

FORM 7

**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: **Isodiol International Inc. (the "Issuer")**

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Trading Symbol: **ISOL**

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Number of Outstanding Listed Securities: **58,180,538**

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Date: **September 4, 2019**

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This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

**General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

***The Issuer 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. It specializes in identifying emerging trends and opportunities from all Cannabinoids available in hemp. The Issuer's growth strategy includes the development of over-the-counter and pharmaceutical drugs and expanding its phytoceutical portfolio by aggressively continuing international expansion into Latin America, Asia, and Europe.***

**During the month of August 2019, the Issuer actively continued general and corporate operations. Management continued to develop the Issuer's business and search for other strategic business relationships.**

2. Provide a general overview and discussion of the activities of management.

On August 12, 2019, the Issuer provided an update by news release on the delay on filing its audited annual financial statements, related management's discussion and analysis and supporting officer certificates for the financial year ended March 31, 2019 (the "Filings").

The Issuer obtained a management cease trade order dated July 30, 2019, from the relevant securities regulators as contemplated by National Policy 12-203 *Management Cease Trade Orders* of the Canadian Securities Administrators.

The delay of the Filings resulted from delays in the Issuer obtaining access to accounting information following dispositions of subsidiaries over which the Issuer no longer has management influence. The Issuer notes the audit is nearly complete and continues to expect to file the Filings on or before August 16, 2019.

On August 16, 2019, the Issuer announced by news release it has filed its audited consolidated financial statements and management's discussion and analysis for the year ended March 31, 2019.

Highlights of Fiscal Year 2019 include:

- Total revenues of \$22,248,171, an increase of 16.26% over the prior year, and which figure does not include revenues from divested companies Azure, Kure or BSPG, as had previously been included in the consolidated statement of loss for the FY2019 Q1, Q2 and Q3 periods;
- Gross profits of \$7,378,194, realizing gross margins of 33.16%;
- Total Q4 revenue of \$9,089,401; a historic number for the Issuer. The Issuer is especially pleased with this number, as this figure does not include the activities of the recently divested assets of Azure, Kure, or BSPG;
- Total operating expenses decreased by \$3,283,658.

Breakdown of Significant Other Expenses:

- Loss on the sale of business of \$35M is primarily non-cash and is attributable to the divestitures of Azure, Kure and BSPG;
  - i. The primary reason for divesting Kure was to prevent significant shareholder dilution. Given the current share price, the Issuer believed that future acquisition payments of USD\$35M couldn't be justified given the risks associated with uncertainty surrounding the pending FDA regulations on the vape industry;
  - ii. The sale of BSPG was due to the significant financial requirements needed for expansion. The Issuer sold BSPG for a sale price of USD\$14M, of which, USD\$9.75M has been received to date, with USD\$4.5M of such amount paid to complete the final obligation towards the original acquisition, and the remainder used for general working capital. The divestment terms included an off-take right in favour

of the Issuer, giving the Issuer access to the API required for Purodiol, Isodiolex and Isoderm in the Brazil Pharma market;

- iii. The Issuer moved away from manufacturing and is now focusing on high margin consumer goods; with that, the Issuer divested Azure for sale price of USD\$1M.
- Asset impairment of \$38,877,626 can be broken down into two primary categories:
  - i. *Terminations and divestitures:*
    - \$14.6M of the balance relates to the carrying values associated with the divestiture of certain operations, investments and acquisition deposits that do not directly benefit from: a focus on sale of finished goods; were not in line with our core business; didn't contribute to our bottom line; and represented significant future outflows of cash before any ROI could be realized; and
  - ii. *Impairment of goodwill and intangible assets*
    - \$24.3M of the balance specifically relates to the IFRS requirement to assess the Issuer's goodwill for impairment annually and intangible assets for indicators of impairment. Impairment of goodwill was determined through a comparison of the capitalized cash flows to the carrying amounts of these assets. Because the Issuer's US-based cash generating units were operating at a loss, this inherently resulted in the requirement to impair goodwill and the related intangible assets as they were in excess of the measured recoverable amount. Although, these assets have now been expensed, the Issuer considers them to continue to add value to our bottom line and will continue to use them to drive revenues and build our operations.

On August 30, 2019, the Issuer announced by news release it has filed its consolidated financial statements and management's discussion and analysis for the three months ended June 30, 2019.

Highlights of the first quarter of fiscal 2020 include:

- The Issuer reports first quarter revenues of \$4.2M, a significant reduction in operating expenses and near profitable operations with a net loss of \$2.8M.
- The Issuer has reduced its operational expenditures by \$3M compared to the three months ended June 30, 2018 and by \$13M compared to the most recently completed three months ended March 31, 2019. The reductions in spending have been described in the MD&A for the three months ended June 30, 2019, with highlights below:

	Q1 2020	Q4 2019	% QOQ Change	Q1 2019	% YOY Change
Consulting	49,178	10,460,986	-99.53%	921,641	-94.66%
Wages	816,238	1,663,192	-50.92%	1,871,219	-56.38%
Acquisition and advisory	-	236,024	-100.00%	210,000	-100.00%
Total operating expenses	3,362,091.00	16,419,559	-79.52%	6,384,479	-47.34%
Net loss	2,825,092.00	95,895,783	-97.05%	3,824,576	-26.13%

- Liquidity
  - Positive working capital of \$4.8M and includes the following current assets:
    - Cash balance of \$3M;
    - Prepaid expenses of \$2.7M;
    - Inventory of \$1M;
    - Receivables of \$4.7M;
    - Investments and loans receivables expected to bring an additional \$1.6M of cash before December 2019;
  - Not included in working capital is the long-term receivables from the final BSPG payments of USD\$2M expected to be received by September 2020;

**Operational highlights:**

- On April 11, 2019, the Issuer 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 Issuer continued its fiscal 2020 Trade Show Program at the ECRM Pet EPPs Trade Conference and showcases its all-natural CBD pet supplement line, Pawceuticals;
- On July 18, 2019, the Issuer announced that the asset purchase agreements among the Issuer, 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 Issuer's news release dated February 14, 2019. The Issuer has terminated this acquisition and is in the process of cancelling the previously issued shares.

The above referenced news release may be viewed under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website.

The audited consolidated annual financial statements and management's discussion and analysis for the year ended March 31, 2019, and the condensed consolidated interim financial statements and management's discussion and analysis for the three months ended June 30, 2019, are available for viewing under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**None to report during the month of August 2019.**

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**None to report during the month of August 2019.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements, etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**None to report during the month of August 2019.**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**None to report during the month of August 2019.**

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**None to report during the month of August 2019.**

8. Describe the acquisition of new customers or loss of customers.

**None to report during the month of August 2019.**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.

**None to report during the month of August 2019.**

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

**None to report during the month of August 2019.**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**None to report during the month of August 2019.**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

**None to report during the month of August 2019.**

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**None to report during the month of August 2019.**

14. Provide details of any securities issued and options or warrants granted.

**None to report during the month of August 2019.**

15. Provide details of any loans to or by Related Persons.

**None to report during the month of August 2019.**

16. Provide details of any changes in directors, officers or committee members.

**None to report during the month of August 2019.**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

**The trends and risks which are likely to impact the Issuer are detailed in the Issuer's Management Discussion and Analysis dated August 28, 2019, under the heading "Risk Factors", which can be viewed under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website.**

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## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated September 4, 2019

Eli Dusenbury  
Name of Director or Senior Officer

/s/ Eli Dusenbury  
Signature

Chief Financial Officer  
Official Capacity

<i>Issuer Details</i> Name of Issuer Isodiol International Inc.	For Month End August 2019	Date of Report YY/MM/DD 19/09/04
Issuer Address Suite 2710, 200 Granville Street Vancouver, BC V6C 1S4	Issuer Fax No. 604-608-3348	Issuer Telephone No. 604-409-4409
Contact Name Eli Dusenbury	Contact Position Chief Financial Officer	Contact Telephone No. 604-409-4409
Contact Email Address ir@isodiol.com	Web Site Address <a href="http://www.isodiol.com">www.isodiol.com</a>	