Isodiol International Inc.
(the "Company")
Management Discussion and Analysis
For the three months ended June 30, 2019

Date of Report: August 28, 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 28, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended June 30, 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 June 30, 2019 the Company had $3,173,071 in cash compared to March 31, 2019 of $403,814**.** For the three months ended June 30, 2019, the Company had gross profit of $1,077,389 and a net loss of $2,285,092. The majority of operating expenses consisted of advertising and promotions of $1,050,279, wages and salaries of $735,838, professional fees of $235,413 and office and administration costs of $393,737. The Company has realized a decrease in sales to date pursuant to a shift in the Company's focus and move away from bulk sales. At the same time, the Company has cut operating costs which will continue to be realized in the following period.

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 and yield greater returns in the long-term.

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:

C3 Global Biosciences (C3GBS)
C3GBS's business is focused on professional business channels 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.

The Bradley's Brand (Bradley's Brand)
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.

ISO-Sport
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.

Iso-Bev
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.

Isolabs International Inc.
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.

Purodiol Do Brazil Ltda. ("Purodiol")
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.

The following are the Company's loans receivable that have been held during the period:

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 June 30, 2019, the company has a balance receivable of $300,000 due from CN Pharma. This final balance was subsequently received.

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

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. During the three months ended June 30, 2019, the Company 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 September 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.

HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2019

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 due September 26, 2020. This transaction secures significant operating cash flows and results in the Company securing API off-take needed for Purodiol operations.

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 $1.19 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 August 16, 2019, the Company filed its audited financial statements and management discussion and analysis which was followed by the BCSC revoking the previously requested management cease trade order. The Company also announced the resignations of Kevin Swadish, Chief Revenue Officer and Patrick Ogle, Director and Chief Operating Officer.

DISCUSSION OF OPERATIONS

FOR THE THREE MONTHS ENDED JUNE 30, 2019 AS COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2018

Please note that revenues and expenses from divested subsidiaries, Azure, Kure and BSPG have been included in a single line in the, *Net loss from discontinued operations* in the comparative period's condensed consolidated interim statement of loss and comprehensive loss.

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. Sales from the Company's core operating subsidiaries coupled with a shift in focus have resulted in revenues totaling $4,219,571 for the period ended June 30, 2019 (2018 - $6,179,034), a decrease of $1,959,463. This decrease is primarily due to regular market fluctuations and the Company no longer completing bulk sales transactions. The Company has responded by reducing expenses and putting a focus on building brand and establishing a strong market focus and expects to see a recovery of sales in subsequent periods.

Gross profits totaling $1,077,389 for the period ended June 30, 2019 (2018 – $2,687,347) decreased by $1,609,958 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 raw product to maximize profit margins.

Pursuant to the Company realizing a decrease in revenues, the Company has responded by significantly reducing its expenses during the three months ended June 30, 2019 as compared to the three months ended June 30, 2018. Cost reduction strategies have resulted in the following expense reductions:

- Consulting fees decreased by $872,463 to $49,178 (2018 – $921,641). In the prior year, the Company spent significant funds pursuant to executing its management strategy for aggressive expansion and the use of Consultants to achieve these objectives. There were no such initiatives for the current period;
- Wages and salaries decreased by $1,054,981 to $816,238 (2018- $1,871,219) pursuant to the significant decrease in spending and expansion;
- Investor relations decreased by $246,332 to $12,000 (2018 - $246,332) pursuant to the Company shifting its focus internally and conserving cash;

- Office and administration decreased by $370,374 to $393,737 (2018 – $764,111) due to acquiring additional operations and the increased costs associated with significant growth;
- Travel and promotions decreased by $255,970 to $157,477 (2018 – $413,447) due to a reduction in global operations pursuant to the sale of BSPG, Kure and Azure;
- Management fees decreased by $227,422 to $107,850 (2018 - $335,272), pursuant to the Company shifting its focus towards cash conservation and reduction of management fee compensation; and
- Advisory fees decreased by $210,000 to $nil (2018 - $210,000), primarily due to the Company not closing any significant transactions during the period.

The Company experienced increases in the following expenses during the three months ended June 30, 2019 as compared to the three months ended June 30, 2018, as described below:

- Advertising and promotions increased by $470,198 to $1,050,279 (2018 - $580,081) due to increased marketing initiatives designed to increase product and Company awareness globally; and
- Bad debts increased by $528,720 to $532,000 (2018 – $3,280) pursuant to uncertainty of collection with regards to vendor balances;

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. The Company anticipates being able to return to revenue levels previously experienced during the prior fiscal year and has already invested in significant marketing campaigns that is expected to result in increased market awareness and increased sales. The Company continues 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 comprehensive loss of $3,996,433 and $3,869,539 for the three months ended June 30, 2019 and 2018. The higher loss during the current period is primarily the result of non-cash currency fluctuations which resulted in translation adjustment loss of $1,171,341 (2018 – $757,237).

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 June 30, 2019	**Quarter Ended March 31, 2019**	**Quarter Ended December 31, 2018**	**Quarter Ended September 30, 2018**
Total Revenue	$4,219,571	$9,089,401	$7,144,628	$8,030,825
Net Loss	$(2,825,092)	$(90,596,209)	$(18,160,037)	$(8,616,120)
Comprehensive loss	$(3,996,433)	$(95,182,984)	$(17,664,873)	$(8,283,514)
Basic and diluted net loss per share	$(0.06)	$(2.33)	$(0.44)	$(0.21)

	Quarter Ended June 30, 2018	Quarter Ended Mar. 31, 2018	Quarter Ended December 31, 2017	Quarter Ended September 30, 2017
Net Revenue	$9,218,093	$5,438,620	$5,894,538	$5,063,566
Net Loss	$(3,824,576)	$(25,212,370)	$164,446	$(7,314,120)
Comprehensive loss	$(3,824,576)	$(25,212,370)	$164,446	$(7,314,120)
Basic and diluted net loss per share	$(0.12)	$(1.00)	$ (0.00)	$(0.36)

As discussed above under the heading *Description of Business*, the Company has 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. A shift in focus and competition in the market has led to the Company realizing a temporary decrease in revenues for the three months ending June 30, 2019. However, the Company has decreased spending considerably and has focused all efforts on marketing its brand and product line globally. Although management expects to see a recovery in sales and continued cost reductions, losses are expected to continue as it intends to build its business to business and retail channels, develop and bring to market new products and continue to evaluate potential strategic 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.

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	Profit/(Loss)
Canada	$ 9,398,693	$ -	$ (414,871)
United States	8,257,393	4,219,571	(2,410,221)
	$ 17,656,086	$ 4,219,571	$ (2,825,092)

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 40% 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 has resulted in a decrease in operating expenses of $3,022,388 which will conserve cash heading into the remainder of fiscal 2020. The Company's focus continues to be 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 $3,173,071 as of June 30, 2019 and working capital of $4,810,759. Current liabilities consist primarily of $5,754,491 of accounts payable and accrued liabilities, $29,178 due to related parties, $254,719 of lease liabilities and $2,318,992 of deferred revenue.

Investing activities of the Company during the three months ended June 30, 2019, are summarized as follows:

- The Company received cash of $1,203,420 from investments; and
- The Company received $218,000 from loans.

Financing activities of the Company during the three months ended June 30, 2019 are summarized as follows:

- The Company repaid loans of $2,906,033; and
- The Company paid $99,807 towards its rental lease liabilities.

The Company generated $1,077,389 in gross profit from operations during the three months ended June 30, 2019. The Company believes that it will be able to grow its revenues and gross profits to contribute to operations.

The Company collected USD$9,750,000 from sale of BSPG which has been used to fund operations.

Operating Activities

During the three months ended June 30, 2019 and 2018, operating activities provided cash of $5,525,018 and used cash of $15,361,294 respectively. The use of cash for the three months ended June 30, 2019 was mainly attributable to the loss for the period, after deducting non-cash items, which totaled $726,867. Non-cash items included: $84,000 representing the amortization associated with long term accounts receivable; $91,903 of accretion expense on convertible debt, $89,198 of amortization over fixed assets and leasehold improvements; $14,901 of interest accrued on lease liability; $82,865 of amortization of the right-of use asset which is the capitalized asset related to rental leases that meet the capitalization criteria under the newly adopted IFRS 16 *Leases*. Cash outflows resulting from key changes in our non-cash working capital items include: Prepaid expense and deposit of $509,309, inventory of $154,016 and due to related parties of $656,625. These key cash outflows in our non-cash working capital items were offset by accounts receivables collected of $8,149,582 and delay of accounts payable and accrued liabilities of $841,404.

Investing Activities

During the three months ended June 30, 2019, the Company received cash of $1,421,420 from collections of investments and loans described above.

Financing Activities

During the three months ended June 30, 2019 and 2018, the Company repaid $3,005,840 in loans and amounts paid for its lease liability, described above.

CHANGES IN ACCOUNTING POLICIES

New standard adopted

The following new accounting policy was adopted during the three months ended June 30, 2019:

The following new accounting policies were adopted during the three months ended June 30, 2019:

The Company adopted the requirements of IFRS 16 effective April 1, 2019. This new standard replaces IAS 17 Leases and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current accounting for finance leases, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is substantially changed.

On adoption, the Company transitioned to the new standard using the modified retrospective approach and:

a) Measured the lease liability based on the present value of the remaining lease payments discounted using the Company's incremental borrowing rate of at April 1, 2019;
b) Measured the right-of-use asset as if IFRS 16 had been applied since the commencement date, but discounted using the Company's incremental borrowing rate at April 1, 2019; and
c) Recording the cumulative difference to deficit;

The net impact on retained earnings on April 1, 2019 was a $nil.

The following is a reconciliation of total operating lease commitments at March 31, 2019, to the lease liabilities recognized at April 1, 2019:

Lease liabilities before discounting	$	864,862
Discounted using incremental borrowing rate of 15%		(68,266)
Operating lease liability		796,596

The following is a reconciliation of lease liabilities to right of use lease asset at April 1, 2019:

Operating lease liability at April 1, 2019	$	796,596
Lease payments prior to April 1, 2019		-
Right of use lease asset as of April 1, 2019		796,596

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
b) The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
c) The Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

<u>New standard not yet adopted</u>

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 condensed consolidated interim financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements during the three months ended June 30, 2019 or June 30, 2018.

RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2019, the Company entered into the following related party transactions:

- During the three months ended June 30, 2019, the Company paid $nil (2018 - $204,160) included in consulting fees to, Marcos Agramont the current CEO and Director of the Company for CEO and director services provided.
- During the three months ended June 30, 2019, the Company paid $37,500 (2018 - $nil) included in consulting fees to, Eli Dusenbury the current CFO of the Company for CFO services provided.

- During the three months ended June 30, 2019, the Company paid $70,350 (2018 - $nil) included in consulting fees to Patrick Ogle a Director of the Company based on Director services provided.

Included in accounts payable and accrued liabilities at June 30, 2019, are $12,500 due to the CFO of the Company (2018 - $61,055).

Financial Instruments and Risk Management

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

		June 30, 2019	March 31, 2019
Financial Assets			
Cash	Fair Value through Profit and Loss	$ 3,173,071	$ 403,814
Trade receivables and promissory notes receivable	Amortized cost	4,503,444	12,711,819
Investments	Fair value through profit and loss	1,266,656	2,470,020
Loans receivables	Amortized cost	300,000	518,000
Long term receivables	Amortized cost	2,246,600	2,162,600
Total Financial Assets		$ 11,489,771	$ 18,266,253
Financial Liabilities			
Accounts payable and accrued liabilities	Amortized cost	$ 5,754,491	$ 5,536,494
Due to related parties	Amortized cost	29,178	685,625
Loans payable	Amortized cost	-	2,906,033
Lease liability (current and long term)	Amortized cost	711,690	-
Convertible debt	Amortized cost	5,281,863	5,189,960
Total Financial Liabilities		$ 11,777,222	$ 14,318,112

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 June 30, 2019 and March 31, 2019, cash is measured using Level 1 inputs. At March 31, 2019, the Company's investments were measured at Level 1. At June 30, 2019, the Company held $732,080 in investments measured at Level 1 and $534,520 at Level 2. During the period ended June 30, 2019, 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 June 30, 2019, the Company had a cash balance of $3,173,071 to settle current liabilities of $8,357,380. 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:

	June 30, 2019	March 31, 2019
Cash	$ 3,173,071	$ 15,549,664
Receivables		
Trade receivables, net	1,622,880	1,039,937
Proceeds on sale of BSPG	2,196,879	-
Promissory note receivable	683,685	-
Subscriptions receivable	-	7,000
Long term receivable on sale of BSPG	2,246,600	-
	$ 9,923,115	$ 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 June 30, 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

There were no such events.

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 consideration the share consolidation of the Company's share capital on the basis of ten existing common shares for one new common share completed on July 24, 2018, the Company had 48,891,377 common shares issued and outstanding, with an additional 428,254 common shares held by a wholly owned subsidiary of the Company and 8,860,896 held for cancellation. As of August 28, 2019, the Company had 48,891,377 shares issued and outstanding.

As at June 30, 2019 and August 28, 2019, the Company had 45,000 common shares held in escrow. These shares will be released from escrow over a period of 36 months from September 21, 2015.

Share Purchase Warrants

As of August 28, 2019, the Company had 8,061,796 (June 30, 2019 - 8,061,796) 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
1,398,000	$2.75	November 30, 2020
2,465,753	$10.00	May 25, 2021
8,061,796		

Stock Options

As of August 28, 2019, the Company had 515,000 (June 30, 2019 - 515,000) 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.

As of June 30, 2019, the Company had $3,173,071 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.

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.