Isodiol International Inc.
(Formerly Laguna Blends Inc.)
(the "Company")
Management Discussion and Analysis
For the six months ended September 30, 2018

Date of Report: November 29, 2018

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 November 21, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the six months ended September 30, 2018, 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") (formerly Laguna Blends Inc.) 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 cannabis plant. Hemp and cannabis 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 September 30, 2018 the Company had $3,271,346 in cash compared to March 31, 2018 of $15,549,664**.** For the six months ended September 30, 2018, the Company had gross profit of $8,920,507 and a net loss of $12,153,053. The majority of expenses consisted of consulting fees of $3,215,118, wages and salaries of $5,019,364, advertising and promotion of $1,437,359, non-cash amortization of $1,651,615, non-cash share-based payments of $2,599,352, travel and promotion of $1,152,639 and office and administration costs of $1,962,778. The Company generated a significant increase in sales to date pursuant to acquisitions made during fiscal 2018 and acquisitions completed during the six months ended September 30, 2018, which include: BSPG laboratories Ltd. during April 2018, Azure Bottling LLC During May 2018, and Kure Corp. during May 2018. The Company will continue to rely on capital financing until it is able to establish profitable operations which it is currently working towards.

The Company believes that entry into the regulated hemp market, whose regulations allow for more robust consumer-facing brand marketing, advertising and retail channels, will serve to strengthen the Company's Hemp based business focus. These factors have allowed Isodiol to grow its sales and continue identifying new business opportunities within this market. During the six months ended September 30, 2018, the Company acquired assets through acquisitions and business combinations that are complimentary to the overall growth of the Company and the ability to generate increased revenues.

Although the industry is growing, the company did make significant capital commitments during the period. 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 involved in pharmaceutical grade pure, natural CBD and in the manufacturing and development of CBD consumer products.

Isodiol has the commercialized a 99%+ pure, naturally isolated CBD, including micro-encapsulations, and nano-technology for quality consumable and topical skin care products. Most recently, the

company received approval for its CBD designated as an Active Pharmaceutical Ingredient for use in Finished Pharmaceutical Products as was announced April 26, 2018. This approval was obtained by the Medicines and Healthcare products Regulatory Agency of the UK.

Isodiol's growth strategy includes the development of over-the-counter and pharmaceutical drugs, expanding its consumer products portfolio and aggressively continue international expansion into Latin America, Asia, and Europe.

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 CBD research, science, innovation and technology to positively impact patient outcomes through clinical studies and evidence-based empirical data gathered by validated devices and platforms. Along with Isodiol, C3GBS will continue to focus on the research and development of CBD and other cannabinoids to improve the quality of life for consumers. Both the Company and C3GBS will continue to focus on the utilization of the Electroencephalogram (EEG) technology in the phytoceutical field, which allows physicians and researchers real-time feedback on the effect of Cannabis products. As a part of the 100% acquisition, the company issued 114,189 shares valuing $1,061,958.

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 valuing $487,242.

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 athletic organizations such as the National Football League, Cage Warriors and the MMA. ISO-Sport will continue to focus efforts towards professional athletes with the goal of assisting athletes 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 consumer beverages derived from hemp. The Company hopes to take advantage of the hemp infused beverage industry with Iso-Bev's monthly bottling capacity which is able to produce up to 5,000,000 bottles per month. This is a wholly-owned subsidiary of Isodiol International Inc. IsoBev, acquired 100% of the assets of Culinary Coffee Roasters whose business is the sale of quality coffees, tea and blended formulations, based out of Stuart, Florida. Culinary has been in the coffee beverage business for over fifteen years. In consideration for the acquisition, Isodiol paid $450,000 USD in stock equity, subject to a 36-month escrow release period at $3.15 a share.

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.

Biosynthesis Pharma Group Laboratories Ltd. (BSPG)
BSPG is large producer of industrial hemp and was the first Company to receive MHRA approval as an Active Pharmaceutical Ingredients (API) license holder. Through BSPG's industrial-sized, proprietary extraction methodologies, BSPG produces high-purity, bioactive cannabinoids that are used in pharmaceutical applications to benefit those suffering from a range of life-threatening and non-life-threatening illnesses. BSPG is currently conducting clinical trials involving its product through strategic partnerships around the globe. This acquisition was closed on April 17, 2018. The Company will pay a total of $13M USD ($4.5M paid to date) and has issued 21,302,485 common shares. Pursuant to the BSPG acquisition, the Company also acquired 99% of the assets of Purodiol do Brasil Ltda. which consists of Purodiol trademarks and retention of the previous CEO of Purodiol who contains key product manufacturing and market knowhow. The Company issued 255,630 shares measured at a fair value of $10.50 per share and paid finders' fees of $2,459,490 to arm's length parties.

KURE™ Corp. (KURE)
KURE is a wholly owned subsidiary of Isodiol International Inc., 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. All KURE products are available online and throughout its many store locations across the United States. KURE Vaporium™, KURE Society™, Kuriousity™, Kurators™, KURE Vape Pod are all respective trademarks of KURE. This acquisition was closed on May 1, 2018 for 2,380,952 in stock for total value of $15,000,000 USD.

Azure Bottling LLC (Azure)
Azure is a custom bottled water facility which is 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. This acquisition was closed on April 1, 2018 for $1,000,000 USD in cash upon closing and $350,000 USD on the 6-month anniversary and 1,130,351 shares based on a price of $1.29.

The following are some key trademarks acquired by the Company during the fiscal 2018 year:

Pot-O-Coffee and Her-Coffee Trademarks
The Pot-O-Coffee and Her-Coffee product lines consists of two variants for cannabis infusion; one infused with cannabis plant-extracted tetrahydrocannabinol (THC) oil (the Company currently does not handle any component of the product(s) relating to handling THC), while the other is infused with non-psychotropic cannabidiol (CBD) derived from agricultural based Hemp Oil. Since the partnership, Isodiol has been able to establish licensing relationships with Canopy Growth, Nutritional High, a California manufacturer, and anticipates even further opportunity in the coming months. The licensing distribution agreements with Canopy Growth and Nutritional High is to manufacture and distribute the company's Pot-O-Coffee, Her-Coffee and Pot-O-Tea branded cannabis-infused single-serve K-Cup products. Isodiol does not physically touch the THC compound, as it licenses the brand IP and manufactures the packaging. For these trademarks, the company issued 1,718,750 shares for total consideration of $2,062,500.

The following is an acquisition that has not been completed as of the date of this MD&A:

Canadian National Pharma Group Inc (CN Pharma)
CN Pharma is a pharmaceutical manufacturing company which is currently in the process of receiving its Licensed Dealer ("LD") status under the provisions of the Canadian Controlled Drugs and Substances Act, in order to commence production of cannabis and hemp extracts or isolate. The Company is pursuing a 100% acquisition of CN Pharma based on whether or not CN Pharma is able to obtain its LD status. If CN Pharma is not able to obtain its LD status, the company will have the option to terminate the agreement and recover any acquisition fees paid to date. If CN Pharma obtains its LD status, the Company will issue $6,000,000 in common shares based on the price as of the closing date which shall be no later than December 31, 2018. As of the date of this MD&A, CN Pharma has not obtained its LD status.

The following summarizes the Company's investment in 10330698 BC Ltd.:

10330698 BC Ltd.
On April 19, 2018, the company invested $2,000,000 to acquire 10% of 10330698 BC Ltd. (BC Ltd) shares. BC Ltd. plans to open and operate cannabis clinic's across Canada. Isodiol does not have to obtain any additional licenses as a part of this partnership as BC Ltd will obtain the appropriate licenses. Isodiol intends to hold onto the shares of BC Ltd as an investment and will not be involved with its operations.

HIGHLIGHTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

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 9, 2018 the Company's retail division, KURE, announced its first phase of expansion with opening of seven locations in the Greater Phoenix market via purchase of seven existing storefronts. The expansion costs for the seven locations including rebranding the existing locations to KURE will be USD $300,000.

On August 16, 2018 the Company in conjunction with Livecare, launched ISOCare in North America and Latin America in accordance with the licensing agreement with Livecare previously announced on January 26, 2018.

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 15, 2018 the Company announced the launch of Pawceuticals, a CBD-based pet products line for dogs and cats.

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 October 22, 2018 the Company provides an update on the recent acquisition of Azure with plans for increased warehousing and expansion of the production facility to continue CBD beverage expansion through IsoBev (subsidiary of the Company).

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 13, 2018 the Company executed an agreement with Brew Hub, LLC for the exclusive development and manufacturing of its hemp, cannabis, hemp-derived, and cannabis-derived beverages.

On November 14, 2018 the Company entered into an agreement with Record Street Brewing Co for R&D of hemp-based beers and functional beverages.

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 it's Board of Directors to replace outgoing Chairman and Director, Aman Parmar.

DISCUSSION OF OPERATIONS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 AS COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 31, 2017

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 ISO-LLC commencing from the date of acquisition in May 2017, coupled with the strategic acquisitions described above have resulted in an increase in revenues totaling $9,444,810 for the six months ended September 30, 2018 (2017 - $7,804,108). This increase is consistent with additional revenue streams from strategic acquisitions as well as an overall increase in demand for CBD-related products. Management expects revenues to increase both from strategic acquisitions and increased demand over retail and pharmaceutical sales during the remainder of Fiscal 2019.

Consistent with the above increases in revenues from acquisitions and market growth, the Company experienced increases in the following operational expenses during the six months ended September 30, 2018 as compared to the six months ended September 30, 2018:

- Consulting fees increased by $2,335,625 to $3,215,118 (2017 – $879,493) as the Company spent additional funds towards executing its management strategy for aggressive expansion and the use of Consultants to achieve these objectives;
- Wages and salaries increased by $4,168,683 to $5,019,364 (2017 - $850,681) pursuant to the significant increase in operations and newly acquired companies;
- Advertising and promotions increased by $1,192,910 to $1,437,359 (2017 - $244,449) due to increased marketing campaigns designed to increase product and Company awareness globally;
- Investor relations increased by $233,878 to $423,209 (2017 - $189,331) pursuant to increased operational activities and increase in investor communications;
- Office and administration increased by $1,651,152 to $1,922,296 (2017 – $271,144) due to acquiring additional operations and the increased costs associated with significant growth;
- Professional fees increased by $1,866,022 to $1,962,778 (2017 - $96,756) pursuant to increased corporate and general legal work, agreements, LOIs, MOUs and overall increase in activities;
- Rent increased by $834,574 to $949,337 (2017 – $114,763) pursuant to acquisitions and new locations acquired;
- Travel and promotions increased by $749,215 to $1,152,639 (2017 – $403,424) due to increased product marketing and tradeshows to help enhance sales and global expansion;
- Research and development increased by $340,378 to $349,524 (2017 - $9,146), pursuant to an increase in activities related to product development; and
- Amortization increased by $1,601,637 to $1,651,615 (2017 – $49,679), pursuant to an increase in acquired fixed assets and intangible assets through license payments and strategic acquisitions completed;

- Share-based payments increased by $641,886 to $2,599,352 (2017 - $1,957,466), pursuant to increase in shares being issued as consulting fees and a higher stock volatility resulting in an increase in fair value of options granted;

The Company experienced decreases in the following operational expenses during the six months ended September 30, 2018 as compared to the six months ended September 30, 2017, as described below:

- Shipping costs decreased by $214,537 to $24,625 (2017 – $239,162) as the Company's shipping expenses now primarily relate to products sold and are included in cost of goods sold;
- Commissions decreased by $489,124 to $14,962 (2017 - $504,086) due to the Company no longer using commissioned outside sales team;
- Acquisition advisory fees decreased by $9,076,702 to $210,000 (2017 - $9,286,702) as the Company had already incurred the majority of acquisition advisory related fees in fiscal 2018. The fees paid in fiscal 2019 relate to the BSPG acquisition;

Isodiol operates as a business to business and retail company to generate sales of its products. The Company had a gross profit of $4,275,798 for the six months ended September 30, 2017. Gross profit for the six months ended September 30, 2018 was $8,920,507 with net revenues being $17,248,918. The Company predicts increases in revenues as the Company moves towards expanding offerings in current and target markets. This is expected to occur as the Company continues to integrate the operations of its acquired business' and assets acquired pursuant to acquisitions completed and increased demand for its products.

The Company incurred a net comprehensive loss of $12,153,053 and $10,972,949 for the six months ended September 30, 2018 and 2017. The higher loss during the current period is primarily the result of continued strategic acquisitions and significant growth as described above. The Company incurred increased expenditures which has resulted in expansion of operations throughout the US, United Kingdom, China and Latin America. Other Comprehensive income is pursuant to presentation currency adjustment and does not reflect actual foreign exchange gains or losses.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 31, 2017

As discussed above, the growth in sales is a result of strategic acquisitions and growth of the market and product offerings. This has resulted in an increase in revenues of $2,967.259 to $8,030,825 (2017 - $5,063,566). This increase is consistent with additional revenue streams from strategic acquisitions as well as an overall increase in demand for CBD-related products. Management expects revenues to continue to increase from both from strategic acquisitions and increased demand over retail and pharmaceutical sales during the remainder of Fiscal 2019.

Consistent with the above increases in revenues from acquisitions and market growth, the Company experienced increases in the following operational expenses during the three months ended September 30, 2018 as compared to the three months ended September 30, 2018:

- Consulting fees increased by $1,149,998 to $1,716,720 (2017 – $566,722) as the Company spent additional funds towards executing its management strategy for aggressive expansion and the use of Consultants to achieve these objectives;
- Wages and salaries increased by $1,892,054 to $2,560,649 (2017 - $668,595) pursuant to the significant increase in operations and newly acquired companies;
- Advertising and promotions increased by $756,834 to $845,992 (2017 - $80,158) due to increased marketing campaigns designed to increase product and Company awareness globally;
- Research and development increased by $135,744 to $137,184 (2017 - $1,440), pursuant to an increase in activities related to product development; and
- Office and administration increased by $805,946 to $917,987 (2017 – $112,041) due to acquiring additional operations and the increased costs associated with significant growth;
- Professional fees increased by $1,398,536 to $1,453,333 (2017 - $54,797) pursuant to increased corporate and general legal work, agreements, LOIs, MOUs and overall increase in activities;
- Rent increased by $490,922 to $556,812 (2017 – $65,890) pursuant to acquisitions and new locations acquired;
- Travel and promotions increased by $430,665 to $720,311 (2017 – $289,646) due to increased product marketing and tradeshows to help enhance sales and global expansion;
- Amortization increased by $925,9461 to $954,080 (2017 – $28,134), pursuant to an increase in acquired fixed assets and intangible assets through license payments and strategic acquisitions completed;
- Share-based payments increased by $1,853,883 to $2,599,352 (2017 - $745,469), pursuant to increase in shares being issued as consulting fees, the timing of shares being issued and a higher stock volatility resulting in an increase in fair value of options granted;

The Company experienced decreases in the following operational expenses during the six months ended September 30, 2018 as compared to the six months ended September 30, 2017, as described below:

- Commissions decreased by $295,713 to $10,317 (2017 - $306,030) due to the Company no longer using commissioned outside sales team;
- Acquisition advisory fees decreased by $6,905,200 to $nil (2017 - $6,905,200) as the Company had already incurred the majority of acquisition advisory related fees in fiscal 2018

Isodiol operates as a business to business and retail company to generate sales of its products. The Company had a gross profit of $2,668,794 for the three months ended September 30, 2017. Gross profit for the six months ended September 30, 2018 was $4,317,612 with net revenues being $8,030,825. The Company expects to see a continued increase in revenues as the Company moves towards expanding offerings in current and target markets. This is expected to occur as the Company continues to integrate the operations of its acquired business' and assets acquired pursuant to acquisitions completed and increased demand for its products.

The Company incurred a net comprehensive loss of $8,283,514 and $7,314,120 for the three months ended September 30, 2018 and 2017. The higher loss during the current period is primarily the result

of continued strategic acquisitions and significant growth as described above. The Company incurred increased expenditures which has resulted in expansion of operations throughout the US, United Kingdom, China and Latin America. Other Comprehensive income is pursuant to presentation currency adjustment and does not reflect actual foreign exchange gains or losses.

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 September 30, 2018	**Quarter Ended June 30, 2018**	**Quarter Ended Mar. 31, 2018**	**Quarter Ended December 31, 2017**
Total Revenue	$8,030,825	$9,218,093	$5,438,620	$5,894,538
Net Loss	$(8,616,120)	$(3,824,576)	$(25,212,370)	$164,446
Comprehensive loss	$(8,283,514)	$(3,824,576)	$(25,212,370)	$164,446
Basic and diluted net loss per share	$(0.21)	$(0.12)	$(1.00)	$ (0.00)

	Quarter Ended September 30, 2017	**Quarter Ended June 30, 2017**	**Quarter Ended Mar. 31, 2017**	**Quarter Ended Dec. 31, 2016**
Net Revenue	$5,063,566	$1,607,004	$100,212	$52,197
Net Loss	$(7,314,120)	$(3,658,829)	$(2,325,073)	$(903,679)
Comprehensive loss	$(7,314,120)	$(3,658,829)	$(2,325,073)	$(903,679)
Basic and diluted net loss per share	$(0.36)	$(0.38)	$(0.64)	$(0.28)

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. Strategic acquisitions have led to the Company realizing significant increases in revenues for the three and six months ending September 30, 2018. However, the Company continues to incur related costs associated with acquiring, developing and marketing its products. Although management expects to see an increase in sales, 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 three operating segments and generates 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	$ 145,231,618	$ -	$ (9,896,409)
United States	21,974,442	16,056,993	(1,663,538)
United Kingdom	4,224,370	1,191,925	(880,749)
	$ 171,430,430	$ 17,248,918	$ (12,440,696)

The majority of the revenue is generated from Isodiol's US wholly owned subsidiary Iso International LLC. Subsidiaries acquired during fiscal 2018 and the six months ended September 30, 2018 are beginning to generate increased revenues; however they are immaterial during current period. The company anticipates these subsidiary revenues to grow as operations are streamlined and additional resources are allocated towards growth strategies. 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 20% of total revenues but is a growing segment of the business.

Although trade accounts receivable has grown over the prior year, management notes that all amounts are considered collectible. The Company notes that gross margins have remained consistent. Although the selling point of our products have reduced, we have been able to mitigate this through its low-cost production of CBD isolate achieved through its vertical integration and inventory management systems. The Company is committed to implementing cost reduction strategies and leveraging improved process through its strategic acquisitions. Heading into the third quarter of fiscal 2019, the Company's focus is expanding its current operations to maximize operational capacities, distribution of finished products and identification of strategic partnerships that meet our current business model.

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 $3,271,346 as of September 30, 2018 and working capital deficit of $27,579,742. Current liabilities include $43,574,093 as acquisitions payable, of which $34,845,603 is to be settled with common shares of the Company. Adjusting for non-cash items, positive working capital would be $7,265,861.

Isodiol has been able to secure financing to address working capital requirements and will continue to explore financing opportunities as its global expansion ramp-up strategy is executed. On August 30, 2017, the Company borrowed $2M from related parties to fund acquisition payments. 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. This financing is in its final stages.

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 six months ended September 30, 2018, the Company issued 557,000 common shares pursuant to options exercised, raising $1,133,550.

During the six months ended September 30, 2018, the Company issued 77,032 common shares pursuant to warrants exercised, raising $192,584.

The Company generated $8,920,507 in gross profit from operations during the six months ended September 30, 2018. The Company believes that it will be able to grow its revenues and gross profits to contribute to operations.

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 synergistic assets, once integrated into operations will become profitable subsidiaries for the company. The company also used financing proceeds to secure raw biomass for production of finished goods in 2018. The finished goods have continued to produce revenues with over $17.2M for the six months ended September 30, 2018.

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

Operating Activities

During the six months ended September 30, 2018 and 2017, operating activities used cash of $21,071,498 and $4,256,326 respectively. The use of cash for the six months ended September 30, 2018 was mainly attributable to our loss for the period, after deducting non-cash items, which totaled $7,828,613. Non-cash items included: $2,250,806 representing the fair value of shares issued for consulting fees; $1,651,615 of amortization over fixed assets, leasehold improvements and intangible assets; $483,545 representing the fair value of the options granted measured using the black-sholes option pricing model; $16,117 of interest accrued; and $210,000 representing the fair value of the shares issued for acquisition fees. Cash outflows resulting from key changes in our non-cash working capital items include: cash tied up in receivables of $3,194,658, Prepaid expense and deposit of $4,813,702 and purchased inventory of $4,824,671. The significant increase in these items pertain to the significant increased operations and volumes that we are achieving through acquired operations. These key cash outflows in our non-cash working capital items were offset by related party receivables collected of $1,032,408.

Investing Activities

During the six months ended September 30, 2018, the Company used cash of $10,357,999 for various acquisitions and investments made in an effort to expand operations globally. During Fiscal 2018, the Company used cash of $5,663,589 towards intangible assets acquired and $4,345,132 in fixed assets to support operations.

Financing Activities

During the six months ended September 30, 2018 and 2017, the Company raised $18,636,654 and $6,198,090 from financing activities, respectively. During the six months ended September 30, 2018, the Company spent $880,783 on share issuance costs compared to $38,500 in fiscal 2018, primarily due to the difference in amount of funding raised. The Company has received $1,326,134 from options and warrants exercised.

CHANGES IN ACCOUNTING POLICIES

New standard adopted

The following new accounting policies were adopted during the six months ended September 30, 2018:

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.

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
Loans 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

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.

(ii) Measurement

Financial assets and liabilities at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

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 January 1, 2018 did not have a significant impact on the Company's condensed consolidated interim financial statements.

The following is the Company's new accounting policy for financial instruments under IFRS 15:
The Company's revenue consists of product sales.

The Company recognizes revenues when it a contract has been entered into and performance obligations are known, the price has been determined, the goods are received by the customers and the significant risks and benefits of ownership are transferred and performance obligations have been satisfied.

The adoption of IFRS 15 resulting in no impact to the opening accumulated deficit on April 1, 2018.

New standard not yet adopted

IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. The impact of IFRS 16 on the Company's financial instruments is continuing to be assessed on its financial position and financial performance

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements during the six months ended September 30, 2018 or September 30, 2017.

RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2018, the Company entered into the following related party transactions:

- During the six months ended September 30, 2018, the Company paid $210,422 (2017 - $46,518) included in consulting fees to, Marcos Agramont the current CEO and Director of the Company for CEO and director services provided.
- During the six months ended September 30, 2018, the Company paid $93,125 (2017 - $27,000) included in consulting fees to, Bryan Loree the former CFO and Director of the Company for CFO and director related services provided. Included in share-based payments is $150,000 (2017 - $nil) representing the fair value of 100,000 common shares issued.
- During the six months ended September 30, 2018, the Company paid $25,000 (2017 - $nil) included in consulting fees to, Eli Dusenbury the current CFO of the Company for CFO services provided. Included in share-based payments is $495,131 (2017 - $nil) representing the fair value of 100,000 common shares issued at $4.10 per share and $85,131 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.
- During the six months ended September 30, 2018, the Company paid $52,000 (2017 -$nil) included in consulting fees to a company controlled by, Soheil Samimi a former Director of the Company based on director services provided. Included in share-based payments is $150,000 (2017 - $nil) representing the fair value of 100,000 common shares issued.
- During the six months ended September 30, 2018, the Company paid $233,438 (2017 - $30,000) included in consulting fees to Aman Parmar a former Director of the Company based on Director services provided.
- During the six months ended September 30, 2018, the Company paid $17,500 (2017 - $nil) included in consulting fees to Patrick Ogle a Director of the Company based on Director services provided.
- During the six months ended September 30, 2018, the Company paid $13,316 (2017 - $nil) included in consulting fees to Marvin Washington a Director of the Company based on Director services provided. Included in share-based payments is $410,000 (2017 - $nil) representing the fair value of 100,000 common shares issued.
- During the six months ended September 30, 2018, the Company paid $185,098 (2017 - $79,719) included in consulting fees to Troy Nihart the President of ISO International LLC, based on consulting services provided.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, trade and subscription receivables, due from related parties, loans receivable, accounts payable and accrued liabilities, acquisitions payable, due to related parties and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial

instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: Amortized cost, or at fair value through profit or loss ("FVTPL")

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net income (loss). Cash is classified as FVTPL.

Financial assets classified at amortized cost include: trade and subscription receivables, due from related parties and loans receivable

All financial liabilities are classified at amortized cost.

The company does not have any derivate financial assets or liabilities.

Use of Estimates and Judgements

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.

SUBSEQUENT EVENTS

Subsequent to September 30, 2018, 100,000 options were exercised for proceeds of $150,000.

Proposed Transactions

There are currently no proposed transactions.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

During the six months ended September 30, 2018 and 2017, the Company incurred the following material expenses including within operating expenses:

	2018	2017
Consulting fees	3,215,118	879,493
Wages & Salaries	5,019,364	850,681
Advertising & promotions	1,437,359	504,086
Research & development	349,524	9,146
Investor relations	423,209	189,331
Office and administration	1,922,778	271,144
Professional fees	1,962,778	96,756
Rent	949,337	114,763
Amortization	1,651,615	49,978
Share based compensation	2,599,352	1,957,466
Travel and promotions	1,152,639	403,424
Acquisition advisory fees	210,000	9,286,702
Material expenses capitalized:		
Loans receivable	449,094	-
Investment	1,995,931	(770,551)
Fixed assets	4,345,132	(317,847)
Leasehold improvements	314,347	-
Intangible assets	5,663,589	704,970
Acquisition payable	4,664,919	-

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 1 for 10 share consolidation that took place July 24, 2018 reflected in the September 30, 2018 condensed consolidated interim financial statements, the Company had 39,880,946 common shares issued and outstanding, with an additional 428,254 common shares held by a wholly owned subsidiary of the Company. Subsequently, the Company issued 530,350 common shares. As of November 29, 2018, the Company had 40,839,550 shares issued and outstanding.

As at September 30, 2018 and November 29, 2018, the Company had 1,198,952 and 1,198,952 common shares held in escrow respectively. These shares will be released from escrow over a period of 36 months from September 21, 2015.

Share Purchase Warrants

As of November 29, 2018, the Company had 8,940,664 (September 30, 2018 - 11,425,483) share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Price	Expiry Date
1,543,898	$2.50	May 19, 2019
732,970	$2.50	June 16, 2019
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
8,940,664		

Stock Options

As of November 29, 2018, the Company had 1,305,000 (September 30, 2018 - 1,305,000) share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
30,000	$1.60	March 27, 2019
60,000	$1.50	April 4, 2019
700,000	$2.05	June 16, 2019
373,000	$3.15	September 1, 2019
142,000	$3.95	September 14, 2023
1,305,000		

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 September 30, 2018, the Company had $3,271,346 cash on hand. The Company anticipates generating profits from current operations near the end of fiscal 2019, 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 adverse 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.