Isodiol International Inc.
(the "Company")
Management Discussion and Analysis
For the year ended March 31, 2019

Date of Report: August 16, 2019

The following Management Discussion and Analysis ("MD&A") has been prepared by management in accordance with the requirements of National Instrument 51-102 as of August 16, 2019 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended March 31, 2019, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. This MD&A should be read in conjunction with the risk factors described in the *Risk Factors* section of this MD&A. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

OVERALL PERFORMANCE

Isodiol International Inc. ("Isodiol" or the "Company") was incorporated under the Business Corporations Act (British Columbia) in June 2014 as Grenadier Resource Corp.

On June 9, 2017, the Company changed its name to Isodiol International Inc. The Company's common shares are listed on the Canadian Securities exchange under the symbol "ISOL" and on the US OTC exchange under the symbol "ISOLF".

The Company is focused on the nutritional health benefits that are derived from hemp and is a product development, sales, marketing and distribution company of hemp-based consumer products and solutions. The company specializes in identifying emerging trends and opportunities from all

Cannabinoids available in hemp. The company is not involved in the Marijuana industry as it does not sell the marijuana plant. Hemp and marijuana come from the Cannabis *sativa L specie* but are genetically distinct and are further distinguished by use, chemical makeup and cultivation methods. Hemp, which refers to the non-psychoactive (less than 0.3% THC) varieties of Cannabis sativa L, is a renewable raw material used in thousands of products including health foods, body care, clothing, construction materials, biofuels and plastic composites. The Company's growth strategy includes the development of over the counter and pharmaceutical drugs, expanding its phytoceutical portfolio and will aggressively continue International expansion into Latin America, Asia and Europe. The Company strategically raised capital throughout fiscal 2019 and may require capital raises in additional to the revenues generated from ongoing operations in order to meet future financial commitments.

As of March 31, 2019 the Company had $403,814 in cash compared to March 31, 2018 of $15,549,664**.** For the year ended March 31, 2019, the Company had gross profit of $7,378,194 and a net loss of $125,913,014. The majority of operating expenses consisted of consulting fees of $13,853,053, wages and salaries of $6,611,434, advertising and promotion of $3,855,880, management fees of $3,638,662, general and administration of $2,317,483, professional fees of $2,296,463, amortization of $2,061,715 and travel and promotion of $1,238,230. The majority of other expenses consisted of non-cash items including bad debt $7,334,196, Interest expense of $5,971,231, asset impairment of $38,877,626 and loss on sale of business of $35,159,613.

In April and May of 2018, the Company acquired three subsidiaries, Azure Bottling LLC, BSPG Laboratories Ltd. and Kure Corp. due to the direction the industry was going in and the prospective synergies that the Company could potentially realize with an active pharmaceutical ingredient ("API") in the United Kingdom market diversity in the vape world and bottling distribution under the Company's group of entities. Nearing the end of the fiscal year, the Company divested these acquisitions to prevent significant dilution, bring in much needed cash resources to fund operations and to focus on the Company's key operations and supplying retail product lines directly to end users. Further, the Company has retained the benefits of the operational activities of BSPG Laboratories Ltd. through establishing an API off-take agreement to supply the Company's product lines as needed. The operational activities of these divested entities have been recognized as one line in the consolidated statement of loss as loss on discontinued operations and are disclosed in note 9 and 10 of the consolidated financial statements for the year ended March 31, 2019.

The Company continues to rely on debt and capital financing until it is able to establish profitable operations which it is currently working towards.

The Company believes turning its focus towards the regulated hemp market, whose regulations allow for more robust consumer-facing brand marketing, advertising and retail channels, will serve towards the Company's Hemp based business focus.

Although the industry is growing, the Company did make significant capital commitments during the year. If additional industry risks were to arise based on new regulation, it may affect the Company's ability to raise funds going forward. This uncertainty does add a significant element of risk to the Company that is inherent with the current industry. There is also a risk factor associated with product quality and availability of biomass for production of finished goods. The Company maintains a position of being able to secure enough biomass for operations.

See the information under the heading *Risk Factors* that have and may continue to affect the Company and its business.

DESCRIPTION OF BUSINESS

Isodiol International Inc. is focused on the nutritional health benefits that are derived from hemp and is a product development, sales, marketing and distribution company of hemp-based Consumer Packaged Goods (CPG) and solutions. Isodiol has commercialized a 99%+ pure, naturally isolated CBD, including micro-encapsulations, and nano-technology for quality consumable and topical skin care products. Isodiol's growth strategy includes the development of over-the-counter and pharmaceutical drugs and continued international expansion into Latin America, Asia, and Europe. The Company has secured an off-take agreement for access to API for use in Finished Pharmaceutical Products (FPPs) specifically with respect to its Brazil operations.

The following lists the company's subsidiaries and includes a description of each subsidiary's key activities:

<u>C3 Global Biosciences (C3GBS)</u>
C3GBS's business is focused on professional business channel which includes MDs, chiropractors, dentistry, etc. As a part of the 100% acquisition, the Company issued 114,189 shares valued at $1,061,958 during the year ended March 31, 2018.

<u>The Bradley's Brand (Bradley's Brand)</u>
Bradley's Brand's business is focused on manufacturing and distributing hemp oil and nicotine e-liquids, as well as personal care products. Bradley's Brand also offers apparel and merchandising solutions. By partnering with Isodiol, Bradley's has been able to increase its operational reach from the United States and the United Kingdom, to the Latin American and additional European markets. As a part of the 100% acquisition, the company issued 154,680 shares valued at $487,242 during the year ended March 31, 2018.

<u>ISO-Sport</u>
ISO-Sport's business is to create products to focused on enhancing athletic performance and recovery needs of professional and prosumer athletes. The hemp-based nutrition line is geared towards mental and body wellness. ISO-Sport has been focused on raising awareness of CBD and related benefits that have been used by individuals within professional athletic organizations such as Professional Football, Cage Warriors and the MMA. ISO-Sport will continue to focus efforts towards professional athletes with the goal of assisting through their daily lives, training and recovery process. This is a wholly-owned division of Isodiol International Inc.

<u>Iso-Bev</u>
Iso-Bev is in the manufacturing and development of hemp infused beverages. This is a wholly-owned subsidiary of Isodiol International Inc. Iso-Bev, acquired 100% of the assets of Culinary Coffee Roasters whose business is the sale of quality coffees, tea and blended formulations. Culinary has been in the coffee beverage business for over fifteen years.

<u>Isolabs International Inc.</u>
This division focuses on phytoceutical development in North America and International markets with development of IP and other proprietary assets This division will continue to externally source the cultivation of the plant and bring the manufacturing, processing, product R&D and distribution in-house.

<u>Purodiol Do Brazil Ltda. ("Purodiol")</u>
Organized in Brazil, Purodiol supplies pharmaceutical products under ANVISA regulations to patients in Brazil. Isodiol has acquired 99% of Purodiol, which the Company is in the process of starting operations and building a consumer base.

Loans receivable

Canadian National Pharma Group Inc (CN Pharma)
CN Pharma is a pharmaceutical manufacturing company which was in the process of receiving its Licensed Dealer ("LD") status under the provisions of the Canadian Controlled Drugs and Substances Act. On December 7, 2018, the Company terminated its agreement with CN Pharma and entered into a settlement agreement to receive $900,000 in three instalments over the next six months. Pursuant to the termination, the Company recognized its investment in excess of the settlement amount of $351,951 within asset impairments. As at March 31, 2019, the company has a balance receivable of $518,000 due from CN Pharma.

The following are the Company's investments that have been held by the Company during the year:

On February 14, 2017, the Company acquired a 19% interest in Carlsbad Naturals LLC ("Carlsbad") by issuing 400,000 common shares with an estimated fair value of $532,000 and a one-time payment of USD$250,000 ($333,024) for a total purchase price of $865,024. Carlsbad is a private company without a quoted market price in an active market. During the year ended March 31, 2019, the Company terminated its holdings of Carlsbad and as a result has recognized $860,955 within asset impairments.

On April 20, 2018, the Company purchased 6,451,613 common shares of 10330698 Canada Ltd., representing 10% of the shares issued and outstanding at a value of $0.31 per share for a total investment of $2,000,000. 10330698 Canada Ltd. is a private company without a quoted market price in an active market.

On March 25, 2019, the Company entered into an agreement with a private equity agent to sell 10330698 Canada Ltd.'s shares. Advisory fees of $64,500 will be paid on the sale of all shares, recognized as a reduction to the investment and a loss on investment. Subsequent to year end, the Company has sold 3,882,000 shares for total proceeds of $1,203,420 and expects to receive the total value of the original investment by the end of August 2019.

On July 11, 2018, the Company purchased 400,000 common shares of Promedia Investments Inc. ("Promedia"), at a value of USD$1.00 per share for a total investment of USD$400,000. Promedia is a private company without a quoted market price in an active market. Management evaluates the fair value of the investment at the end of each quarter and notes that there were no indicators of impairment.

ISO international LLC continues to hold 428,254 common shares of the parent company, Isodiol International Inc. These shares were issued pursuant to the licensing agreement entered into with ISO International LLC prior to it becoming a wholly-owned subsidiary. As of March 31, 2019, the Company recognizes $618,750 as shares held internally and its value is eliminated on consolidation.

The following are acquisitions and dispositions of the Company during the year:

Azure Bottling LLC
Azure is a custom bottled water facility which the Food and Drug Association ("FDA") approved and complies with local and state guidelines. They provide spring water, purified water, mineral water, vitamin-enhanced and alkaline water which is free of contaminants and impurities. On May 4, 2018, the Company acquired 100% of the shares of Azure Bottling LLC ("Azure") for USD$1,000,000 cash paid upon closing, as well as USD$350,000 in six months and USD$1,000,000 in stock escrowed over 36 months. This transaction was accounted for as a business combination.

On December 19, 2018, the Company sold Azure for a purchase price of USD$1,000,000 and no ongoing commitments. The decision was made pursuant to the Company shifting its focus from manufacturing to direct distribution of finished goods. As such, the Company wrote off all asset and liabilities related to Azure. Pursuant to the disposition of Azure, the Company recognized a loss on sale of business of $1,132,807.

Kure Corp. (Kure)

Kure, headquartered in Charlotte, North Carolina and specializes in the distribution of vaporizing pens, e-Juices, and related accessories through its specialty retail stores and online distribution. Kure's primary products are its distinct line of custom blended flavored e-Juices, Kure brand vaporizers, as well as popular third-party brands of advanced hardware and select eLiquids.

On May 1, 2018, the Company acquired 100% of the outstanding shares of Kure Corp. ("Kure"), for 2,380,952 common shares subject to a 36-month escrow and payments of USD$25,000,000 due January 1, 2019 and USD$10,000,000 due January 1, 2020 in stock, subject to 36-month escrow. Pursuant to closing the acquisition, the outstanding promissory note receivable for a total of USD$1,000,000 was forgiven and formed part of the acquisition purchase price. This transaction was accounted for as a business combination. The agreed consideration due in excess of the net assets of the acquired business was $53,196,398.

In an effort to prevent significant shareholder dilution, and due to the growing concerns in the vape industry with pending FDA regulations, the Company entered into a plan of arrangement to divest all of the issued and outstanding shares of Kure to the former Kure shareholders, and, in consideration for the Kure shareholders receiving their shares back, the Company was absolved of all of its current and long-term acquisition payables of USD$35M.

Pursuant to the plan of arrangement, the Company removed the net assets of Kure from its consolidated balance sheet and recognized a loss on sale of business of $14,235,990.

Biosynthesis Pharma Group Laboratories Ltd. (BSPG)

BSPG is large producer of industrial hemp and was the first Company to receive the Medicine products Regulatory Agency (MHRA) approval as an Active Pharmaceutical Ingredients (API) license holder. This acquisition was closed on April 17, 2018. On June 26, 2018, 2,130,249 common shares measured at a fair value of $10.50 per share were issued to complete the acquisition of BSPG. Up to the date of disposition of BSPG, the Company had paid USD$6.5M towards acquisition payments.

On March 29, 2019, the Company entered into a definitive sale agreement of BSPG due to the significant financial requirements needed for expansion. The terms of the sale resulted in the Company securing an off-take agreement to have access to the API as required for Purodiol in the Brazilian pharmaceutical market allowing the Company to realize the benefits of its previous acquisition while bringing operating cash-flows into the Company. The definitive purchase agreement was for cash totaling USD$14,000,000. Of the amount of cash receivable, USD$4,500,000 will be paid directly towards the original acquisition payment described above. Pursuant to the disposition of BSPG, the Company recognized a loss on sale of business of $19,790,816.

The following summarizes the Company's asset impairments:

The Company recognized the following asset impairments (see Note 16 of the March 31, 2019 consolidated financial statements):

	March 31, 2019
Carlsbad	$ 860,955
Level Brands Inc.	5,121,800
Livecare Health Canada Inc.	232,293
IsoDerm	569,790
Hankang	2,823,658
Deposit on manufacturing facility	2,500,000
Prepaid expense related to Hankang	1,524,499
Canadian National Pharma Group Inc.	351,951
Be Tru Organics, Inc.	589,544
Intangible assets	11,272,305
Goodwill	13,030,831
	$ 38,877,626

On August 29, 2018 the Company returned its 19.9% investment in Carlsbad Naturals LLC in exchange for and resolution of all dispute matters between the entities and any outstanding debt or any obligations.

On January 16, 2018 and as amended January 19, 2018, the Company entered into a licensing agreement with Level Brands Inc., for an initial fee of USD$125,000 and initial share issuance equal to USD$2,000,000. Share issuances totalling USD$750,000 are payable on the last day of each calendar quarter commencing March 31, 2018 during the term (to be pro-rated for any partial calendar quarter upon termination).

Pursuant to a license agreement with Level Brands Inc. and quarterly license fees, the Company issued 88,749 shares measured at a fair value of $10.60 per share (on May 30, 2018), issued 167,932 shares measured at a fair value of $14.90 per share (on January 22, 2018) and issued 469,753 shares measured at a fair value of $4.17 per share (on November 26, 2018). On January 9, 2019, the Company terminated its licensing agreement with Level Brands Inc. Pursuant to the termination, the Company issued 500,000 common shares on February 8, 2019 measured at a fair value of $1.47 per share. The carrying value of capitalized license fees, settlement shares and reduction of acquisition payables of $5,121,800 has been written off to asset impairments. Up to the date of termination, this license had been amortized as an intangible asset over 7 years (the original term of the license).

On January 24, 2018, the Company entered into a licensing agreement with Livecare Health Canada Inc. for use of its proprietary telemedicine platform. As part of the licensing agreement, the Company paid an upfront licensing fee of $150,000 and will issue $1,000,000 of stock in the first year (to be issued in 4 quarterly instalments at $250,000 per quarter and subject to a 36-month escrow period). As of March 31, 2019, the Company had capitalized a total of $1,150,000 of license fees with $750,000 included in acquisitions payable. On March 31, 2019, the Company terminated its license agreement with Livecare Health Canada Inc. The carrying value of capitalized license fees, settlement shares and reduction of acquisition payables of $232,293 has been written off to asset impairments. Up to the date of termination, the license had been amortized over its useful life of 12 years (the effective term of the license agreement).

On November 17, 2017, the Company acquired the international licensing rights for IsoDerm as well as five other proprietary pharmaceutical compounds to be delivered by the patented Direct Effects technology. The company is required to pay a one-time licensing fee of USD$300,000 payable over 180 days, along with continued minimum royalty payments predicated on product and territories. As of March 31, 2019, the Company has paid a total of $569,790 capitalized as a license fee (Note 12). These license fees were being amortized over their useful life of 10 years (the effective term of the license rights). Company determined its intangible assets were impaired and accordingly, recognized an impairment loss of $569,790 within asset impairments.

On November 30, 2018, the Company terminated its agreement with Hankang Biotech Co. Ltd and related payment towards the manufacturing patents related to manufacturing and extraction methodologies. As of March 31, 2019, the Company wrote off $6,848,157 included within asset impairments pursuant to this termination which included Hangkang IP rights of 2,823,658, Deposits of manufacturing facility of 2,500,000 and prepayments towards the facility and related set up costs of $1,524,499.

Impairment of goodwill and intangible assets

On an annual basis, the Company assesses the Company's CGUs for indicators of impairment or when facts or circumstances suggest the carrying amount may exceed its recoverable amount. Goodwill is tested for impairment annually. For the purpose of impairment testing, goodwill is allocated to the Company's CGU to which it relates.

As at March 31, 2019, the carrying amount of the Company's CGU was greater than the Company's market capitalization; therefore, the Company tested its CGU for impairment.

The Company performed its annual impairment test and estimated the recoverable amount of the above-noted CGU based on fair value less costs of disposal ("FVLCOD"), which was determined using a capitalized cash flow methodology and categorized within level 3 of the fair market value hierarchy.

The key assumptions used in the calculation of the recoverable amount include forecast next twelve months:

a) sales revenue;
b) normalized consulting fees;
c) normalized wages and salaries expense; and
d) office and administration expenses.

Capitalized cash flows are determined with reference to undiscounted risk adjusted cash flows, and discount rates in the range of 12% to 15% based on the individual characteristics of the Company's CGU and the risk-free rate of return and other economic and operating factors.

The result is that the carrying amount of goodwill and intangible assets exceeded the recoverable amount and as a result, an impairment charge of $24,303,136 was recognized for the year ended March 31, 2019 as follows:

a) Intangible assets of $11,272,305; and
b) Goodwill of $13,030,831.

Other:

On May 2, 2018, the Company entered into an agreement to acquire 51% of the outstanding shares of Farmtiva LLC for US$1,500,000 working capital contributions and US$1,500,000 in stock subject to 36-month escrow. As at March 29, 2019, this Company decided to change its strategic direction and resolved that cultivation and farming would not form part of its business model going forward and accordingly this balance has been reclassified to accounts receivable. Although the Company is actively seeking to recover its investment, an allowance for the balance has been recognized with a corresponding bad debt expense.

June 12th, 2018, the company entered into an agreement to acquire 51% of the outstanding shares of Round Mountain Technologies LLC for US$400,000 (USD$330,000 paid to date) in working capital contributions and US$250,000 in Isodiol stock (subsequently issued) subject to 36-month escrow. As at March 29, 2019, this Company decided to change its strategic direction and resolved that cultivation and farming would not form part of its business model going forward and accordingly this balance has been reclassified to accounts receivable. Although the Company is actively seeking to recover its investment, an allowance for the balance has been recognized with a corresponding bad debt expense.

HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2019

On April 5, 2018 the Company announced retail distribution of Pot-O-Coffee in select Winn-Dixie stores throughout the East Coast.

The Company also announced it had closed a strategic investment for $10,000,000 led by the Serruya Private Equity Group, Scythian Biosciences Corp, and Liberty Health Sciences, Inc. at $0.73 with a full 3-year warrant at $1.00 which will be allocated towards international expansion and the development of additional manufacturing facilities. All stock issuances are subject to 36-month escrow.

On April 26, 2018 the Company announced it’s subsidiary, BSPG, has received government approval from UK’s Medicines and Healthcare Products Regulatory Agency (MHRA), in accordance with The Human Medicines Regulations 2012 (SI 2012/1916), for the manufacturing of the active substance CBD.

On May 1, 2018 the Company announced the acquisition of Kure Corp., a specialty vape retailer headquartered in Charlotte, North Carolina. As per the agreement, Kure shareholders received 2,380,952 Isodiol shares in exchange for Kure shares based on the closing price of April 30, 2018. Share based milestone payments are forthcoing if Kure achieves certain milestones for the fiscal 2019 and 2020 years. Isodiol had agreed to fund acquisition and development for the expansion of Kure’s retail network. All shares are subject to a 36-month escrow.

On May 2, 2018 the Company announced the binding agreement to acquire 51% of Farmtiva LLC, a cultivator of hemp with operations in California providing hemp farming and distribution support for farmers and other industry participants. Under the terms of the agreement, Isodiol will issue USD$1,500,000 of stock based on the closing price of April 30, 2018, subject to a 36-month escrow.

On May 4, 2018 the Company announced the Letter of Intent to supply CBD as an Active Pharmaceutical Ingredient from it’s GMP-certified production facility in the UK to Zenabis Ltd. Upon successful initial import and product testing, Zenabis and Isodiol intend to execute a Definitive Supply Agreement.

On May 4, 2018 the Company announced that it will be increasing the size of its previously announced private placement of $10,000,000 to $18,000,000. The Company has engaged Clarus Securities Inc. as a financial advisor in connection with the offering and the additional investment will be led by Anson Funds, a privately held alternative asset manager.

On May 28, 2018 the Company announced the closing of the strategic private placement of $18,000,000 originally announced on May 4, 2018.

On June 29, 2018 the Company provided an update to outline strategy for balanced, long-term growth to increase shareholder value by further aligning its business strategies around core competencies, expand its sales force globally to capitalize on the market for its registered Active Pharmaceutical Ingredient and CBD extracts, and contract manufacturing capabilities.

On July 24, 2018 the Company finalized share consolidation at a ratio of one post-consolidated common share for every ten pre-consolidated common shares. The Company's issued and outstanding common shares will be reduced from 395,803,482 to approximately 39,580,349.

On August 2, 2018 the Company signed a letter of intent with Pure Global Cannabis Inc. for the ongoing supply of pharmaceutical and nutraceutical grade cannabidiol isolates and other potential products.

On August 7, 2018 Iso-Sport (subsidiary of the Company) entered into an agreement with Altis LLC to create the "Iso-Sport Living Lab" and investigate the impact of CBD on various areas of athlete health and performance. As part of the relationship, Isodiol will make a cash payment of USD$225,000 (paid) and provide a premium supply of Iso-Sport products to Atlis athletes. Isodiol will make USD$125,000 cash payments to Atlis, based upon the achievement of certain performance milestones.

On August 29, 2018 the Company announced the appointment of Eli Dusenbury as the new Chief Financial Officer to replace outgoing Chief Financial Officer Bryan Loree.

On August 30, 2018 the Company announced the appointment of Marvin Washington to its Board of Directors to replace outgoing Director Bryan Loree.

On September 14, 2018 the Company entered into an agreement with Powerhouse Gym to be the preferred vendor of CBD performance products offered to its gym members.

On September 14, 2018 the Company announced the appointment of Patrick Ogle as the Company's Chief Operating Officer and a member of the Board of Directors to replace outgoing Director and President of Isodiol Canada, Soheil Samimi. Mr. Samimi continues to serve as an advisor to the board.

On September 17, 2018 the Company granted 142,000 incentive stock options to officers, directors and consultants of the Company at an exercisable price of $3.95 for a term of five years.

On October 16, 2018 Iso-Sport (subsidiary of the Company) reaches deals with two UK based mixed martial arts retailers, London Fight Store, and Grapplestore to sell the CBD Performance Products.

On November 5, 2018 the Company announces that its newest CBD raw ingredient, Heneplex p200, will debut in Las Vegas, November 8, 2018 and November 9, 2018 to meet new demand and market trend in the beverage sector.

On November 7, 2018 the Company entered into an engagement agreement with Haywood Securities Inc. to act as sole book runner and co-lead agent with Clarus Securities Inc. on a best effort brokered private placement offering of 8% convertible debenture units at a price of $1,000 per convertible debenture unit for aggregate gross proceeds to Isodiol of a minimum of $5,000,000 and a maximum of $10,000,000.

On November 19, 2018 the Company entered into a financial advisory agreement with Haywood Securities Inc. and Clarus Securities Inc. to act as financial advisors to the Company in connection with a strategic investment for aggregate proceeds of $6,000,000.

On November 21, 2018 the Company announced the appointment of Leonardo Matesanz to its Board of Directors to replace outgoing Chairman and Director, Aman Parmar.

On November 30, 2018, the Company closed the previously announced debenture unit offering with an institutional strategic investor for aggregate gross proceeds of $6,000,000. At completion of the offering, the Company issued 6,000 convertible debenture units each consisting of $1,000 principal amount of senior unsecured convertible debentures and 233 common share purchase warrants. Each warrant is exercisable for one common share of the Company at an exercise price of $2.75 each for a period of 24 months. The debenture shall bear interest at 8% per annum payable semi-annually in arrears on June 30 and December 31 each year.

On December 13, 2018 the Company's subsidiary Iso-Sport appoints Dr. Gerry Ramogida to its medical advisory board.

On December 24, 2018 the Company announced the sale of its interests in Canadian Natural Pharma Group Inc. in exchange for a return of capital investment of $900,000 which will be repaid in installments over the next nine months. Over the course of this transaction, no stock was issued to CN Pharma.

On January 11, 2019 the Company's Board of Directors is re-examining stock commitments for 2019 and making efforts to curb dilution and enhance shareholder value.

The Company mutually terminates the license agreement with Level Brands Inc. for the kathy ireland® brand effective January 7, 2019.

On January 30, 2019 the Company and supporting creditors agree to a plan of arrangement for the divesture of Kure Corp. and nullification of up to USD $35 million of required stock issuance. To date, Isodiol has funded Kure with USD $1,725,000 and the former Kure shareholders have received 2,390,952 shares of Isodiol stock. Kure is obligated to repay USD $500,000 to Isodiol within 120 days of the effective date of the plan or arrangement. All Kure shareholders who sold Kure share to Isodiol as of the effective date prior to the acquisition will receive pro rata allocation of new Kure shares following the divesture.

On February 12, 2019 the Company realigns its business strategies with U.S. Farm Bill new market dynamics and the company's core competencies. Focus will be sharpened on branded consumer products with a focus on beverage, value added bulk ingredients, and specialty contract manufacturing.

In addition, the previously announced acquisition of Food Labs, Inc has been terminated due to certain closing conditions in the letter agreement not being satisfied. With the termination of the acquisition, Marcos Agramont will remain as CEO and President of the Company and the Board of Directors will retain its current membership.

On February 27, 2019 the Company announced the launch of its convenience store retail program into the first 1,250 locations. Once the initial test rolls out and is approved for expansion by the Asia American Trade Associations Council, Isodiol will be able to expand up to 10,000 additional locations.

On February 28, 2019 the Company announced it will be a silver sponsor of the Arnold Sport Festival in Columbus, Ohio

On March 4, 2019 the Company reports Q3 financial results and intent to continue to shift core focus to increase revenues and gross profit margins by expanding portfolio of consumer-packaged goods.

On March 19, 2019 the Company announced it will be a co-sponsor at the ASD Market Week alongside Asian American Trace Association Council to showcase the recently acquired Fast CBD Relief brand.

The Company announced the launch of RapidCBD and Iso-Sport brands into Holland & Barret International. The launch begins with an initial order of ten SKUs of hemp-extract based CBD products from the Company's catalogue for more than US $1 million.

On March 22, 2019 the Company announced creditor approval of arrangements and receipt of final order for arrangement with creditors for the disposition of Kure Corp. and nullification of up to US$35 million of Isodiol stock issuance requirements. At the meeting held March 20, 2019 of the former shareholders of Kure Corp, the Creditors in attendance by person or proxy unanimously voted in favour of the resolution. Isodiol has received a final order from the Supreme Court of British Columbia dated March 22, 2019, approving the arrangement. Assuming the conditions to closing are satisfied or waived, it is expected that the arrangement will be completed after the close of trading on March 29, 2019, following which date Kure will no longer be a wholly owned subsidiary of Isodiol.

On March 28, 2019 the Company announced the launch of its fiscal 2020 Trade Show Program at the ECRM Orlando Trade Conference and continues the ongoing push into the mainstream US consumer packaged goods market.

On April 1, 2019 the Company announced the sale of BSPG Laboratories Ltd. and conclusion of its 2019 fiscal year business restructuring. The US $14,000,000 sale of BSPG to a UK private equity group will be made in cash installments of US $5,000,0000 paid on March 29, 2019, US $5,000,000 due by June 26, 2019, US $2,000,000 due by September 26, 2019, and a final installment of US $2,000,000 shall be payable upon the expansion of BSPG's production capacity based on the newly leased laboratory expected to increase capacity 8-10 current capacity. This transaction secures significant operating cash flows and results in the Company securing API off-take needed for Purodiol operations.

The Company's board of directors also concluded its recent efforts to eliminate certain costly long-term contacts and other liabilities for its balance sheet and future cash flow obligation totaling approximately US$11,809,539 in exchange for new share issuance of 6,587,170 share at an average weighted price of CAN$1.89.

On April 11, 2019 the Company announced the commencement of its Vending Machine Program for Iso-Sport products with the initial launch in 20 Powerhouse Gym locations in the United States.

On May 1, 2019 the Company continued its fiscal 2020 Trade Show Program at the ECRM Pet EPPs Trade Conference and showcases it's all-natural CBD pet supplement line, Pawceuticals.

On May 16, 2019 the Company announced notice of its Annual General Meeting to be held on June 6, 2019 and issues updates on Mexico operations and restructuring efforts.

In an effort to reduce cash obligations and liabilities in the amount of $680,587, the Company issued 523,851 shares at a weighted average price of $1.35 per share.

On June 10, 2019 the Company announced 2018 Annual General Meeting voting results and provides an update on the partnership with the Asia American Trade Associations Council. All of the matters put forward before the shareholders for consideration and approval as set out in the Company's Management Information Circular dated April 18, 2019 were approved, including the following:

- To set the number of directors of the Company for ensuring year at four persons;
- To elect Marcos Agramont, Patrick Ogle, Marvin Washington, and Leonardo Matesanz as directors of the Company to hold office until the next Annual General Meeting of the Company, or until such time as their successors are duly elected or appointed;

- To appoint Davidson & Company LLP, Chartered Professional Accountants, as the auditor of the Company for the ensuring year, and to authorize the directors of the Company to fix the renumeration to be paid to the auditor; and
- An ordinary resolution of disinterested shareholders to ratify, confirm and approve the Company's ongoing stock option plan;

On July 18, 2019 the Company announced that the asset purchase agreements among the Company, ISO International LLC, and Carlsbad Naturals LLC (both the New Mexico and Wyoming limited companies) have been terminated as a result of Carlsbad New Mexico and Carlsbad Wyoming's failure to perform their respective obligations under the agreements. The transactions relating to these asset purchase agreements were announced and described in the Company's news release dated February 14, 2019. The company has terminated this acquisition and on is in the process of cancelling the previously issued shares.

On July 30, 2019, the Company announces a delay in the filing of its audited financial statements and management discussion and analysis pursuant to the difficulties auditing the divested subsidiaries for which the Company no longer has management influence over. The Company also announced the resignations of Kevin Swadish, Chief Revenue Officer and Patrick Ogle, Director and Chief Operating Officer.

As at March 31, 2019, the Company had terminated, spun out and sold its licenses, business' that other-wise represented significant cash requirements or significant shareholder dilution that was not contributing to the new focus of the Company. From the date of the fiscal year end until the date of this report, the Company has been in the process of streamlining its core business model which include product development and distribution of hemp-based consumer products. With these transactions, the Company has secured operating cash flows and an off-take agreement for supply of API through the formerly owned BSPG Laboratories Ltd.

DISCUSSION OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019 AS COMPARED TO THE YEAR ENDED MARCH 31, 2018

Please note that revenues and expenses from divested subsidiaries, Azure, Kure and BSPG meet the definition of discontinued operations and as such, from the period of acquisition to disposition, the consolidated statement of loss includes a single line in the, *Net loss from discontinued operations*.

Through the development of its own IP, Isodiol has been able to create a portfolio of products which are sold through various channels domestically in the US and internationally. Growth in sales from the Company's core operating subsidiary coupled with the strategic acquisitions described above have resulted in revenues totaling $22,248,171 for the year ended March 31, 2019 (2018 - $19,137,266), an increase of $3,110,905, primarily due to the growth of this market.

Gross profits totaling $7,378,194 for the year ended March 31, 2019 (2018 – $8,883,736) decreased by $1,505,542 due primarily to the decrease in the sale price of CBD and hemp-based products reflecting the increase in supply and commoditization of CBD. The Company has reacted to the decline in margins by focusing on consumer products and is moving away from the sale of bulk sale s of raw product to maximize profit margins.

Consistent with the above increases in revenues from acquisitions and market growth, the Company experienced increases in the following operating expenses during the year ended March 31, 2019 as compared to the year ended March 31, 2018 primarily due to the significant increase in operations:

- Consulting fees increased by $801,588 to $13,853,053 (2018 – $13,051,465) pursuant to the rapid growth in operations, expansion of product offerings and global distribution. Included in Consulting fees is non-cash fair value of shares issued as compensation for $11,874,096;
- Wages and salaries increased by $3,109,378 to $6,611,434 (2018 - $3,502,056) pursuant to the significant growth in operations with a peak of nearly 200 employees in September;
- Advertising and promotions increased by $2,243,064 to $3,855,880 (2018 - $1,612,816) due to increased marketing campaigns and tradeshows designed to increase product and Company awareness on a global scale. Included in Advertising and promotion is non-cash fair value of shares issued for services of $1,276,984;
- Management fees increased by $2,719,272 to $3,638,662 (2018 – $919,390) due to additions to the board of directors and management team in line with the significant increase in operations;
- General and administration increased by $1,546,286 to $2,317,483 (2018 – $771,197) due to the significant expansion of its current facilities and scale of its global operations and also the costs associated with retraction of operations within the same fiscal period pursuant to divestiture of its subsidiaries;
- Professional fees increased by $1,733,874 to $2,296,463 (2018 - $562,589) pursuant to increased corporate and legal work associated with agreements, divestiture of assets and subsidiaries and terminations. Included in professional fees is non-cash fair value of shares issued for settlements of $265,119;

The Company experienced increases in the following other expenses during the year ended March 31, 2019 as compared to the year ended March 31, 2018 primarily due to the significant increase in operations:

- Bad debt increased by $6,915,637 to $7,334,196 (2018 - $418,559) primarily from large vendor balances from the prior year and early in the first quarter from vendors who have been unable to pay, and collection is uncertain or have become insolvent. The Company is still pursuing collections on unpaid balances and expects to recover some of these amounts;
- Asset impairment of $38,877,626 is comprised of terminations of licenses that are no longer in effect, acquisition deposits on acquisitions no longer being pursued and impairment of goodwill and intangible assets that were in excess of their recoverable amounts under IFRS. The Company notes that intangible assets held by the Company are still effective and considered valuable and will continue to provide significant revenues to the Company;
- Loss on sale of business of $35,159,613 is comprised of sale of Azure ($1,132,807), Kure ($14,235,990) and BSPG ($19,790,816). These business losses were incurred pursuant to the divestiture of these business'.
- Interest expense of $5,971,231 consists of accruals on loans of $541,547, accretion expense on acquisition payable to Kure of $5,080,000 and amortization of convertible debt of $392,200. This was offset by interest recoveries on late GST refunds.

Isodiol operates as a business to business and retail company to generate sales of its products. The Company terminated all contracts and divested all business components that are not part of that model and represented significant dilution to the Company's shareholders. As the Company anticipates maintaining current revenue levels in its US business segment for the remainder of calendar 2019. The Company will continue to seek strategic acquisitions and partnerships that will bring value to the Company's stakeholders and build on its current offerings.

The Company incurred a net loss from discontinued operations of $5,299,574 for the year ended March 31, 2019 and $nil for the year ended March 31, 2018. Net loss from discontinued operations represents the net losses from Azure, Kure and BSPG's operations from the date of acquisition to the date of disposal.

SUMMARY OF QUARTERLY RESULTS

The following sets out the selected quarterly financial data of the Company, for the eight most recently completed interim quarters:

	Quarter Ended March 31, 2019 from continuing operations	**Quarter Ended December 31, 2018**	**Quarter Ended September 30, 2018**	**Quarter Ended June 30, 2018**
Total Revenue	$9,089,401	$7,144,628	$8,030,825	$9,218,093
Net Loss from continuing operations	$(90,596,209)	$(18,160,037)	$(8,616,120)	$(3,824,576)
Comprehensive loss	$(95,182,984)	$(17,664,873)	$(8,283,514)	$(3,869,539)
Basic and diluted net loss per share	$(2.33)	$(0.44)	$(0.21)	$(0.12)

	Quarter Ended March 31, 2018	**Quarter Ended December 31, 2017**	**Quarter Ended September 30, 2017**	**Quarter Ended June 30, 2017**
Net Revenue	$5,438,620	$5,894,538	$5,063,566	$2,740,542
Net Loss	$(25,212,370)	$164,446	$(7,314,120)	$(3,658,829)
Comprehensive loss	$(25,352,317)	$164,446	$(7,314,120)	$(3,658,829)
Basic and diluted net loss per share	$(1.20)	$ (0.00)	$(0.04)	$(0.04)

During the first quarter of the year, the Company had focused on business activities related to strategic acquisitions to increase its involvement in pharmaceutical grade pure, natural CBD and in the manufacturing and development of CBD consumer products. Strategic acquisitions led to the Company realizing increases in revenues for the first three quarters of fiscal 2019. However, pursuant to the divested business' of Azure, Kure and BSPG, the 4th quarter ended March 31, 2019 presents net revenues, net loss, comprehensive loss and basic and diluted shares from these subsidiaries within a single line, loss from discontinued operations with a net loss of $5,299,574.

In the first quarter of fiscal 2019, the Company realized a sharp increase in revenues related to Azure, BSPG and Kure acquisitions and development of its own products. During the year, these business' were generating less revenues and by the time they had been divested, sales from the Company's continuing US operations had grown enough to match the previously consolidated operating results. In the 4th quarter of 2019, the Company divested, sold and terminated its investments in business' that reflected significant ongoing costs, no longer contributed to the bottom line or were not in line with the Company's revised business model of focusing on distribution of finished consumer goods. This resulted in significant, one-time, non-cash impairments and loss' on sale of business'. The Company also impaired its intangible assets and goodwill pursuant to these ongoing losses and resulting measurement of recoverable amount of its US CGU as measured under IFRS.

Pursuant to reduction in operations and sale of business', the Company has actively engaged in cost reduction strategies which will begin to show in the first quarter of fiscal 2020; however, losses are expected to continue as the company continues to adapt to the changing market and builds its existing business to business and retail channels, develop and bring to market new products and continue to evaluate strategic acquisitions and business partnerships. Management will continue to rely on a mixture of equity and debt financing to advance sustain operations and grow the business to its full potential.

SELECTED ANNUAL INFORMATION

The following selected annual financial information is derived from the audited consolidated financial statements for the three most recently completed financial years summarized as follows:

Years ended	**2019**	**2018**	**2017**
Revenues	22,248,171	19,137,266	355,959
Gross profit	7,378,194	8,883,736	126,716
Net earnings (loss)	(125,913,014)	(36,020,873)	(4,286,263)
Total assets	23,617,973	54,468,345	2,279,275
Shareholder's equity	6,932,898	(47,770,011)	(1,904,397)
Loss per share	(3.28)	(1.73)	(1.35)

Year ended March 31, 2019 compared to the year ended March 31, 2018

The Company incurred a comprehensive loss of $36,160,820 for the year ended March 31, 2018 as compared to a comprehensive loss of $125,299,963 for the year ended March 31, 2019. The increase of $89,139,143 from fiscal 2018 to fiscal 2019 was primarily due to increases from asset impairments of $38,877,626, non-cash interest charges of $5,971,231, bad debts of $7,334,196 arising on trade receivables from early on in the year with companies that have since become insolvent and concerns over collectability of investments in Farmtiva and Round Mountain, and an increase in the loss on sale of business of $35,159,613.

SEGMENTED REPORTING

The Company has two operating segments and generates external revenues from the sale of nutritional health products derived from hemp. The operating segments have been disclosed by geographical region as follows:

	Assets	Revenue	Loss from continuing operations
Canada	$ 14,939,691	$ -	$(114,074,654)
United States	8,678,282	22,248,171	(6,538,786)
	$ 23,617,973	$ 22,248,171	$(120,613,440)

The majority of the revenue is generated from Isodiol's US wholly owned subsidiary ISO International LLC. The sale of bulk CBD to distributors and retailers generates most of the Company's revenue alongside manufactured finished goods which accounts for less than approximately 30% of total revenues but is still a growing segment of the business.

Although trade accounts receivable has grown over the prior year, management notes that all amounts are considered collectible. Further, the Company has received subsequent payments for the sale of BSPG as per the schedule of payments and will receive another USD$2M at the end of September 30, 2019 and 2020. The Company notes that gross margins have declined from the prior year reflecting the increase in the supply availability of CBD being commoditized. In addition, the Company has moved away from manufacturing to focus more on retail sales and global distribution side. This is to maximize our profit margins through increase in focus on consumer products and move away from raw ingredient supply with low margins. Further, the Company has been implementing strategic cost reduction tactics to align with current operating levels which is expected to impact the first quarter of fiscal 2020. Heading into fiscal 2020, the Company's focus is to continue to provide consumer product offerings and to look to acquisition targets and strategic partnerships that will align with the Company's current core business focus.

The company does not have any commitments or risks associated with long term sales contracts that may be impacted by price fluctuations.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $403,814 as of March 31, 2019 and working capital of $8,343,444. Current liabilities consist primarily of $5,536,494 of accounts payable and accrued liabilities, $685,803 due to related parties, $2,906,033 of loans payable and $2,366,785 of deferred revenue. Subsequent to year end, the Company settled its loans payable with the first installment of proceeds from the sale of BSPG.

Financing activities of the Company during the year ended March 31, 2019 are summarized as follows:

On May 25, 2018, the Company completed a private placement by issuing 2,465,753 units at a price of $7.30 per common share for total proceeds of $18,000,000, of which $2,200,001 was receivable. This amount has been written off and the Company is in the process of cancelling the shares previously issued. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of $10.00 per share until May 25, 2021.

During the year ended March 31, 2019, the Company issued 657,000 common shares pursuant to options exercised, raising $1,283,550 of cash.

During the year ended March 31, 2019, the Company issued 77,032 common shares pursuant to warrants exercised, raising $192,584 of cash.

On August 30, 2018, the Company received loans totaling USD$1,825,130, of which, USD$925,130 was from a director of the Company.

On November 30, 2018, the Company completed a convertible debt agreement with Haywood Securities Inc. and Clarus Securities Inc. to act as financial advisors to the Company in connection with a strategic investment to raise aggregate proceeds of $6,000,000, in convertible debt.

As of March 31, 2019, the Company received $400,890 in subscriptions pursuant to a private placement completed subsequent to year end.

Use of proceeds from equity financings during the period were for working capital and acquisitions of revenue generating assets. During the period, the Company acquired strategic assets, of which, many have now been terminated or divested. The Company's continuing US operations are close to positive net income and earned revenues of over $22M last year which we expect to continue to increase. Our operational expenses are easy to scale and we are able to adjust non-COGS spending as needed to maintain current operating levels.

See the discussion under the heading "Risk Factors" for risks associated with the Company and its business.

Operating Activities
During the years ended March 31, 2019 and 2018, operating activities used cash of $24,031,930 and $23,475,174 respectively. The use of cash for the year ended March 31, 2019 was mainly attributable to the loss for the period, after deducting non-cash items, which totaled $103,006,577. Non-cash items primarily include: $13,457,385 representing the fair value of shares issued for consulting fees, acquisition finders fees, settlements and the fair value of stock options as measured by the black-sholes option pricing model; $2,061,715 of amortization over fixed assets, leasehold improvements and intangible assets; $933,747 of interest accrued; $5,080,000 of accretion expense on acquisitions payable; $7,334,196 of bad debts, $38,877,626 for impairment of assets; $35,159,613 for losses on the sale of businesses; unrealized foreign exchange loss of $466,619 and change in the income tax estimate of $301,094. Cash outflows resulting from key changes in non-cash working capital items include: cash tied up in receivables of $7,987,719; prepaid expense and deposits of $3,335,246; and purchased inventory of $980,799. The significant increase in these items pertain to the significant increased operations. These key cash outflows in non-cash working capital items were offset by related party receivables collected of $73,147; accounts payable and accrued liabilities of $5,703,682; and deferred revenues of $1,957,658.

Investing Activities
During the years ended March 31, 2019 and 2018, the Company used cash of $16,481,367 and $16,644,982, respectively, for various acquisitions and investments made in an effort to expand operations globally. During Fiscal 2019, the Company received cash from: sale of Azure of $1,325,340 and a net of $586,385 from business acquisitions and subsequent disbursements. During Fiscal 2019, the Company had the following uses of cash: disposed of from investments of $924,456, investments of $2,540,760, acquisition deposits of $1,864,195, fixed assets and leasehold improvements of $932,682, Intangible assets of $3,542,803, acquisitions payable of $9,282,392 and loans to other companies of $230,260.

Financing Activities
During the years ended March 31, 2019 and 2018, the Company raised $24,695,726 and $55,091,119 from financing activities, respectively. The Company has received a net $14,919,216 from private placements closed and $400,890 from a private placement closed subsequent to year end, $1,476,134 from options and warrants exercised, $5,535,000 from convertible debt (net) and $2,364,486 from loans.

At March 31, 2019, the Company has a receivable of USD$14M pursuant to the sale of BSPG, of which USD$9.75M has been subsequently received.

CHANGES IN ACCOUNTING POLICIES

Accounting standard anticipated to be effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2019, or later periods. New standards and updates, which are not applicable or are not consequential to the Company, have been excluded from the list below.

IFRS 16, Leases, specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company notes that certain office leases meet the criteria for recognition as a capital lease asset and corresponding lease liability. As such, the Company expects total assets and liabilities to increase on adoption of IFRS 16.

IFRIC 23 *Uncertainty over income tax treatments* clarifies the application of recognition and measurement requirement in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company intends to adopt IFRIC 23 on April 1, 2019 retrospectively and does not think the adoption will have an impact on the Company's consolidated financial statements.

Changes in significant accounting policies and adoption of new accounting standards

The following new accounting policies were adopted during the year ended March 31, 2019:

IFRS 9, *Financial Instruments*, The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(i) Classification (continued)

The Company completed a detailed assessment of its financial assets and liabilities as at April 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Due to/ from related parties	Loans and receivables	Amortized cost
Investments (short-term)	FVTPL	FVTPL
Loans receivable	Loans and receivables	Amortized cost
Investments (long-term)	FVTPL	FVTPL
Long term accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost
Acquisitions payable	Loans and receivables	Amortized cost
Loans payable	Loans and receivables	Amortized cost
Convertible debt	Loans and receivables	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on April 1, 2018.

IFRS 15 Revenue from Contracts with Customers

The Company adopted the requirements of IFRS 15 as of April 1, 2018. This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

The main features introduced by this new standard compared with predecessor IFRSs are as follows:

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

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The adoption of this standard on April 1, 2018 did not have a significant impact on the Company's consolidated financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements during the year ended March 31, 2019 or March 31, 2018.

RELATED PARTY TRANSACTIONS

During the year ended March 31, 2019, the Company entered into the following related party transactions:

- During the year ended March 31, 2019, the Company paid $341,182 (2018 -$204,160) included in management fees to Marcos Agramont, the current CEO and Director of the Company for CEO and director services provided. Included in management fees is $342,500 (2018 - $867,138) representing the fair value of 250,000 common shares issued.
- During the year ended March 31, 2019, the Company paid $105,125 (2018 - $132,000) included in management fees to Bryan Loree, the former CFO and Director of the Company for CFO and director related services provided. Included in management fees is $150,000 (2018 - $274,450) representing the fair value of 100,000 common shares issued.
- During the year ended March 31, 2019, the Company paid $106,250 (2018 - $nil) included in management fees to Eli Dusenbury, the current CFO of the Company for CFO services provided. Included in share-based payments is $508,750 (2018 - $nil) representing the fair value of 100,000 common shares issued at $4.10 per share included in management fees and $98,750 of the amount represents the fair value of 25,000 options issued at an exercise price of $3.95 for a period of 5 years included in share-based compensation. The fair value of options were measured using the black-sholes option pricing model.
- During the year ended March 31, 2019, the Company paid $52,235 (2018 -$114,082) included in management fees to a company controlled by Soheil Samimi, a former Director of the Company based on director services provided. Included in management fees is $150,000 (2018 - $600,000) representing the fair value of 100,000 common shares issued.
- During the year ended March 31, 2019, the Company paid $231,250 (2018 - $1,081,581) included in management fees to a company controlled by Aman Parmar, a former Director of the Company based on Director services provided. Following resignation of this director, the Company issued 1,000,000 shares pursuant to debt service transactions measured at a fair

value of $1,590,000 included in consulting fees. In addition, the ex-director held loans due from the Company totaling $1,534,989, including $196,252 of accrued interest expense.

- During the year ended March 31, 2019, the Company paid $128,869 (2018 - $10,092,046 cash and 1,822,237 common shares) included in management fees to a company controlled by a relative of Aman Parmar, a former Director of the Company, based on advisory and consulting services provided.
- During the year ended March 31, 2019, the Company paid $170,435 (2018 - $nil) included in management fees to a company controlled by Patrick Ogle, a Director of the Company based on Director services provided. Included in managements fees is $342,500 (2018 - $$nil) representing the fair value of 250,000 common shares issued. This director resigned on July 31, 2019.
- During the year ended March 31, 2019, the Company paid $13,316 (2018 - $nil) included in management fees to Marvin Washington, a Director of the Company based on Director services provided. Included in management fees is $752,500 (2018 - $nil) representing the fair value of 350,000 common shares issued.
- During the year ended March 31, 2019, the Company issued 250,000 common shares with a fair value of $342,500 (2018 - $nil) included in management fees to Leonardo Matesanz, a Director of the Company based on Director services provided.

FOURTH QUARTER

The table below reflects selected quarterly information for the three months to March 31, 2019 compared to the comparative period of the previous fiscal period taking into effect continuing operations only:

	Quarter Ended Mar. 31, 2019	**Quarter Ended Mar. 31, 2018**
Total Revenue	$ 9,089,401	$ 5,438,620
Net Loss from continuing operations	$ (90,596,209)	$ (25,212,370)
Basic and diluted net loss per share	$ (2.31)	$ (1.20)

During the quarter ended March 31, 2019, the Company had revenues of $9,089,401 compared to $5,438,620 for the same period end March 31, 2018 for an increase of $3,650,781. The Company's cost of goods sold was $(7,828,255), which resulted in a gross profit of $1,261,176 and a net comprehensive loss of $95,182,984. The increase in revenues reflects the increase in market demand for our continuing US product lines, which we expect to continue to increase.

Operating loss from continuing operations for the quarter ended March 31, 2019 was $90,596,209 compared to $25,212,370 for the same period ended March 31, 2018. The significant increase in operating losses primarily due to increased activities and global expansion, and non-cash losses derived from divestitures, sales and terminations. The net loss from discontinued operations of $5,299,574 represents the total net losses associated with Azure, BSPG and Kure which were acquired and disposed of in the same year.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial Instruments

The classification of the financial instruments as well as their carrying values are shown in the table below:

		March 31, 2019	March 31, 2018
Financial Assets			
Cash	Fair Value through Profit and Loss	$ 403,814	$ 15,549,664
Subscriptions, trade receivables and promissory notes receivable	Amortized cost	12,711,819	1,046,937
Due from related parties	Amortized cost	-	2,068,571
Investments (short-term)	Amortized cost	2,470,020	-
Loans receivables	Amortized cost	518,000	1,229,235
Investments (long-term)	Amortized cost	-	865,024
Long term receivables	Amortized cost	2,162,600	-
Total Financial Assets		$ 18,266,253	$ 20,759,431
Financial Liabilities			
Accounts payable and accrued liabilities	Amortized cost	$ 5,536,494	$ 1,570,882
Acquisitions payable	Amortized cost	-	3,793,018
Due to related parties	Amortized cost	-	612,656
Loans payable	Amortized cost	2,906,033	-
Convertible debt	Amortized cost	5,189,960	-
Total Financial Liabilities		$ 13,632,487	$ 5,976,556

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

At March 31, 2019 and March 31, 2018, cash is measured using Level 1 inputs. During the year ended March 31, 2019 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers in and out of Level 3 fair value measurements.

The fair values of the Company’s financial assets and liabilities approximate their carrying amounts. The carrying value of receivables and accounts payable, acquisitions payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The carrying value of loans payable approximate their carrying value based on currently available borrowing rates for debt on similar terms, credit risk and maturities. The Fair value of convertible debt is measured using a discount factor of 15% which approximates the borrowing rate that the Company would get for debt without a conversion feature and warrants.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had a cash balance of $403,814 to settle current liabilities of $11,495,115. The Company is currently investigating financing opportunities so that it has sufficient liquidity to meet liabilities when due.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the completion of other equity and debt financings. The Company has limited financial resources, is currently generating net losses from operations, and has no assurance that additional funding will be available to it for future development of its business. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable.

The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables primarily consist of GST receivable from the Government of Canada, trade receivables due from merchant accounts, proceeds from the sale of BSPG and promissory notes receivable.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximate the carrying value of these assets on the Company's consolidated statements of financial position, with the exception of the long-term receivable which is carried at amortized cost:

	March 31, 2019	March 31, 2018
Cash	$ 403,814	$ 15,549,664
Receivables		
Trade receivables, net	2,815,680	1,039,937
Proceeds on sale of BSPG	9,212,454	-
Promissory note receivable	683,685	-
Subscriptions receivable	-	7,000
Long term receivable on sale of BSPG	2,162,600	-
	$ 15,278,233	$ 16,596,601

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk
The Company's financial assets exposed to interest rate risk consist of cash. The Company's policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company is satisfied with the credit ratings of its banks. As at March 31, 2019, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk
The Company's foreign exchange risk arises from transactions denominated in other currencies.

Use of Estimates and Judgements

The preparation of these consolidated financial requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Critical Accounting Judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Business combinations

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Financial Instruments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgements or assessments made by management.

Critical Accounting Estimates

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Inventory

The Company estimates the net realizable value of inventory taking into account the most reliable evidence available at each reporting date.

Estimated useful lives, impairment considerations and amortization of tangible and intangible assets

Amortization of tangible and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Impairment of tangible and intangible assets with limited lives is affected by judgments about impairment indicates and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

Convertible notes
The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

SUBSEQUENT EVENTS

i) On February 14, 2019, the Company entered into an acquisition agreement with CBD Naturals beverage brands and intellectual property portfolio from the Company's co-founder, Jared Berry.

   On May 13, 2019, the Company issued an aggregate number of shares of its common stock equal to USD$8,500,000 for a total of 8,860,896 shares.

On July 18, 2019, the Company terminated this acquisition, and is in the process of unwinding the transaction and cancelling the issuance of these shares.

ii) On May 13, 2019, the Company completed a private placement with Jared Berry in the amount of USD $500,000 for a total of 521,260 shares, issued May 13, 2019. At March 31, 2019, the Company had received $400,890 in subscriptions in advance. The private placement shares are subject to CSE regulations and were priced as of the market close on February 13, 2019 at $1.27 per share.

iii) On May 16, 2019, the Company issued 523,851 common shares pursuant to consulting agreements measured at a fair value of $1.35 per share.

Proposed Transactions

There are currently no proposed transactions not already disclosed elsewhere.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

The Company's authorized share capital consists of an unlimited number of common shares without par value. Taking into account the 1 for 10 share consolidation that took place July 24, 2018 reflected in the March 31, 2019 financial statements, the Company had 47,846,267 common shares issued and outstanding, with an additional 428,254 common shares held by a wholly owned subsidiary of the Company. As of August 16, 2019, the Company had 57,752,273 shares issued and outstanding.

As at December 31, 2018 and March 1, 2019, the Company had 45,000 common shares held in escrow. These shares will be released from escrow over on September 18, 2019.

Share Purchase Warrants

As of August 7, 2019, the Company had 8,061,796 (March 31, 2019 - 10,338,664) share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Price	Expiry Date
358,441	$7.50	September 12, 2019
1,708,000	$20.00	December 21, 2019
87,224	$6.80	December 31, 2019
826,000	$20.00	January 2, 2020
1,218,378	$7.50	December 4, 2020
2,465,753	$10.00	May 25, 2021
1,398,000	$2.75	November 30, 2020
8,061,796		

Stock Options

As of August 7, 2019, the Company had 515,000 (March 31, 2019 - 1,175,000) share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Price	Expiry Date
373,000	$3.15	September 1, 2019
142,000	$3.95	September 14, 2023
515,000		

RISK FACTORS

The following information is a summary only and the risks and uncertainties below are not the only ones related to our company. There are additional risks and uncertainties that our company does not presently know of or that our company currently considers immaterial which may also impair our company's business operations. If any of the following risks actually occur, our company's business may be harmed, and its financial condition and results of operations may suffer significantly. In such circumstances, the price of our company's common shares could decline, and investors may lose all or part of their investment.

Need for Additional Financing

As at March 31, 2019, the Company had $403,814 cash on hand. The Company anticipates generating profits from current operations in fiscal 2020, as such, the Company may need to obtain additional financing over the next few interim periods.

Increasing revenues and generating profits will ensure the company is able to maintain a steady share price which will benefit current and future shareholders of the Company. The Company did make acquisitions during the period that have added capital commitments over the next 12 months. The Company does not anticipate these commitments to add risk as there are sufficient cash and cash equivalents to handle obligations.

Key Personnel

The future success of our company will depend on being able to retain key management and attract strong upper management to ensure proper execution of our international expansion. We are confident our vision and operational plan will attract top end talent which will allow us to gain a competitive advantage over other companies in the industry.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of our company's products are recalled due to an alleged product defect or for any other reason, our company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

The Company has a limited operating history from which investors can evaluate its business however strong quarterly revenue and a profitable operation going forward will mitigate this risk.

International Operational Risks, Including Compliance and Foreign Exchange Risk

The Company expects to derive a significant portion of its revenues from sales outside of Canada, thus exposing its business to risks associated with foreign operations. For example, a foreign government could impose trade or foreign exchange restrictions or increased tariffs, or otherwise limit or restrict its ability to import products into a country, any of which could negatively impact our company's operations. The Company is also exposed to risks associated with foreign currency fluctuations.

In addition, our company may be subject to regulations and taxes under local, provincial, state and federal laws, including requirements regarding customs, duties, cross-border issues, occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local and foreign regulations. Changes in government regulations could also have an adverse effect on the business and financial condition of our company.

Dependence on Penetration of Existing Markets

The success of our company's business is to a large extent contingent on its ability to penetrate existing markets and to a similar extent to enter into new markets. The Company's ability to penetrate existing markets or to expand its business into additional countries, to the extent it believes that it has identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are out of its control.

In addition, government regulations in both its domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of its products, which could negatively impact its business, financial condition and results of operations.

Competition

The Company continues to focus on innovation through product development which differentiates it from its competitors. The landscape of the market continues to be competitive, however the Company has been able to adjust its strategy to ensure it remains competitive. Management believes that with the subsequent events that are reported herein, the Company should be able to effectively compete in a market where the barrier to entry has been significantly raised through innovation and financial constraints.

Changing Consumer Preferences and Demands

The Company's business is subject to changing consumer trends and preferences. The Company's continued success depends in part on its ability to anticipate and respond to these changes, and it may not respond in a timely or commercially appropriate manner to such changes. Furthermore, our company's industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. If our company does not introduce new products or make enhancements to meet the changing needs of its customers in a timely manner, some of our company's products could be rendered obsolete, which could negatively impact our company's revenues, financial condition and operating results.

Reliance on Key Suppliers

The Company has secured multiple sources for its raw materials and is in the process of exploring the opportunity to vertically integrate to fully control its raw ingredient supply. To date, our company has not experienced any difficulty in obtaining adequate supplies or services from its key suppliers.

Information Technology Infrastructure

The Company's ability to provide products and services to its customers depends on the performance and availability of its core transactional systems. While our company continues to invest in its information technology infrastructure, including the immersive Web collaboration technology, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of its future business needs. The Company may need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any actual security breaches could damage our company's reputation and expose it to a risk of loss or litigation and possible liability under various laws and regulations. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur, our company could incur significant expenses addressing such problems.

Compliance with Laws and Governmental Regulations

In domestic and foreign markets, the formulation, manufacturing, packaging, labeling, distribution, importation, exportation, licensing, sale and storage of our company's products may be affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. There can be no assurance that our company is in compliance with all of these regulations. The failure to comply with these regulations or new regulations could disrupt the sale of our company's products or lead to the imposition of significant penalties or claims and could negatively impact our company's business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our company's products, resulting in significant loss of sales revenues.

Intellectual Property

The Company currently holds certain patents or pending patent applications, which are included in intangible assets.

The Worldwide Financial and Economic Environment

Various aspects of the current worldwide financial and economic environment could potentially impact on our company's liquidity, its access to capital, its operations and its overall financial condition.

Technical Obsolescence and Product Development

The Company's industry is characterized by rapidly changing technology, shifting industry standards and frequent introduction of new products. The introduction of new products embodying new technologies and the emergence of new industry standards may render our company's products obsolete or less marketable. The process of developing our company's products is complex and requires continuing development efforts. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect its business and financial condition. Research and development in the industry in which our company operates is highly speculative and involves a high degree of risk.

Liquidity Risk

Liquidity risk is defined as the potential to be unable to meet a demand for cash or meet financial obligations as they become due. This risk is managed by establishing cash forecasts, as well as operating and strategic plans. The Company's liquidity requires constant monitoring of expected cash inflows and outflows, which is achieved through forecasts which assess the adequacy of cash resources to meet financial obligations as they come due. Liquidity adequacy is assessed in view of growth requirements and capital expenditures. Liquidity risk is managed to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations. There can be no assurance that our company's forecasts will adequately predict its liquidity needs. However, due to subsequent events disclosed herein, liquidity risks will be mitigated due to acquisitions and product launches which are revenue and profit generating.

Risk Factors Related to our company's Common Shares

High Risk and Speculative Nature of Investment

An investment in our company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has no history of earnings, relies on external funding to maintain cash reserves, a limited operating history, and is dependent on equity financing to fund planned operations. The Company has not paid dividends in the past, and our company is unlikely to pay dividends in the immediate or near future. The Company's operations are not yet sufficiently established such that it can mitigate the risks associated with its planned activities. You may be at risk of losing any investment in our company's common shares.

Volatility of Stock Price and Market Conditions

The market price of our company's common shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in our company's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the common shares, even if our company is successful in maintaining revenues, cash flows or earnings. The purchase of our company's common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of our company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in our company should not constitute a major portion of an investor's portfolio.

Risk factors involved with marketing and distribution of cannabis-based products in the U.S.

The concepts of "medical marijuana" and "recreational marijuana" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in United States, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. While U.S. Department of Justice has instructed U.S. Attorneys that they need not expend resources with respect to entities selling marijuana pursuant to strict U.S. State licensing regimes, this directive can change, and U.S. Attorneys have discretion to interpret the Cole Memorandum as they see fit. Moreover, U.S. Attorneys have significant discretion with respect to the activities they seek to prosecute, regardless of any directive from the Department of Justice.

Proceeds of Crime Statutes

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially averse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Changes resulting from the change in U.S. Administrations may result in legislative and regulatory changes that could have an adverse effect on the Company.

As a result of the 2016 U.S. presidential election and the related change in political agenda, there continues to be uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis and related products produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis and related products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis and related products market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis and related products in general, or the Company's proposed products specifically, or associating the consumption of cannabis and related products with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

History of Losses
The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Insurance and Uninsured Risks
The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Difficulty to Forecast
The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis and related products industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of Growth
The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls
Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's

consolidated financial statements and materially adversely affect the trading price of the Company's shares.

Litigation
The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Reporting Issuer's shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Reporting Issuer resources.

ADDITIONAL INFORMATION

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at http://www.sedar.com.