RADIENT

Management Discussion & Analysis

Three and nine months ended December 31, 2019

February 28, 2020

RADIENT

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Management Discussion and Analysis ("MD&A")

This MD&A is prepared as of February 28, 2020 and is intended to assist the understanding of the results of operations and financial condition of Radient Technologies Inc. (the "Company" or "Radient").

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

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

Certain information contained herein includes market and industry data that has been obtained from or is based upon estimates derived from third party sources, including industry publications, reports and websites. Third party sources may state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance or guarantee as to the accuracy or completeness of included data. Although the data is believed to be reliable, neither the Company nor its agents have independently verified the accuracy, currency, reliability or completeness of any of the information from third party sources referred to in this MD&A or ascertained from the underlying economic assumptions relied upon by such sources. The Company disclaims any responsibility or liability whatsoever in respect of any third party sources of market and industry data or information.

Non-IFRS Measures

In this MD&A, certain terms that are not specifically defined in International Financial Reporting Standards ("IFRS") are used to analyze Radient's operations. In addition to the primary measures of net (loss) income and net (loss) income per share in accordance with IFRS, Radient believes that certain measures not recognized under IFRS assist both Radient and the reader in assessing performance and understanding the Company's results. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net (loss) income and net (loss) income per share as calculated in accordance with IFRS.

Working capital – working capital is calculated as current assets less current liabilities.

Forward-Looking Statements

This MD&A offers our assessment of Radient's future plans and operations as of March 2, 2019 and contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities law (collectively referred to in this MD&A as "forward looking statements"). All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Radient anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking statements.

In some cases, forward-looking statements can be identified by the use of the words "will", "can", "possible", "may", "believe", "expect", "anticipate", "future", "typical", "opportunity", "continue", "should", "intend", "budget", "plan", "potential" and similar expressions. In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: Radient's corporate structure; the Company's extraction methods; technology and intellectual property; Radient's corporate focus: business model and strategy; the Company's competitive position; predictions regarding competitor extraction technologies; Radient's clients and their product offerings; the Company's regulatory compliance procedures; Radient's research initiatives; the Company's intellectual property strategy; use of proceeds from the sale-leaseback and Equipment Financing (as defined herein); the Company's product offerings and the demand for same; market opportunities; Radient's production capacity and capability; the Company's expansion projects, including the specifications, timing and cost thereof; recurrence of certain expenditures; costs of production for industrial scale volumes; and liquidity and capital resources, including the Company's ability to generate sufficient amounts of cash through operations and financing activities (including the Company's planned debenture financing).

This MD&A should be read in conjunction with the risk factors described in the "Risk Factor" section of Radient's Annual MD&A and the "Risk Factors" and "Introductory Notes – Cautionary Note Regarding Forward-Looking Information" sections of Radient's AIF.

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

Core Business and Strategy

Overview

Radient was initially incorporated on June 12, 2001 pursuant to the provisions of the *Company Act* (British Columbia), transitioned pursuant to the provisions of the *Business Corporations Act* (British Columbia) on July 7, 2004 and was continued under the *Canada Business Corporations Act* on February 3, 2010. On May 22, 2014, pursuant to a plan of arrangement, Radient amalgamated with Madison Capital Corporation ("Madison"), a Capital Pool Company as defined in TSX Venture Exchange ("TSXV") Policy 2.4 – *Capital Pool Companies* ("Policy 2.4"), incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on June 13, 2011 and continued under the *Canada Business Corporations Act* on May 14, 2014, forming a new entity called "Radient Technologies Inc." This transaction constituted the qualifying transaction of Madison in accordance with the requirements of Policy 2.4. Radient trades on the TSXV under the symbol "RTI" and on the OTCQX®Best Market ("OTC"), operated by OTC Markets Group under the ticker symbol "RDDTF".

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

The subsidiaries of the Company as at December 31, 2019 are as follows:

Name of entity	Ownership
Radient Technologies (Cannabis) Inc. ("RTC")	100%
Radient Technologies Innovations Inc. ("RII")	100%
Radient Technologies (Switzerland) Inc. ("RTS")	100%
1631807 Alberta Ltd. ("163 Alberta")	100%
MAG Innovations GmbH ("MAG") subsidiary of RTS	100%

The Company has a 50% interest in Natac Solutions S.L. There is currently no financial activity in the joint operation. The Company and Grupo Natac S.L. (the other shareholder) are in the process of negotiating a revised business strategy for Natac Solutions with a potential focus on cannabis related initiatives.

RTC, which operates the Company's Canadian cannabis business, was incorporated on February 20, 2018 and holds certain of the Company's Canadian cannabis-related licences. Radient owns 100% of 163 Alberta, which is the owner and landlord of various properties, including Radient's Edmonton production facility. Prior to May 3, 2018, Radient owned a 50% interest in 163 Alberta. RII was incorporated on October 12, 2018 and is intended to hold the Company's Canadian generated intellectual property. RTS was incorporated on January 29, 2019 and holds the Company's European investments (including MAG which was incorporated on February 21, 2019). MAG will hold all assets related to the Company's proposed German cannabis related operations.

Radient has historically manufactured high-value natural ingredients for global customers in the food and beverage, nutraceuticals, pharmaceuticals and cosmetics and personal care industries. In the year ended March 31, 2017, the Company expanded its offerings to the fast-growing cannabinoids market utilizing its extraction platform to process and extract cannabinoids, including cannabidiol ("CBD") and tetrahydrocannabinol ("THC"), from cannabis biomass. The Company's core focus is on processing and manufacturing efforts in the cannabis industry for the near and mid-term.

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

Background

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

More recently, the Company explored opportunities with Aurora Cannabis Inc. ("Aurora") which culminated in a Master Services Agreement ("MSA") finalized on November 6, 2017, pursuant to which the Company agreed to perform certain services for Aurora using its proprietary MAP™ technology, in relation to supply of standardized cannabis extracts. The MSA has an initial term of five years, with an option for Aurora to renew the agreement for an additional five years. As a part of the partnership, Aurora has invested approximately $14.0 million in the Company through a combination of convertible debentures (that converted into equity in fiscal 2018), private placements and warrant exercises. As of December 31, 2019, Aurora held 33,101,542 common shares of Radient representing approximately 12.08% of the issued and outstanding common shares and 10.11% of the issued and outstanding common shares on a fully diluted basis. In connection with the MSA, Radient and Aurora entered into an Investor Rights Agreement that provides Aurora with certain rights to participate in future offerings, providing Aurora with the option to expand its ownership in the Company up to 19.99%. Also, in accordance with the Investor Rights Agreement, Aurora has the right to appoint one director to the Company's board of directors (the "Board") who, since February 4, 2019, has been Allan Cleiren, Chief Operating Officer of Aurora.

The Aurora MSA was the precursor of the Company's entry into the cannabis space and its focus on establishing appropriate production facilities, required licences and human capital to deliver on the MSA.

The Technology

Radient's MAP™ extraction and processing technology is based on the use of microwave energy to enhance the extraction of valuable natural compounds from renewable biomass. Using proprietary continuous-flow equipment, Radient is able to precisely control extraction temperature and extraction time, both of which can affect extract purity and extract profile. At the same time, any possible effects associated with excessive heating can be minimized while ensuring that all of the material is extracted for the same time at the same temperature. This careful control of extraction parameters is something that is very difficult to achieve at large scale with conventional methods. The result is a rapid-speed, high-throughput, highly efficient controlled extraction process that does not rely on closed or pressurized batch vessels.

For cannabis, Radient's extraction method can often eliminate additional processing steps required in many conventional methods, such as winterization, which can typically add a half day or more to the extraction process. Winterization can also lead to loss of cannabinoids and other desirous active compounds. In addition, Radient's continuous-flow process is designed so that cannabis biomass does not need to be decarboxylated prior to extraction. By decarboxylating downstream, it is possible to retain many of the active compounds found in the original plant, such as the volatile terpenes and, if desired, to control the degree of decarboxylation and thereby obtain extracts containing a mixture of acidic and neutral cannabinoids.

Compared to conventional extraction methods, Radient's continuous-flow MAP™ extraction and processing technology offers cannabinoid recoveries exceeding 95% for resulting high final product yields. Management believes this proprietary high efficiency process combined with high throughput capacities and process economics gives Radient a strong competitive advantage over other existing methods.

Business Model

Radient's core revenue generation activities related to cannabis activities are primarily focused on the following two areas:

1. Manufacturing Services ("tolling fees") – Radient leverages its know-how and infrastructure to produce higher value and higher margin products on behalf of its customers. In these instances, the customer sends its biomass to Radient for processing. Radient will process, for a specified fee, the material into extracts, concentrates or oils and ship back the finished materials to its customers.
2. Manufactured Products – Radient procures cannabis biomass for the manufacture of cannabis extracts, concentrates and oils for its own use. Radient inventories the biomass for use in production and then sells the resultant production, which may include cannabinoid oils, formulations or extracts to holders of a licence for processing ("Licensed Producers") under the *Cannabis Act* (Canada) ("Cannabis Act") and the *Cannabis Regulations* (Canada) ("Cannabis Regulations") for use in their consumer/patient products. As Radient's business matures, this will allow Radient to further expand its opportunities by providing manufactured products to Licensed Producers who may rebrand those products as their own (known as white-labelling).

Corporate Focus

Since its inception in 2001, Radient has completed numerous feasibility and scale studies using its proprietary extraction techniques and has proven the effectiveness of its extraction platform for a broad range of biomass inputs using varying solvent systems. As Canada moved to legalize both medical and adult-use cannabis, Radient foresaw a need for companies with the technical and scientific expertise to perform high quality extraction of cannabinoids. Due to anticipated growing demand, Radient's near and mid-term corporate focus is directed towards cannabis extraction and exploring partnerships for nicotine reduction activities.

Cannabis Activities

Radient aims to become a leader in cannabis and hemp extraction through the use of its proprietary technology to deliver the highest levels of scale, quality and consistency. The Company was formed in 2001 and has been working to prefect its proprietary extraction technology and methods ever since. Originally developed for a variety of biomass inputs, the Company has been concentrating its efforts over the past two years on optimizing its technology for the extraction of cannabinoids from cannabis and hemp.

In February 2019, the Company received its Standard Processing Licence from Health Canada and completed its first commercial run in May 2019. Since that time, Radient has processed thousands of kilograms of cannabis biomass for clients, achieving yields consistently in excess of 90% and as high as 99%.

Radient's industrial-scale Good Manufacturing Practice ("GMP") extraction facility is expected to be an important resource to the industry, providing capacity to meet anticipated growing demand while also meeting the highest standards of quality and safety. In addition to large-scale capacity, Radient's platform has demonstrated:

- precise control of extraction time and temperature, ensuring any possible effects of heating can be minimized;
- unique continuously flowing process, allowing for improved extraction efficiency (higher recovery of cannabinoids from biomass) and extract profiles; and
- consistency of extracts and formulations being maintained at industrial scale quantities.

Control of these parameters typically allows for a high-quality product and a broader extract profile. Conventional methods existing in the cannabis industry today do not allow for precise control of parameters at larger scales of production. Commercial production at Radient's Edmonton I facility has confirmed these results at industrial scale.

With the technology now validated at scale, Radient is expanding its operations in Edmonton to meet anticipated growing demand for extracted products. A second phase of development (Edmonton II) has been built and is expected to receive the required licensing from Health Canada in the first quarter of calendar 2020. The third phase of expansion, Edmonton III, is a purpose built facility in excess of 80,000 sqft and will significantly add to Radient's product offerings which will include dedicated lines for finishing and downstream processing designs to meet the requirements for "Cannabis 2.0". A site in Germany has also been secured with planning and initial work being done to build an European Union ("EU") GMP extraction and manufacturing facility.

In anticipation of the recent changes to the Cannabis Act which allow for the legal production and sale of edible cannabis, cannabis extracts and cannabis topicals in Canada, the Company has been developing a range of compounds and formulations to meet the anticipated demand of its clients. In particular, Radient has focused on formulation development for various edible cannabis products, cannabis extracts and cannabis topicals that its clients will be introducing into the marketplace as a part of initiatives undertaken for “Cannabis 2.0”. The Company has also announced that it is developing vaping liquid formulations for commercialization.

The manufacturing of intermediate end products such as extracts, formulations and ingredients continues to be a core focus for the Company over the near-term and mid-term. Radient will combine its cannabis extracts with its scientifically developed formulations to support a growing white label offering. Through an expanded product offering, the Company is actively expanding its sales pipeline and working to diversify its revenues.

Nicotine Reduction Activities

Radient holds significant intellectual property relating to nicotine reduction. The Company is exploring partnerships that would allow for further development and to monetize the research and development work that has been completed. Work done to date demonstrates the ability to significantly reduce nicotine in tobacco. Further research and development will be determined by the extent of any partnership.

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

The Company believes that this patent application positions Radient’s MAP™ process as a viable method of nicotine depletion in tobacco should the United States Federal Drug Administration or other regulatory bodies decide to regulate for the mandatory reduction of nicotine in cigarettes to minimally or non-addictive levels.

Cannabis Regulatory Considerations

Canadian Requirements

Standard Processing Licence

Radient was issued a Standard Processing Licence on February 1, 2019 by the Security Division of the Cannabis Legalization and Regulation Branch of Health Canada. This licence allows RTC to possess cannabis;

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

Subsection 17(5) of the Cannabis Regulations allows for a standard processor to sell and distribute cannabis to a holder of the licence for processing, analytical testing, research or cannabis drug licence. The licence also allows for conducting research at the Edmonton I manufacturing facility so long as this research is within the scope of the current activities being conducted at Edmonton I.

With receipt of this licence, commercial processing of cannabis biomass to extract cannabinoids including CBD and THC began in March 2019 at Radient's Edmonton I manufacturing facility.

On July 14, 2019, Radient submitted an amendment to Health Canada for the addition of a new secure storage area within the existing building perimeter. This amendment was granted on October 15, 2019.

On November 13, 2019, Radient submitted an amendment to Health Canada for the addition of Edmonton II as a cannabis processing site within the existing building perimeter.

On December 23, 2019, Radient submitted an amendment to Health Canada for the addition of sales to its Standard Processors Licence. Subsection 17(5) of the Cananbis Regulations allows for the holder of a Standard Processing licence whose licence authorizes the sale of cannabis to conduct the following activities:

- sell and distribute cannabis products to a holder of a licence for sale, or a person that is authorized under a provincial Act, to sell cannabis; and
- send and deliver cannabis products to the purchaser of the products at the request of a person that is authorized under a provincial Act, to sell cannabis or a holder of a licence for sale.

Research and Analytical Licences

The Company's Roper Road Facility holds both Research and Analytical Testing Licences and the Edmonton I manufacturing facility holds an Analytical Licence. A Research Licence under the Cannabis Act authorizes the holder, for the purposes of research, to possess, produce, transport, send or deliver cannabis. The Analytical Testing Licence under the Cannabis Act authorizes the holder to possess cannabis and alter the chemical or physical properties of cannabis for the purposes of testing.

Canadian Securities Regulation Regarding U.S. Cannabis Activities

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

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

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

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

EU Requirements

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

German Requirements for Processing of Cannabis

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

Manufacturing Permit

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

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

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

Narcotics Handling Permit

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

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

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

Import Permits

Should the Company decide to handle medical cannabis that has not originated from Germany, two kinds of import permits will be required.

First, the Company will need a general permit granted by BfArM to import medicines pursuant to section 72 of the AMG. The application for this permit must specify which products are to be imported as the import of medical cannabis is particularly regulated. Imports are only allowed from countries that are in compliance with the *United Nations Single Convention on Narcotic Drugs of 1961* (the “Single Convention”). The BfArM does not issue a comprehensive list of countries it considers to fulfill the criteria. Instead, it will evaluate an exporting country’s compliance with the Single Convention only when a permit for importing from that country has been applied for. So far, only permits for the import from the Netherlands, Canada and Austria have been granted. Under German law, a general import permit should be granted within three months following the application once all necessary documents have been filed with the authorities and are in satisfactory condition.

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

Wholesale Permit

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

Outlook and Developments

In the quarter ended December 31, 2019, Radient recorded $11.2 million of revenue from its manufactured products as a result of extracting cannabinoids at industrial scale at now-validated recovery rates in excess of 90%, and resulting in high final product yield. The Company's Edmonton I facility continues to operate 24 hours a day, 5 days per week which allows the Company to handle up to 100 kg of raw material on a daily basis. Additional processing equipment to expand capacity to up to the design capacity of 200 kg per operating day, on average, which is tied to the Company's production of resin and distillate products for both CBD and THC, is expected during the first half of calendar 2020.

In the coming months, Radient's production of distillates, resins, oils and emulsions are expected to be the Company's foundation for a product pipeline that includes topicals, vape fluids, formulations for edibles, white label formulations, and other value added products.

The Company anticipates maximizing the revenue potential of this product pipeline through distribution and sales partnerships with licensed producers capable of operating at medium to large scale.

Supply Agreement with Shoppers Drug Mart

On February 11, 2020, Radient announced it had entered into a supply agreement (the "Shoppers Agreement") with Medical Cannabis by Shoppers, the online medical cannabis platform of leading Canadian pharmacy retailer Shoppers Drug Mart ("Shoppers"). Under the terms of the Shoppers Agreement, Radient will utilize its proprietary extraction and downstream processing platform to create a variety of cannabinoid formulations under a brand that will be sold exclusively to patients of Medical Cannabis by Shoppers. The Shoppers Agreement is for a three-year term, subject to renewal for an additional two years or earlier termination. The Company is actively preparing for product launch and anticipates that shipments will commence in the first half of calendar 2020.

The Edlong Corporation Memorandum of Understanding

On October 22, 2019, Radient and the Edlong Corporation ("Edlong") announced that they had entered into a memorandum of understanding to form a strategic joint arrangement to develop and market flavour systems and product solutions for global food, beverage (alcoholic and non-alcoholic) and pet food industries.

The two companies will leverage Edlong's extensive expertise in the development, manufacturing and marketing of natural flavours and ingredients and Radient's expertise in the industrial scale extraction, purification and manufacturing of cannabinoid ingredients to create novel, high-quality CBD flavours and ingredients. These ingredients will be developed with the intention of introducing them to international food and beverage markets, and so are intended to be designed to meet global health and safety regulations.

Commercialization of New Cannabinoid Ingredients and Formulations

Leveraging its strong natural health product formulation expertise, Radient's product development team has developed and continues to develop a broad range of proprietary cannabinoid-based product formulations for both medical and consumer markets. Attention has been given to the development of formulations that demonstrate evidence-backed physico-chemical stability, ensuring the highest quality and dosing consistency of final forms that will fully meet the industry's current strict regulatory framework. Examples include: cannabis tinctures; water-soluble and water-dispersible formulations for beverage applications; solid and liquid forms suitable for a wide range of cannabis edible products; standardized powders for tablets, capsules, sachets and lozenges; formulated liquids for vaporizing devices; and various topical formulations including creams, ointments, lotions and gels. Radient will be bringing these formulations over the coming months to its customers.

Sale-Leaseback and Equipment Financing Agreement

Following its initial announcement on November 29, 2019, Radient announced on January 14, 2020 that it had signed a binding letter of intent for a sale-leaseback transaction in which 2238502 Alberta Ltd. (the "Purchaser") would purchase from Radient the land and buildings comprising the Company's Edmonton I, II, and III facilities for a total of $20 million (the "Transaction").

Upon the closing of the Transaction, which is expected to occur on or before March 30, 2020, the Purchaser will lease the land back to 163 Alberta, Radient's wholly owned subsidiary for a term of 20 years. Prior to the closing of the Transaction, a portion of the total purchase price (which is yet to be determined), will be advanced to Radient by the Purchaser. The Company will use the net proceeds of the Transaction to discharge a mortgage previously in place and amended with Moskowitz Capital Mortgage Fund II Inc. ("Moskowitz") of $8.5 million (together with certain early repayment fees) with the remainder to be utilized for general working capital purposes while completing the buildout of its 89,000 sq. ft. Edmonton III facility.

The Transaction has an implicit interest rate of 13% annually ($2.6 million) against the Company's combined Edmonton-based group of real estate assets, comprising approximately 112,500 sq. ft. of manufacturing space. The Transaction is subject to customary closing conditions, including entering into a definitive agreement of purchase and sale, and TSXV approval.

This Transaction is part of an asset-backed financing which also incorporates an additional equipment financing (the "Equipment Financing") initially announced on November 29, 2019 between Radient and the Purchaser. The Equipment Financing will cover the equipment contained within the Edmonton I, II, and III facilities. Radient will update shareholders when the terms of the Equipment financing have been finalized.

Up to $15.4 Million in Debenture Financings

On February 10, 2020, Radient announced a total financing package of up to $15.4 million through the issuance of up to $10.4 million of unsecured convertible notes (the "Notes") and up to $5 million of unsecured debentures (the "Debentures"). The offerings of the Notes and Debentures are subject to the approval of the TSXV and the negotiation, execution and delivery of definitive documentation.

Loans from related parties

In January and February 2020, the Company received funding pursuant to a loan agreement with Akaura Holdings inc, owned by Harry Kaura, a director of the Company, for a flow through loan from a third-party lender for $2.5 million of short term financing. The loan bears interest at 21.0% and is due on demand.

Expansion Projects

Edmonton I – Additional Equipment

The Company is positioning itself to respond to market demand for more resin and distillates by adding additional equipment to allow for faster stream time as well as allowing an increase in evaporation capacity increasing Radient's product pipeline. The additional equipment will cost between $1.0 million and $1.5 million and is expected to be in place in the first half of calendar 2020.

Edmonton II − Plant Retrofit (Hemp Processing Line)

In response to a dearth of hemp biomass with consistent levels of CBD potency and changing market conditions (specifically related to demand for downstream THC distillates and resins), the Company's previously disclosed project to retrofit its main facility to accommodate CBD extraction from hemp has been deferred to the second half of calendar 2020. In the interim, the Company will process CBD from both hemp and cannabis using the existing Edmonton I manufacturing line with a focus on distillates and resins to meet the existing demand.

Once resumed, and subject to the Company's assessment of the prevailing supply chain conditions for hemp and the demand for CBD-based products, the Company expects Edmonton II will be capable of processing between 1,000 and 1,500 kilograms of input biomass per day.

Edmonton II − Phase I:

Disclosed	Budget	Revised budget	Reason
July 2018 Short Form Prospectus	$ 3.0 M	$ -	Original budget
June 2019 MD&A	$ 3.0 M	$ 5.0 M	Additional required equipment and refinement of existing equipment and facility space
September 2019 MD&A	$ 5.0 M	$ 5.0 M	No revision
December 2019 MD&A	$ 5.0 M	$ 5.0 M	No revision

The increase in the June budget relates to the change in market demand for further refined bulk extract which requires additional refining equipment, refurbishing existing equipment facility space, and designing and installing customized downstream equipment.

As at December 31, 2019, the total amount spent on this project was approximately $3.4 million which includes $0.4 million of equipment, and $3.0 million of assets under construction (for equipment and construction related costs).

Edmonton III – New Plant

As of the date of this MD&A, construction of the new building for Edmonton III is proceeding per the project plan. Plans for Edmonton III have been finalized and construction of the facility is well underway. The finalized footprint of Edmonton III will be approximately 89,000 square feet, all of which will be dedicated to cannabinoid extraction, purification, isolation and product manufacturing. With the expected growing demand for “Cannabis 2.0” products, there will be an additional focus on downstream finishing and formulation apart from extraction activities. The project is adjacent to the Company’s existing facilities – Edmonton I and Edmonton II. Edmonton III, which is designed to be EU GMP compliant, is expected to be completed in the second half of calendar 2020 and provide Radient with enhanced cannabinoid ingredient and product manufacturing.

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

As at December 31, 2019, the total amount spent on this project is approximately $18.9 million which includes $0.5 million of equipment, and $18.4 million of assets under construction (including both renovation and equipment related costs).

Germany

Originally a project composed of two phases, the Company anticipates consolidating into a single phase, while deferring commissioning from the previously anticipated second half of calendar 2020 to the first half of calendar 2021.

With this consolidation, production capacity is anticipated to remain comparable to Edmonton III and is expected to deliver consistent cannabinoid derivatives and formulations, manufactured in accordance with EU GMP requirements.

As at December 31, 2019, the total amount spent on this project relating to assets under construction is approximately $2.6 million. This relates to scoping, permitting, engineering and consulting services for plant and equipment design, as well as environmental assessments. The total expenses incurred to date are approximately $1.3 million of which $0.6 million was incurred in the quarter ended December 31, 2019.

Results of Operations

Summary of Results by Quarter

Quarter ended	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenues	$ 11,205,961	$ 1,238,350	$ 61,027	$ -
Loss before other income and expenses	(4,733,527)	(6,372,219)	(5,706,773)	(6,590,995)
Loss per share, before other income and expenses (basic and diluted)	(0.02)	(0.03)	(0.02)	(0.02)
Net loss	(5,438,335)	(6,882,035)	(6,350,972)	(7,410,399)
Net loss per share (basic and diluted)	$ (0.02)	$ (0.03)	$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding	272,983,882	271,064,804	270,249,163	266,815,579
Total assets	$ 76,044,284	$ 75,999,601	$ 80,998,496	$ 61,026,273
Long term liabilities	9,950,226	10,128,544	6,987,198	6,493,082

Quarter ended	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenues	$ -	$ 155,571	$ 58,489	$ 117,304
Loss before other income and expenses	(5,012,070)	(3,445,784)	(3,187,507)	(2,470,325)
Loss per share, before other income and expenses (basic and diluted)	(0.02)	(0.01)	(0.01)	(0.01)
Net loss	(13,082,768)	(3,817,382)	(3,545,018)	(2,768,047)
Net loss per share (basic and diluted)	$ (0.05)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	264,386,453	249,529,849	226,860,451	223,367,719
Total assets	$ 64,766,988	$ 67,035,138	$ 37,558,954	$ 30,012,654
Long term liabilities	6,527,370	6,573,331	6,618,306	2,124,160

Quarterly revenues while the Company was engaged in health and wellness activities were fairly consistent for the first three quarters noted above. In the following two quarters (ended December 31, 2018 & March 31, 2019), nil revenue was recognized as the Company discontinued health and wellness contracts and commenced analytic testing of cannabis in preparation for receipt of its Standard Processing Licence from Health Canada. The quarter ended June 30, 2019 represents the first quarter that the Company recognized cannabis related revenue subsequent to receipt of its Standard Processing Licence with an increase in the quarter ended September 30, 2019 to $1,238,350. In the most recent quarter ended December 31, 2019, operations were scaling up and $11,205,961 of revenue was recognized representing scaling operations for the quarter.

Loss before other income and expenses had consistently increased during the period from March 31, 2018 to March 31, 2019 as the Company discontinued its health and wellness business in preparation for the commencement of production activity related to cannabis extracts and intermediate products. Significant efforts, translating into sizable operating and capital expenditures, had been incurred by Radient to ensure an appropriate level of readiness in anticipation of receipt of the Company's Standard Processing Licence. The quarter ending June 30, 2019 represented a $884,222 reduction in the quarterly loss as compared to the quarter ended March 31, 2019. The quarter ended March 31, 2019 included some one-time costs that are not expected to be experienced in subsequent quarters, related primarily to intellectual property projects which were not directly associated with patent filings, and therefore expensed. Business development and corporate development expenses were lower quarter over quarter for the quarter ending September 30, 2019 by approximately $0.3 million as the Company re-assessed its strategic focus and resulting activity was reduced. The quarter ended September 30, 2019 represented a $665,446 increase in quarterly loss as compared to the quarter ended June 30, 2019. While business development and corporate development expenses were lower quarter over quarter for the quarter, the Company amended its mortgage with Moskowitz by increasing the amount borrowed from $5,500,000 to $8,500,000. As the terms of the amended mortgage were substantially different than the terms of the previous mortgage as defined by IFRS 9 *Financial Instruments* ("IFRS 9"), the amendment was determined to be an extinguishment of debt. As a result, a loss on extinguishment totalling $440,513 was recognized in the quarter. The quarter ending December 31, 2019 represents a reduction in loss before other income and expenses from the quarter ending September 30, 2019 of $1,443,700 primarily resulting from scale of operations related to the first full quarter of production.

Net loss is most notably affected by share-based payments. During the quarter ended December 31, 2018 share-based payments of $8,265,303 relating to stock options granted in October and November 2018 as well as from prior year grants were recognized. This amount is substantially higher than that recognized through the other seven quarters of comparatives presented.

Total assets increased from June 30, 2018 to September 30, 2018 by $29,476,184 which was directly related to proceeds received from the equity financings that occurred in July 2018. The June 30, 2019 recorded an increase in assets as compared to March 31, 2019 of $19,972,223. $14,432,313 of this increase related to current assets, which was predominantly related to the Company's purchase of dried cannabis inventory and $5,539,910 increase to non-current assets which was largely attributable to the Company's capital expansion projects and progress on the construction of its Edmonton III manufacturing facility.

During the quarter ended June 30, 2018, the Company completed the acquisition of a 100% interest in 163 Alberta followed by 163 Alberta's acquisition of the lands adjacent to Radient's existing manufacturing facility. In conjunction with these transactions, 163 Alberta secured the Moskowitz Mortgage which resulted in an increase in long term liabilities as at June 30, 2018. Long-term liabilities increased as at September 30, 2019 due to an amendment to the Moskowitz mortgage.

Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)	Quarter ended December 31 2019	2018	Nine months ended December 31 2019	2018
Revenues				
Manufactured products	**$ 11,205,961**	$ -	**$ 12,254,731**	$ -
Manufacturing services	**-**	-	**250,607**	214,060
	11,205,961	-	**12,505,338**	214,060
Cost of sales				
Manufactured products	**$ 9,725,332**	$ -	**$ 10,703,647**	$ -
Manufacturing services	**-**	-	**185,739**	131,249
	9,725,332	-	**10,889,386**	131,249
	1,480,629	-	**1,615,952**	82,811
Expenses				
General and administrative	**2,206,531**	1,377,003	**6,854,963**	3,308,317
Production plant	**869,336**	1,037,077	**2,676,677**	2,158,570
Process development	**731,978**	557,073	**1,971,972**	1,355,348
Engineering	**589,947**	454,787	**1,660,460**	665,304
Depreciation and amortization	**569,127**	282,502	**1,598,284**	782,046
Quality control and assurance	**408,807**	229,304	**1,130,731**	594,962
Financing fees	**174,788**	160,324	**889,263**	558,113
Corporate development	**232,109**	502,357	**740,309**	1,113,737
Business development	**208,002**	379,602	**496,065**	1,001,490
Research and development	**223,531**	32,041	**409,747**	190,285
	6,214,156	5,012,070	**18,428,471**	11,728,172
Loss before other income (expenses)	**(4,733,527)**	(5,012,070)	**(16,812,519)**	(11,645,361)
Other income (expenses)				
Share-based payments	**(706,265)**	(8,265,303)	**(2,166,506)**	(9,086,640)
Interest and other income	**3,179**	162,768	**226,567**	315,165
Foreign exchange gain (loss)	**(3,465)**	24,979	**68,960**	(2,447)
Rental income	**1,743**	6,858	**12,156**	19,147
Allocation of related company loss	**-**	-	**-**	(45,032)
	(704,808)	(8,070,698)	**(1,858,823)**	(8,799,807)
Net loss and comprehensive loss	**$ (5,438,335)**	$ (13,082,768)	**$ (18,671,342)**	$ (20,445,168)

Manufactured products

A further break-down of Radient's revenues and cost of revenues from manufactured products follows:

	Quarter ended December 31				Nine months ended December 31			
		2019		2018		**2019**		2018
Revenues	**$**	**11,205,961**	$	-	**$**	**12,254,731**	$	-
Cost of sales								
Inventories		**7,773,879**		-		**8,549,347**		-
Third party services		**1,286,246**		-		**1,286,246**		-
Salaries and benefits		**223,381**		-		**297,730**		-
Overhead allocations		**122,332**		-		**174,919**		-
Supplies and materials		**209,292**		-		**255,631**		-
Third party testing		**69,129**		-		**91,129**		-
Waste removal		**19,650**		-		**23,538**		-
Transportation		**19,433**		-		**23,117**		-
Equipment and rentals		**1,990**		-		**1,990**		-
Total cost of sales		**9,725,332**		-		**10,703,647**		-
	$	**1,480,629**	$	-	**$**	**1,551,084**	$	-

Revenue of $11,205,961 for the quarter ended December 31, 2019 resulting from the increase of operational batch size and three months of operations over the prior quarter. The Company anticipates an improvement in the cost of sales as full commercial volume is obtained. The Company has analyzed the cost of sales and is in the process of incorporating the services currently provided by third parties into the production process which will result in an increase in profitability.

Manufacturing services

A further break-down of Radient's revenues and cost of revenues from manufacturing services follows:

	Quarter ended December 31				Nine months ended December 31			
		2019		2018		**2019**		2018
Revenues	**$**	**-**	$	-	**$**	**250,607**	$	214,060
Cost of sales								
Salaries and benefits		**-**		-		**70,133**		87,307
Salaries and benefits from inventories		**-**		-		**5,654**		-
Supplies and materials		**-**		-		**51,140**		37,250
Third party testing		**-**		-		**28,185**		-
Consulting		**-**		-		**20,495**		-
Transportation		**-**		-		**5,330**		257
Waste removal		**-**		-		**4,802**		6,435
Total cost of sales		**-**		-		**185,739**		131,249
	$	**-**	$	-	**$**	**64,868**	$	82,811

Manufacturing services represents the tolling fees earned on processing of client biomass.

General and Administrative

A further break-down of Radient's general and administrative expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Consulting fees	**$ 634,531**	$ 197,292	**$ 2,016,931**	$ 750,426
Salaries and benefits	**604,100**	351,572	**1,611,639**	762,884
Salaries and benefits recovery	**-**	-	**(6,720)**	-
Salaries and benefits capitalized	**-**	(1,679)	**-**	(18,476)
Travel	**214,977**	188,406	**832,300**	474,273
Professional fees	**251,937**	127,214	**834,408**	289,451
Public company compliance	**70,631**	172,102	**443,106**	251,026
Insurance	**116,616**	59,257	**291,180**	101,426
Computer software	**76,682**	38,627	**215,753**	72,985
Rent and utilities	**68,259**	105,172	**190,349**	233,751
Investor relations	**100,781**	43,808	**222,410**	167,024
Office	**41,144**	63,430	**118,641**	128,131
Directors' fees	**19,174**	19,875	**60,056**	62,875
Maintenance	**1,334**	10,415	**13,356**	28,567
Promotion	**6,140**	-	**11,084**	-
Supplies	**225**	1,512	**470**	1,512
Doubtful debts provision	**-**	-	**-**	2,462
Total general and administrative	**$ 2,206,531**	$ 1,377,003	**$ 6,854,963**	$ 3,308,317

General and administrative expenses increased by $829,528 and $3,546,646 for the quarter and nine months ended December 31, 2019, respectively, compared to the same periods in the prior year with variances in several cost categories.

Consulting fees increased by $437,239 for the quarter and $1,266,505 for the nine months ended December 31, 2019. This is primarily related to the addition of key executive management team members who were added in the fourth quarter of fiscal 2019.

Salaries and benefits increased by $252,528 and $848,755 for the quarter and nine months ended December 31, 2019, respectively, compared to the same periods in the prior year. The increase is due to the addition of personnel in the finance, investor relations and human resources departments.

Travel costs increased by $26,571 for the quarter and $358,027 for the nine months ended December 31, 2019. This is due to increasing activity related to new business initiatives, alternative financing arrangements that the Company continues to explore, and the Company's European expansion plan.

Professional fees increased by $124,723 and $544,957 for the quarter and nine months ended December 31, 2019, respectively, compared to the same periods in the prior year. The increase is predominantly due to the German operations that did not exist in the prior year's quarter as well as costs incurred related to exploring new business opportunities in Europe. Further contributing to the increase is accounting and auditing fees related to the preparation of the Company's annual audited financial statements as well as fees related to tax advisory services.

Public company compliance costs decreased by $101,471 and increased by $192,080 for the quarter and nine months ended December 31, 2019, respectively, predominantly driven by costs incurred in the second quarter of the current year quarter. The Company's exploration of capital markets opportunities in Europe was a significant component of the overall variance. Additionally, there were increased fees associated with the Company's new OTC listing and its recent tier graduation on the TSXV.

Insurance expense increased by $57,359 and $189,754 for the quarter and nine months ended December 31, 2019, respectively, compared to the same periods in the prior year. The increase is due to higher insurance related to the Company's production facility as well as new or expanded coverages related to commercial general liability, directors and officers insurance, environmental liability and other coverages. In addition to the new and enhanced coverages, rate increases were experienced by the Company related to its participation in the emerging cannabis industry.

Computer software increased by $38,055 and $142,768 for the quarter and nine months ended December 31, 2019 respectively. The increase is primarily attributable to costs related to the enterprise resource planning system implemented in December 2018 as well as the recently implemented stock option, payroll and time reporting and board scheduling software systems. Costs related to these systems will be regular, recurring expenses of the Company.

Production Plant

A further break-down of Radient's production plant expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 576,413**	$ 508,232	**$ 1,509,295**	$ 1,139,139
Salaries and benefits in cost of revenues	**(201,347)**	-	**(283,326)**	-
Salaries and benefits in OH cogs allocation	**(54,751)**		**(74,051)**	
Salaries and benefits capitalized	**-**	-	**(7,329)**	-
Rent and utilities	**162,309**	167,887	**502,784**	360,359
Maintenance	**196,953**	94,799	**461,268**	227,992
Security	**65,076**	82,734	**222,572**	111,203
Supplies	**44,415**	130,263	**143,705**	205,282
Equipment and rentals	**7,877**	21,033	**54,427**	31,108
Office	**23,623**	18,936	**66,540**	58,946
Computer software	**41,451**	-	**65,921**	(1,593)
Production materials	**1,681**	-	**5,613**	-
Consulting fees	**-**	11,130	**3,135**	11,130
Travel	**5,636**	2,063	**6,123**	15,004
Total production plant	**$ 869,336**	$ 1,037,077	**$ 2,676,677**	$ 2,158,570

Salaries and benefits expense increased by $68,181 for the quarter and $370,156 for the nine months ended December 31, 2019. The majority of the increase is due to a net increase in the number of staff and new employees working the full nine months versus a partial nine months in the prior year based on the timing of their hire date and two severance packages. This increase is partly offset by employee transfers to Radient's engineering department.

Rent and utilities decreased by $5,578 for the quarter and increased by $142,425 for the nine months ended December 31, 2019, compared to the same periods in the prior year. The decrease for the quarter is due to an increase in costs allocated to the production process while the increase for the nine months is mostly due to rental payments related to establishing the Company's German operations and for warehouse rental space in Edmonton. Both short-term leases were entered into in the quarter ended December 31, 2018.

Maintenance costs increased by $102,154 for the quarter and $233,276 for the nine months ended December 31, 2019. Through the commencement of commercial production, the Company incurred a number of service and maintenance related costs associated with refinement of the equipment configuration and operation as production scale-up progressed.

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

Process Development

A further break-down of Radient's process development expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 466,282**	$ 324,939	**$ 1,235,495**	$ 827,342
Salaries and benefits capitalized	**-**	-	**(44,617)**	-
Salaries and benefits in cost of revenues	**(19,633)**	-	**(45,594)**	-
Salaries and benefits recovery	**-**	-	**(3,360)**	-
Supplies	**77,946**	43,477	**237,768**	121,610
Rent and utilities	**63,058**	84,758	**213,088**	163,382
Consulting fees	**65,270**	52,045	**152,240**	115,732
Maintenance	**41,884**	24,641	**101,767**	64,414
Travel	**37,031**	9,846	**89,134**	27,002
Product development	**-**	14,088	**15,027**	25,104
Office	**140**	3,279	**21,024**	10,762
Total process development	**$ 731,978**	$ 557,073	**$ 1,971,972**	$ 1,355,348

Process development salaries and benefits increased by $141,343 and $408,153 for the quarter and nine months ended December 31, 2019, respectively, compared to the same periods in the prior year. The increase includes salary adjustments for existing staff as well as increases in total staff to twenty employees versus thirteen in the prior year. Also contributing to the increase are employees working the full nine months versus a partial nine months in the prior year based on the timing of their hire dates.

For the nine months ended December 31, 2019, supply expenses exceed the same period in the prior year by $116,158. The Company's volume of experimentation and analytical testing continues to grow as cannabis related activity increases.

Rent and utilities increased by $49,706 for the nine months ended December 31, 2019. The increase primarily relates to the Company's usage of leased laboratory facilities in France to further develop the Company's core MAP™ technology and other research-related technologies. The lease was renegotiated in the quarter ended December 31, 2019, resulting in lower lease costs on an ongoing basis. The increase was partly offset by the transitional adjustments required under IFRS 16 *Leases* ("IFRS 16") for the lease contract relating to the laboratory rental space in Edmonton. IFRS 16 requires the recognition of a lease liability and a lease asset for this lease contract. As such, the lease payments for the base rent are no longer recognized as lease payments and are now accounted for as a reduction against the lease liability with interest expense recognized in the statement of operations. The lease asset will be depreciated over the term of the lease with depreciation expense included in the statement of operations.

Engineering

A further break-down of Radient's engineering expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 448,282**	$ 147,540	**$ 1,233,705**	$ 318,924
Salaries and benefits capitalized	**(67,109)**	-	**(159,648)**	-
Rent and utilities	**88,921**	82,576	**268,813**	83,742
Travel	**81,687**	48,504	**231,461**	84,518
Consulting fees	**19,245**	174,573	**50,745**	174,573
Office	**17,440**	-	**31,210**	-
Computer software	**1,481**	1,594	**4,174**	3,547
Total Engineering	**$ 589,947**	$ 454,787	**$ 1,660,460**	$ 665,304

As the Company develops and moves its strategic capital expansion projects forward, Radient's engineering department continues to play a more comprehensive role within the corporate group. Specifically, this is the case as efforts towards the design and build of Edmonton III and the German manufacturing facilities ramp up. As a result, engineering expenses (and prior year figures) have been reclassified from production plant and general and administrative expenses and are now disclosed separately.

Engineering salaries and benefits increased by $300,742 and $914,781 for the quarter and nine months ended December 31, 2019, respectively. Staff increased from four in the prior year to fourteen in the current year, two of which are located in Germany. Salaries and benefits related to the development of equipment have been capitalized to assets under construction and will be added to equipment upon completion.

Rent and utilities increased by $185,071 for the nine months ended December 31, 2019. As well, travel expenses increased by $146,943 for the nine months ended December 31, 2019 compared to the same period in the prior year. These increases are mostly due to the Company's new German operation which did not exist as at December 31, 2018.

Depreciation and Amortization

Depreciation and amortization increased by $286,625 and $816,238 for the quarter and nine months ended December 31, 2019, compared to the same periods in the prior year. The increase is mainly driven by significant capital additions occurring in fiscal 2019 which were not amortized until October 2018 when the Edmonton I plant expansion became available for use as well as depreciation associated with the reversal of impairment taken in fiscal 2019. Further contributing is the adoption of IFRS 16 where new lease assets entail additional depreciation expense not experienced in the prior fiscal year.

Quality Control and Assurance

A further break-down of Radient's quality control and assurance expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Salaries and benefits	**$ 358,253**	$ 216,200	**$ 846,883**	$ 590,980
Salaries and benefits capitalized	**-**	(93,773)	**-**	(240,780)
Salaries and benefits in cost of revenues	**-**	-	**(17,242)**	-
Salaries and benefits in inventory	**(108,671)**	-	**(139,779)**	-
Consulting fees	**73,700**	2,000	**197,063**	47,750
Third party testing	**20,701**	53,526	**76,436**	71,354
Rent and utilities	**16,026**	7,267	**50,292**	7,751
Supplies	**23,206**	24,246	**54,388**	70,575
Maintenance	**7,348**	14,022	**24,006**	29,245
Office	**6,372**	3,799	**16,808**	10,494
Travel	**11,317**	944	**20,571**	4,038
Product materials	**555**	1,073	**1,305**	3,555
Total quality control and assurance	**$ 408,807**	$ 229,304	**$ 1,130,731**	$ 594,962

Salaries and benefits increased by $142,053 for the quarter and $255,903 for the nine months ended December 31, 2019. The increase is a result of the net addition of staff during the current year as well as net increase in the number of staff and new employees working the full nine months versus a partial nine months in the prior year based on the timing of their hire date.

Consulting fees increased by $71,700 and $149,313 for the quarter and the nine months ended December 31, 2019. Equipment qualification efforts commenced during the fourth quarter of fiscal 2019 and through the first quarter of fiscal 2020 which resulted in increased costs related to these efforts. During the nine months ended December 31 2019, the Company augmented its human resources function with the addition of two contractors to provide ongoing senior level services as production ramps up and there are increased demands on the Company's salaried personnel. The Company has increased the staff complement during the past three quarters resulting in increases in placement agency fees.

Financing Fees

A further break-down of Radient's financing fees are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Loss on extinguishment of long-term debt	**$ -**	$ -	**$ 440,513**	$ -
Interest on long-term debt	**151,263**	129,096	**366,216**	342,014
Interest on lease obligations	**13,416**	1,889	**32,326**	8,128
Interest on loan due to related company	**-**	-	**-**	5,655
Amortization of financing costs on long-term debt	**-**	28,918	**40,117**	76,139
Amortization of financing costs on due to related company	**-**	-	**-**	138,520
Payout penalty on due to related company	**-**	-	**-**	16,414
Other	**10,109**	421	**10,091**	(28,757)
Total financing fees	**$ 174,788**	$ 160,324	**$ 889,263**	$ 558,113

Total financing fees increased by $331,150 for the nine months ended December 31, 2019 compared to the same periods in the prior year. During the second quarter of the current year, the Company amended the mortgage with Moskowitz by increasing the borrowed amount from $5,500,000 to $8,500,000. As a result of the amendment, a loss on extinguishment of long-term debt totalling $440,513 was recognized. This amount consists 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. Also contributing to the increase in the nine months ended December 31, 2019 is an increase in interest expense as a result of the increase in the borrowed amount under the Amended Mortgage. The increase for the nine months ended December 31, 2019, was partly offset by no amortization of financing costs being due to a related company as the loan payable to 163 Alberta was repaid in the prior year.

Corporate Development

A further break-down of Radient's corporate development expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Consulting fees	**$ 168,369**	$ 340,848	**$ 540,928**	$ 824,254
Travel	**21,642**	155,912	**129,860**	283,886
Computer software	**33,722**	-	**58,982**	-
Promotion	**8,376**	5,597	**10,539**	5,597
Total corporate development	**$ 232,109**	$ 502,357	**$ 740,309**	$ 1,113,737

Total corporate development expenses decreased by $270,248 and $373,428 for the quarter and nine months ended December 31, 2019, respectively, compared to the same periods in the prior year. The overall decrease is mainly due to the shift in the Company's corporate focus towards cannabis activities requiring less consulting services and travel.

Business Development

A further break-down of Radient's business development expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Consulting fees	**$ 57,111**	$ 234,236	**$ 172,283**	$ 555,185
Salaries and benefits	**81,828**	35,825	**187,483**	130,568
Travel	**17,194**	79,831	**70,159**	227,244
Marketing material	**50,751**	25,745	**60,326**	78,351
Office	**52**	2,161	**2,386**	4,735
Utilities	**466**	1,804	**2,242**	5,290
Computer software	**600**	-	**1,186**	117
Total business development	**$ 208,002**	$ 379,602	**$ 496,065**	$ 1,001,490

Total business development expense decreased by $171,600 for the quarter and $505,425 for the nine months ended December 31, 2019. The Company's change in its strategic focus from health and wellness initiatives to cannabis activities has resulted in significantly reduced discretionary expenses as Radient focuses on scale-up and production.

Research and Development

A further break-down of Radient's research and development expenses are as follows:

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	**2019**	2018
Consulting fees	**$ 178,768**	$ -	**$ 276,331**	$ 95,040
Salaries and benefits	**29,837**	25,513	**87,361**	75,513
Salaries and benefits adjustment	**-**	-	**11,154**	-
Travel	**14,740**	6,528	**34,158**	19,732
Rent and utilities	**186**	-	**743**	-
Total research and development	**$ 223,531**	$ 32,041	**$ 409,747**	$ 190,285

Total research and development expenses increased by $191,490 for the quarter and $219,462 for the nine months ended December 31, 2019. The increase is a result of consulting fees related to initial patent work being recorded as expense during the quarter.

Share-Based Payments

Share-based payments include vested amounts which relate to stock option grants previously approved as well as amounts related to new grants approved during the period as those grants begin to vest. The following chart details the expense as it arises from each grant summarized by grant date.

	Quarter ended December 31		Nine months ended December 31	
Grant date	**2019**	2018	**2019**	2018
October 23, 2019	**$ 211,251**	$ -	**$ 211,251**	$ -
June 5, 2019	**34,043**	-	**275,195**	-
February 27, 2019	**39,775**	-	**178,555**	-
November 28, 2018	**45,334**	5,983,950	**194,924**	5,983,950
October 1, 2018	**288,709**	1,961,970	**990,113**	1,961,970
June 4, 2018	**80,846**	229,408	**259,173**	662,045
December 6, 2017	**6,307**	56,612	**49,042**	243,746
August, 2017	**-**	14,775	**7,723**	64,158
April 3, 2017	**-**	18,588	**530**	169,609
April 2014	**-**	-	**-**	1,162
Total share-based payments	**$ 706,265**	$ 8,265,303	**$ 2,166,506**	$ 9,086,640

Interest and Other Income

Interest and other income have decreased by $159,589 in the quarter and by $88,598 in the nine months ended December 31, 2019, respectively, over the same periods in the prior year. These changes are due to interest earned on the amount of cash that is invested in short-term, readily converted investments.

Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) increased by $71,407 for the nine months ended December 31, 2019. The Company is currently managing its foreign currency risk on the U.S. Dollar ("USD") by purchasing USD to offset USD expenditures as they are incurred. This has had positive impacts for the Company. Also contributing to the recognized balance is revaluation upon consolidation of the Company's recently incorporated European entities.

Liquidity and Capital Resources

	December 31, 2019	March 31, 2019
Non-current assets	**$ 48,718,276**	$ 27,191,234
Current assets	**27,326,008**	33,835,039
Current liabilities	**(29,661,269)**	(3,690,792)
Total assets less current liabilities	**$ 46,383,015**	$ 57,335,481
Non-current liabilities	**9,950,226**	6,493,082
Shareholders' equity	**36,432,789**	50,842,399
	$ 46,383,015	$ 57,335,481

Radient is currently in the process of completing its manufacturing facilities and scaling operationally, both involving substantial cash requirements. The Company's current working capital deficiency and operations that have not yet reached positive cashflow, requires additional financings to complete the manufacturing facitilities and fund operations until operations become cash flow positive.

Radient has identified sources to increase liquidity including potential financings described below:

- Binding Letter of Intent (the "LOI") for a Sale-Leaseback transaction in which 2238501 Alberta Ltd. (the "Purchaser") would purchase from Radient the land and buildings (collectively, the "Land") comprising the Company's Edmonton I, II, and III facilities (the "Transaction").
  The purchase price (the "Purchase Price") shall be CAD $20 million. Upon the closing of this Transaction, the Purchaser will lease the Land back to 1631807 Alberta Ltd. ("163 Alberta"), Radient's wholly owned subsidiary, for a term of 20 years. Prior to the closing of the Transaction, a portion of the total Purchase Price, to be determined at a later date by all involved parties, will be advanced to Radient by the Purchaser in order to complete initial scheduled construction requirements at its Edmonton III facility.
- Total financing package of up to CAD $15,400,000 through the issuance of up to $10.4 million of unsecured convertible notes (the "Notes") and up to $5 million of unsecured debentures (the "Debentures").
- In January and February 2020, the Company received funding pursuant to a loan agreement with Akaura Holdings inc, owned by Harry Kaura, a director of the Company, for a flow through loan from a third-party lender for $2.5 million of short term financing. The loan bears interest at 21.0% and is due on demand.
- The Company also received non-interest bearing advances of $75,000 from Francesco Ferlaino and $65,000 from Denis Taschuk, directors of the Company.

Management believes that the capital sources identified will generate sufficient amounts to meet its commitments, support operations, finance capital expenditures and support growth strategies.

Radient manages its capital structure and makes adjustments to it for market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Radient may adjust capital spending, issue new shares, issue new debt, repay existing debt or enter into other credit arrangements.

Working Capital

Working capital is current assets less current liabilities. As at December 31, 2019, Radient had a working capital deficit of $2,335,261, as compared to working capital of surplus $30,144,247 as at March 31, 2019. The $32,479,508 decrease in working capital is primarily related to the Company's utilization of cash to fund operations as well as its various expansion projects prior to full scale commercial production and anticipated revenue generation. Working capital is a non-IFRS measure. See "Non-IFRS Measures".

Non-Current Assets

Non-current assets increased by $21,527,042 as at December 31, 2019, as compared to March 31, 2019, which is attributable to long term prepaids and deposits, lease assets, plant and equipment, intangible assets and current assets as discussed below.

Long-Term Prepaids and Deposits

Long-term prepaids and deposits increased by $748,850 related to various patent update initiatives. Upon notification of a successful patent application, the associated costs are added to the Company's intangible non-current assets.

Lease Assets

The transition to IFRS 16 resulted in an adjustment to lease assets of $687,241 and a transfer of assets with a carrying amount of $425,487 from plant and equipment to lease assets. During the quarter, lease assets with a net book value $16,626 of lease assets were eliminated as a result of the termination of a lease. Depreciation of $103,105 for the quarter and $243,436 for the nine months ended December 31, 2019 was recorded.

Plant and Equipment

Plant and equipment increased by $19,472,989 from March 31, 2019. The increase is due to $21,252,403 of additions mostly related to the Company's capital expansion projects, partially offset by the $425,487 IFRS 16 transitional adjustment to lease assets. Disposals of assets, along with depreciation of $430,716 for the quarter and $1,253,732 for the nine months ended December 31, 2019, also offset the increase in plant and equipment.

Intangible Assets

Intangible assets increased by $57,936 from March 31, 2019, predominantly due to additions of computer software offset by depreciation.

Current Assets

Current assets decreased by $6,509,031 as at December 31, 2019 as compared to March 31, 2019, with notable variances in cash, accounts receivable, prepaids and deposits and inventories as discussed below:

Cash

The Company's cash balance decreased by $31,200,119 due to cash requirements for operating activities of $22,896,374, cash purchases of plant and equipment of $10,527,958, patent initiatives of $704,570, investment in intangible assets of $159,052, interest and pay-out penalties of $536,150, financing costs paid on new long-term debt of $350,249, repayment of lease liabilities $207,235 and $5,688,583 for the repayment of long-term debt and restrictions on cash of $199,995. The decrease was partly offset by proceeds received from the exercise of warrants of $979,174, $101,520 from the exercise of stock options, interest received of $200,378, proceeds from long-term debt of $8,697,500 and $100,195 from the disposal of plant and equipment.

Accounts Receivable

Accounts receivable increased by $2,161,577 at December 31, 2019 compared to March 31, 2019. Contributing to this increase are outstanding receivables from clients of $1,686,808 and substantially higher GST refunds related to the construction of the Edmonton III manufacturing facility as well as higher trade receivables.

Prepaids and Deposits

The increase in prepaids and deposits as compared to March 31, 2019 is $543,411. The increase is primarily due to a number of annual costs which have been renewed (e.g. insurance).

Inventories

Inventories increased by $21,786,105 from March 31, 2019. The majority of the increase is due to the procurement of dried cannabis biomass for the extraction of cannabinoids.

Current Liabilities

Current liabilities increased by $25,970,477 compared to the balance as at March 31, 2019. This increase is predominantly driven by:

- the Company's procurement of dried cannabis biomass which represents an amount owing of $9,571,157 (including GST) as at December 31, 2019;
- additional payables of $10,499,831 related to the Company's capital expansion projects;
- the current portion of lease liabilities due to the adoption of IFRS 16 which represents an increased current liability of $369,116;
- the increase of $250,943 in the current portion of long-term debt which is due to the extinguishment of the existing Moskowitz mortgage and recognition of the remaining deferred financing charges as a loss on extinguishment of debt as well as the addition of the Amended Mortgage's fees which are repayable monthly commencing August 1, 2019 through to February 1, 2021; and
- the recognition of $1,800,000 in contract liabilities related to consideration received for manufactured products where the product was not yet transferred to the customer as at December 31, 2019.

Non-Current Liabilities

The adoption of IFRS 16 results in an increase in lease liabilities of $687,241 which would previously have been expensed as operating leases. Also contributing to the increase in non-current liabilities is the extinguishment of the previous Moskowitz mortgage and the addition of the new Amended Mortgage which accounts for the majority of the $3,457,144 increase in long-term debt.

Shareholders' Equity

Shareholders' equity decreased by $14,409,610 as compared to the balance as at March 31, 2019. This is primarily due to the recognition of a net loss of $18,671,342 for the period ended December 31, 2019. The decrease was partly offset by share-based payments of $2,166,506, the exercise of 3,596,848 warrants for total proceeds of $979,174, the exercise of 147,000 options for total proceeds of $101,520, an issuance of 1,194,374 common shares related to shares issued for $924,037 worth of services rendered and an issuance of 213,364 common shares related to shares issued for $99,215 worth of debt repayment.

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Contingencies and Commitments

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

		December 31, 2019		March 31, 2019
Capital expansion projects	$	**3,223,805**	$	16,098,096
Leases not yet commenced		**1,643,056**		130,500
Variable lease payments for lease liabilities		**405,980**		430,610
Network services contracts		**219,757**		263,678
Short-term lease commitments for rental space		**69,831**		387,795
Purchase and retrofitting of equipment		**194,719**		178,059
Maintenance contracts		**34,649**		74,190
	$	**5,791,797**	$	17,562,928

Related Party Transactions

The Company's related parties are its Board and key management personnel (President and Chief Executive Officer – Denis Taschuk (CEO), Chief Operating Officer – Mike Cabigon (COO), Chief Financial Officer – Prakash Hariharan (CFO) and Chief Technology Officer – Steven Splinter (CTO) as well as any companies controlled by key management personnel or directors). Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Details of the related party transactions follow:

Key Management Personnel and Director Remuneration

The remuneration of directors and key management personnel follows:

	Three months ended December 31				Nine months ended December 31			
		2019		2018		2019		2018
Compensation	$	**244,425**	$	230,375	$	**735,907**	$	684,375
Short-term benefits		**12,133**		6,435		**36,397**		18,805
Share-based compensation		**290,880**		5,885,834		**1,007,390**		6,052,951
	$	**547,438**	$	6,122,644	$	**1,779,694**	$	6,756,131

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

As at December 31, 2019, $114,294 (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.

Equity Transactions

During the nine months ended December 31, 2019

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

During the year ended March 31, 2019

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

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

Services Provided

During the nine months ended December 31, 2019

Akaura Holdings Inc., owned by Harry Kaura, a director of the Company, received $54,516 for the three months and $165,979 for the nine months ended for rental lease payments and operating costs associated with the rental of a warehouse required by the Company.

During the nine months ended December 31, 2018

A property management company owned by a director received $39,625 for the three and nine months ended 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 the three and nine months ended for site clearing and preparation services related to the Company's Edmonton capital expansion

New Accounting Standard

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

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 twelve 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 twelve 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. On transition to IFRS 16 the weighted average incremental borrowing rate applied to the lease liability recognized under IFRS 16 was 5.41%.

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

Total operating lease commitments disclosed as 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 judgment 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.

Financial Instruments and Related Risk

Cash, accounts receivable and deposits are classified as financial assets at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

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

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

Credit Risk

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

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

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

As at December 31, 2019, the Company had $1,686,808 (March 31 - nil) of trade accounts receivable balances. Credit risk is limited with respect to trade accounts receivable, as the outstanding balance at December 31, 2019 is with a client that is a well-established publically traded company and the Company has experienced 100% collection on invoices issued to them. GST of $459,755 (March 31, 2019 - $157,287) and VAT of $174,935 (March 31, 2019 - $ nil) comprises the majority of the other receivables balance of $673,905 as at December 31, 2019 (March 31, 2019 - $199,137) and is consistently received subsequent to filing of applicable returns.

Interest Rate Risk

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

For the period ended December 31, 2019, the increase or decrease in annual net income for each one percent change in interest rate on the variable rate long-term debt would amount to $96,024 (March 31, 2019 - $61,972).

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 are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments.

The Company could encounter difficulty in meeting its financial obligations if certain risks were to occur. See the Risk Factors section of this MD&A for additional related discussion and details. The Company's contractual liabilities and obligations are as follows:

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 17,481,545	$ -	$ -	$ -	$ 17,481,545
Facility construction liabilities	9,690,341	-	-	-	9,690,341
Long-term debt	1,126,950	9,510,223	199,709	306,529	11,143,411
Lease liabilities	411,038	467,820	256,526	-	1,135,384
Balance December 31, 2019	**$ 28,709,874**	**$ 9,978,043**	**$ 456,235**	**$ 306,529**	**$ 39,450,681**
Accounts payable and accrued liabilities	$ 3,126,254	$ -	$ -	$ -	$ 3,126,254
Facility construction liabilities	396,574	-	-	-	396,574
Long-term debt	733,950	6,219,412	222,982	376,939	7,553,283
Lease liabilities	105,394	91,053	-	-	196,447
Balance March 31, 2019	$ 4,362,172	$ 6,310,465	$ 222,982	$ 376,939	$ 11,272,558

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

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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 December 31, 2019. The analysis is based on financial assets and liabilities denominated in USD, Euro ("EUR") and British Pound ("GBP").

		USD		EUR		GBP
Cash	$	172,237	$	22,402	$	-
Accounts receivable		-		118,871		-
Prepaids and deposits		-		105,020		-
Accounts payable and accrued liabilities		(928,516)		(1,279,077)		(139,961)
Net balance sheet exposure	**$**	**(756,279)**	**$**	**(1,032,783)**	**$**	**(139,961)**
Translation rate at December 31, 2019		1.3206		1.4730		1.7283
Net income impact of a 10% rate change	**$**	**99,870**	**$**	**152,127**	**$**	**24,190**

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

Risk Factors

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

Financial History and Capital Requirements

The Company has incurred significant losses and generated no significant revenues in its recent history. The Company had a cumulative deficit of $108,537,012 as of December 31, 2019 and Radient currently has a working capital deficiency of $2,335,261. The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that additional financing, including offerings of Notes or Debentures, can be obtained on terms favourable to Radient or on any terms. Failure to raise the necessary funds in a timely fashion may also limit Radient's ability to move its programs forward in a timely and satisfactory manner, or cause it to abandon the programs or force it to pursue alternative strategic options; any of which would harm its business, financial condition and results of operations, or affect its ability to continue operating.

Realizing Growth Targets

Radient's ability to meet projected production targets, and its ability to increase production capacity as planned, may be affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in material or labor costs, construction performance falling below expectations, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labor disputes, as well as the potential impacts of major incidents or catastrophic events on its facility, such as fires, explosions or storms. Should Radient's production not meet its projections, and if it cannot increase production capacity as planned, there could be a material adverse effect on its business, results of operations and financial condition.

Global Political and Economic Instability

The Company could be affected by political or economic instability in the jurisdictions where it expands and/or operates. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in the relevant regulatory environments or shifts in political attitude in countries in which the Company operates may adversely affect its business. Operations could be affected to varying degrees by government regulation with respect to restrictions on production, distribution, price controls, income taxes, expropriation of property, maintenance of assets, environment regulation and land use, among other things. The effect of these factors cannot be accurately predicted.

Expanding Operations Outside Canada

As Radient continues to pursue operations and opportunities in foreign jurisdictions, there may be new or unexpected risks or significantly increased exposure to one or more existing risk factors including economic instability, changes in laws and regulations and the effects of additional competition. These factors may limit the Company's ability to successfully expand its operations and may have a material adverse effect on its business, financial condition and results of operations.

Expansion Efforts May Not Be Successful

There is no guarantee that the Company's intentions to expand and construct additional production capacity in Canada and abroad and to expand the Company's marketing and sales efforts will be completed in a timely manner or at all. Failure to successfully execute Radient's expansion strategy (including receiving applicable regulatory approvals and permits) could adversely affect the Company's business, financial condition and results of operations and may result in failure to meet anticipated or future demand for the Company's products and services, when and if that demand arises.

In addition, the construction of Edmonton III and the proposed German manufacturing facility are subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond the Company's control, including regulatory approvals, permits, delays in the delivery or installation of equipment, difficulties in integrating new equipment with existing components, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding or other resource constraints. Moreover, actual costs for construction may exceed budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the construction of the new facilities which, in turn, may materially and adversely affect its business, prospects, financial condition and results of operations.

Inability to Meet Customer Requirements

In a manufacturing environment, products may be subject to return, for a variety of reasons, including defects, such as contamination, unintended interactions with other substances, inappropriate packing causing spoilage and other reasons. If any of the products processed by Radient are returned due to alleged defects or for any other reason, the Company could incur unexpected expenses of recall and re-processing and any legal proceedings that may arise in connection with such recall and re-processing. Significant sales could be lost and the Company may be unable to replace those sales at an acceptable margin or at all. Although the Company has detailed procedures in place for testing incoming product as well as finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen returns, regulatory action or lawsuits, whether frivolous or otherwise. Recalls or returns could affect the Company's reputation and decrease demand for Radient's products resulting in material adverse effects on the business, financial condition and results of operations. Further issues of this nature may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention, increased compliance costs and potential legal fees, fines, penalties and other expenses and sanctions.

Product Liability

As a manufacturer of products designed to be inhaled or ingested by humans, the Company faces inherent risk of exposure to product liability claims, regulatory action and potential litigation if its manufacturing process is alleged to have caused significant loss or injury. In addition, manufacture and ultimate sale of cannabis end-user products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products along or in combination with other medications or substances may occur. Product liability claims or regulatory action against the Company could result in increased costs, may affect the Company's reputation and could have a material adverse effect on Radient's business, financial condition and results of operations.

Uninsured or Uninsurable Risks

Radient may be subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on Radient's financial position and operations.

Potential Litigation

The Company may become party to regulatory proceedings, litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect the business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause significant expenses. While Radient has insurance that may cover the costs and awards of certain types of litigation, the amount of such coverage may not be sufficient. Substantial litigation costs may adversely impact the Company's business, operating results or financial condition.

Manufacturing Scale Up

The Company anticipates producing larger individual batch sizes on a continuous or near continuous basis. Commensurate increases in product loss due to contamination, or for any other reason, can expose the Company to increased manufacturing costs. As well, the Company may not be able to replace lost product in a timely manner, at an acceptable margin or at all, in some cases. Running continuous, large scale batches may have a number of implications that the Company has not previously experienced or is not fully of aware of or able to anticipate. The useful life of equipment and/or parts may be much shorter than anticipated with an increased need for replacement. Similarly, there is increased risk of equipment failure at higher inputs. As equipment and parts are highly customized and generally require advance orders with significant lead times, there may be significant delays in receiving the equipment and/or parts from suppliers. Depending on the severity and the impact of continuous use on the Company's equipment and production processes, unplanned shutdowns may be required which would result in production delays. Should the Company be unable to scale up as anticipated, there could be a material adverse effect on the business, results of operations, customer relationships and the financial condition of the Company.

Inventory

The Company holds cannabis biomass and finished goods in inventory and its inventory has a shelf life. The Company's inventory may reach its expiration and not be sold. Even though on a regular basis, management reviews the amount of inventory on hand, reviews the remaining shelf life, and estimates the time required to manufacture and sell such inventory, write-downs of inventory may still be required. Write-downs in inventory value or losses on inventory purchase commitments depend on various factors, including those related to customer demand, economic and competitive conditions, technological advances or new product introductions by the Company or its customers that vary from its current expectations. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Outstanding Share Data

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

Common shares issued and outstanding: 276,490,807

Fully diluted common share capital: 327,917,945

Stock Options

23,995,150 stock options of the Company are issued and outstanding with a weighted average exercise price of $1.00. Each stock option entitles its holder to purchase one common share of the Company with varying expiry dates up to February 27, 2025. On February 27, 2020, the Company approved to issue 500,000 stock options to directors in which 100% vests immediately at an exercise price of $0.365. This grant consists of 250,000 stock options granted to Yves Gougoux and 250,000 stock options granted to Jocelyne F. Lafrenière.

Finders' Options

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

Warrants

24,495,150 are issued and outstanding with a weighted average exercise price of $0.98. Each warrant entitles its holder to purchase one common share of the Company with varying expiry dates up to July 31, 2020. 2,640,765 common shares were issued for warrants exercised for total proceeds of $660,191. Of the common shares issued, 1,644,335 were issued to Jan Petzel, a director of the Company for warrants exercised for total proceeds of $411,084.

Shares Issued for Services

During the year ended March 31, 2019 and the year ended March 31, 2018, the Company approved multiple shares for service agreements with third parties in exchange for corporate development, business development and consulting services. Pursuant to the terms of the agreements the Company may issue common shares in exchange for a maximum of USD$379,000, £585,000 and $96,000 of services provided in the fiscal year at the option of the third party. The number of shares issued and the share price will be based on the terms of the agreements. The agreements were approved by the TSXV and will be subject to approval for each successive two-year renewal term. Common shares with a value of £146,250 have been issued as of the date of this MD&A for services rendered during the quarter ended December 31, 2019. Common shares with a value of £48,750 have been issued as of the date of this MD&A for services rendered for January 2020.

Shares Issued for Debt

On November 29, 2019, Radient announced a proposed share-for-debt transaction in which the Company would issue up to 213,364 common shares at a price of $0.465 per share to an arm's length third party creditor, in settlement of an aggregate USD $73,206. The transaction was approved by the TSX Venture Exchange on December 4, 2019 with the shares issued on December 4, 2019.

On December 13, 2019, Radient announced a proposed share-for-debt transaction in which the Company would issue up to 192,907 common shares at a price of $0.41 per share to an arm's length third party creditor, in settlement of an aggregate USD $60,000. The transaction was approved by the TSX Venture Exchange on January 10, 2020 with the shares issued on January 10, 2020.