Radient Technologies Inc.

Interim Condensed Consolidated Financial Statements

Three Months Ended June 30, 2018 and 2017

(Unaudited)

Contents

Radient Technologies Inc.
Interim Condensed Consolidated Balance Sheets

(Unaudited) As at		June 30, 2018		March 31, 2018
Assets				
Current assets				
Cash	**$**	**17,614,324**	$	21,855,304
Accounts receivable		**316,730**		244,438
Prepaids and deposits (Note 4)		**2,640,886**		1,915,683
Inventory		**50,621**		30,829
		20,622,561		24,046,254
Non-current assets				
Long-term prepaids and deposits		**625,624**		490,293
Investment in related company (Note 6)		**-**		1,119,015
Plant and equipment (Note 4)		**16,143,836**		4,272,452
Intangible assets (Note 5)		**166,933**		84,640
		16,936,393		5,966,400
Total assets	**$**	**37,558,954**	$	30,012,654
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**3,064,992**	$	1,669,206
Current portion of long-term debt (Note 9)		**53,271**		166,335
Current portion of due to related company (Note 6)		**-**		50,053
Current portion of finance lease obligations		**97,438**		99,488
Advances from related company (Note 6)		**-**		31,287
		3,215,701		2,016,369
Non-current liabilities				
Long-term debt (Note 9)		**6,454,810**		1,090,015
Finance lease obligations		**163,496**		187,828
Other long-term liabilities		**-**		87,694
Due to related company (Note 6)		**-**		758,623
		6,618,306		2,124,160
Shareholders' equity		**27,724,947**		25,872,125
Total liabilities and shareholders' equity	**$**	**37,558,954**	$	30,012,654

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.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the three months ended June 30	2018	2017
Revenues		
Contract manufacturing	$ **58,489**	$ 95,922
	58,489	95,922
Cost of revenues		
Contract manufacturing	**36,392**	82,992
	22,097	12,930
Expenses		
General and administrative	**986,306**	743,058
Production plant	**542,115**	304,560
Process development	**408,967**	157,181
Business development	**326,554**	136,498
Corporate development	**271,112**	26,023
Financing fees (Note 13)	**239,203**	231,487
Quality control and assurance	**218,835**	33,166
Depreciation and amortization	**216,512**	116,384
	3,209,604	1,748,357
Loss before other income (expenses)	**(3,187,507)**	(1,735,427)
Other income (expenses)		
Interest and other income	**32,683**	10,011
Rental income	**8,136**	31,264
Share-based payments (Note 10)	**(332,629)**	(3,929,044)
Allocation of related company (loss) income (Note 6)	**(45,032)**	10,000
Foreign exchange loss	**(20,669)**	(10,113)
Other expenses	**-**	(13,313)
	(357,511)	(3,901,195)
Net loss and comprehensive loss	$ **(3,545,018)**	$ (5,636,622)
Basic and diluted loss per common share	$ **(0.02)**	$ (0.04)
Weighted average number of common shares outstanding	**226,860,451**	158,923,114

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Interim Condensed Statements of Cash Flows
(Unaudited)

For the three months ended June 30		2018		2017
Operating Activities				
Net loss	$	**(3,545,018)**	$	(5,636,622)
Add (deduct) items not affecting cash:				
Share-based payments (Note 10)		**332,629**		3,929,044
Depreciation and amortization		**216,512**		116,384
Finance fees accretion and amortization (Note 13)		**157,408**		149,497
Interest expense and pay-out penalties (Note 13)		**81,795**		81,990
Allocation of related company loss (income) (Note 6)		**45,032**		(10,000)
Doubtful debts provision		**2,462**		31,264
Interest income		**(32,683)**		-
Accretion of rent liability		**(4,518)**		(111)
		(2,746,381)		(1,338,554)
Change in non-cash operating working capital (Note 7)		**578,682**		(284,165)
Cash used in operating activities		**(2,167,699)**		(1,622,719)
Financing Activities				
Proceeds from long-term debt (Note 9)		**5,500,000**		-
Proceeds from exercise of warrants (Note 10)		**1,052,629**		3,253,308
Proceeds from exercise of stock options (Note 10)		**86,100**		-
Share issuance costs (Note 10)		**(22,213)**		(19,370)
Repayment of debt associated with aquisition of 1631807 AB Ltd. (Note 6)		**(3,612,527)**		-
Repayment of due to related company		**(996,471)**		(12,513)
Financing costs paid on long-term debt		**(226,662)**		-
Interest and pay-out penalties paid		**(135,221)**		(26,713)
Repayment of long-term debt		**(40,495)**		(119,370)
Repayment of finance lease obligations		**(26,382)**		(2,803)
Repayment of royalty financial liability		-		(26,879)
Cash provided by financing activities		**1,578,758**		3,045,660
Investing Activities				
Purchase of plant and equipment		**(3,442,070)**		(48,457)
Increase in long-term prepaids and deposits		**(160,331)**		-
Investment in intangible assets (Note 5)		**(89,769)**		-
Acquisition costs related to 1631807 AB Ltd. (Note 6)		**(28,714)**		-
Cash acquired on acquistion of 1631807 AB Ltd. (Note 6)		**46,814**		-
Interest received		**22,031**		-
Advances from related company		-		12,736
Cash used in investing activities		**(3,652,039)**		(35,721)
Net increase in cash		**(4,240,980)**		1,387,220
Cash, beginning of year		**21,855,304**		8,507,747
Cash, end of the year	$	**17,614,324**	$	9,894,967

Non-cash transactions (Note 7)

See accompanying notes to the consolidated financial statements

Radient Technologies Inc.
Interim Condensed Statements of Changes in Equity
(Unaudited)

As at June 30, 2017	Common Shares	Contributed Surplus	Deficit	Equity
Balance March 31, 2017	$ 40,639,772	$ 11,718,108	$(47,961,786)	$ 4,396,094
Share-based payments	-	3,929,044	-	3,929,044
Warrant exercises	4,884,143	(1,630,835)	-	3,253,308
Conversion of interest payable	50,000	-	-	50,000
Share issuance costs	(19,370)	-	-	(19,370)
Warrant issuance	(18,750)	18,750	-	-
Net loss	-	-	(5,636,622)	(5,636,622)
Balance June 30, 2017	$ 45,535,795	$ 14,035,067	$(53,598,408)	$ 5,972,454

As at June 30, 2018	**Common Shares (Note 10)**	**Contributed Surplus (Note 10)**	**Deficit**	**Equity**
Balance March 31, 2018	**$ 73,281,762**	**$ 14,600,466**	**$(62,010,103)**	**$ 25,872,125**
Share-based payments	**-**	**332,629**	**-**	**332,629**
Warrant exercises	**1,189,462**	**(136,833)**	**-**	**1,052,629**
Stock option exercises	**157,856**	**(71,756)**	**-**	**86,100**
Shares issued for services	**64,809**	**-**	**-**	**64,809**
Shares issued for asset purchases	**3,883,886**	**-**	**-**	**3,883,886**
Share issuance costs	**(22,213)**	**-**	**-**	**(22,213)**
Net loss	**-**	**-**	**(3,545,018)**	**(3,545,018)**
Balance June 30, 2018	**$ 78,555,562**	**$ 14,724,506**	**$(65,555,121)**	**$ 27,724,947**

1. Nature of operations and general information

Radient Technologies Inc. was incorporated on June 12, 2001. The principal activities of Radient Technologies Inc. and its subsidiaries, (collectively, the "Company") is research, development and commercialization of an efficient and environmentally responsible technology for the extraction, isolation and purification of soluble products from a wide range of materials using microwave technology. The ordinary shares are listed on the TSXV under the symbol "RTI". The address of the Company's head office is 8223 Roper Road, Edmonton, Alberta T6E 6S4 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

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

2. Basis of presentation

a) Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for full annual consolidated financial statements. The same accounting policies were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended March 31, 2018 except as noted below. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2018.

b) Basis of consolidation

The interim condensed consolidated financial statements of the Company include the financial statements of Radient Technologies Inc. and its wholly-owned subsidiaries Radient Technologies (Cannabis) Inc. ("RTC") and 1631807 Alberta Ltd (see Note 6).

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

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

c) Basis of measurement

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

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

d) Functional and presentation currency

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

3. New accounting standards

IFRS 9 - *Financial Instruments*

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

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

IFRS 9 has eliminated the previous IAS 39 categories for held to maturity, loans and receivables and available for sale financial assets. A financial asset is now classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPTL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the new standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist of cash, accounts receivable, deposits and advances to/from related company are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The fair value of cash, accounts receivable, deposits and advances to/from related company approximates their carrying value due to their short-term nature.

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

IFRS 15 - *Revenue from Contracts with Customers*

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

3. New accounting standards (cont'd)

The Company derives revenue from contracts with customers to extract natural compounds from a range of biological materials for health and wellness and cannabis products. Under IFRS 15's new guidelines, revenues from extraction services are recognized when the extraction services are completed or when extracted compounds are loaded for shipping, which is the point in time when the Company transfers control and satisfies its service obligation. The Company applied IFRS 15 retrospectively to all contracts that were not complete on April 1, 2018, the date of initial application to determine if a restatement was required for prior periods presented. The Company performed a comprehensive review of existing contracts, control processes and revenue recognition methodology. In evaluating the impact of the standard on previously reported comparative figures, the Corporation determined that there was no change required as the existing revenue recognition practices met the requirements of IFRS 15. Consequently, there was no adjustment to the opening balance of retained earnings as at April 1. 2018, no change to the classification and timing of revenue recognition, the measurement of contract costs or the recognition of contract assets (costs in excess of billings) and contract liabilities (deferred revenue).

4. Plant and equipment

	Equipment	Leasehold improvements	Buildings and improvements	Land and improvements	Computer hardware	Office furniture	Total
Cost							
March 31, 2017	$ 6,412,175	$ 5,148,532	$ -	$ -	$ 50,539	$ 3,260	$ 11,614,506
Additions	1,017,418	679,430	-	-	109,134	45,001	1,850,983
Transfers	5,000	-	-	-	-	(5,000)	-
Disposals	-	-	-	-	(29,669)	-	(29,669)
March 31, 2018	$ 7,434,593	$ 5,827,962	$ -	$ -	$ 130,004	$ 43,261	$ 13,435,820
Additions	1,276,302	851,965	3,199,733	2,281,857	34,286	23,149	7,667,292
Assets acquired in 1631807 AB Ltd.	-	-	3,150,410	1,262,719	-	-	4,413,129
Transfers	-	(265,783)	265,783	-	-	-	-
June 30, 2018	**$ 8,710,895**	**$ 6,414,144**	**$ 6,615,926**	**$ 3,544,576**	**$ 164,290**	**$ 66,410**	**$ 25,516,241**
Accumulated depreciation and impairment							
March 31, 2017	$ 4,505,597	$ 4,121,895	$ -	$ -	$ 45,391	$ 3,260	$ 8,676,143
Depreciation	341,729	151,060	-	-	23,324	781	516,894
Disposals	-	-	-	-	(29,669)	-	(29,669)
March 31, 2018	$ 4,847,326	$ 4,272,955	$ -	$ -	$ 39,046	$ 4,041	$ 9,163,368
Depreciation	128,692	42,189	24,044	706	11,160	2,246	209,037
June 30, 2018	**$ 4,976,018**	**$ 4,315,144**	**$ 24,044**	**$ 706**	**$ 50,206**	**$ 6,287**	**$ 9,372,405**
Carrying value							
March 31, 2018	$ 2,587,267	$ 1,555,007	$ -	$ -	$ 90,958	$ 39,220	$ 4,272,452
June 30, 2018	**$ 3,734,877**	**$ 2,099,000**	**$ 6,591,882**	**$ 3,543,871**	**$ 114,084**	**$ 60,123**	**$ 16,143,836**

$1,108,718 of equipment, $ 1,117,755 of leasehold improvements and $1,484,994 of building and improvements (March 31, 2018 – leasehold improvements of $539,922) are not available for use and therefore are not yet depreciated.

Included in prepaids and deposits is $1,101,871 (March 31, 2018 - $861,652) which are advance payments on the purchase of various pieces of equipment. Delivery of the equipment is expected in Q2 fiscal 2019.

Included in the additions of land and improvements is capitalized borrowing costs of $5,872 (March 31, 2018 - $nil) related to the purchase of vacant land. The borrowing costs have been capitalized at the rate of the specific borrowing which is 8.75% at June 30, 2018.

5. Intangible assets

	Patents	Licenses	ERP[1]	Other	Total
Cost					
Balance March 31, 2017	$ 100,000	$ -	$ -	$ -	$ 100,000
Additions	-	47,044	26,045	-	73,089
Balance March 31, 2018	$ 100,000	$ 47,044	$ 26,045	$ -	$ 173,089
Additions	-	-	71,120	18,649	89,769
Balance June 30, 2018	**$ 100,000**	**$ 47,044**	**$ 97,165**	**$ 18,649**	**$ 262,858**
Accumulated amortization					
Balance March 31, 2017	$ 65,455	$ -	$ -	$ -	$ 65,455
Amortization	21,818	1,176	-	-	22,994
Balance March 31, 2018	$ 87,273	$ 1,176	$ -	$ -	$ 88,449
Amortization	5,455	1,764	-	257	7,476
Balance June 30, 2018	**$ 92,728**	**$ 2,940**	**$ -**	**$ 257**	**$ 95,925**
Carrying value					
March 31, 2018	$ 12,727	$ 45,868	$ 26,045	$ -	$ 84,640
June 30, 2018	**$ 7,272**	**$ 44,104**	**$ 97,165**	**$ 18,392**	**$ 166,933**

Notes: [1] Enterprise resource planning system ("ERP")

$ 14,023 of other intangible assets and the full carrying value of ERP assets are not available for use and therefore are not yet amortized.

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

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

On May 3, 2018, the Company purchased the remaining 50% interest in 1631807 Alberta Ltd. from Amnor Group Inc., a company controlled by one of the directors of the Company and the other 50% shareholder of 1631807 Alberta Ltd. Pursuant to this transaction, the Company issued 1,246,449 common shares for total share consideration of $1,882,500, less cash receivable from Amnor Group Inc. of $75,297 for total consideration of $1,807,203. The transaction has been accounted for as a purchase of assets. The Company continued to account for its investment in 1631807 Alberta Ltd. using the equity method until May 3, 2018 and recorded its portion of the related company loss as $45,032 for the three months ended June 30, 2018 (2017 - income of $10,000).

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

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

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

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

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

Consideration for acquisition of assets of 1631807 Alberta Ltd.		
Investment in related company at May 3, 2018	$	1,073,983
Fair value of consideration for remaining 50% interest		1,807,203
Acquisition costs		28,714
Deemed consideration	$	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

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 $2,223,836 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 as well as the debt assumed on the Adjacent Lands (Note 9).

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

7. Change in non-cash operating working capital

		June 30, 2018		June 30, 2017
Accounts receivable	$	13,427	$	(36,389)
Prepaids and deposits		(725,203)		(205,479)
Inventory		(19,792)		-
Accounts payable and accruals		1,310,250		(42,297)
Net change in non-cash operating working capital	$	578,682	$	(284,165)

Non-cash transactions				
Purchase of assets through issuance of shares (Note 6)	$	2,001,386	$	-
Acquisition of 1631807 AB Ltd. through issuance of shares (Note 6)		1,882,500		-
Assumption of debt on purchase of assets (Note 6)		2,223,836		-
Settlement of services payable through issuance of shares		64,809		-
Conversion of repayable government contributions to long-tern debt		-		888,493
Settlement of interest payable through issuance of shares		-		50,000
Payment of arrears interest on repayable government contributions through advance on debt		-		5,193

8. Capital management

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

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

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

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

		June 30, 2018		March 31, 2018
Long-term debt (Note 9)	$	6,454,810	$	1,090,015
Due to related company		-		758,623
Other long-term liabilities		-		87,694
Finance lease obligations		163,496		187,828
Total debt		6,618,306		2,124,160
Shareholders' equity		27,724,947		25,872,125
	$	34,343,253	$	27,996,285

The Company is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the three months ended June 30, 2018.

9. Long-term debt

		June 30, 2018		March 31, 2018
Loan payable bearing interest at 5.8% with monthly payments of $9,327 maturing October 1, 2021	$	337,559	$	360,725
Loan payable bearing interest at 4.55% with monthly payments of $2,586 maturing March 1, 2023		132,631		138,848
Loan payable bearing interest at Bank of Canada policy interest rate plus 3% with variable payments maturing June 1, 2025		745,665		756,777
Mortgage payable bearing interest at the greater of 8.5% or Bank of Nova Scotia prime rate plus 5.05% per annum with monthly interest only payments commencing on May 1, 2018 and principal maturing on May 1, 2020		5,500,000		-
Financing costs		(207,774)		-
		6,508,081		1,256,350
Current portion		(53,271)		(166,335)
	$	6,454,810	$	1,090,015

Interest expense that has not been capitalized as a borrowing cost is presented under financing fees and is $86,770 for the three months ended June 30, 2018 (2017 - $8,226).

On May 3, 2018, the Company acquired the remaining 50% interest in 1631807 Alberta Ltd. and the Adjacent Lands from Amnor Group Inc. (Note 6). In conjunction with these transactions, the Company entered into a $5,500,000 mortgage with Moskowitz Capital Mortgage Fund II Inc. (“Moskowitz”) to discharge the previous mortgage loans on these properties. The Moskowitz mortgage bears interest at the greater of 8.5% or the Bank of Nova Scotia prime rate plus 5.05% per annum. Interest is payable monthly for 24 months with the first payment starting on May 1, 2018. The principal matures in full on May 1, 2020. The mortgage is secured by the Company’s production facility and the Adjacent Lands.

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

10. Share capital

a) Common shares

i) Authorized

Unlimited number of common shares without par value

ii) Issued and outstanding common shares

	Shares		Amount
Balance March 31, 2017	150,688,265	$	40,639,772
Issuance of shares on private placements	4,541,889		6,222,388
Warrant exercises	41,561,932		18,163,374
Conversion of debenture	14,285,714		1,909,636
Conversion of interest payable	181,707		91,096
Conversion of royalty financial liability	9,424,330		5,453,457
Stock options exercises	2,584,090		3,131,071
Finders' option exercises	1,060,500		1,017,019
Shares issued for services	74,824		75,530
Share issuance costs	-		(103,540)
Warrant issuance	-		(3,318,041)
Balance March 31, 2018	224,403,251	$	73,281,762
Issuance of shares to acquire 50% interest in related company (Note 6)	**1,246,449**		**1,882,500**
Issuance of shares to purchase the Adjacent Lands (Note 6)	**1,553,190**		**2,001,386**
Warrant exercises	**1,981,379**		**1,189,462**
Stock option exercises	**135,000**		**157,856**
Shares issued for services	**44,088**		**64,809**
Share issuance costs	**-**		**(22,213)**
Balance June 30, 2018	**229,363,357**	**$**	**78,555,562**

b) Private placements

Shares issued for asset purchases

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

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

Share issue costs include $20,581 for the three months ended June 30, 2018 ($nil for the year ended March 31, 2018) of costs incurred related to shares issued for asset purchases.

10. Share capital (cont'd)

b) Private placements (cont'd)

Shares issued for debt

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

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

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

Notes: (1) Units issued to Aurora Cannabis Inc. ("Aurora") in exchange for quarterly interest due on the convertible debenture based on the closing market price of the Company's common shares on May 12, 2017.
(2) Units issued to Aurora on conversion of the convertible debenture on July 28, 2017. The number of units issued were based on the face value of the debenture of $2,000,000. The outstanding debenture balance net of financing fees at the time of the conversion was $1,909,636.
(3) Units issued to Aurora in exchange for quarterly interest due on the convertible debenture up to the date of conversion based on the closing market price of the Company's common shares on July 27, 2017.

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

	Jun 15, 2017	Jul 28, 2017	Jul 28, 2017
Common Share Purchase Warrants			
Common share market price	$ 0.51	$ 0.53	$ 0.53
Risk free interest rate	0.75%	0.75%	0.75%
Expected dividend yield	-	-	-
Estimated common share price volatility	126%	124%	124%
Estimated life in years	1.67	1.55	1.55

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

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

10. Share capital (cont'd)

b) Private placements (cont'd)

There were no shares issued for debt during the three months ended June 30, 2018.

Shares for services

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

Details of the agreements and the number of shares issued during the three months ended June 30, 2018 and year ended March 31, 2018 are shown below:

Shares issued for the three months ended June 30, 2018

Agreement issue date	(1) Aug 28, 2017	(2) Nov 28, 2017	(3) Dec 6, 2017	Total
Maximum services amount	$ 250,000 USD	$ 102,000 USD	$ 96,000 CAD	
Common shares issued	13,815	21,249	9,024	44,088
Value of services (contract currency)	$ 15,750 USD	$ 24,225 USD	-	$ 39,975 USD
Value of services (CAD)	$ 20,308 CAD	$ 31,236 CAD	$ 13,265 CAD	$ 64,809 CAD
Weighted average issue price per common share	$ 1.47 CAD	$ 1.47 CAD	$ 1.47 CAD	
Balance included in accounts payable and accrued liabilities (Note 16)				
Contract currency	$ 23,250 USD	$ 33,575 USD	$ 14,705 CAD	
CAD	$ 30,616 CAD	$ 44,211 CAD	$ 14,705 CAD	$ 89,532 CAD

Shares issued for the year ended March 31, 2018

Agreement issue date	(1) Aug 28, 2017	(2) Nov 28, 2017	(3) Dec 6, 2017	Total
Maximum services amount	$ 250,000 USD	$ 102,000 USD	$ 96,000 CAD	
Common shares issued	68,184	4,847	1,793	74,824
Value of services (contract currency)	$ 51,000 USD	$ 6,800 USD	-	$ 57,800 USD
Value of services (CAD)	$ 63,843 CAD	$ 8,531 CAD	$ 3,156 CAD	$ 75,530 CAD
Weighted average issue price per common share	$ 0.94 CAD	$ 1.76 CAD	$ 1.76 CAD	
Balance included in accounts payable and accrued liabilities				
Contract currency	$ 15,750 USD	$ 24,225 USD	$ 13,265 CAD	
CAD	$ 20,308 CAD	$ 31,236 CAD	$ 13,265 CAD	$ 64,809 CAD

Share issue costs include $nil for the three months ended June 30, 2018 ($3,465 for the year ended March 31, 2018) of costs incurred related to shares issued for services.

10. Share capital (cont'd)

b) Private placements (cont'd)

Placement during the year ended March 31, 2018

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

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

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

There were no shares issued under a private placement during the three months ended June 30, 2018.

Finders' Options

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

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

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

10. Share capital (cont'd)

b) Private placements (cont'd)

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

	Three months ended June 30, 2018			Year ended March 31, 2018		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of period	**70,000**	**$**	**0.45**	1,130,500	$	0.45
Finders' options exercised	**-**		**-**	(1,060,500)		0.45
Outstanding, end of period	**70,000**	**$**	**0.45**	70,000	$	0.45

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

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

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

If exercised, the options outstanding at June 30, 2018 of 70,000 (March 31, 2018 – 70,000) would include 70,000 (March 31, 2018 – 70,000) common shares and 35,000 (March 31, 2018 - 35,000) common share purchase warrants.

c) Warrants

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

	Three months ended June 30, 2018			Year ended March 31, 2018		
	Number of warrants		**Weighted average exercise price**	Number of warrants		Weighted average exercise price
Outstanding, beginning of period	**33,139,452**	**$**	**0.54**	54,911,824	$	0.34
Warrants issued	**-**		**-**	19,789,560		0.66
Warrants exercised	**(1,981,379)**		**0.53**	(41,561,932)		0.32
Outstanding, end of period	**31,158,073**	**$**	**0.54**	33,139,452	$	0.54

10. Share capital (cont'd)

c) Warrants (cont'd)

During the three months ended June 30, 2018 and the year ended March 31, 2018, warrant holders exercised common share purchase warrants and finders' warrants. The gross proceeds of these exercises plus the net value attributed to these warrants on the initial grant were recognized in common shares as summarized below:

Warrants exercised for the three months ended June 30, 2018

Warrant exercise price	Number of warrants exercised		Gross proceeds		Fair value of warrants transferred to Common Shares		Common shares
$0.25	62,857	$	15,714	$	3,950	$	19,664
$0.50	1,530,250		765,125		47,943		813,068
$0.70	388,272		271,790		84,940		356,730
	1,981,379	$	1,052,629	$	136,833	$	1,189,462

Warrants exercised for the year ended March 31, 2018

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

Share issue costs include $1,632 for the three months ended June 30, 2018 ($25,988 for the year ended March 31, 2018) of costs incurred related to warrant exercises.

10. Share capital (cont'd)

c) Warrants (cont'd)

The following table summarizes information about warrants outstanding at June 30, 2018 and March 31, 2018.

	June 30, 2018				March 31, 2018		
	Exercise price	**Number of warrants**	**Remaining contractual life (years)**		Exercise Price	Number of warrants	Remaining contractual life (years)
$	**0.50**	**250,000**	**0.1**	$	0.50	1,510,000	0.3
	0.10	**1**	**0.1**		0.10	1	0.4
	0.50	**1,857,400**	**0.1**		0.50	1,857,400	0.4
	0.50	**864,650**	**0.3**		0.50	864,650	0.5
	0.50	**150,000**	**0.4**		0.50	250,000	0.7
	0.50	**625,000**	**0.5**		0.50	625,000	0.7
	0.50	**636,050**	**0.6**		0.50	636,050	0.9
	0.70	**2,971,231**	**0.7**		0.70	3,359,503	0.9
	0.50	**319,850**	**0.8**		0.50	319,850	1.1
	0.25	**250,000**	**0.9**		0.25	250,000	1.2
	-	**-**	**-**		0.50	170,250	1.2
	0.25	**1,132,950**	**1.3**		0.25	1,132,950	1.5
	0.25	**500,000**	**1.4**		0.25	500,000	1.7
	1.71	**4,541,889**	**1.4**		1.71	4,541,889	1.7
	0.25	**1,000,000**	**1.5**		0.25	1,000,000	1.7
	0.25	**1,175,000**	**1.6**		0.25	1,175,000	1.9
	0.25	**1,869,335**	**1.7**		0.25	1,869,335	1.9
	0.25	**1,070,712**	**1.8**		0.25	1,070,712	2.0
	0.25	**3,051,310**	**1.9**		0.25	3,051,310	2.2
	0.25	**8,892,695**	**2.0**		0.25	8,955,552	2.2
$	**0.54**	**31,158,073**	**1.4**	$	0.54	33,139,452	1.6

d) Stock option plan

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

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

10. Share capital (cont'd)

d) Stock option plan (cont'd)

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

	Three months ended June 30, 2018			Year ended March 31, 2018		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of period	**9,993,224**	**$**	**0.82**	2,114,362	$	0.76
Options granted	**1,475,000**		**1.20**	10,495,765		0.79
Options exercised	**(135,000)**		**0.64**	(2,584,090)		0.66
Options forfeited	**(10,000)**		**0.75**	(32,813)		0.66
Outstanding, end of period	**11,323,224**	**$**	**0.87**	9,993,224	$	0.82
Exercisable, end of period	**8,226,604**	**$**	**0.82**	8,007,390	$	0.82

The following tables summarize information about stock options granted during the three months ended June 30, 2018 and year ended March 31, 2018. The weighted average grant date fair value was estimated using the Black Scholes option pricing model using the following grant date assumptions:

Options granted for the three months ended June 30, 2018

		June 4, 2018
Options granted:		
Options granted		1,475,000
Exercise price	$	1.20
Weighted average grant date fair value	$	0.98
Assumptions used:		
Grant date stock price	$	1.20
Risk free interest rate		1.75%
Expected dividend yield		-
Estimated common share price volatility		117%
Estimated life in years		5

10. Share capital (cont'd)

d) Stock option plan (cont'd)

Options granted for the year ended March 31, 2018

	April 3, 2017	August 28, 2017	December 6, 2017	Total
Options granted:				
Options granted	8,517,765	700,000	1,278,000	10,495,765
Exercise price	$ 0.66	$ 0.50	$ 1.82	
Weighted average grant date fair value	$ 0.55	$ 0.42	$ 1.41	
Assumptions used:				
Grant date stock price	$ 0.65	$ 0.50	$ 1.71	
Risk free interest rate	0.50%	1.00%	1.00%	
Expected dividend yield	-	-	-	
Estimated common share price volatility	128%	123%	122%	
Estimated life in years	5	5	5	

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

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

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

During the three months ended June 30, 2018 and year ended March 31, 2018 stock options were exercised for common shares. The gross proceeds of these exercises plus the net value attributed to these stock options on the initial grant were recognized in common shares as summarized below:

Stock options exercised for the three months ended June 30, 2018

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	116,250	$ 76,725	$ 63,937	$ 140,662
August 28, 2017	$ 0.50	18,750	9,375	7,819	17,194
		135,000	**$ 86,100**	**$ 71,756**	**$ 157,856**

10. Share capital (cont'd)

d) Stock option plan (cont'd)

Stock options exercised for the year ended March 31, 2018

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

The following table summarizes information about stock options outstanding at June 30, 2018 and March 31, 2018:

	June 30, 2018				March 31, 2018		
	Exercise price	**Number of options**	**Remaining contractual life (years)**		Exercise price	Number of options	Remaining contractual life (years)
$	**0.60**	**3,340**	**1.9**	$	0.60	3,340	2.1
	1.00	**77,143**	**3.4**		1.00	77,143	3.6
	0.66	**5,941,990**	**3.8**		0.66	6,058,240	4.0
	0.50	**625,000**	**4.2**		0.50	643,750	4.4
	1.82	**1,278,000**	**4.4**		1.82	1,278,000	4.7
	1.20	**1,475,000**	**4.9**		-	-	-
	0.60	**3,340**	**5.2**		0.60	3,340	5.4
	0.60	**19,411**	**5.8**		0.60	19,411	6.1
	0.75	**1,900,000**	**6.0**		0.75	1,910,000	6.2
$	**0.87**	**11,323,224**	**4.4**	$	0.82	9,993,224	4.5

The total share-based payments recognized during the three months ended June 30, 2018 $332,629 (2017 - $3,929,044) respectively was recorded as an expense.

11. Commitments and contingencies

Facility leases

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

Manufacturing facility expansion

The Company has entered into various contracts related to the expansion of the Edmonton manufacturing facility and for equipment that would be required in the newly renovated building. As at June 30, 2018, total cost for these contracts was $4,132,348 ($2,808,635 for leasehold improvements and $1,323,713 for equipment) with completion expected in the second quarter of fiscal 2019. As at June 30, 2018, the remaining costs, not already reflected in these financial statements are $825,654 ($347,147 for leasehold improvements and $478,507 for equipment).

12. Related party transactions

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

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

a) Key management personnel and director remuneration

The remuneration of directors and key management personnel follows:

For the three months ended June 30		**2018**		2017
Compensation	**$**	**225,875**	$	242,041
Short-term benefits		**6,185**		6,121
Share-based compensation		**97,543**		2,704,219
	$	**329,603**	$	2,952,381
Number of stock options issued		**-**		5,821,102
Weighted average exercise price	**$**	**-**	$	0.66

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

As at June 30, 2018, $122,234 (March 31, 2018 - $106,895) was included in accounts payable and accrued expenses for amounts owing to key management personnel, directors and companies controlled by key management personnel or directors.

b) Equity transactions

i) During the three months ended June 30, 2018

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

ii) During the year ended March 31, 2018

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

13. Financing fees

For the three months ended June 30		2018		2017
Amortization of financing costs on due to related company	$	138,520	$	2,357
Amortization of financing costs on long-term debt		18,888		-
Amortization of financing costs on convertible debenture		-		7,777
Interest on long-term debt		86,770		8,226
Interest on due to related company		5,655		15,000
Interest on finance lease obligations		3,310		540
Interest on convertible debenture		-		50,226
Interest on repayable government contributions		-		7,998
Payout penalty on due to related company		16,414		-
Accretion of royalty financial liability		-		139,363
Other		(30,354)		-
	$	239,203	$	231,487

14. Financial instruments

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

		June 30, 2018		March 31, 2018
Financial assets				
Cash	$	17,614,324	$	21,855,304
Accounts receivable		316,730		244,438
Deposits		46,174		71,174
	$	17,977,228	$	22,170,916
Financial liabilities				
Accounts payable and accrued liabilities	$	3,064,992	$	1,669,206
Advances from related company		-		31,287
Loans and borrowings		6,769,015		2,352,342
	$	9,834,007	$	4,052,835

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.

14. Financial instruments (cont'd)

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

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 3,064,992	$ -	$ -	$ -	$ 3,064,992
Long-term debt	701,785	6,386,040	281,458	437,565	7,806,848
Lease obligation	107,585	163,285	-	-	270,870
Balance June 30, 2018	**$ 3,874,362**	**$ 6,549,325**	**$ 281,458**	**$ 437,565**	**$ 11,142,710**
Accounts payable and accrued liabilities	$ 1,669,206	$ -	$ -	$ -	$ 1,669,206
Long-term debt	220,950	479,400	317,195	438,737	1,456,282
Lease obligation	110,784	189,633	-	-	300,417
Due to related company	108,488	207,967	195,955	1,087,006	1,599,416
Balance March 31, 2018	$ 2,109,428	$ 877,000	$ 513,150	$ 1,525,743	$ 5,025,321

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

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 June 30, 2018, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to $53,178 (2017 - $7,795).

15. Reconciliation of liabilities arising from financing activities

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

			Non-cash changes				
	March 31, 2018	Cash flows (1)	Acquisition	Debt Conversion	Fair value changes and accretion	Amortization of financing costs	June 30, 2018
Long-term debt	$ 1,256,350	$ 5,232,843	$ -	$ -	$ -	$ 18,888	**$ 6,508,081**
Finance lease obligations	287,316	(26,382)	-	-	-	-	**260,934**
Debt related to the acquisition of 1631807 AB Ltd. assets	-	(3,612,527)	3,612,527	-	-	-	**-**
Due to related company (4)	808,676	(996,471)	49,275	-	-	138,520	**-**
	$ 2,352,342	**$ 597,463**	**$ 3,661,802**	**$ -**	**$ -**	**$ 157,408**	**$ 6,769,015**

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

Notes:

(1) Cash flows includes cash received from acquisitions and cash paid related to financing costs and repayments.

(2) The convertible debenture acquisition was $2,000,000, net of financing costs of $40,000 and is disclosed as restricted cash on the Balance Sheet as at March 31, 2017. On July 28, 2017, the debenture was converted to units of the Company with the cash becoming unrestricted.

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

(4) A non-cash adjustment to deferred financing costs of $49,275 was recorded on extinguishment of the related company loan.

16. Post-reporting date events

Stock options and warrants exercised

Subsequent to June 30, 2018, the Company issued 1,650,000 common shares related to warrant exercises for total proceeds of $822,500 at a weighted average exercise price of $0.50. The Company also issued 44,465 common shares related to stock option exercises for total proceeds of $38,090 at a weighted average exercise price of $0.86.

Shares for services

On July 3, 2018, the Company issued 76,523 common shares in exchange for business development and consulting services of $74,827 and $14,705 for services related to the implementation of the Company's new ERP project which were capitalized to intangible assets. The services were incurred during the three months ended June 30, 2018 and the shares issued based on the closing market price of the Company's common shares on June 29, 2018 of $1.17 (Note 10).

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

Bought deal offering

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

On July 31, 2018, the Company closed the bought deal offering and issued 20,700,000 units of the Company (which includes 18,000,000 units and the over-allotment of 2,700,000 units) at $1.20 per unit for total proceeds of $24,840,000. Compensation remains as described above.

Non-brokered private placement

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

On July 31, 2018, the Company closed the first tranche of the private placement and issued 7,802,299 units at $1.20 per unit for gross proceeds of $9,362,759. In connection with this tranche, the Company paid finder's fees totaling $458,748 in cash and issued 382,290 finder warrants.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation used in the current period.