	(1,739)
Interest and other income	230,426	444,627
Rental income	25,035	24,327
Loss on disposal of demolition of buildings	-	(1,928,637)
Allocation of related company loss (Note 8)	-	(45,032)
	(13,160,513)	(9,619,211)
Net loss and comprehensive loss	$(37,417,739)	$(27,855,567)
Basic and diluted loss per common share	$ (0.14)	$ (0.11)
Weighted average number of common shares outstanding		
Basic and diluted	272,177,024	251,884,940

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Consolidated Statements of Cash Flows

For the year ended March 31,	2020	2019
Operating Activities		
Net loss	**$ (37,417,739)**	$ (27,855,567)
Adjustments for:		
Impairment (reversal of impairment) losses on plant and equipment	**4,500,000**	(2,209,811)
Impairment on inventory	**5,800,000**	-
Share-based payments	**2,567,078**	10,322,568
Depreciation and amortization	**2,225,567**	1,128,047
Interest expense and pay-out penalties	**708,648**	433,089
Loss on extinguishment of debt	**440,513**	-
Finance fee accretion and amortization	**150,710**	244,747
Impact of foreign exchange on lease liability	**16,694**	-
Interest income	**(231,082)**	(444,627)
Accretion of rent liability	**-**	(9,567)
Loss on demolition of buildings	**-**	1,928,637
Allocation of related company loss	**-**	45,032
Doubtful debts provision	**-**	2,462
Non-cash rent incentive received	**-**	15,147
	(21,239,611)	(16,399,843)
Change in non-cash operating working capital (Note 9)	**(5,510,171)**	1,077,836
Cash used in operating activities	**(26,749,782)**	(15,322,007)
Financing Activities		
Proceeds from long-term debt	**9,860,000**	5,500,000
Proceeds from short term borrowings	**2,500,000**	-
Proceeds from exercise of warrants	**1,639,366**	5,779,704
Proceeds from exercise of stock options	**101,520**	738,864
At-the-market share issuance	**7,715**	-
Repayment of long-term debt	**(5,741,352)**	(162,849)
Interest and pay-out penalties paid	**(726,556)**	(445,643)
Financing costs paid on long-term debt	**(534,571)**	(236,608)
Repayment of lease liabilities	**(273,552)**	(99,488)
Share issuance costs	**(174,026)**	(2,378,803)
Increase in restricted cash	**(200,000)**	-
Proceeds from placements	**-**	34,202,759
Proceeds from exercise of finders options	**-**	31,500
Repayment of debt associated with purchase of assets	**-**	(2,218,614)
Repayment of debt on purchase of 1631807 AB Ltd. assets	**-**	(1,388,691)
Repayment of due to related company	**-**	(996,471)
Cash provided by financing activities	**6,458,544**	38,325,660
Investing Activities		
Purchase of plant and equipment	**(11,066,701)**	(12,296,038)
Increase in long-term prepaids and deposits	**(421,365)**	(540,150)
Investment in intangible assets	**(159,051)**	(807,940)
Interest received	**230,426**	444,627
Proceeds on disposal of plant and equipment	**100,194**	-
Acquisition costs related to 1631807 AB Ltd.	**-**	93,396
Cash used in investing activities	**(11,316,497)**	(13,106,105)
Net (decrease) increase in cash	**(31,607,735)**	9,897,548
Cash, beginning of year	**31,752,852**	21,855,304
Cash, end of year	**$ 145,117**	$ 31,752,852

Non-cash transactions (Note 9)

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Consolidated Statements of Changes in Equity

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

As at March 31, 2020	**Common Shares (Note 14)**	**Contributed Surplus (Note 14)**	**Deficit**	**Equity**
Balance March 31, 2019	**$ 109,030,850**	**$ 31,677,219**	**$ (89,865,670)**	**$ 50,842,399**
Share-based payments	**-**	**2,567,078**	**-**	**2,567,078**
At-the-market issuance	**7,715**	**-**	**-**	**7,715**
Warrant exercises	**2,067,038**	**(427,672)**	**-**	**1,639,366**
Stock option exercises	**188,320**	**(86,800)**	**-**	**101,520**
Shares issued for services	**1,176,557**	**-**	**-**	**1,176,557**
Shares issued for debt	**178,307**	**-**	**-**	**178,307**
Share issuance costs	**(174,026)**	**-**	**-**	**(174,026)**
Warrant issuance	**-**	**90,675**	**-**	**90,675**
Net loss	**-**	**-**	**(37,417,739)**	**(37,417,739)**
Balance March 31, 2020	**$ 112,474,761**	**$ 33,820,500**	**$ (127,283,409)**	**$ 19,011,852**

See accompanying notes to the consolidated financial statements

1. Nature of operations and going concern

Radient Technologies Inc. was incorporated on June 12, 2001. The principal activities of Radient Technologies Inc. and its subsidiaries, (collectively, the "Company") are research, development and commercialization of an efficient and environmentally responsible technology for the extraction, isolation and purification of soluble products from a wide range of materials using microwave technology. The ordinary shares are listed on the TSXV under the symbol "RTI" and on the OTCQX®Best Market, operated by OTC Markets Group under the ticker symbol "RDDTF". The address of the Company's head office is 9426 – 51 Avenue NW, Edmonton, Alberta T6E 5A6 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

These financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. The Company's ability to generate sufficient cash flows to maintain normal operations, if unsuccessful, will result in it not being able to continue as a going concern.

The Company has incurred significant losses to date. The net loss for the year ended March 31, 2020 totalled $37,417,739 (2019 - $27,855,567) and as at March 31, 2020 the Company had a deficit of $127,283,409 (2019 - $89,865,670).

In addition, the Company's current liabilities exceed its current assets by $16,401,248 (March 31, 2019 – current assets exceeded current liabilities by $30,134,149). At March 31, 2020, the Company is in arrears with rent, long-term debt, lease liabilities and wages. These balances and the changes year over year indicate that there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Management has been able to finance operations through debt and equity financings and will continue, as appropriate, to seek financing from these and other sources including a sale leaseback transaction; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. Subsequent to March 31, 2020 the Company closed an equity offering for $5.75M. 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. There can be no assurance that the steps management is taking will be successful.

The financial statements for the periods presented do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business as a going concern and that such adjustments could be material.

In conjunction with year-end, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations. Management have given consideration as to the impact of COVID-19 on the Company and concluded that the consolidated financial statements appropriately reflect and disclose management's best estimate and uncertainty regarding the impact of COVID-19 on the Company's future operations and financial results.

These consolidated financial statements, including comparatives, were authorized for issue by the Board of Directors of the Company on September 11, 2020.

2. Basis of presentation

a) Statement of compliance

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

b) Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. If accounted for as a business combination, any excess of the cost over the fair values of the identifiable net assets acquired is recognized as goodwill. If accounted for as a purchase of assets, any excess of the cost over fair value of the identifiable net assets is allocated to the assets purchased.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

Joint arrangement

The Company has a 50% interest in Natac Solutions S.L. which was incorporated in the fiscal year. There is currently no financial activity in the joint operation.

c) Basis of measurement

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

d) Functional and presentation currency

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

The Company's German operations functional currency is Canadian dollars. Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3. Summary of significant accounting policies

Use of management critical judgments, estimates and assumptions

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

Management critical judgments, estimates and assumptions

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

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

The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

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

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

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

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

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

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

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

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

Going Concern
The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, taking into account all known future information.

Investments

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

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

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

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

Cash and cash equivalents

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

Plant and equipment

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

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

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

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

Intangible assets

Acquired

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

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

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

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

Research and development costs

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

To determine when a development project meets the criteria for deferral and amortization, the Company regularly reviews costs associated with activities related to the development of internally generated assets to support the capitalization criteria. Management utilizes judgement in determining which costs qualify under the criteria for deferral and amortization.

Inventories

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

Revenue recognition

Revenue from contracts with customers

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

To determine the amount and timing of revenue to be recognized the Company follows the five-step model framework:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Manufactured Products

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

Manufacturing Services

The Company's current Master Service Agreement for processing dried cannabis into cannabis oil (processed biomass) consists of one performance obligation which occurs when the customer obtains notification of satisfactory third-party testing of the processed biomass. Revenue is recognized when this performance obligation is met. The transaction price is based on the weighted average sales prices of the customer's most recent fiscal quarter, the concentration of tetrahydrocannabinol "THC" and the amount of processed biomass.

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

Interest income

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

Rental income

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

Impairment and reversals of impairment of long-lived assets

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

Leases

For leases entered into or modified on or after April 1, 2019, a contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration. To identify a lease, the Company considers whether an explicit or implicit asset is specified in the contract and determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

At the commencement of a lease, the Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend or an option to terminate if it is reasonably certain to exercise an extension option or to not exercise a termination option. Management considers all facts and circumstances that create an economic incentive to exercise and extension option or to not exercise a termination option. This judgement is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term. The Company reassesses this when a significant event or significant change in circumstances within the Company's control has occurred.

The Company recognizes lease assets and lease liabilities for all leases, except for leases of low-value assets and short-term leases with a term of 12 months or less. The lease payments associated with those exempted leases are recognized in general and administrative expenses on a straight-line basis over the lease term.

The lease liability is recognized at the commencement date of the lease and is initially measured at the present value of the lease payments that are not paid. The Company elected to separate non-lease components from lease components and account for non-lease components separately.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of a change in the lease term, a change in the assessment of an option to purchase the leased asset, changes in the future lease payments as a result of a change in an index or rate used to determine the lease payments, and changes in estimated payments for residual value guarantees.

The lease asset is recognized at the commencement date of the lease and is initially measured at cost, comprised of the amount of the initial measurement of the lease liability less any incentives received from the lessor. Added to the lease asset are any initial direct costs incurred, lease payments made before the commencement date, and estimated restoration costs. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Prior to April 1, 2019, leases were classified as finance or operating leases. A lease was classified as a finance lease if it effectively transfers substantially the entire risks and rewards incidental to ownership.

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

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

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

Government assistance

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

Foreign currency translation

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

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

Loss per common share

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

Deferred taxes

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

Share issue costs

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

Share issuance costs relating to the issuance of share capital that has not occurred prior to year end are deferred in prepaids and netted against the proceeds when the related shares are issued.

Share-based payments

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

Employee Share Purchase Plan

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

Financial instruments

Financial assets

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

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

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

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

Financial liabilities

Financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities include short term borrowings, facility construction liabilities, accounts payable and accrued liabilities, long-term debt, lease obligations and due to related company.

Fair value

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

> Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
>
> Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
>
> Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment

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

Credit Loss

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

New accounting standards adopted April 1, 2019

IFRS 16 - ***Leases***

Effective April 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative information. Comparative information is reported under IAS 17 *Leases* (“IAS 17”) and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (“IFRIC 4”).

For Lessees

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. The lease asset will be depreciated over the term of the lease with depreciation expense included in the income statement. The lease liability will result in interest expense being recorded in the income statement.

On initial adoption, the Company has adopted the following practical expedients permitted under the standard:

- Applied the recognition exemption for short-term leases (less than 12 months) and leases for which the underlying asset is of low value. These continue to be recognized as operating expenses on a straight-line basis over the lease term;
- Grandfathered at the date of initial adoption, previous assessments of whether a contract was or contained a lease under IAS 17 and IFRIC 4;
- Excluded initial direct costs from the measurement of the lease asset at the date of initial application;
- Used the Company’s previous assessments under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets for onerous contracts*, instead of reassessing the leased assets for impairment on April 1, 2019; and
- The Company elected to measure the lease asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payment that existed at the date of transition.

Leases previously classified as operating leases under IAS 17 with a lease term greater than 12 months are recognized as lease assets and lease liabilities. This increased the amount of total assets by $687,241 and total liabilities by $687,241 as at April 1, 2019. There was no impact to the Company’s opening retained earnings. This non-cash adjustment has been excluded from the statement of cash flows. On transition to IFRS 16 the weighted average incremental borrowing rate applied to the lease liability recognized under IFRS 16 was 5.41%.
Lease assets are presented separately from plant and equipment in the interim condensed consolidated statements of financial position. Adjustments on transition to IFRS 16 include equipment transfers from plant and equipment (Note 6) to lease assets. The equipment leases transfer ownership of the related assets to the Company through the exercise of purchase options at the end of the lease terms. When the ownership of the asset is transferred to the Company, the lease assets will be transferred to plant and equipment in their respective class of assets. Leases that transfers ownership to the Company at the end of the term are depreciated from the commencement date to the end of the useful life of the asset. Otherwise, the lease assets are depreciated from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The following is a reconciliation of total operating lease commitments disclosed in Note 12 and finance lease obligations disclosed in Note 10 of the Company's March 31, 2019 annual consolidated financial statements to the lease liabilities recognized at April 1, 2019:

Total operating lease commitments disclosed at March 31, 2019	$	1,624,628
Leases with remaining lease terms of less than 12 months		(387,795)
Variable lease payments not recognized		(442,826)
Operating lease commitments before discounting		794,007
Discounted using incremental borrowing rate		(106,766)
Total lease liability recognized on transition to IFRS 16	$	687,241

The application of IFRS 16 requires significant judgments and estimations to be made. Areas that require judgement include identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in substance fixed, establishing whether there are multiple leases in an arrangement and for certain leases, determining the stand-alone selling price for lease and non-lease components. Other sources of estimation uncertainty in the application of IFRS 16 include estimating the lease term, determining the appropriate discount rate to apply to lease payments and assessing whether a right-of use asset is impaired.

New accounting standards issued but not yet effective

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

4. Inventories

Inventories are composed of the following:

		March 31, 2020		March 31, 2019
Dried cannabis	**$**	**6,661,810**	$	-
Supplies and materials		**555,514**		281,054
Work in progress		**58,230**		-
Spare parts		**253,216**		120,443
Finished goods		**1,362,007**		9,351
	$	**8,890,777**	$	410,848

Inventories expensed to costs of sales during the year ended March 31, 2020 are $16,357,742 (March 31, 2019 – $52,291). Inventories expensed to operating expenses during the year ended March 31, 2020 are $154,998 (March 31, 2019 - $124,571). For the year ended March 31, 2020, the Company recorded inventory write-downs to net realizable value of $5,800,000 (March 31, 2019 - $nil).

5. Lease assets

		Equipment		Buildings and Improvements		Total
Cost						
Balance March 31, 2019	$	-	$	-	$	-
Adjustments on transition to IFRS 16		576,728		687,241		1,263,969
Additions		-		1,360,382		1,360,382
Disposals		-		(25,695)		(25,695)
Balance March 31, 2020	**$**	**576,728**	**$**	**2,021,928**	**$**	**2,598,656**
Accumulated depreciation						
Balance March 31, 2019	$	-	$	-	$	-
Adjustments on transition to IFRS 16		151,241		-		151,241
Depreciation		115,345		271,564		386,909
Disposals		-		(9,069)		(9,069)
Balance March 31, 2020	**$**	**266,586**	**$**	**262,495**	**$**	**529,081**
Carrying value						
March 31, 2019	$	-	$	-	$	-
March 31, 2020	**$**	**310,142**	**$**	**1,759,433**	**$**	**2,069,575**

Included in equipment lease assets is equipment with a carrying value of $310,142 (March 31, 2019 - $nil) where the underlying asset title has been provided to the lessor as security on the lease. Total lease liabilities (Note 13) of $95,689 (March 31, 2019 - $nil) relate to these assets.

The Company reviews the carrying value of its lease assets at each reporting period for indicators of impairment. Upon completion of this review for the year ending March 31, 2020, it was determined there were no indicators of impairment on the Company’s lease assets.

6. Plant and equipment

	Equipment	Buildings and improvements	Land and improvements	Assets under construction	Leasehold improvements	Other (1)	Total
Cost							
March 31, 2018	$ 7,434,593	$ -	$ -	$ 538,922	$ 5,289,040	$ 173,265	$ 13,435,820
Additions	6,840,609	1,993,302	2,307,575	5,783,194	164,770	365,053	17,454,503
Assets acquired in 1631807 AB Ltd.	-	3,150,410	1,262,719	-	-	-	4,413,129
Transfers	(926,582)	8,218,213	267,235	(2,424,397)	(5,162,889)	28,420	-
Disposals	(899,293)	(1,972,021)	-	-	-	(3,260)	(2,874,574)
March 31, 2019	$ 12,449,327	$ 11,389,904	$ 3,837,529	$ 3,897,719	$ 290,921	$ 563,478	$ 32,428,878
Additions	457,903	77,438	-	22,670,229	-	74,665	23,280,235
Transfers	385,412	(32,064)	-	(430,133)	76,785	-	-
Lease assets (2)	(576,728)	-	-	-	-	-	(576,728)
Disposals	(109,417)	(121,882)	-	-	-	(2,534)	(233,833)
March 31, 2020	**$ 12,606,497**	**$ 11,313,396**	**$ 3,837,529**	**$ 26,137,815**	**$ 367,706**	**$ 635,609**	**$ 54,898,552**
Accumulated depreciation and impairment							
March 31, 2018	$ 4,847,326	$ -	$ -	$ -	$ 4,272,955	$ 43,087	$ 9,163,368
Depreciation	677,914	254,767	15,343	-	33,459	100,916	1,082,399
Transfers	91,633	4,177,931	-	-	(4,269,564)	-	-
Reversal of Impairment losses	(1,059,852)	(1,149,959)	-	-	-	-	(2,209,811)
Disposals	(899,293)	(43,384)	-	-	-	(3,260)	(945,937)
March 31, 2019	$ 3,657,728	$ 3,239,355	$ 15,343	$ -	$ 36,850	$ 140,743	$ 7,090,019
Depreciation	1,071,980	350,607	23,881	-	81,427	172,673	1,700,568
Lease assets (2)	(151,240)	-	-	-	-	-	(151,240)
Impairment losses	-	4,500,000	-	-	-	-	4,500,000
Disposals	(9,223)	(121,882)	-	-	-	(2,534)	(133,639)
March 31, 2020	**$ 4,569,245**	**$ 7,968,080**	**$ 39,224**	**$ -**	**$ 118,277**	**$ 310,882**	**$ 13,005,708**
Carrying value							
March 31, 2019	$ 8,791,599	$ 8,150,549	$ 3,822,186	$ 3,897,719	$ 254,071	$ 422,735	$ 25,338,859
March 31, 2020	**$ 8,037,252**	**$ 3,345,316**	**$ 3,798,305**	**$ 26,137,815**	**$ 249,429**	**$ 324,727**	**$ 41,892,844**

Notes: (1) Other includes computer hardware and office furniture
(2) Adjustment on transition to IFRS 16

Included in prepaids and deposits is $453,018 (2019 - $330,628) which are advance payments on the purchase of various pieces of equipment related to the Company's capital expansion projects. Delivery is expected in fiscal 2021.

Included in the additions of land and improvements is capitalized borrowing costs of $nil (2019 - $23,847) related to the purchase of vacant land and $207,556 (2019 - $51,073) in assets under construction. The borrowing costs have been capitalized at the rate of the specific borrowing which is the greater of 8.5% or the Bank of Nova Scotia prime rate plus 5.05% per annum (March 31, 2019 – 9.0%).

At March 31, 2019, the Company's finance lease obligations were secured by the lessor's title to the leased assets which have a carrying amount of $425,487 and are included in equipment. Due to the adoption of IFRS 16, the finance lease obligations are recognized as Lease liabilities (Note 13) and the leased assets were subsequently transferred to Lease assets (Note 5).

6. **Plant and equipment** (cont'd)

Impairment

The Company reviews the carrying value of its plant and equipment at each reporting period for indicators of impairment. Upon completion of this review for the year ending March 31, 2020 it was determined the impact of the decline in the cannabis industry and the COVID-19 global pandemic, resulted in underperforming operating results. The Company has recognized impairment on plant and equipment of $4,500,000 for the year ending March 31, 2020 (March 31, 2019 - $nil). The impairment was calculated in accordance with the Company's accounting policies, on a basis of fair value less cost of disposal ("FVLCD").

The FVLCD calculation for the equipment was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy) using primarily the sales comparison approach. The key assumptions in determining the FVLCD of are the comparability of the assets used in the sales comparison approach and any adjustments made to take into account differences, as well as the estimated costs of disposal.

The FVLCD calculation for the building and improvements, was based on third party appraisals and other unobservable inputs (Level 3 of the fair value hierarchy),and based on a capitalization of forecasted normalized net operating income approach. The Company determines the forecasted normalized net earnings for each facility based on market rental rates. Capitalization rates used to estimate fair market value consider many factors including but not limited to; the location of the facility, the size of the land parcel, site coverage and type and use of the property, the age of the building and special use characteristics of the facility. The key assumptions in determining the FVLCD are the expected lease rental rates and the capitalization percentage applied. The capitalization rates used were 7.5 and 8%.

Management believes that the methodology used to test impairment, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment loss has occurred. Many of the factors used in determining whether or not impairment exists are outside of management's control and inherently uncertain. Therefore, actual results could differ from those estimated. As well, it is reasonable likely that assumptions and estimates will change in future periods that could have a significant impact on the recoverable amount of the plant and equipment.

Reversal of impairment losses on plant and equipment for the year ended March 31, 2019

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

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

As a result, for the year ending March 31, 2019, $2,209,811 of the previously recognized impairment losses on plant and equipment were reversed which represents the lesser of the FVLCD and the carrying amount of the assets that would have been determined had no impairment loss been previously recognized.

6. Plant and equipment (cont'd)

Loss on demolition of buildings

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

7. Intangible assets

		Patents		Licenses		ERP[1]		Other[2]		Total
Cost										
Balance March 31, 2018	$	100,000	$	47,044	$	26,045	$	-	$	173,089
Additions		-		412,949		217,312		177,679		807,940
Balance March 31, 2019	$	100,000	$	459,993	$	243,357	$	177,679	$	981,029
Additions		-		-		5,038		154,014		159,052
Balance March 31, 2020	**$**	**100,000**	**$**	**459,993**	**$**	**248,395**	**$**	**331,693**	**$**	**1,140,081**
Accumulated amortization										
Balance March 31, 2018	$	87,273	$	1,176	$	-	$	-	$	88,449
Amortization		12,727		15,752		13,302		3,867		45,648
Balance March 31, 2019	$	100,000	$	16,928	$	13,302	$	3,867	$	134,097
Amortization		-		48,352		39,904		49,833		138,089
Balance March 31, 2020	**$**	**100,000**	**$**	**65,280**	**$**	**53,206**	**$**	**53,700**	**$**	**272,186**
Carrying value										
March 31, 2019	$	-	$	443,065	$	230,055	$	173,812	$	846,932
March 31, 2020	**$**	**-**	**$**	**394,713**	**$**	**195,189**	**$**	**277,993**	**$**	**867,895**

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

$33,521 (March 31, 2019 - $22,500) of other intangible assets and $8,966 (March 31, 2019 - $3,929) of ERP assets are not available for use and therefore amortization has not yet commenced.

Included in long-term prepaids and deposits is $1,224,927 (2019 - $892,770) related to patent applications that are expected to be recorded to intangible assets as patents are granted.

The Company reviews the carrying value of the intangible assets at each reporting period for indicators of impairment. Upon completion of this review for the year ending March 31, 2020 it was determined the impact of the decline in the cannabis industry and the COVID-19 global pandemic, resulted in underperforming operating results. The calculation of FVLCD used for the impairment test was based on the same key assumptions utilized in the plant and equipment analysis per Note 6.

No impairment was recorded for the years ended March 31, 2020 and March 31, 2019.

8. Investment in, advances from and due to related company

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

On May 3, 2018, the Company purchased the remaining 50% interest in 1631807 Alberta Ltd. from Amnor Group Inc., a company controlled by one of the directors of the Company and the other 50% shareholder of 1631807 Alberta Ltd. Pursuant to this transaction, the Company issued 1,246,449 common shares for total share consideration of $1,882,500, less cash receivable from Amnor Group Inc. of $75,297 for total consideration of $1,807,203. The transaction has been accounted for as a purchase of assets. The Company continued to account for its investment in 1631807 Alberta Ltd. using the equity method until May 3, 2018 and recorded its portion of the related company loss as $45,032 for the year ended March 31, 2019.

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

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

Consideration for acquisition of assets of 1631807 Alberta Ltd.		
Investment in related company at May 3, 2018	$	1,073,983
Fair value of consideration for remaining 50% interest		1,807,203
Acquisition costs		28,714
Deemed consideration	$	2,909,900
Fair value of identifiable assets acquired		
Current assets		
Cash	$	46,814
Accounts receivable		2,232
		49,046
Non-current assets		
Advances to related company		331
Other non-current assets		83,176
Plant and equipment		4,413,129
		4,496,636
Total assets	$	4,545,682
Less fair value of liabilities assumed		
Current liabilities		
Accounts payable and accrued liabilities	$	199,639
Non-current liabilities		
Long term debt		1,411,143
Other long-term liabilities		25,000
		1,436,143
Total liabilities	$	1,635,782
Net identifiable assets acquired less liabilities assumed	$	2,909,900

8. Investment in, advances from and due to related company, cont'd

On May 3, 2018, subsequent to the acquisition of the remaining shares of 1631807 Alberta Ltd., the Company completed a real estate transaction with Amnor Group Inc. to purchase two parcels of land and existing buildings, (the "Adjacent Lands") adjacent to the Company's production facility. As consideration for the Adjacent Lands, the Company issued 1,553,190 common shares for total consideration of $2,001,386 and also assumed debt of $2,218,614 related to the purchased assets. The Company then secured a $5,500,000 mortgage which was used to repay the existing mortgage on the production facility of $1,411,143 less a pay-out penalty of $22,452 as well as the debt assumed on the Adjacent Lands (Note 12).

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

9. Change in non-cash operating working capital

		March 31, 2020		March 31, 2019
Accounts receivable	**$**	**(647,763)**	$	45,072
Prepaids and deposits		**1,301,253**		443,480
Inventory		**(14,203,429)**		(380,019)
Facility construction liabilities		**(55,112)**		-
Accounts payable and accruals		**8,094,880**		969,303
Net change in non-cash operating working capital	**$**	**(5,510,171)**	$	1,077,836

Non-cash transactions				
Purchase of assets through issuance of shares	**$**	**-**	$	2,001,386
Acquisition of 1631807 AB Ltd. through issuance of shares		**-**		1,882,500
Assumption of debt on purchase of assets		**-**		2,218,614
Settlement of debt through issuance of shares		**178,307**		32,769
Settlement of services payable through issuance of shares		**1,176,557**		212,594
Lease asset acquisitions		**1,360,382**		-

10. Capital management

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

1 Provide an adequate return to its shareholders;
2 Provide adequate and efficient funding for operations;
3 Finance growth; and
4 Preserve financial flexibility to benefit from potential opportunities as they arise.

The Company has historically financed operations and capital expansions mainly by receiving funds borrowed from creditors and obtained from investors by issuing convertible promissory notes and preferred and common shares. If so required and available, the Company will continue this practice in the future.

The capital structure of the Company consists of long-term liabilities and equity as follows:

		March 31, 2020		March 31, 2019
Long-term debt	**$**	**9,571,825**	$	6,393,796
Lease liability obligations		**1,472,197**		89,188
Total debt		**11,044,022**		6,492,082
Shareholders' equity		**19,011,852**		50,842,399
	$	**30,055,874**	$	57,335,481

The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2020.

11. Short term borrowings

		March 31, 2020		March 31, 2019
Due to related party bearing interest at 21% due on demand	**$**	**2,500,000**	$	-
Financing costs		**(73,729)**		-
	$	**2,426,271**	$	-

On January 31, 2020, the Company entered into a loan agreement with Akaura Holdings Inc. (a related party) to assist the Company with working capital requirements. The amount funded under the loan agreement was $2,500,000 and bears interest at 21.0% per annum. $200,000 was held back by the lendor and is recorded as long-term restricted cash. Interest is paid monthly with the principal balance due if the on February 28, 2020. Additional interest and penalties of $60,000 and $2,000 per day from February 15, 2020 will be due if the principal portion of the loan has not been repaid by the Company by the due date.

The loan is secured through a mortgage on land and building as well as a general security agreement between Akaura Holdings Inc and two of the subsidiaries.

Interest expense is presented under financing fees and is $246,017 (2019 - $nil) for the year ending March 31, 2020 and financing fees of $110,593. (2019 - $nil).

12. Long-term debt

		March 31, 2020		March 31, 2019
a) Loan payable bearing interest at 5.80% with monthly payments of $9,327 maturing October 1, 2021	$	**175,644**	$	266,602
a) Loan payable bearing interest at 4.55% with monthly payments of $2,586 maturing March 1, 2023		**89,239**		113,465
b) Loan payable bearing interest at Bank of Canada policy interest rate plus 3% with variable payments maturing June 1, 2025		**657,266**		713,434
c) Debenture payable bearing interest at 15% with interest paid quarterly maturing March 4, 2022		**1,162,500**		-
d) Mortgage payable bearing interest at the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05% per annum with monthly interest only payments required and principal maturing on November 1, 2020.		**-**		5,500,000
d) Mortgage payable bearing interest at the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05% per annum with monthly interest only payments required and principal maturing on November 1, 2021.		**8,627,500**		-
Financing costs		**(90,675)**		(130,381)
		10,621,474		6,463,120
Current portion		**(1,049,649)**		(69,324)
	$	**9,571,825**	$	6,393,796

Interest expense that has not been capitalized as a borrowing cost is presented under financing fees and is $532,654 (2019 - $428,243).

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

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

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

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

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

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

12. Long-term debt (cont'd)

(c) Debenture

On March 4, 2020, the Company issued an aggregate of $1,162,500 of unsecured debentures that would mature on March 4, 2022. The debentures bear interest at 15%, payable quarterly. Each debenture included common share purchase warrants in the amount of 50% of the aggregate principal amount of the debenture. (Note 14)

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

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

On August 14, 2019, the Company amended the mortgage with Moskowitz, by increasing the amount borrowed from $5,500,000 to $8,500,000 and extending the due date from November 1, 2020 to November 1, 2021. Interest rates remained the same. As the terms of the amendment to the mortgage were substantially different from the terms of the previously existing mortgage, the amendment was determined to be an extinguishment of debt. As a result, a loss on extinguishment of long-term debt totalling $440,513 was recognized, which consisted of $90,264 of the remaining unamortized financing fees related to the original debt and fees and costs of $350,249 related to the amendment.

A new loan was recognized at a fair value of $8,500,000. Monthly interest only payments related to the new loan commenced July 25, 2019 and are required until the loan is due in full on November 1, 2021. Remaining amendment fees of $197,500 were added to the loan balance outstanding. Monthly amendment fee payments of $10,000 commenced August 1, 2019 and are required until February 1, 2021. A final payment of $7,500 is due on March 1, 2021. Subsequent to March 31, 2020, there was increase in the interest rate to the greater of 12.5% or Bank of Nova Scotia prime rate plus 10.05% per annum.

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

The Company is not in compliance with terms and conditions of certain of its long-term debt agreements and has reclassified $704,126 of long-term debt to current portion.

13. Lease liabilities

		March 31, 2020		March 31, 2019
Current	$	**489,114**	$	98,640
Non-current		**1,472,197**		89,188
	$	**1,961,311**	$	187,828

Lease liabilities relate to leases for office and warehouse space with lease terms between 1 and 5 years and for equipment between 1 and 2 years. In determining the lease term, the Company assesses whether it is reasonably certain it will exercise the lease extension options or not exercise a termination option. Future undiscounted cash outflows for lease liabilities are disclosed as part of total commitments in Note 15.

Excluded from the calculation of the lease liabilities are variable lease payments that do not depend on an index or a rate, which include utilities, common area maintenance costs, property tax, or any additional service payments. Total variable lease payments recognized as an expense are $268,587 for the year ended March 31, 2020 (2019 - $78,292). Also excluded from leases liabilities are short-term leases where the Company recognized expense for the year ended March 31, 2020 of $1,003,392 (2019 - $425,508).

14. Share capital

a) Common shares

i) Authorized

Unlimited number of common shares without par value

ii) Issued and outstanding common shares

	Shares	Amount
Balance March 31, 2018	224,403,251	$ 73,281,762
Issuance of shares to acquire 50% interest in related company	1,246,449	1,882,500
Issuance of shares to purchase additional properties	1,553,190	2,001,386
Issuance of shares on placements	28,502,299	34,202,759
Warrant exercises	11,773,693	6,805,474
Stock option exercises	1,081,870	1,366,662
Shares issued for services	169,155	212,594
Shares issued for debt	35,236	32,769
Share issuance costs	-	(2,378,803)
Warrant issuance	-	(7,146,387)
Finders’ option exercises	70,000	67,130
Finders’ option issuance	-	(1,296,996)
Balance March 31, 2019	268,835,143	$ 109,030,850
Warrant exercises	**6,237,613**	**2,067,038**
Stock option exercises	**147,000**	**188,320**
Shares issued for services	**1,860,309**	**1,176,557**
Shares issued for debt	**406,271**	**178,307**
Shares issued under At-the-Market facility	**43,000**	**7,715**
Warrant issuance	**-**	**(174,026)**
Balance March 31, 2020	**277,529,336**	**$ 112,474,761**

b) Placements

There were no shares issued under a placement during the year ended March 31, 2020.

Shares issued for asset purchases

During the year ended March 31, 2019, the Company issued 1,246,449 common shares, for total consideration of $1,882,500 to Amnor Group Inc. for the purchase of its 50% interest in 1631807 Alberta Ltd.

During the year ended March 31, 2019, the Company also issued 1,553,190 common shares for total consideration of $2,001,386 on behalf of its wholly owned subsidiary 163 Alberta to purchase additional properties from Amnor Group Inc.

Share issue costs include $nil for the year ended March 31, 2020 ($20,582 for the year ended March 31, 2019) of costs incurred related to shares issued for asset purchases.

14. Share capital (cont'd)

b) Placements (cont'd)

Shares issued for debt

During the year ended March 31, 2020, the Company issued 406,271 common shares for debt. 213,364 of these common shares were issued on December 4, 2019 at a share price of $0.465 to an arm's length third party creditor, to settle outstanding debt of $99,215 and 192,907 common shares were issued on January 10, 2020 at a share price of $0.410 to an arm's length third party creditor, to settle outstanding debt of $79,092. Share issue costs include $1,193 of costs incurred related to the issuance of these shares.

During the year ended March 31, 2019, the Company issued 35,236 common shares on November 8, 2018 at a share price of $0.93 to an arm's length third party creditor, to settle outstanding debt of $32,769. Share issue costs include $664 of costs incurred related to the issuance of these shares.

Shares for services

The Company has approved multiple shares for service agreements with third parties in exchange for consulting services. Pursuant to the terms of the agreements the Company may issue common shares in exchange for a maximum amount of services provided. The number of shares to be issued and the issuance price of these shares will vary based on the terms of the agreements. Per the terms of the agreements on December 1, 2018, December 6, 2017, November 28, 2017 and August 28, 2017, the number of shares will be issued quarterly based on the closing price of the Company's shares on the last trading day each quarter. Per the terms of the agreement on January 1, 2019, the number of shares will be issued monthly and the issue price of these shares will be the greater of (i) the 15 day VWAP share trading price of the shares on the TSXV on the last financial trading day of the relevant month; (ii) the "Discounted Market Price" (as defined in the policies of the TSXV) on the last financial trading day of the relevant month. The agreements were approved by the TSXV and will be subject to approval for each successive 2-year renewal term.

The Company no longer has services provided under the agreement dated December 1, 2018 and the agreements dated December 6, 2017, November 28, 2017 and August 28, 2017 have expired and have not been renewed.

Details of the agreements and the number of shares issued during the year ended March 31, 2020 and the year ended March 31, 2019 are shown below:

Shares issued for the year ended March 31, 2020

Agreement issue date	Dec 1, 2018	Jan 1, 2019	Total
Maximum services amount	$ 27,000 USD	$ 585,000 GBP	
Common shares issued	14,000	1,846,309	1,860,309
Value of services (contract currency)	$ 9,369 USD	$ 682,500 GBP(1)	
Value of services (CAD)	$ 13,080 CAD	$ 1,163,477 CAD	$ 1,176,577 CAD
Weighted average issue price per common share	$ 0.93 CAD	$ 0.63 CAD	
Balance included in accounts payable and accrued liabilities			
Contract currency	$ 2,853 USD	$ 48,750 GBP	
CAD	$ 4,061 CAD	$ 84,497 CAD	$ 88,558 CAD

Notes: (1) The maximum under the agreement relates to the fiscal year. During the year ended March 31, 2020, the Company issued shares for services in the 4th quarter of 2019 in the first quarter of 2020 in addition to the annual maximum.

14. Share capital (cont'd)

b) Placements (cont'd)

Shares issued for the year ended March 31, 2019

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

Share issue costs include $2,770 for the year ended March 31, 2020 ($677 for the year ended March 31, 2019).

At-the-Market (ATM) Facility

During the year ended March 31, 2020, the Company entered into a Controlled Equity Offering Sales Agreement with National Bank Financial Inc. (National Bank) pursuant to which the Company sold common shares through ATM offerings with National Bank acting as sales agent. Pursuant to Canadian securities rules, the Company is limited to raising $9,400,000 under this specific ATM offering. As at March 31, 2020 under this agreement, the Company issued 43,000 common shares, receiving gross proceeds of $7,715. Share issue costs for the year ended March 31, 2020 were $159,130 and included a 2% commission of $154 paid to the agent and professional fees and filing fees of $158,976 directly related to the ATM.

Placements

During the year ended March 31, 2019, the Company completed placements with specific details for each placement summarized in the tables below. Each placement was completed in a unit offering consisting of one common share and one-half common share purchase warrant. In each placement, the Company also issued finders' options to certain underwriters or finders. These options, if exercised would include issuance of one common share and one-half common share purchase warrant. Each whole common share purchase warrant issued is exercisable for one common share.

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

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

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

	Year ended March 31, 2019		
Placement closing date	(1) July 31, 2018	(2) July 31, 2018	Total
Issue price per unit	$ 1.20	$ 1.20	
Common shares issued	20,700,000	7,802,299	28,502,299
Warrants issued	10,350,000	3,901,149	14,251,149
Warrant exercise price	$ 1.50	$ 1.50	
Warrant term in months	24 (3)	24 (3)	
Cash proceeds summary:			
Gross proceeds	$ 24,840,000	$ 9,362,759	$ 34,202,759
Cash issuance costs	(1,846,851)	(492,109)	(2,338,960)
Net cash proceeds on issuance	$ 22,993,149	$ 8,870,650	$ 31,863,799
Fair value of finders' options	(991,737)	(305,259)	(1,296,996)
Total issuance costs	$ (2,838,588)	$ (797,368)	$ (3,635,956)
Fair value on warrant issuance	(5,185,350)	(1,954,476)	(7,139,826)
Net value allocated to common shares	$ 16,816,062	$ 6,610,915	$ 23,426,977
Finders' options issued	1,242,000	382,290	1,624,290
Exercise price	$ 1.20	$ 1.20	
Options term in months	24	24	
Amounts if options are exercised:			
Common shares	1,242,000	382,290	1,642,290
Warrants	621,000	191,145	812,145
Warrant exercise price	$ 1.50	$ 1.50	
Warrant term in months	24	24	
Fair value of finders' options allocated to:			
Common shares	$ 680,616	$ 209,495	$ 890,111
Common share purchase warrants	311,121	95,764	406,885
	$ 991,737	$ 305,259	$ 1,296,996

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

14. Share capital (cont'd)

b) Placements (cont'd)

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

	Year ended March 31, 2019	
Placement closing date	(1) July 31, 2018	(2) July 31, 2018
Common share purchase warrants		
Common share market price	$ 0.99	$ 0.99
Risk free interest rate	1.75%	1.75%
Expected dividend yield	-	-
Estimated common share price volatility	116%	116%
Estimated life in years	2.0	2.0
Finders' options allocated to common shares and common share purchase warrants		
Common share market price	$ 0.99	$ 0.99
Risk free interest rate	1.75%	1.75%
Expected dividend yield	-	-
Estimated common share price volatility	116%	116%
Estimated life in years	2.0	2.0

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

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

	Year ended March 31, 2020		Year ended March 31, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**1,624,290**	**$ 1.20**	70,000	$ 0.45
Finders' options issued	**-**	**-**	1,624,290	1.20
Finders' options exercised	**-**	**-**	(70,000)	0.45
Outstanding, end of year	**1,624,290**	**$ 1.20**	1,624,290	$ 1.20

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

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

14. Share capital (cont'd)

b) Placements (cont'd)

The common share purchase warrants issued on exercise of the finders' options were allocated a portion of the gross proceeds based upon their relative fair value at the date of issuance. The fair value for the year ended March 31, 2020 of $nil (March 31, 2019 - $6,561) was determined using a Black-Scholes option pricing valuation model with the following assumptions:

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

If exercised, the options outstanding at March 31, 2020 of 1,624,290 (March 31, 2019 - 1,624,290) would include 1,624,290 (March 31, 2019 - 1,624,290) common shares and 812,145 (March 31, 2019 - 812,145) common share purchase warrants.

c) Warrants

During the year ended March 31, 2020 the Company issued 581,250 warrants as part of a debenture financing. The fair value of the warrants for the year ended March 31, 2020 of $90,675 was determined using a Black-Scholes option pricing valuation model with the following assumptions:

	March 4, 2020
Warrants	
Common share market price	$ 0.34
Risk free interest rate	1.5%
Expected dividend yield	0%
Estimated common share price volatility	119.7%
Estimated life in years	2

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

	Year ended March 31, 2020		Year ended March 31, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	**35,275,055**	**$ 0.95**	33,139,452	$ 0.54
Warrants issued	**581,250**	**0.70**	14,286,149	1.50
Warrants exercised	**(6,237,613)**	**0.26**	(11,773,693)	0.49
Warrants expired	**(4,791,889)**	**1.63**	(378,853)	0.70
Outstanding, end of year	**24,826,803**	**$ 0.98**	35,275,055	$ 0.95

During the year ended March 31, 2020 and the year ended March 31, 2019, warrant holders exercised common share purchase warrants and finders' warrants. The gross proceeds of these exercises plus the net value attributed to these warrants on the initial grant were recognized in common shares as summarized below:

14. Share capital (cont'd)

c) Warrants (cont'd)

Warrants exercised for the year ended March 31, 2020

Warrant exercise price	Number of warrants exercised		Gross proceeds		Fair value of warrants transferred to common shares		Common shares
$0.25	5,917,763	$	1,479,441	$	419,996	$	1,899,437
$0.50	319,850		159,925		7,676		167,601
	6,237,613	**$**	**1,639,366**	**$**	**427,672**	**$**	**2,067,038**

Warrants exercised for the year ended March 31, 2019

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

Share issue costs include $10,933 for the year ended March 31, 2020 (2019 - $17,920) of costs incurred related to warrant exercises.

The following table summarizes information about warrants outstanding at March 31, 2020 and March 31, 2019.

March 31, 2020				March 31, 2019			
	Exercise price	**Number of warrants**	**Remaining contractual life (years)**		Exercise Price	Number of warrants	Remaining contractual life (years)
	0.50	**-**	**-**		0.50	319,850	0.1
	0.25	**-**	**-**		0.25	250,000	0.2
	0.25	**-**	**-**		0.25	1,132,950	0.5
	0.25	**-**	**-**		0.25	500,000	0.7
	1.71	**-**	**-**		1.71	4,541,889	0.7
	0.25	**-**	**-**		0.25	1,000,000	0.7
	0.25	**-**	**-**		0.25	1,175,000	0.9
	0.25	**-**	**-**		0.25	1,869,335	0.9
	0.25	**1,070,712**	**0.04**		0.25	1,070,712	1.0
	0.25	**3,051,310**	**0.2**		0.25	3,051,310	1.2
	0.25	**5,872,382**	**0.2**		0.25	6,112,860	1.2
	1.50	**14,251,149**	**0.3**		1.50	14,251,149	1.3
	0.70	**581,250**	**1.9**		-	-	-
$	**0.98**	**24,826,803**	**0.3**	$	0.95	35,275,055	1.1

14. Share capital (cont'd)

d) Stock option plan

The Company's stock option plan (the "Stock Option Plan") provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years.

In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSXV. Options have been issued with vesting periods of immediate to 4 years with terms between 2 and 10 years.

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

	Year ended March 31, 2020			Year ended March 31, 2019		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of year	**24,322,150**	**$**	**1.03**	9,993,224	$	0.82
Options granted	**1,720,000**		**0.61**	15,490,000		1.14
Options exercised	**(147,000)**		**0.69**	(1,081,870)		0.68
Options forfeited	**(1,478,125)**		**1.03**	(79,204)		1.01
Outstanding, end of year	**24,417,025**	**$**	**1.00**	24,322,150	$	1.03
Exercisable, end of year	**22,062,652**	**$**	**0.97**	19,846,757	$	0.95

The following tables summarize information about stock options granted during the year ended March 31, 2020 and year ended March 31, 2019. The weighted average grant date fair value was estimated using the Black Scholes option pricing model using the following grant date assumptions:

Options granted for the year ended March 31, 2020

Original grant date		**February 27, 2020**		**October 23, 2019**		**June 5, 2019**	**Total**
Options granted:							
Options granted		500,000		750,000		470,000	1,720,000
Exercise price	$	0.37	$	0.58	$	0.93	
Weighted average grant date fair value	$	0.28	$	0.45	$	0.74	
Assumptions used:							
Grant date stock price	$	0.37	$	0.58	$	0.93	
Risk free interest rate		1.25%		1.50%		2.25%	
Expected dividend yield		-		-		-	
Estimated common share price volatility		104%		106%		109%	
Estimated life in years		5		5		5	

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

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

Options granted for the year ended March 31, 2019

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

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

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

During the year ended March 31, 2020 and the year ended March 31, 2019 stock options were exercised for common shares. The gross proceeds of these exercises plus the net value attributed to these stock options on the initial grant were recognized in common shares as summarized below:

Stock options exercised for the year ended March 31, 2020

Original grant date		Exercise price	Number of options exercised		Gross proceeds		Fair value of options transferred to common shares		Common shares
April 3, 2017	$	0.66	97,000	$	64,020	$	53,350	$	117,370
June 23, 2014	$	0.75	50,000		37,500		33,450		70,950
			147,000	**$**	**101,520**	**$**	**86,800**	**$**	**188,320**

14. Share capital (cont'd)

d) Stock option plan (cont'd)

Stock options exercised for the year ended March 31, 2019

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

The following table summarizes information about stock options outstanding at March 31, 2020 and March 31, 2019:

March 31, 2020				March 31, 2019			
	Exercise price	**Number of options**	**Remaining contractual life (years)**		Exercise price	Number of options	Remaining contractual life (years)
$	**1.00**	**51,428**	**1.6**	$	1.00	51,428	2.6
	0.66	**5,086,519**	**2.0**		0.66	5,433,519	3.0
	0.50	**550,000**	**2.4**		0.50	550,000	3.4
	1.82	**1,028,000**	**2.7**		1.82	1,278,000	3.7
	1.20	**1,275,000**	**3.2**		1.20	1,425,000	4.2
	0.60	**3,340**	**3.4**		0.60	3,340	4.4
	1.82	**3,900,000**	**3.5**		1.82	3,900,000	4.5
	0.87	**8,340,000**	**3.7**		0.87	9,090,000	4.7
	0.93	**946,875**	**3.9**		0.93	1,025,000	4.9
	0.60	**15,863**	**4.0**		0.60	15,863	5.1
	0.93	**470,000**	**4.2**		-	-	-
	0.75	**1,500,000**	**4.2**		0.75	1,550,000	5.2
	0.58	**750,000**	**4.6**		-	-	-
	0.37	**500,000**	**4.9**		-	-	-
$	**1.00**	**24,417,025**	**3.3**	$	1.02	24,322,150	4.2

The total share-based payments recognized during the year ended March 31, 2020 of $2,567,078 (2019 - $10,322,568) was recorded as an expense.

15. Commitments for expenditures

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

		March 31, 2020		March 31, 2019
Capital expansion projects	**$**	**1,766,241**	$	16,098,096
Leases not yet commenced		**130,500**		130,500
Variable lease payments for lease liabilities		**1,827,003**		430,610
Network services contracts		**202,198**		468,368
Short-term lease commitments for rental space		**-**		387,795
Purchase and retrofitting of equipment		**144,616**		178,059
Maintenance contracts		**18,088**		74,190
	$	**4,088,646**	$	17,767,618

16. Income taxes

a) Income tax expense

		March 31, 2020		March 31, 2019
Current tax expense				
Current period	**$**	**-**	$	-
Deferred tax expense				
Origination and reversal of temporary differences		**(8,082,946)**		(5,054,413)
Tax rate changes		**2,471,972**		-
Change in unrecognized deductible temporary differences		**5,610,974**		5,054,413
Total income tax expense from continuing operations	**$**	**-**	$	-

The actual income tax provision differs from the expected amount calculated applying the Canadian combined federal and provincial corporate tax rates to income before tax. The statutory rate decreased due to reductions in the Alberta provincial rate. These differences result in the following:

		March 31, 2020		March 31, 2019
Net loss before tax	**$**	**(37,417,739)**	$	(27,855,567)
Statutory income tax rate		**23.0%**		27.0%
Expected income tax recovery		**(8,606,080)**		(7,521,003)
Increase (decrease) resulting from:				
Non-deductible amounts		**605,133**		2,376,682
Change in unrecognized deductible temporary differences		**5,610,974**		5,054,413
Change in tax rates and rate differences		**2,389,974**		89,908
Income tax expense (recovery)	**$**	**-**	$	-

16. Income taxes (cont'd)

b) Recognized deferred tax assets and liabilities

		March 31, 2020		March 31, 2019
Deferred tax assets are attributable to the following:				
Non-capital loss carry-forward	$	**604,259**	$	117,142
Deferred tax asset		**604,259**		117,142
Set-off of tax		**(604,259)**		(117,142)
Net deferred tax asset	$	**-**	$	-
Deferred tax liabilities are attributable to the following:				
Lease assets	$	**(504,472)**	$	-
Investment tax credits		**(83,805)**		(98,380)
Other		**(15,983)**		(18,762)
Deferred tax liabilities		**(604,259)**		(117,142)
Set-off of tax		**604,259**		117,142
Net deferred tax liabilities	$	**-**	$	-

c) Unrecognized deferred tax assets

The tax losses expire between 2026 and 2040. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

Deferred tax assets have not been recognized in respect of the following items:

		March 31, 2020		March 31, 2019
Deductible temporary differences	$	**20,947,284**	$	16,460,732
Tax losses		**74,714,161**		48,162,955
	$	**95,661,445**	$	64,623,687

17. Related party transactions

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

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

17. Related party transactions (cont'd)

a) Key management personnel and director remuneration

The remuneration of directors and key management personnel follows:

For the year ended March 31		2020		2019
Compensation	$	**975,950**	$	921,784
Short-term benefits		**48,634**		25,740
Share-based compensation		**1,263,085**		6,609,518
	$	**2,287,669**	$	7,557,042
Number of stock options issued		**500,000**		9,675,000
Weighted average exercise price	$	**0.37**	$	1.25

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

As at March 31, 2020, $457,751 (March 31, 2019 - $109,804) was included in accounts payable and accrued expenses for amounts owing to key management personnel, directors and companies controlled by key management personnel or directors.

b) Aurora Cannabis Inc. "Aurora"

On November 6, 2017, the Company entered into a Master Services Agreement (MSA) with Aurora. The term of the MSA is 5 years, with an option for Aurora to extend an additional 5 years. The terms of the MSA include certain requirements around pricing for extraction services related to cannabis to parties other than Aurora, within a specified geographic territory. Additionally, it provides Aurora with priority for extraction services, and certain first right of refusal to acquire certain cannabis related intellectual property, and sets pricing for the extraction services currently provided to Aurora. In addition to the MSA, the Company and Aurora entered into an Investor Rights Agreement on the same date, that provides Aurora with certain rights to participate in future offerings up to 19.99%, and appoint one director to the board of directors of the Company.

As at March 31, 2020, Aurora held 33,101,542 shares in the Company resulting in a effective ownership of 11.9 % of all issued and outstanding shares. Aurora has representation on the Company's board of directors and accounts for 98% of all revenue for the year ended March 31, 2020. The Company has determined that a related party relationship with Aurora exists as at March 31, 2020 through their ability to exert significant influence over the Company. During the year ended March 31, 2020, the Company purchased $24,604,773 of cannabis and recognized revenue of $18,120,586 in relation to transactions with Aurora. As at March 31, 2020, $480,042 was included in accounts receivable and $3,187,315 in accounts payable for amounts owing from/to Aurora.

c) Equity transactions

i) During the year ended March 31, 2020

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

A director exercised 1,644,335 warrants for gross proceeds of $411,084.

A director and a key management personnel purchased $125,000 of the debentures issued during the year.

17. Related party transactions (cont'd)

c) Equity transactions (cont'd)

ii) During the year ended March 31, 2019

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

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

d) Services provided

i) During the year ended March 31, 2020

A property management company owned by a director received $222,168 for rental lease payments and operating costs associated with the rental of a warehouse required by the Company.

ii) During the year ended March 31, 2019

A property management company owned by a director received $103,668 for rental lease payments and operating costs associated with the rental of a warehouse required by the Company. Further, a construction company owned by a director received $95,000 for site clearing and preparation services related to the Company's Edmonton capital expansion project.

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

e) Loans and cash advances

i) During the year ended March 31, 2020

A director of the company advanced $2,500,000 of demand loan to the Company. The loan is secured by a second charge on the land and property of the Company and bear interest at 21.0%

A director and officer of the company advanced cash to the company in the amount of $65,000. A director and officer of the company advanced cash to the company in the amount of $75,000. The advances are unsecured and bear no interest.

18. Financing fees

For the year ended March 31		2020		2019
Amortization of financing costs on short term borrowings	**$**	**110,593**	$	138,520
Amortization of financing costs on long-term debt		**40,117**		106,227
Interest on long-term debt		**531,654**		428,243
Interest on lease obligations		**56,666**		11,337
Interest on loan due to related company		**-**		5,655
Interest on short term borrowings		**246,017**		-
Payout penalty on due to related company		**-**		16,414
Other		**24,311**		(28,560)
	$	**1,009,358**	$	677,836

19. Financial instruments

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

		March 31, 2020		March 31, 2019
Financial assets				
Cash	**$**	**145,117**	$	31,752,852
Accounts receivable		**846,899**		199,136
Deposits		**141,908**		98,651
Restricted cash		**200,000**		-
	$	**1,333,924**	$	32,050,639
Financial liabilities				
Accounts payable and accrued liabilities	**$**	**15,341,446**	$	3,522,828
Facility construction liabilities		**8,569,340**		
Short term borrowings		**2,426,271**		-
Loans and borrowings		**12,582,785**		6,650,948
	$	**38,919,842**	$	10,173,776

During the year ended March 31, 2020, the Company has offset $5,504,841 of accounts payable owing against accounts receivable with respect to account balances with a related party pursuant to an agreement providing the legal right to offset these amounts.

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

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

Interest rate risk

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

For the period ended March 31, 2020, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to $91,314 (2019 - $61,972).

19. Financial instruments (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations.

The Company manages its liquidity risk by forecasting cash flow requirements for its planned development, production and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. The Company has disclosed (Note 2 (b)) that continuation as a going concern is dependent on obtaining sufficient funds to discharge contractual liabilities as well as funding continuing operations.

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

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 15,341,446	$ -	$ -	$ -	$ 15,341,446
Facility construction liabilities	8,569,340		-	-	8,569,340
Short term borrowings	2,300,000		-	-	2,300,000
Long-term debt	4,338,093	9,017,500	-	-	13,355,593
Lease liabilities	460,601	420,693	73,293	-	954,587
Balance March 31, 2020	**$ 31,009,480**	**$ 9,438,193**	**$ 73,293**	**$ -**	**$ 40,520,966**
Accounts payable and accrued liabilities	$ 3,069,750	$ -	$ -	$ -	$ 3,069,750
Facility construction liabilities	463,176				463,176
Long-term debt	733,950	5,971,912	222,982	376,939	7,305,783
Lease obligations	105,394	91,053	-	-	196,447
Balance March 31, 2019	$ 4,352,074	$ 6,062,965	$ 222,982	$ 376,939	$ 11,035,156

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

Foreign exchange risk

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

The Company operates on an international basis and is subject to foreign exchange risk related to financial assets and liabilities denominated in a foreign currency. The Company's objective with respect to foreign exchange risk, is to minimize the impact of the volatility where possible, through effective cash flow management. The following table provides an indication of the Company's exposure to changes in the value of foreign currencies relative to the Canadian dollar as at March 31, 2020. The analysis is based on financial assets and liabilities denominated in Euro ("EUR"), British Pound ("GBP"), and US Dollar ("USD") ("balance sheet exposure").

19. Financial instruments (cont'd)

Foreign exchange risk (cont'd)

	(EUR)	(GBP)	(USD)
Cash	$ 51,081	$ -	$ 5,218
Accounts receivable	81,890	-	-
Prepaids and deposits	99,097	-	-
Accounts payable and accrued liabilities	(1,664,431)	(234,961)	(1,172,307)
Net balance sheet exposure	**$ (1,432,363)**	**$ (234,961)**	**$ (1,167,089)**
Translation rate at March 31, 2020	1.5570	1.7723	1.4340
Net income impact of a 10% rate change	**$ 223,023**	**$ 41,643**	**$ 167,362**

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

Credit risk

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

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

Accounts receivable is composed of the following:

	March 31, 2020	March 31, 2019
Trade receivables	**$ 480,042**	$ -
Expected credit losses	**-**	-
Net trade receivables	**480,042**	-
Other receivables	**366,857**	199,136
	$ 846,899	$ 199,136

The Company's trade receivables are monitored on an ongoing basis for impairment and has collected all outstanding trade receivables for March 31, 2020. During the year ended March 31, 2019, the Company assessed that a receivable from its subtenant was impaired and an allowance for the impairment was made in each year. During the year ended March 31, 2019 the receivable was written off.

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

	March 31, 2020	March 31, 2019
Outstanding, beginning of the year	**$ -**	$ 329,110
Impairment losses recognized on trade receivables	**-**	2,462
Write-offs	**-**	(331,572)
Outstanding, end of the year	**$ -**	$ -

19. Financial instruments (cont'd)

Credit Risk (cont'd)

An analysis of the aging of receivables is as follows:

	March 31, 2020	March 31, 2019
31 – 60 days	$ -	$ -
61 – 90 days	-	-
Greater than 90 days	-	-
Balance past due	-	-
Current balance	846,899	-
Trade accounts receivable	$ 846,899	$ -

20. Reconciliation of liabilities arising from financing activities

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

			Non-cash changes				
	March 31, 2019	Cash flows (1)	IFRS 16 adjustments/ additions	FX impact on foreign leases	Other (2)	Amortization of financing costs	March 31, 2020
Long-term debt	$ 6,463,120	$ 3,677,724	$ -	$ -	$ 440,513	$ 40,117	$ 10,621,474
Lease liabilities	187,828	(286,276)	2,047,036	12,723	-	-	1,961,311
Short term borrowings	-	2,315,679	-	-	-	110,593	2,426,272
	$ 6,650,948	$ 5,707,127	$ 2,047,036	$ 12,723	$ 440,513	$ 150,710	$ 15,009,057

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

Notes:

(1) Cash flows includes cash received from acquisitions and cash paid related to financing costs and repayments.
(2) Loss on extinguishment of long-term debt.
(3) A non-cash adjustment to deferred financing costs of $49,275 was recorded on extinguishment of the related company loan.

21. Employee salaries and benefits

		March 31, 2020		March 31, 2019
Included in:				
Cost of sales	**$**	**538,633**	$	87,307
Production plant		**1,517,655**		1,499,356
General and administrative		**2,186,551**		1,218,349
Process development		**1,533,496**		1,064,719
Quality control and assurance		**964,283**		582,224
Engineering		**1,362,597**		566,146
Business development		**251,055**		168,290
Research and development		**129,099**		128,010
Total employee salaries and benefits	**$**	**8,483,369**	$	5,314,401

22. Segmented reporting

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

a) Information about geographic areas

The Company has non-current assets of $2,702,273 (March 31, 2019 - $251,288) located in Europe with all remaining assets in Canada. All of the Company’s revenues from external customers are generated in Canada.

b) Information about major customers

During the year ended March 31, 2020, the Company earned 98% of its revenue from one customer (2019– 100% of revenue from one customer).

23. Loss per share

Diluted net income per common share is calculated by dividing the applicable net income by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. As at March 31, 2020 and 2019, all instruments were anti-dilutive based on having a net loss attributable to common shareholders for the period.

24. Post-reporting date events

Financings

Subsequent to March 31, 2020, the Company closed a public equity financing initially announced on May 20, 2020. 28,750,000 units (the "Units") of the Company were issued (which includes 3,750,000 Units issued pursuant to the exercise in full of the over-allotment option) at a price of $0.20 per Unit (the "Offering Price") for aggregate gross proceeds of $5,750,000 (the "Offering"). Each Unit consisted of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share, at an exercise price of $0.30 until May 26, 2023.

Shares for services

Subsequent to March 31, 2020 the Company issued 449,451 common shares in exchange for consulting services rendered in March 31, 2020 with a value of $85,820. The shares were issued based on the terms of the shares for service agreement at the 15 day VWAP share trading price of $0.19. The Company issued 733,668 common shares in exchange for consulting services rendered in April 2020 of $120,147. The shares were issued based on the terms of the shares for service agreement at the 15 day VWAP share trading price of $0.16. The Company also issued 615,240 common shares in exchange for consulting services rendered in May 2020 of $116,896. The shares were issued based on the terms of the shares for service agreement at the 15 day VWAP share trading price of $0.19.

Shares issued for debt

Subsequent to March 31, 2020 the Company issued 3,781,073 share units for the settlement of $1,108,182 amounts owed by the Company. Each unit entitles the debt holder to one common share and one-half of one common share purchase warrant. Each warrant will be exercisable at $0.30 into one Company common share for a period of 24 months from the date of debt settlement. The transaction was approved by the TSX Venture Exchange on June 2, 2020 with the shares issued on June 8, 2020.

In addition, subsequent to March 31, 2020 the Company issued 1,224,276 shares for the settlement of $202,005 amounts owed by the Company. Of these shares, 841,585 were issued to insiders of the Company. The transaction was approved by the TSX Venture Exchange on June 2, 2020 with the shares issued on June 8, 2020.

Controlled equity offering sales agreement with National Bank Financial Inc. At-the-Market

Subsequent to March 31, 2020, the Company issued 5,539,400 shares under the ATM agreement for gross proceeds of $872,894.

Issuance of stock options

Subsequent to March 31, 2020, the Company approved to issue 2,125,000 incentive stock options employees and one consultant of the Company in which there are varying vesting timeframes at an exercise price of $0.175. These options expire on May 28, 2025.

Termination of Groupo Natac, S.L. joint arrangement

Subsequent to March 31, 2020, the Company finalized the termination of the joint arrangement with Grupo Natac, S.L. through the sale of shares for nominal consideration.