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# **ISODIOL INTERNATIONAL INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended March 31, 2019**

**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Isodiol International Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Isodiol International Inc. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$125,913,014 during the year ended March 31, 2019 and, as of that date, the Company had an accumulated deficit of \$175,809,960. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matters*

The consolidated financial statements of Isodiol International Inc. for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on July 30, 2018 and on September 11, 2018.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

August 16, 2019

**ISODIOL INTERNATIONAL INC.**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)

As at	March 31, 2019	March 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 403,814	\$ 15,549,664
Prepaid expenses and deposits	2,203,545	475,223
Receivables (Note 5)	13,384,540	1,676,940
Inventory (Note 6)	858,640	1,839,439
Due from related parties (Note 19)	-	2,068,571
Investments (Note 7)	2,470,020	-
Loans receivable (Note 8)	518,000	1,229,235
	<u>19,838,559</u>	<u>22,839,072</u>
Investments (Note 7)	-	865,024
Long term receivable (Note 5)	2,162,600	-
Acquisition deposits (Note 11)	-	8,520,028
Fixed assets (Note 4)	1,267,925	768,348
Leasehold improvements (Note 4)	348,889	290,870
Intangible assets (Note 12)	-	8,154,172
Goodwill (Notes 9 and 13)	-	13,030,831
	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b>\$ 23,617,973</b>	<b>\$ 54,468,345</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 5,536,494	\$ 1,570,882
Acquisitions payable (Note 9 and 15)	-	3,809,772
Due to related parties (Note 19)	685,803	612,656
Income taxes payable (Note 23)	-	295,897
Loans payable (Notes 14 and 19)	2,906,033	-
Deferred revenue	2,366,785	409,127
	<u>11,495,115</u>	<u>6,698,334</u>
Convertible debt (Note 17)	5,189,960	-
	<u>16,685,075</u>	<u>6,698,334</u>
<b>Shareholders' equity</b>		
Share capital (Note 18)	176,979,582	90,143,673
Subscriptions (Note 18)	(1,799,111)	-
Equity portion of convertible debt (Note 17)	606,624	-
Reserves	6,423,989	7,663,231
Accumulated other comprehensive income	531,774	(139,947)
Accumulated Deficit	(175,809,960)	(49,896,946)
	<u>6,932,898</u>	<u>47,770,011</u>
<b>Total shareholder's equity</b>	<b>6,932,898</b>	<b>47,770,011</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$ 23,617,973</b>	<b>\$ 54,468,345</b>

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 24)

**Events after the Reporting Period** (Note 25)

Approved and authorized by the Board on August 15, 2019:

"Marcos Agramont"

Director

"Leo Matesanz"

Director

Accompanying notes are an integral part of these consolidated financial statements

# ISODIOL INTERNATIONAL INC.

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>Sales</b>	\$ 22,248,171	\$ 19,137,266
<b>Cost of goods sold</b>	(14,869,977)	(10,253,530)
<b>Gross profit</b>	7,378,194	8,883,736
<b>Operating Expenses</b>		
Consulting fees	13,853,053	13,051,465
Wages & Salaries	6,611,434	3,502,056
Commissions	276,180	938,196
Shipping costs	708,271	627,940
Advertising & promotions	3,855,880	1,612,816
Merchant fees	126,649	222,990
Research & development	107,546	602,560
Filing and transfer agent fees	147,325	96,209
Investor relations	425,533	234,581
Management fees (Note 19)	3,638,662	919,390
General and administration	2,317,483	771,197
Insurance	155,465	130,240
Professional fees	2,296,463	562,589
Rent	764,551	349,301
Amortization (Note 4 and 12)	2,061,715	1,106,372
Share based compensation (Note 18 and 19)	483,545	5,805,689
Travel and promotions	1,238,230	1,137,859
Acquisition advisory fees	868,024	11,473,649
Warehouse supplies	-	64,879
Website expenses	25,485	35,174
<b>Total operating expenses</b>	(39,961,494)	(43,245,152)
<b>Loss before other items</b>	(32,583,300)	(34,361,416)
<b>Other income (expense)</b>		
Loss on exchange rate	(1,051,798)	(215,551)
Bad debt (Note 5)	(7,334,196)	(418,559)
Interest expense (Note 10, 14 and 17)	(5,971,231)	(2,205)
Asset impairment (Note 16)	(38,877,626)	(730,665)
Loss on investment (Note 7)	(64,500)	-
Gain on extinguishment of liability	127,730	-
Loss on sale of business (Note 9)	(35,159,613)	-
<b>Net loss before income taxes</b>	\$ (120,914,534)	\$ (35,728,396)
Income tax recovery (expense)	301,094	(292,477)
<b>Net loss before discontinued operations</b>	\$ (120,613,440)	\$ (36,020,873)
Net loss from discontinued operations, net of tax	(5,299,574)	-
<b>Net loss for the year</b>	\$ (125,913,014)	\$ (36,020,873)
Translation adjustment, attributable to:		
Continuing operations	671,721	(139,947)
Discontinued operations	(58,670)	-
<b>Net and comprehensive loss for the year</b>	\$ (125,299,963)	\$ (36,160,820)
Basic and diluted loss per common share	\$ (3.28)	\$ (1.73)
Basic and diluted loss per common share, continuing operations	(3.14)	(1.73)
Basic and diluted loss per common share, discontinued operations	(0.14)	-
<b>Weighted average number of common shares outstanding</b>	38,404,193	20,940,111

The accompanying notes are an integral part of these consolidated financial statements

**ISODIOL INTERNATIONAL INC.**  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars)

	Share capital			Equity portion of convertible debt	Reserves		Accumulated other comprehensive income	Deficit	Total
	Number	Amount	Subscriptions		Warrants	Share Obligations, share-based payments, and subscriptions receivable			
Balance, March 31, 2017	5,767,334	\$ 14,336,816	\$ -	\$ -	\$ 163,488	\$ 1,280,166	\$ -	\$ (13,876,073)	\$ 1,904,397
Shares issued for cash	9,986,338	50,703,227	-	-	-	(399,000)	-	-	50,304,227
Share issuance costs	-	(2,379,743)	-	-	812,888	-	-	-	(1,566,855)
Shares issued for services	4,637,186	8,013,722	-	-	-	-	-	-	8,013,722
Shares issued pursuant to options exercised	360,000	720,250	-	-	-	-	-	-	720,250
Shares issued pursuant to licensing agreement	167,932	2,502,188	-	-	-	-	-	-	2,502,188
Shares issued pursuant to warrants exercised	2,116,412	5,633,497	-	-	-	-	-	-	5,633,497
Shares issued pursuant to acquisitions	6,295,020	9,136,263	-	-	-	-	-	-	9,136,263
Shares issued pursuant to debt settlement	17,007	250,000	-	-	-	-	-	-	250,000
Shares issued for finders' fees	1,162,118	1,846,203	-	-	-	-	-	-	1,846,203
Stock-based compensation	-	-	-	-	-	5,805,689	-	-	5,805,689
Shares held internally (not outstanding)	(428,254)	(618,750)	-	-	-	-	-	-	(618,750)
Net loss for the year	-	-	-	-	-	-	(139,947)	(36,020,873)	(36,160,820)
Balance, March 31, 2018	30,081,093	\$ 90,143,673	\$ -	\$ -	\$ 976,376	\$ 6,686,855	\$ (139,947)	\$ (49,896,946)	\$ 47,770,011
Shares issued for cash, net	2,465,757	17,119,217	(2,200,001)	-	-	-	-	-	14,919,216
Subscriptions received	-	-	400,890	-	-	-	-	-	400,890
Shares issued pursuant to options exercised	657,000	3,136,953	-	-	-	(1,853,403)	-	-	1,283,550
Shares issued pursuant to licensing agreement	1,111,134	3,882,491	-	-	-	-	-	-	3,882,491
Shares issued pursuant to warrants exercised	77,032	192,584	-	-	-	-	-	-	192,584
Shares issued pursuant to acquisitions	5,832,779	49,530,824	-	-	-	-	-	-	49,530,824
Shares issued for finders' fees	20,000	210,000	-	-	-	-	-	-	210,000
Share-based payments and shares for services	7,601,472	12,763,840	-	-	-	483,545	-	-	13,247,385
Convertible debt	-	-	-	606,624	130,616	-	-	-	737,240
Foreign currency translation adjustment	-	-	-	-	-	-	671,721	-	671,721
Net loss for the year	-	-	-	-	-	-	-	(125,913,014)	(125,913,014)
Balance, March 31, 2019	47,846,267	\$ 176,979,582	\$ (1,799,111)	\$ 606,624	\$ 1,106,992	\$ 5,316,997	\$ 531,774	\$ (175,809,960)	\$ 6,932,898

The accompanying notes are an integral part of these consolidated financial statements

# ISODIOL INTERNATIONAL INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)

	For the year ended March 31, 2019	For the year ended March 31, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continuing operations	\$ (120,613,440)	\$ (36,020,873)
Loss from discontinued operations	(5,299,574)	-
	<u>\$ (125,913,014)</u>	<u>\$ (36,020,873)</u>
Items not involving cash:		
Shares issued for settlement	132,929	-
Shares issued for services	12,630,911	8,013,722
Shares issued for finder's fees	210,000	1,267,980
Share-based payments, options granted	483,545	5,805,689
Loss on investment	64,500	-
Interest accrual	933,747	-
Accretion expense	5,080,000	-
Amortization	2,061,715	1,106,372
Asset impairment	38,877,626	730,665
Gain on extinguishment of liability	(127,730)	-
Loss on sale of business	35,159,613	-
Unrealized foreign exchange gain	466,619	215,551
Change in income tax estimate	(301,094)	295,897
Bad debt	7,334,196	418,559
Changes in non-cash working capital items:		
Receivables	(7,987,719)	(2,982,271)
Prepaid expenses and deposits	(3,335,246)	(415,926)
Inventory	980,799	(1,832,177)
Related parties receivable	1,482,186	(894,121)
Accounts payable and accrued liabilities	5,703,682	(206,024)
Related parties payable	73,147	612,656
Deferred Revenues	1,957,658	409,127
	<u>(24,031,930)</u>	<u>(23,475,174)</u>
Cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of business (Note 9)	1,325,340	-
Cash received on acquisitions	1,510,841	-
Cash disposed of sale of business'	(924,456)	-
Investment (Note 7)	(2,540,760)	-
Acquisition deposits (Note 11)	(1,864,195)	(8,520,028)
Fixed assets (Note 4)	(805,733)	(848,359)
Leasehold improvements (Note 4)	(126,949)	(359,217)
Intangible assets (Note 12)	(3,542,803)	(1,078,510)
Goodwill (Note 13)	-	(4,771,174)
Acquisition payable (Note 15)	(9,282,392)	-
Cash received on acquisitions	-	161,541
Loans receivable (Note 8)	(230,260)	(1,229,235)
	<u>(16,481,367)</u>	<u>(16,644,982)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares (Note 18)	15,799,999	56,657,974
Share issue costs (Note 18)	(880,783)	(1,566,855)
Subscriptions received (Note 18)	400,890	-
Proceeds from options exercised	1,283,550	-
Proceeds from warrants exercised	192,584	-
Proceeds from convertible debt, net (Note 17)	5,535,000	-
Proceeds from loans (Note 14)	2,364,486	-
	<u>24,695,726</u>	<u>55,091,119</u>
Cash provided by financing activities		
<b>Effect of exchange rate changes</b>	671,721	(139,947)
<b>Change in cash during the year</b>	(15,145,850)	14,831,016
<b>Cash, beginning of year</b>	15,549,664	718,648
<b>Cash, end of year</b>	<u>\$ 403,814</u>	<u>\$ 15,549,664</u>
<b>Cash paid during the year for interest</b>	\$ -	\$ 2,205
<b>Cash paid during the year for income tax</b>	\$ -	\$ -

Supplemental Cash Flow Information (Note 26)

The accompanying notes are an integral part of these consolidated financial statements.



# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Isodiol International Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on June 2, 2014, as Grenadier Resource Corp. The Company commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "GAD" in July 2014. The Company changed its name from Grenadier Resource Corp. to Laguna Blends Inc. on September 18, 2015 in conjunction with a reverse takeover transaction (the "RTO"). On September 22, 2015, the Company resumed trading on the Canadian Securities Exchange at the opening of the market on September 23, 2015 under the new symbol "LAG".

On June 9, 2017 the Company changed its name to Isodiol International Inc and trades under the new symbol "ISOL" on the Canadian Securities Exchange. The Company is a manufacturer and developer of phytochemical consumer products using pharmaceutical and nutraceutical grade phytochemical compounds.

Effective July 24, 2018, the Company completed a share consolidation of its share capital on the basis of ten existing common shares for one new common share.

All information in these consolidated financial statements is presented on a post-share consolidation basis, including the number and exercise price of all share options and warrants.

The Company's registered and records office is at 1500, 1055 West Georgia Street, Vancouver, BC V6E 4N7. The corporate head office is at 2710 – 200 Granville Street, Vancouver, BC V6C 1S4.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. During the year ended March 31, 2019, the Company's operations did not generate positive cash flows, the Company incurred a net loss of \$125,913,014 (2018 - \$36,020,873) and the Company had an accumulated deficit of \$175,809,960 (2018 - \$49,896,946). The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions indicate the existence of a material uncertainty that may give rise to significant doubt about the entity's ability to continue as a going concern.

### 2. BASIS OF PREPARATION

#### Statement of Compliance

These consolidated financial statements for the year ended March 31, 2019, have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on August 15, 2019.

#### Basis of Consolidation and Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 2. BASIS OF PREPARATION - (CONTINUED)

#### Basis of Consolidation and Presentation (continued)

These consolidated financials incorporate the financial statements of the Company and its wholly controlled subsidiaries, ISO International, LLC, a company incorporated under the Limited Liability Companies Act of the state of Wyoming, Laguna Blends (USA) Inc. ("Laguna USA"), a company incorporated in the State of Nevada and extra-provincially registered in British Columbia, Laguna Blends (Canada) Inc. ("Laguna Canada"), a company incorporated in British Columbia, The Bradley's Brand, Inc, a company incorporated in the state of Arizona, IsoBev, Inc. a company incorporated in the state of Florida, Isobev International Inc. a company incorporated in British Columbia, Isolabs International Inc. a company incorporated in British Columbia, Iso-sport International Inc. a company incorporated in British Columbia, C3 Global Biosciences, Inc., a company incorporated in the state of Nevada, and Purodiol do Brasil Ltda., a Company incorporated in Brazil. During the year ended March 31, 2019, the activities from the date of acquisition to the date of disposal included BSPG Laboratories Ltd., a Company incorporated in the United Kingdom, Azure Bottling LLC, a Company incorporated in Florida and Kure Corp. a Company incorporated in Florida. The activities of these subsidiaries were classified as discontinued operations for the year ended March 31, 2019.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The table below lists the Company's subsidiaries and investments in affiliates that exist at March 31, 2019.

Subsidiary	Ownership %	Accounting method
ISO International, LLC	100%	Consolidation
Laguna Blends (USA) Inc.	100%	Consolidation
Laguna Blends (Canada) Inc.	100%	Consolidation
Isolabs International Inc.	100%	Consolidation
Iso-Sport International Inc.	100%	Consolidation
The Bradley's Brand, Inc.	100%	Consolidation
C3 Global Biosciences, Inc.	100%	Consolidation
IsoBev, Inc.	100%	Consolidation
IsoBev International Inc.	100%	Consolidation
Purodiol do Brasil Ltda.	99%	Consolidation

#### Use of Estimates and Judgments

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

#### Critical Accounting Judgments

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 2. BASIS OF PREPARATION (CONTINUED)

Use of Estimates and Judgments (continued)

#### *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 operates 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 indications of impairment and estimates used to measure impairment losses where necessary.

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

#### *Convertible notes*

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Reclassification

For comparability with the current year's presentation of share-based payments, the Company has reclassified accounts payable of \$3,809,772 recorded as of March 31, 2018, to acquisitions payable. This reclassification did not have an impact on stockholders' equity or net comprehensive loss.

The significant accounting policies used in the preparation of these consolidated financial statements are as set out below and have been applied consistently in all material respects.

#### Financial Instruments

##### (i) Financial assets

The Company initially recognizes a financial asset on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Upon recognition of a financial asset, classification is made based on the business model for managing the asset and the asset's contractual cash flow characteristics. The financial asset is initially recognized at its fair value and subsequently measured as (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). Financial assets are classified as FVTPL if they have not been classified and measured at amortized cost or FVOCI. Upon initial recognition of an equity instrument that is not held-for-trading, the Company may irrevocably designate the presentation of subsequent changes in the fair value of such equity instrument as FVTPL.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company has classified all of its non-derivative financial assets as financial assets measured at amortized cost, except for the consideration receivable and the holdback receivable, which are classified as FVTPL. The Company has not classified any financial assets as FVOCI.

##### *Financial assets measured at amortized cost*

A non-derivative financial asset is measured at amortized cost when both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any directly attributable transaction costs and measured at amortized cost using the effective interest method subsequent to initial recognition. Financial assets measured at amortized cost are cash and cash equivalents, short term investments and accounts receivable.

##### (ii) Financial liabilities

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. All financial liabilities are measured at amortized cost, except for any financial liabilities measured at FVTPL. A financial liability may no longer be reclassified subsequent to initial recognition. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or when they expire.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

#### (v) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Share Purchase Warrants issued in conjunction with a convertible debt are allocated a proportion value of the equity component and included within contributed surplus.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

#### Intangible assets

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. Product development costs are amortized on a straight-line basis over 5 years. Domain names, Skin care formulations, Trademarks and sales platform technology is amortized on a straight-line basis over 20 years. Licenses are amortized on a straight-line basis over 7 to 12 years.

Intangibles with an indefinite useful life are not amortized until its useful life is determined to be no longer indefinite. If the useful life is determined to be finite, the intangible is tested for impairment and the carrying amount is amortized over the remaining useful life in accordance with intangibles subject to amortization. Indefinite-lived intangibles are tested for impairment annually and more frequently if events or circumstances indicate that it is more-likely-than-not that the asset is impaired. The Company has not recognized any intangible assets with an indefinite useful life.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Goodwill**

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquire at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses.

#### **Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts**

The Company's revenue consists solely of product sales and as such, 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.

Accounts receivable consist of amounts due from customers and are recorded upon the sale of product to customers. Credit terms are extended to customers in the normal course of business and no collateral is required. The Company estimates an allowance for doubtful accounts based on expected credit loss, the existing economic conditions and the financial stability of its customers. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

#### **Inventory**

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method, which under the circumstances, management believes will provide for the most practical basis for the measurement of periodic income. Management periodically reviews inventory for slow moving or obsolete items and considers net realizable value based on the Company's marketing strategies and sales forecasts to determine if an allowance is necessary. If net realizable value is below cost, then an allowance is created to adjust the carrying amount of inventory.

#### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Equipment

Equipment items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate. Depreciation is recognized using the declining balance method at the following annual rates:

Office equipment	Declining-Balance	20%
Computer Equipment	Declining-Balance	55%
Leasehold Improvements	Declining-Balance	20%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance expense.

#### Basic and Diluted Loss per Share

Basic losses per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted losses per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by the application of the treasury stock method. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive.

#### Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as contributed surplus.

#### Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent corporation, which is based in Canada, is the Canadian dollar. The functional currency of the Company's U.S. subsidiaries is the United States dollar. The functional currency of each entity was determined giving consideration to the currency of denomination of the main sources of financing and revenue, the currency in which costs incurred to generate revenue are denominated, and the currency in which cash is received and held.

Transactions in currencies other than the entity's local currency are recorded at exchange rates prevailing on the date of the transaction. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in a foreign currency are translated at the rate of exchange prevailing at the statement of financial position date, while non-monetary assets and liabilities are translated at the exchange rate prevailing on the transaction date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transaction. Exchange gains and losses arising on translation are included in the statement of comprehensive loss or income.

#### Income taxes

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the recognized amount of the identifiable assets and liabilities assumed, all measured at the acquisition date.

Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

#### Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development or use or sell the asset. Other development expenditures are expensed as incurred.



# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Accounting standard anticipated to be effective

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

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

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

#### Changes in significant accounting policies and adoption of new accounting standards

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

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

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

##### (i) Classification

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Changes in significant accounting policies and adoption of new accounting standards (continued)

##### (i) Classification (continued)

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

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

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

#### *IFRS 15 Revenue from Contracts with Customers*

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

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

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

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 4. FIXED ASSETS

From continuing operations:

	Office equipment	Computer equipment	Vehicles	Total Equipment	Leasehold Improvements
<b>Cost</b>					
Balance, March 31, 2017	\$ 59,331	\$ -	\$ -	\$ 59,331	\$ -
Additions	718,305	130,055	-	848,360	359,217
Balance, March 31, 2018	\$ 777,636	\$ 130,055	\$ -	\$ 907,691	\$ 359,217
Additions	618,692	107,018	80,023	805,733	126,949
<b>Balance, March 31, 2019</b>	<b>\$ 1,396,328</b>	<b>\$ 237,073</b>	<b>\$ 80,023</b>	<b>\$ 1,713,424</b>	<b>\$ 486,166</b>
<b>Accumulated depreciation</b>					
Balance, March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization for the year	106,524	32,818	-	139,342	32,319
Impairment	-	-	-	-	36,028
Balance, March 31, 2018	\$ 106,524	\$ 32,818	\$ -	\$ 139,342	\$ 68,347
Amortization for the year	189,416	108,737	8,004	306,157	68,930
<b>Balance, March 31, 2019</b>	<b>\$ 295,940</b>	<b>\$ 141,555</b>	<b>\$ 8,004</b>	<b>\$ 445,499</b>	<b>\$ 137,277</b>
<b>Carrying amounts</b>					
As at March 31, 2018	\$ 671,112	\$ 97,237	\$ -	\$ 768,349	\$ 290,870
As at March 31, 2019	\$ 1,100,388	\$ 95,518	\$ 72,019	\$ 1,267,925	\$ 348,889

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 4. FIXED ASSETS (CONTINUED)

From discontinued operations:

	Office equipment	Computer equipment	Total Equipment	Leasehold Improvements
<b>Cost</b>				
Balance, March 31, 2018 and 2017	\$ -	\$ -	\$ -	\$ -
Assets acquired on acquisition	1,296,126	1,922,229	3,218,355	3,217,813
Additions	2,133,016	543,306	2,676,322	501,597
Disposal of businesses	(3,429,142)	(2,465,535)	(5,894,677)	(3,719,410)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Accumulated depreciation</b>				
Balance, March 31, 2018 and 2017	\$ -	\$ -	\$ -	\$ -
Amortization for the year	125,630	186,316	311,946	250,970
Disposal adjustment	(125,630)	(186,316)	(311,946)	(250,970)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Carrying amounts</b>				
As at March 31, 2019 and 2018	\$ -	\$ -	\$ -	\$ -

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 5. RECEIVABLES

Receivables recognized on the statement of financial position are comprised of:

	March 31, 2019	March 31, 2018
Sales tax recoverable*	\$ 672,721	\$ 630,003
Trade receivables, net	2,815,680	1,039,937
Proceeds on sale of BSPG (note 10)	9,212,454	-
Promissory note receivable**	683,685	-
Subscriptions receivable	-	7,000
<i>Accounts receivable</i>	<u>13,384,540</u>	<u>1,676,940</u>
<i>Long term receivable on sale of BSPG (note 10)</i>	<u>2,162,600</u>	<u>-</u>
	<u>\$ 15,547,140</u>	<u>\$ 1,676,940</u>

\*Sales tax receivable is due from Canadian government taxation authorities.

\*\*On December 1, 2018, the Company entered into a promissory note agreement with Kure Corp. for a total of USD\$500,000 plus annual interest earned at the IRS US federal rate. The promissory note is due by the earlier of (i) November 30, 2019, (ii) 120 days from the effective date of a spin out transaction, or (iii) the completion of a financing by the borrower in the amount of not less than USD\$1,000,000.

Current amounts receivable have maturities of less than one year and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's net receivable balance is all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets. The Company expects all amounts to be subsequently received.

During the year ended March 31, 2019, the Company recognized bad debts expense of \$7,334,196 (2018 – \$418,559). Bad debt expense consists of the current year increase in allowance for doubtful accounts of \$2,037,944 (2018 - \$nil) over its trade receivables, directly writing-off trade receivables of \$3,432,057 for accounts that are no longer considered collectable at any point, and an increase in allowance for acquisition deposits receivable of \$1,864,195 pursuant to collectability concerns over investments in Round Mountain and Farmtiva which have been reclassified from acquisition deposits to receivables pursuant to the Company no longer moving forward with these acquisitions (Note 11).

### 6. INVENTORY

As at March 31, 2019, the Company's inventory balance consists of finished good merchandise ready for sale. During the year ended March 31, 2019, the Company expensed \$14,869,977 of inventory included within cost of goods sold.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 7. INVESTMENTS

The Company's investments are as follows:

	Carlsbad Naturals LLC	10330698 Canada Ltd.	Promedia Investments Inc.	Company shares held internally	Total
Balance, March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	865,024	-	-	618,750	1,483,774
Elimination on consolidation	-	-	-	(618,750)	(618,750)
<b>Balance, March 31, 2018</b>	<b>\$ 865,024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 865,024</b>
Additions	-	2,000,000	540,760	-	2,540,760
Loss on fair value	-	(64,500)	-	-	(64,500)
Foreign exchange impact	(4,069)	-	(6,240)	-	(10,309)
Asset impairment	(860,955)	-	-	-	(860,955)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ 1,935,500</b>	<b>\$ 534,520</b>	<b>\$ -</b>	<b>\$ 2,470,020</b>

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

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

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

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

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 8. LOANS RECEIVABLE

	Canadian National Pharma Group Inc.	Be Tru Organics, Inc.	Total
Balance, March 31, 2017	\$ -	\$ -	\$ -
Additions	850,000	379,235	1,229,235
Balance, March 31, 2018	\$ 850,000	\$ 379,235	\$ 1,229,235
Additions	401,951	210,309	612,260
Cash received on sale	(382,000)	-	(382,000)
Asset impairment	(351,951)	(589,544)	(941,495)
<b>Balance, March 31, 2019</b>	<b>\$ 518,000</b>	<b>\$ -</b>	<b>\$ 518,000</b>

During the year ended March 31, 2018, the Company entered into acquisition agreements to acquire Canadian National Pharma Group Inc. ("CN Pharma") and Be Tru Organics, Inc. During the year ended March 31, 2019:

- i) The Company terminated its acquisition agreement with Be Tru Organics, Inc., and determined that the remaining balance of \$382,000 was impaired and recorded the balance within asset impairments.
- ii) The Company terminated its acquisition agreement with CN Pharma and simultaneously entered into a settlement agreement to receive a portion of its investment for a total of \$900,000 to be received in three instalments over the next six months. As of March 31, 2019, \$518,000 is recognized within loans receivable. The uncollectible balance of \$351,951 was written off to asset impairments.

There is no interest charged or security held on each of these loans.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS

During the year ended March 31, 2019, additional goodwill arose over the acquisitions of Azure Bottling LLC, BSPG Laboratories Ltd. and Kure Corp. due to the benefit of expected revenue growth in the United Kingdom and the North American markets and future market development. These market benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes. All acquisitions were with arms-length parties. The Company also divested all three acquisitions during the year and has classified operational activities within discontinued operations in the consolidated statement of loss (Note 10).

The purchase price allocation for the acquisitions, as set forth in the tables below, reflect various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the valuation of trademarks, brands and licenses acquired and the residual goodwill. The Company assigned all excess value of the purchase price consideration to goodwill. The Company disposed of the operations within the measurement period and prior to finalizing the accounting for the original acquisition.

#### *Azure Bottling LLC*

On May 4, 2018, the Company acquired 100% of the shares of Azure Bottling LLC ("Azure") for USD\$1,000,000 cash paid upon closing, as well as USD\$350,000 in six months and USD\$1,000,000 in stock escrowed over 36 months. This transaction was accounted for as a business combination. The agreed consideration due in excess of the net assets of the acquired business was \$2,188,616 and is recognized in goodwill, summarized as follows:

Cash	\$	110,290
Accounts receivable		118,545
Other assets		1,081,898
Total assets	\$	1,310,733
Current liabilities		1,051,807
Net assets acquired	\$	258,926
Consideration consisting of:		
Cash payable (USD\$350,000)		461,646
Acquisition deposits applied (USD\$1,000,000)		1,318,989
Common shares (113,035)		666,907
Goodwill	\$	2,188,616



# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

On December 19, 2018, the Company sold Azure for a purchase price of USD\$1,000,000 and no ongoing commitments. As such, the Company wrote off all asset and liabilities related to Azure. Pursuant to the disposition of Azure, the Company recognized a loss on sale of business of \$1,132,807.

The following summarizes the loss on disposition of Azure:

	December 19, 2018
Cash	\$ 51,201
Accounts receivable	161,058
Other assets	1,216,639
Total assets	\$ 1,428,898
Current liabilities	720,564
Net assets disposed	\$ 708,334
Remove:	
Currency translation adjustment	11,332
Goodwill	2,188,616
Acquisition payable	(450,135)
	2,458,147
Proceeds on disposition	(1,325,340)
Loss on disposition of Azure	\$ 1,132,807

#### *Kure Corp*

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

Cash	\$ 1,367,149
Other assets	5,616,439
Total assets	\$ 6,983,588
Current liabilities	1,407,068
Net assets acquired	\$ 5,576,520
Consideration consisting of:	
Cash (USD\$1,000,000)	1,295,800
Common shares (2,380,952 – issued)	19,047,618
Common shares (Equal to USD\$25,000,000 Due January 1, 2019)	28,850,500
Common shares (Equal to USD\$10,000,000 Due January 1, 2020)	9,579,000
Goodwill	\$ 53,196,398

During the year ended March 31, 2019, the Company recognized in interest expense, \$5,080,000 on amortization of acquisitions payable to Kure.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

On March 29, 2019, the Company entered into a plan of arrangement to divest all of the issued and outstanding shares of Kure to the former Kure shareholders, and, in consideration for the Kure shareholders receiving their shares back, the Company was absolved of all of its current and long term acquisition payables.

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

The following summarizes the loss on distribution of Kure:

	March 29, 2019
Cash	\$ 511,620
Accounts receivable	45,470
Other assets	7,092,739
Total assets	\$ 7,649,829
Current liabilities	3,126,001
Net assets disposed	\$ 4,523,828
Remove:	
Currency translation adjustment	25,264
Goodwill	53,196,398
Acquisition payable	(43,509,500)
Loss on disposition of Kure	\$ 14,235,990

#### *BSPG Laboratories Ltd.*

On April 17, 2018, the Company, acquired 100% of BSPG Laboratories Limited ("BSPG") and 99% of Purodiol do Brasil Ltda. ("Purodiol") for a total agreement value of USD\$43,000,000 (to be settled with cash and common shares of the Company). Cash payments totalling USD\$13 million, of which, USD\$10.5-million was to be paid over the next 12 months with the remainder to be paid by July 31, 2019. On June 26, 2018, 2,130,249 common shares measured at a fair value of \$10.50 per share were issued to complete the acquisition of BSPG. This transaction with BSPG was accounted for as a business combination. The agreed consideration due in excess of the net assets of BSPG was \$35,959,482 and has been recognized in goodwill, summarized as follows:

Cash	\$ 33,402
Accounts receivable	1,598,195
Other assets	1,481,968
Total assets	\$ 3,113,565
Current liabilities	387,838
Net assets acquired	\$ 2,725,727
Consideration consisting of:	
Cash payable (USD\$10,500,000)	13,295,000
Acquisition deposits applied (USD\$2,500,000)	3,022,600
Common shares (Issued – 2,130,249)	22,367,609
Goodwill	\$ 35,959,482

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

On March 29, 2019, the Company entered into a definitive purchase agreement to sell BSPG for cash totalling USD\$14,000,000. Of the amount of cash receivable, USD\$4,500,000 will be paid directly towards the original acquisition payment described above. Pursuant to the disposition of BSPG, the Company recognized a loss on sale of business of \$19,790,816.

The following summarizes the loss on disposition of BSPG:

	March 29, 2019
Cash	\$ 361,635
Accounts receivable	272,467
Other assets	1,405,296
Total assets	\$ 2,039,398
Current liabilities	849,754
Net assets disposed	\$ 1,189,644
Remove:	
Currency translation adjustment	22,074
Goodwill	35,959,482
Acquisition payable	(6,013,350)
	31,157,850
Proceeds on disposition, net	(11,367,034)
Loss on disposition of BSPG	\$ 19,790,816

Total loss on sale of business for the year, summarized as follows:

	March 31, 2019	March 31, 2018
Azure	\$ 1,132,807	\$ -
Kure	14,235,990	-
BSPG	19,790,816	-
	\$ 35,159,613	\$ -

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

During the year ended March 31, 2018, goodwill arose in the acquisition of ISO International LLC, Culinary Coffee Roasters, The Bradley's Brand, Inc. and C3 Global Biosciences, Inc. due to the benefit of expected revenue growth in the North American market and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes. All acquisitions were with arms-length parties.

#### *ISO International LLC*

On May 15, 2017, the Company purchased 100% of ISO International LLC ("ISO") by issuing 3.75 million common shares, accounted for at their estimated fair value of \$1.20 per share and cash payments of USD\$6,000,000 (\$8,179,962).

The purchase price of ISO International, LLC was allocated as follows:

Net assets acquired	\$	1,789,550
Goodwill		10,890,412
Total purchase price (cash and common share value)	\$	12,679,962

For the period from May 15, 2017 to March 31, 2018, ISO International LLC had revenues of \$18,401,356, cost of goods sold of \$10,017,263, and general and administrative expenses of \$8,406,471, resulting in net income of \$33,347.

The net assets acquired included the following:

Cash and cash equivalents	\$	165,698
Amounts receivable		1,330,184
Prepays and deposits		470,615
Inventory		630,085
Intangible assets		612,568
Leasehold improvements		17,726
Investments		197,772
Furniture and equipment		121,254
Total assets	\$	3,545,902
Accounts payable and accrued liabilities	\$	646,417
Deferred revenue		850,904
Notes payable		259,032
Total liabilities	\$	1,756,353
Net assets acquired	\$	1,789,549

Net cash outflow on acquisition of ISO International, LLC

Consideration paid in cash to date	\$	(6,543,970)
Less: Cash and cash equivalents acquired		165,698
Net cash outflow	\$	(6,709,668)

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

#### *Culinary Coffee Roasters*

On October 20, 2017, the Company's wholly owned subsidiary IsoBev Inc. acquired 100% of the net assets of Culinary Coffee Roasters, LLC. In consideration for the acquisition, the Company issued 182,402 common shares measured at a fair value of \$3.15 per common share (US\$450,000 (\$574,565)). The Company had paid an additional USD\$50,000 for operating costs, which was included as intercompany receivable, eliminated on consolidation. This transaction was accounted for as a business combination. The consideration paid in excess of the net assets of the acquired business was \$337,555 and is recognized in goodwill, summarized as follows:

Fixed assets	\$	218,501
Machinery and equipment		18,509
Total assets	\$	237,010
Current liabilities		Nil
Net assets acquired	\$	237,010
Consideration		574,565
Goodwill	\$	337,555

#### *The Bradley's Brand, Inc.*

On November 22, 2017, the Company acquired 100% of the outstanding shares of The Bradley's Brand, Inc. The Company issued 154,680 common shares which were accounted for at their estimated fair value of \$487,242. This transaction was accounted for as a business combination. The consideration paid in excess of the net assets of the acquired entity was \$498,781 and is recognized in goodwill, summarized as follows:

Cash and deposits	\$	13,699
Total assets		13,699
Accounts payable and accrued liabilities	\$	25,237
Net liabilities acquired	\$	11,538
Consideration		487,242
Goodwill	\$	498,780

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 9. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

#### *C3 Global Biosciences, Inc.*

On December 8, 2017, the Company acquired 100% of C3 capital stock. The Company issued 114,189 common shares which were accounted for at their estimated fair value of \$1,061,958. This transaction was accounted for as a business combination. The consideration paid in excess of the net assets of the acquired entity was \$1,304,083 and is recognized in goodwill, summarized as follows:

Amounts receivable	\$	18,647
Furniture and equipment		10,165
Total assets	\$	28,812
Current liabilities	\$	265,461
Cheques issued in excess of cash balance		5,478
Total liabilities	\$	270,939
Net liabilities acquired		242,127
Consideration		1,061,958
Goodwill	\$	1,304,085

#### *Beverage trademarks and sales platform technology*

On June 12, 2017, the Company acquired the Pot-O-Coffee and Her Coffee trademarks and a Sales Platform Technology. The Company issued 2,093,750 common shares which were accounted for at their estimated fair value of \$1.20 per share and paid US\$250,000 (\$335,900) in cash consideration. The beverage trademarks and sales platform technology have been accounted for as intangible assets (see Note 12).

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 10. DISCONTINUED OPERATIONS

During the year ended March 31, 2019, the Company divested three of its wholly owned subsidiaries Azure, BSPG and Kure. Operational activities related to these entities have been separated disclosed in the consolidated statements of loss and comprehensive loss. Losses from the date of acquisition to the date of divesting are summarized as follows for each entity:

	Loss from discontinued operations	Translation adjustment attributable to discontinued operations	Total loss and comprehensive loss from discontinued operations
Azure Bottling LLC	\$ (601,921)	\$ (11,332)	\$ (613,253)
Kure Corp.	(1,366,743)	(25,264)	(1,392,007)
BSPG Laboratories Ltd	(3,330,910)	(22,074)	(3,352,984)
	\$ (5,299,574)	\$ (58,670)	\$ (5,358,244)

For the periods from acquisition to disposition, the cash flow information has been presented for each of the discontinued operations as follows:

	Azure For the period from May 4, 2018 to December 19, 2018	Kure For the period from May 1, 2018 to March 29, 2019	BSPG For the period from April 17, 2018 to March 29, 2019
Net cash flows provided by (used in) operating activities	\$ (451,779)	\$ (1,531,921)	\$ (356,650)
Net cash flows used in investing activities	(331,194)	(423,446)	(1,109,944)
Net cash flows provided by (used in) financing activities	735,216	1,125,102	1,816,901
Effect of exchange rate changes	(11,332)	(25,264)	(22,074)
Net cash flows provided by (used in) discontinued operations	\$ (59,089)	\$ (855,529)	\$ 328,233

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 10. DISCONTINUED OPERATIONS (CONTINUED)

On December 19, 2018, the Company entered into a share exchange and plan of arrangement to dispose of its 100% owned subsidiary, Azure Bottling LLC to Azure Water Bottling of Florida, LLC ("Azure Water"). Pursuant to the share exchange and plan of arrangement, the Company sold its equity to Azure Water for total proceeds of USD\$1,000,000 (received).

Set out below is the financial performance for the period from acquisition on May 4, 2018 up to the date of the share exchange and plan of arrangement, on December 19, 2018:

	For the period ended December 19, 2018
<b>Sales</b>	\$ 1,456,105
<b>Cost of goods sold</b>	<u>(876,636)</u>
<b>Gross profit</b>	579,469
<b>Total operating and administrative expenditures</b>	<u>(1,181,390)</u>
<b>Net loss for the period</b>	\$ <u>(601,921)</u>
Translation adjustment	<u>(11,332)</u>
<b>Net and comprehensive loss for the period</b>	\$ <u>(613,253)</u>



# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 10. DISCONTINUED OPERATIONS (CONTINUED)

On March 29, 2019, the Company entered into a plan of arrangement to distribute all of the issued and outstanding shares of Kure Corp. to the former Kure shareholders, and, in consideration for the Kure Shares, Isodiol was absolved of its February 1, 2019 obligation to issue to the former Kure shareholders Isodiol shares having a value of US\$25,000,000 and US \$10,000,000.

Set out below is the financial performance for the period from acquisition on May 1, 2018 up to the date of the share exchange and plan of arrangement, on March 29, 2019:

	For the period ended March 29, 2019
<b>Sales</b>	\$ 10,099,514
<b>Cost of goods sold</b>	<u>(3,784,907)</u>
<b>Gross profit</b>	6,314,607
<b>Total operating and administrative expenditures</b>	<u>(7,681,350)</u>
<b>Net loss for the period</b>	\$ <u>(1,366,743)</u>
Translation adjustment	<u>(25,264)</u>
<b>Net and comprehensive loss for the period</b>	<u>\$ (1,392,007)</u>

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 10. DISCONTINUED OPERATIONS (CONTINUED)

On March 29, 2019, the Company entered into a definitive purchase agreement to sell its 100% owned subsidiary, BSPG Laboratories Limited to Brains Bioceutical Corp. As a part of the transaction, Isodiol has secured an off-take supply agreement with the buyer to ensure continued distribution of its Purodiol and Isodiolex products.

Pursuant to the sale, cash payments to Isodiol will be as follows:

- a) US\$2,000,000 on or before March 31, 2019 (received);
- b) US\$3,000,000 on or before April 4, 2019 (subsequently received);
- c) US\$5,000,000 is due by June 26, 2019 (USD\$4.75M subsequently received),
- d) US\$2,000,000 is due by September 26, 2019, and
- e) US\$2,000,000 is due by September 2020

Payments to Isodiol, are net of USD\$4,500,000 being the remaining acquisition payments relating to the Company's acquisition of BSPG.

Set out below is the financial performance for the period from acquisition on May 4, 2018 up to the date of the definitive purchase agreement, on March 29, 2019:

	For the period ended March 29, 2019
<b>Sales</b>	\$ 2,189,860
<b>Cost of goods sold</b>	<u>(3,312,832)</u>
<b>Gross profit</b>	(1,122,972)
<b>Total operating and administrative expenditures</b>	<u>(2,207,938)</u>
<b>Net loss for the period</b>	\$ <u>(3,330,910)</u>
Translation adjustment	<u>(22,074)</u>
<b>Net and comprehensive loss for the period</b>	<u>\$ (3,352,984)</u>

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 11. ACQUISITION DEPOSITS

The Company has recognized advances paid towards acquisitions that have not completed, summarized as follows:

Balance, March 31, 2017	\$	-
Additions		
Cash paid towards the acquisition of BSPG Laboratories Inc.		3,022,600
Cash paid towards the acquisition of Purodiol trademarks (Note 12)		2,871,128
Cash paid towards the acquisition of Kure Corp.		1,295,800
Cash paid towards the acquisition of Azure Bottling LLC		1,330,500
Balance, March 31, 2018		8,520,028
Additions		
Common shares issued towards the acquisition of manufacturing facility assets (Note 12 and 18)	\$	2,500,000
Cash paid towards the acquisition of Farmtiva LLC		1,130,295
Cash paid towards the acquisition of Round Mountain		733,900
Deductions		
Acquisition deposits used on business acquisitions		(5,648,900)
Acquisition deposits used on intangible assets		(2,871,128)
Termination of manufacturing facility asses (Note 12 and 16)		(2,500,000)
Reclassification of Farmtiva LLC agreement (Note 5)		(1,130,295)
Reclassification of Round mountain agreement (Note 5)		(733,900)
Balance, March 31, 2019	\$	-

The Company entered into an agreement to acquire 51% of the outstanding shares of Farmtiva LLC on May 2, 2018 for US\$1,500,000 working capital contributions and US\$1,500,000 in stock subject to 36-month escrow. As at March 31, 2019, this acquisition had not completed and the Company is in the process of recovering its investment. This balance has been reclassified to accounts receivable and although the Company is actively seeking to recover its investment, an allowance for the balance has been recognized with a corresponding bad debt expense.

The company entered into an agreement to acquire 51% of the outstanding shares of Round Mountain Technologies LLC on June 12th, 2018 for US\$400,000 (USD\$330,000 paid to date) in working capital contributions and US\$250,000 in common shares. This balance has been reclassified to accounts receivable and although the Company is actively seeking to recover its investment, an allowance for the balance has been recognized with a corresponding bad debt expense.

In connection with the BSPG acquisitions (Note 9), the Company also completed the following on April 17, 2018, which were capitalized to intangible assets:

- issued an additional 500,000 common shares measured at a fair value of \$5.00 as payment towards manufacturing facility assets recognized within acquisition deposits (Note 18). The Company had also incurred prepayments towards the manufacturing facility totalling an additional \$1,524,499.
- paid USD\$500,000 to acquire three patents from Hankang Biotech Co. Ltd related to manufacturing and extraction methodologies. In Addition, the Company issued 452,915 common shares measured at a fair value of \$5.00 per share to a consultant of the Company (Note 18).

On November 30, 2018, the Company terminated its agreement with Hankang Biotech Co. Ltd and related payment towards the manufacturing patents related to manufacturing and extraction methodologies. As of March 31, 2019, the Company wrote off all capitalized costs included within asset impairments pursuant to this termination.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 12. INTANGIBLE ASSETS

	Licenses	Trademarks	Sales platform technology	Hankang IP	Product development	Skin care formulations	Domain names	Total
<b>Cost</b>								
Balance, March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	5,214,128	2,741,821	469,819	-	383,895	128,940	150,280	9,088,883
Balance, March 31, 2018	5,214,128	2,741,821	469,819	\$ -	\$ 383,895	\$ 128,940	\$ 150,280	\$ 9,088,883
Additions	3,406,761	7,771,875	-	2,921,026	-	-	-	14,099,662
Termination	(7,757,136)	-	-	(2,921,026)	-	-	-	(10,678,162)
Impairment (Note 16)	(863,753)	(10,513,696)	(469,819)	-	(383,895)	(128,940)	(150,280)	(12,510,383)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Accumulated amortization</b>								
Balance, March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	657,699	137,943	22,500	-	92,744	11,002	12,823	934,711
Balance, March 31, 2018	\$ 657,699	\$ 137,943	\$ 22,500	\$ -	\$ 92,744	\$ 11,002	\$ 12,823	\$ 934,711
Amortization for the year	949,336	525,688	23,492	97,368	76,780	6,448	7,516	1,686,628
Termination adjustment	(1,285,893)	-	-	(97,368)	-	-	-	(1,383,261)
Impairment adjustment	(321,142)	(663,631)	(45,992)	-	(169,524)	(17,450)	(20,339)	(1,238,078)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Carrying amounts</b>								
Balance, March 31, 2018	\$ 4,556,429	\$ 2,603,878	\$ 447,319	\$ -	\$ 291,151	\$ 117,938	\$ 137,457	\$ 8,154,172
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

#### Licenses

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

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 12. INTANGIBLE ASSETS (CONTINUED)

#### *Licenses (Continued)*

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

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

On July 26, 2018, the Company entered into a licensing agreement with Altis LLC for use of its research and development facility and information. As part of the licensing agreement, the Company paid a one-time licensing fee of \$293,963. This license fee is being amortized over 1 year (the effective term of the license agreement). Due to non-delivery, the Company has determined that this license was impaired and recognized \$73,490 within asset impairments.

#### *Trademarks*

The Company's trademarks consist of various brand names obtained through acquisition transactions during the year ended March 31, 2018 and the year ended March 31, 2019. Details of the significant carrying values attributed to trademarks acquired by the Company are as follows:

Trademark categories	Carrying value of trademarks
Purodiol trademarks	\$ 7,380,931
Beverage trademarks	2,258,379
Other trademarks	195,168
Culinary Coffee Roasters trademarks	15,587
Impairment	(9,850,065)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 12. INTANGIBLE ASSETS (CONTINUED)

#### *Trademarks (Continued)*

Purodiol acquisition consists of Purodiol trademarks and retention of the previous CEO of Purodiol who contains key product manufacturing and market knowhow. The acquisition of Purodiol has been accounted for as an asset acquisition, as the Company didn't meet the definition of a business in accordance with IFRS 3 Business Combinations. The fair value of the consideration paid has been capitalized as an intangible asset. 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 (Note 18). The Company applied an acquisition deposit of US\$2 million (\$2,871,128) paid in the year ended March 31, 2018. After recognizing an unrealized foreign exchange loss of \$242,856, the total additions came to \$7,771,875. As of March 31, 2019, the Company recognized a loss on impairment of \$7,380,931 due to indicators of impairment and no revenues earned on this asset to date.

### 13. GOODWILL

	Azure Bottling LLC (Note 9)	BSPG Laboratories Ltd. (Note 9)	Kure Corp. (Note 9)	ISO International LLC	C3 Biosciences Inc.	Culinary Coffee Roasters	The Bradley's Band Inc.	Total
<b>Cost</b>								
Balance, March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	10,890,412	1,304,083	337,555	498,781	13,030,831
Balance, March 31, 2018	\$ -	\$ -	\$ -	\$ 10,890,412	\$ 1,304,083	\$ 337,555	\$ 498,781	\$ 13,030,831
Additions	2,188,616	35,959,482	53,196,398	-	-	-	-	91,344,796
Disposal of business	(2,188,616)	(35,959,482)	(53,196,398)	-	-	-	-	(91,344,796)
Impairment of goodwill (Note 16)	-	-	-	(10,890,412)	(1,304,083)	(337,555)	(498,781)	(13,030,831)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### 14. LOANS PAYABLE

On August 30, 2018, the Company received a USD\$1,000,000 loan from a previous director of the Company and a USD\$900,000 loan from the previous President of ISO International LLC. The loans are due on demand at 2% interest per month, plus an upfront interest charge of \$100,000 at the outset of the loans. The loans are unsecured and to be used towards acquisition payments due. Interest expense of \$541,547 is accrued as of March 31, 2019. These loans were settled subsequent to year end.

During the year ended March 31, 2019, the Company paid \$nil (2018 - \$2,205) of interest in connection with the loans payable.

(Expressed in Canadian Dollars)

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# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 16. ASSET IMPAIRMENT

During the year ended March 31, 2019, the Company impaired assets with a total net carrying value of \$38,877,626, summarized as follows:

	March 31, 2019	March 31, 2018
Carlsbad (Note 7)	\$ 860,955	\$ -
Level Brands Inc. (Note 12)	5,121,800	-
Livecare Health Canada Inc. (Note 12)	232,293	-
IsoDerm (Note 12)	569,790	-
Hankang (Note 12)	2,823,658	-
Deposit on manufacturing facility (Note 11)	2,500,000	-
Prepaid expense related to Hankang (Note 11)	1,524,499	-
Canadian National Pharma Group Inc. (Note 8)	351,951	-
Be Tru Organics, Inc. (Note 8)	589,544	-
Intangible assets (Note 12)	11,272,305	-
Goodwill (Note 13)	13,030,831	-
	<u>\$ 38,877,626</u>	<u>\$ -</u>

During the year ended March 31, 2019, the Company terminated agreements related to licensing arrangements and patents and experienced delay in the development of business activities related to trademarks, sales platform technology, skin care formulations, domain names and other licenses. Management determined that indicators of impairment existed for all identifiable intangible assets and proceeded to perform impairment analyses whereby the recoverable amount of each of the identifiable intangible assets was compared to their respective carrying amounts. In all cases the recoverable amount was determined to be \$nil, the corresponding identified intangible asset was also recorded at \$Nil.

#### *Impairment of goodwill and intangible assets*

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

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

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

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

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

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

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

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



# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 17. CONVERTIBLE DEBT

On November 30, 2018, the Company completed a convertible debt financing for proceeds of \$6,000,000. The convertible debenture's are unsecured, bear interest at a rate of 8% per year, mature on November 29, 2020 and are convertible into common shares of the Company at a price of \$2.15 per common share.

In the event of a pending change in control, or merger, the convertible debt lender will have the right to require the borrower to (i) purchase the convertible debt at 104% of the then outstanding principal plus any unpaid interest thereon, (ii) if the change in control or merger results in a new issuer, convert the debt into a replacement debt of the new issuer in the amount that is 104% of the principle amount then outstanding on substantially equivalent terms, or (iii) convert the debentures at the conversion price. In addition, the Company will have the right to compel the conversion of the Convertible Debentures in the event that the daily volume weighted average trading price of the common shares exceeds \$3.00 per Common Share for 20 consecutive trading days after December 31, 2019.

In addition, the Company granted 233 Common Share purchase warrant ("Warrants") for each \$1,000 underlying the Convertible Debentures for a total of 1,398,000 warrants. Each Warrant will be exercisable into one Common Share at an exercise price of \$2.75 for a period of 24 months.

The convertible debentures are accounted for as compound financial instruments, consisting of a debt instrument, an equity conversion feature and warrant. The fair value of the debt instrument was estimated using 15% representing the interest rate that would be applicable to a non-compound debt instrument. The debt is carried at amortized cost and amortized over the life of the debt using the effective interest method. The excess of the proceeds over the value assigned to the debt instrument was proportionately allocated to the equity component of the convertible debentures and the warrant. The following table summarizes the Company's convertible debentures as at March 31, 2019:

<b>Balance, March 31, 2018 and 2017</b>	<b>\$</b>	<b>-</b>
Proceeds on issuance of convertible debt, net of fees		5,535,000
Allocation to equity component		(606,624)
Allocation to warrant component		(130,616)
Amortization of debt (included in interest expense)		392,200
<b>Balance, March 31, 2019</b>	<b>\$</b>	<b>5,189,960</b>

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 18. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common without par value.

b) Issued share capital

On July 24, 2018, the Company completed a share consolidation of its share capital on the basis of ten existing common shares for one new common share.

All information in these consolidated financial statements is presented on a post-share consolidation basis, including the number and exercise price of all share options and warrants.

Changes in the issued common shares of the Company during the year ended March 31, 2019 and 2018, were as follows:

During the year ended March 31, 2019:

- i) 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 is included in subscriptions receivable and will be reversed through share capital once these shares have been returned to treasury. 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.
- ii) On June 26, 2018, the Company issued 2,130,249 common shares measured at a fair value of \$10.50 per share pursuant to the BSPG acquisition (Note 9). The Company issued 20,000 common shares as finder's fees at a fair value of \$10.50 per share. The shares were measured as of the date of acquisition, April 17, 2018;
- iii) On June 26, 2018, the Company issued 255,630 common shares measured at a fair value of \$10.50 per share pursuant to the Purodiol do Brasil Ltda. acquisition (Note 12). The shares were measured as of the date of acquisition, April 17, 2018;
- iv) On June 26, 2018, the Company issued an additional 500,000 common shares measured at a fair value of \$5.00 as payment towards manufacturing facility assets (Note 12). The shares were measured as of the date of issuance, June 26, 2018;
- v) On June 26, 2018, the Company issued 452,915 common shares measured at a fair value of \$5.00 per finder's-fee share to consultants of the Company pursuant to the acquisition of three patents from Hankang Biotech Co. Ltd. (Note 12). The shares were measured as of the date of transfer of title of the patents, June 26, 2018;
- vi) On May 4, 2018, the Company issued 113,035 common shares to acquire Azure Bottling LLC. The shares were measured at a fair value of \$5.90 (Note 9). The shares were measured as of the date of acquisition, May 4, 2018;
- vii) On April 30, 2018, the Company issued 2,380,952 common shares to acquire Kure Corp. The Shares were measured at a fair value of \$8.00 (Note 9). The shares were measured as of the date of acquisition, May 4, 2018;
- viii) On May 30, 2018, the Company issued 88,749 common shares pursuant to the Level Brands Inc. licensing agreement measured at a fair value of \$10.60 per share (Note 12);
- ix) On September 25, 2018, the Company issued 52,632 common shares pursuant to the Livecare Health Canada Inc. licensing agreement measured at a fair value of \$4.75 per share (Note 12).
- x) On November 26, 2018, the Company issued 469,753 common shares pursuant to the Level Brands Inc. licensing agreement measured at a fair value of \$4.17 per share (Note 12);

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 18. SHARE CAPITAL - (Continued)

#### b) Issued share capital (continued)

- xi) On December 13, 2018, the Company issued 110,158 common shares pursuant a legal settlement agreement measured at a fair value of \$1.20 per share included in professional fees;
- xii) On January 25, 2019, the Company issued 81,054 common shares pursuant a legal settlement agreement measured at a fair value of \$1.64 per share included in professional fees;
- xiii) On February 8, 2019, the Company issued 500,000 common shares pursuant to the Level Brands Inc. settlement agreement measured at a fair value of \$1.47 per share included in impairment of assets;
- xiv) During the year ended March 31, 2019, the Company issued the following, pursuant to consulting agreements recognized within consulting fees expense:
  - 51,648 common shares measured at a fair value of \$9.10 per share;
  - 6,000 common shares measured at a fair value of \$10.00 per share;
  - 9,036 common shares measured at a fair value of \$8.30 per share;
  - 200,000 common shares measured at a fair value of \$1.50 per share;
  - 439,220 common shares measured at a fair value of \$4.10 per share;
  - 60,597 common shares measured at a fair value of \$1.65 per share; and
  - 6,643,759 common shares measured at a fair value of \$1.46 per share.
- xv) During the year ended March 31, 2019, the Company issued common shares pursuant to option exercises:
  - 40,000 common shares measured at a fair value of \$3.15 per share;
  - 60,000 common shares measured at a fair value of \$1.60 per share;
  - 20,000 common shares measured at a fair value of \$1.50 per share;
  - 200,000 common shares measured at a fair value of \$2.05 per share;
  - 200,000 common shares measured at a fair value of \$1.50 per share;
  - 37,000 common shares measured at a fair value of \$3.15 per share; and
  - 100,000 common shares measured at a fair value of \$2.05 per share.
- xvi) During the year ended March 31, 2019, the Company issued common shares pursuant to a warrant exercise:
  - 77,033 common shares measured at a fair value of \$2.50 per share;
- xvii) As of March 31, 2019, the Company has collected \$400,890 pursuant to a private placement completed subsequent to year end (Note 26).

During the year ended March 31, 2018:

- i. On April 2, 2017, the Company issued 1,563 common shares measured at a fair value of \$1.60 per share for a total of \$2,500 in exchange for consulting services with unrelated parties.
- ii. On May 15, 2017, the Company issued 3,750,000 common shares measured at a fair value of \$1.20 per share pursuant the Isodiol International LLC acquisition. In connection with the acquisition, the Company issued 1,056,550 common shares measured at a fair value of \$1.20 per share as a finder's fee.
- iii. On May 19, 2017, the Company completed a non-brokered private placement by issuing 1,870,930 units at a price of \$1.20 per unit for total proceeds of \$2,245,116. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at \$2.50 for a period of 24 months.
- iv. On June 12, 2017, the Company issued 2,093,750 common shares measured at a fair value of \$1.20 per share pursuant to the Pot-O-Coffee acquisition.
- v. On June 16, 2017, the Company completed a non-brokered private placement by issuing 1,584,970 units at a price of \$1.20 per unit for total proceeds of \$1,901,963. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$2.50 for a period of 24 months.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 18. SHARE CAPITAL - (Continued)

#### b) Issued share capital (continued)

- vi. On July 19, 2017, the Company issued 4,270,231 common shares to Officers, Directors, and consultants of the Company measured at a fair value of \$1.50 per share in connection with acquisitions and the restructuring of the Company.
- vii. On September 12, 2017, the Company completed a non-brokered private placement by issuing 401,241 units at a price of \$2.50 per unit for total proceeds of \$1,003,103. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$7.50 for a period of 24 months.
- viii. On September 12, 2017, the Company issued 233,333 common shares to consultants of the Company measured at a fair value of \$2.20 per share in connection with acquisitions and the restructuring of the Company.
- ix. On October 27, 2017, the Company issued 5,500 common shares to a consultant of the Company measured at a fair value of \$2.00 per share in connection with marketing services.
- x. On November 23, 2017, the Company completed a non-brokered private placement by issuing 2,484,819 units at a price of \$2.50 per unit for total proceeds of \$6,212,047. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$7.50 for a period of 12 months.
- xi. On December 4, 2017, the Company completed a non-brokered private placement by issuing 1,218,378 units at a price of \$7.40 per unit for total proceeds of \$9,015,996. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$7.50 for a period of 36 months.
- xii. On December 6, 2017, the Company issued 17,007 shares measured at a fair value of \$14.70 per share to settle loan amounts of \$250,000.
- xiii. On December 14, 2017, Company issued 232,402 common shares measured at a fair value of \$3.15 per share in connection with the Culinary Coffee Roasters LLC asset purchase agreement.
- xiv. On December 21, 2017, the Company completed a non-brokered private placement by issuing 1,600,000 units at a price of \$12.50 per unit for gross proceeds of \$20,000,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$20.00 for a period of 24 months.
- xv. On January 2, 2018, the Company completed a non-brokered private placement by issuing 826,000 units at a price of \$12.50 per unit for gross proceeds of \$10,325,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$20.00 for a period of 24 months.
- xvi. On January 15, 2018, the Company issued 3,175 common shares measured at a fair value of \$3.15 per share for a total of \$10,000 in exchange for consulting services with unrelated parties.
- xvii. On January 15, 2018, the Company issued 22,355 common shares measured at a fair value of \$74,362 exchange for consulting services with unrelated parties.
- xviii. On January 15, 2018, the Company issued 100,000 common shares measured at a fair value of \$9.75 per share for a total of \$975,000 in exchange for consulting services with unrelated parties.
- xix. On January 15, 2018, the Company issued 1,030 common shares measured at a fair value of \$14.60 per share for a total of \$15,038 in exchange for marketing services with unrelated parties.
- xx. On January 22, 2018, the Company issued 167,932 common shares measured at a fair value of \$14.90 per share pursuant to the Level Brands, Inc. licensing agreement.
- xxi. On January 22, 2018, the Company issued 154,680 common shares measured at a fair value of \$3.15 per share pursuant to The Bradley's Brand, Inc. purchase agreement dated November 20, 2017. The Company also issued 15,468 common shares as a finder's fee measured at a fair value of \$3.15 per share pursuant to the acquisition.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 18. SHARE CAPITAL - (Continued)

#### c) Issued share capital (continued)

- xxii. On March 27, 2018, the Company issued 114,189 common shares measured at a fair value of \$9.30 per share pursuant to the C3 Global Biosciences, Inc. purchase agreement dated December 8, 2017. The Company also issued 40,000 common shares as a finder's fee measured at a fair value of \$9.30 per share pursuant to the acquisition.
- xxiii. During the year ended March 31, 2018, the Company issued 2,116,412 common shares for proceeds of \$5,633,497 pursuant to the exercise of warrants.
- xxiv. During the year ended March 31, 2018, the Company issued 360,000 common shares for proceeds of \$720,250 pursuant to the exercise of options.

#### c) Escrow shares

On September 18, 2015, the Company entered into a stock restriction agreement whereby 300,000 common shares were placed into escrow. These shares were released from escrow beginning on September 21, 2016 as to 30,000 shares and an additional 45,000 shares every 6 months thereafter until September 21, 2019. As at March 31, 2019, 45,000 common shares were held in escrow.

#### d) Warrants

The continuity of warrants for the years ended March 31, 2019 and 2018, is summarized below:

	Number	Weighted Average Exercise Price
Balance, March 31, 2017	2,178,555	\$3.30
Issued	10,094,338	\$2.80
Expired	(1,119,719)	\$12.10
Exercised	(2,116,412)	\$1.50
Balance, March 31, 2018	9,036,762	\$9.70
Issued	3,863,753	\$7.38
Expired	(2,484,819)	\$7.50
Exercised	(77,032)	\$2.50
Balance, March 31, 2019	10,338,664	\$9.41

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 18. SHARE CAPITAL - (Continued)

#### d) Warrants (continued)

At March 31, 2019, the Company had 10,338,664 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Price	Expiry Date
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
2,465,753	\$10.00	May 25, 2021
826,000	\$20.00	January 2, 2020
1,398,000	\$2.75	November 30, 2020
1,218,378	\$7.50	December 4, 2020
10,338,664		

*\*Subsequent to period end, these warrants expired unexercised.*

As at March 31, 2019, the weighted average remaining contractual life of all warrants outstanding was 1.18 years.

The fair value of warrants issued was determined on the date of issuance based upon the average of the pro-rata method and the Black-Scholes Option Pricing Model using the following assumptions:

	March 31, 2019	March 31, 2018
Risk-free interest rate	2.08%	1.18%
Annualized volatility	130%	85%
Expected dividend yield	0.00	0.00
Expected warrants life in years	2.0	2.0

#### e) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, officers, employees and consultants to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount, subject to a minimum exercise price of \$1.00. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors. Pursuant to the regulations of the CSE, stock options may be granted outside of the stock option plan.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 18. SHARE CAPITAL - (Continued)

#### e) Stock options (continued)

The continuity of options for the years ended March 31, 2019 and 2018, is summarized below:

	Number	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2017	199,000	\$1.80
Granted	1,915,000	\$2.20
Expired	(30,000)	\$7.00
Cancelled	(4,000)	\$7.00
Exercised	(360,000)	\$1.80
Outstanding and exercisable, March 31, 2018	1,720,000	\$2.22
Granted	142,000	\$3.95
Expired	(30,000)	\$1.60
Exercised	(657,000)	\$1.95
Outstanding and exercisable, March 31, 2019	1,175,000	\$2.60

At March 31, 2019, 1,175,000 share purchase options were 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
60,000	\$1.50	*April 4, 2019
600,000	\$2.05	*June 16, 2019
373,000	\$3.15	September 1, 2019
142,000	\$3.95	September 14, 2023
1,175,000		

*\*Subsequent to year end, these options expired unexercised*

The weighted average remaining life for the options outstanding and exercisable at March 31, 2019 is 0.78 years.

During the year ended March 31, 2019, stock-based compensation in the amount of \$483,545 (2018 - \$5,805,689) was recognized on the issuance of stock options to directors, officers and consultants.

The following weighted average Black-Scholes Option Pricing Model assumptions were used for the valuation of stock options:

	March 31, 2019	March 31, 2018
Risk-free interest rate	2.08%	1.79%
Expected life of options	5 years	2 years
Annualized volatility	130%	133%
Forfeiture rate	0.00%	0.00%

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19. RELATED PARTY DISCLOSURES

Key management personnel are the directors and officers of the Company. Management compensation transactions for the years ended March 31, 2019 and 2018 are summarized as follows:

	March 31, 2019	March 31, 2018
Management fees	\$ 3,638,662	\$ 1,634,315
Share based payments	98,750	2,651,595
<b>Total</b>	<b>\$ 3,737,412</b>	<b>\$ 4,285,910</b>

Included in accounts payable and accrued liabilities at March 31, 2019, are \$61,055 due directors and officers of the Company (2018 - \$nil)

During the year ended March 31, 2019, the Company paid \$341,182 (2018 - \$204,160) included in management fees to the CEO and Director of the Company pursuant to CEO and Director services provided. The Company issued 250,000 shares measured at a fair value of \$342,500 (2018 - \$867,138) included in management fees.

During the year ended March 31, 2019, the Company paid \$105,125 (2018 - \$132,000) included in consulting fees to the previous CFO and Director of the Company pursuant to CFO and Director services provided. The Company issued 100,000 shares measured at a fair value of \$150,000 (2018 - \$274,450) included in share-based payments.

During the year ended March 31, 2019, the Company paid \$106,250 (2018 - \$nil) included in management fees to the current CFO pursuant to CFO services provided. The Company issued 100,000 common shares measured at a fair value of \$410,000 (2018 - \$nil) included in management fees. The Company granted 25,000 options measured at a fair value of and \$98,750 (2018 - \$nil) included in share-based payments.

During the year ended March 31, 2019, the Company paid \$52,235 (2018 - \$114,082) included in consulting fees to a company controlled by a previous Director of the Company pursuant to Director services provided. The Company issued 100,000 common shares measured at a fair value of \$150,000 (2018 - \$600,000) included in management fees.

During the year ended March 31, 2019, the Company paid \$231,250 (2018 - \$1,081,581) to a company controlled by a previous Director of the Company pursuant to Director services provided. The Company granted nil options with a total fair value of \$nil (2018 - \$863,271) included in share-based payments. Following resignation of this director, the Company issued 1,000,000 shares pursuant to debt service transactions measured at a fair value of \$1,590,000 and included in consulting fees. In addition, the ex-director held loans due from the Company totaling \$1,534,989, including \$196,252 of accrued interest expense.

During the year ended March 31, 2019, the Company paid \$170,435 (2018 - \$nil) to a company controlled by a Director of the Company pursuant to Director services provided. The Company issued 250,000 shares with a total fair value of \$342,500 (2018 - \$nil) included in management fees.

During the year ended March 31, 2019, the Company paid \$13,316 (2018 - \$nil) to a company controlled by a Director of the Company pursuant to Director services provided. The Company issued 350,000 common shares with a total fair value of \$752,500 (2018 - \$nil) included in management fees.

During the year ended March 31, 2019, the Company issued 250,000 common shares with a total fair value of \$342,500 (2018 - \$nil) included in share-based payments to a Director of the Company pursuant to Director services provided.

During the year ended March 31, 2019, the Company paid \$128,869 and issued nil common shares (2018 - fair value of 1,822,237 common shares and cash paid - \$10,092,046) to a company controlled by a relative of a previous Director of the Company pursuant to consulting and acquisition advisory services provided.

During the year ended March 31, 2019, the Company issued nil common shares and granted nil options with a total fair value of \$nil (2018 - \$61,311) to former CEO, President, and Director of the Company. The Company paid \$nil in consulting fees (2018 - \$58,892) to the former officer and director.



# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 19. RELATED PARTY DISCLOSURES (CONTINUED)

During the year ended March 31, 2019, the Company paid \$nil (2018 - \$6,000) to the previous Corporate Secretary and Director pursuant to Corporate Secretary and Directors services provided.

During the year ended March 31, 2019, the Company paid \$nil (2018 - \$37,600) to a previous Director of the Company pursuant to Director services provided.

	March 31, 2019	March 31, 2018
Due from associated businesses	\$ -	\$ 121,708
Due from companies with a common director of the Company	-	1,946,863
<b>Total due from related parties</b>	<b>\$ -</b>	<b>\$ 2,068,571</b>
Due to a Company controlled by the previous President of ISO International LLC	\$ -	\$ 612,656
Due to companies with a common officer of the Company	685,803	-
<b>Total due to related parties</b>	<b>\$ 685,803</b>	<b>\$ 612,656</b>

### 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial Instruments

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

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial Instruments (continued)

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

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

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

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

At March 31, 2019 and March 31, 2018, cash is measured using Level 1 inputs. At March 31, 2018, the Company's investments were measured at Level 1. At March 31, 2019, the Company held \$1,935,500 in investments measured at Level 1 and \$534,520 at Level 2. During the year ended March 31, 2019 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers in and out of Level 3 fair value measurements.

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

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

#### Financial risk factors

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

##### *Liquidity risk*

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

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

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Financial Instruments (continued)

#### Financial risk factors (continued)

##### *Credit risk*

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

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

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

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

##### *Market risk*

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

##### a) Interest rate risk

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

##### b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies.

### 21. CAPITAL MANAGEMENT

The Company considers capital to be the elements of shareholders' equity and convertible debt. The Corporation's objectives when managing capital include (i) ensuring that the Corporation is able to meet its financial obligations as they become due, whilst ensuring compliance with all applicable debt covenants; (ii) ensuring that the Corporation has sufficient capital to manage business activities in each of its operating segments; (iii) ensuring that the Corporation has sufficient capital available to benefit from acquisition opportunities, should they arise; (iv) ensuring that the Corporation and all of its regulated entities meet relevant regulatory capital requirements; and (v) ensuring adequate returns for shareholders. The Corporation regularly assesses its capital management practices in response to changing economic conditions. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 22. SEGMENTED REPORTING

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

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

### 23. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	March 31, 2019	March 31, 2018
<b>Net loss for the year</b>	\$ (120,914,534)	\$ (36,160,820)
Expected tax recovery at a combined federal and provincial rate of 26.0% (2017 - 26.0%)	(32,647,000)	(9,401,813)
Change in statutory, foreign tax, foreign exchange rates and other	(77,000)	(175,131)
Non-deductible expenses	3,932,000	2,075,601
Sale of business and goodwill impairment	9,977,000	
Share issue costs	(238,000)	-
Adjustments to prior year estimates	(34,000)	-
Changes in unrecognized deductible temporary differences	18,786,000	7,208,866
<b>Total income tax (recovery) expense</b>	\$ (301,000)	\$ 292,477

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	March 31, 2019	March 31, 2018
<b>Deferred tax assets</b>		
Fixed assets	\$ (16,000)	\$ -
Leasehold improvements	(28,000)	
Convertible debt	(109,000)	
Non-capital losses	153,000	
<b>Net deferred tax liability</b>	\$ -	\$ -

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

### 23. INCOME TAXES (CONTINUED)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	March 31, 2019	Expiry date range	March 31, 2018	Expiry date range
<b>Temporary differences</b>				
Fixed assets	\$ 46,000	No expiry date	\$ -	No expiry date
Share issue costs	2,046,000	2040 to 2043	63,000	2040 to 2042
Intangible assets	23,189,000	No expiry date	-	No expiry date
Allowable capital losses	22,477,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	\$ 59,188,000	2035 to 2039	\$ 34,478,000	2035 to 2038

The following losses are available for utilization in future years:

	March 31, 2019	Expiry date range	March 31, 2018	Expiry date range
<b>Net operating losses</b>				
Canada	47,913,000	2035 to 2039	\$ 34,478,000	2035 to 2038
USA	12,243,000	2038 to 2039	-	2020 to 2033

Tax attributes are subject to review, and potential adjustment, by tax authorities.

As at March 31, 2019, the Company had \$nil (2018 - \$292,477) of U.S. income taxes payable.

### 24. COMMITMENTS

The Company has entered into various agreements that have resulted in the minimum financial commitments payable over the next three fiscal years as follows:

Commitment	2019	2020	2021
Rent Canada	\$ 215,416	\$ 316,146	\$ 321,561
Rent United States	357,998	357,998	-
<b>Total</b>	<b>\$ 573,414</b>	<b>\$ 674,144</b>	<b>\$ 321,561</b>

### 25. SUBSEQUENT EVENTS

Subsequent to March 31, 2019:

- i) On February 14, 2019, the Company entered into an acquisition agreement with CBD Naturals beverage brands and intellectual property portfolio from the Company's co-founder, Jared Berry.  
  
On May 13, 2019, the Company issued an aggregate number of shares of its common stock equal to USD\$8,500,000 for a total of 8,860,895 shares.  
  
On July 18, 2019, the Company terminated this acquisition, and is in the process of unwinding the transactions and cancelling the issuance of these shares.
- ii) On May 13, 2019, the Company completed a private placement with Jared Berry in the amount of USD \$500,000 for a total of 521,260 shares, issued May 13, 2019. At March 31, 2019, the Company had received \$400,890 in subscriptions in advance. The private placement shares are subject to CSE regulations and were priced as of the market close on February 13, 2019 at CDN \$1.27 per share.
- iii) On May 16, 2019, the Company issued 523,851 common shares pursuant to consulting agreements measured at a fair value of \$1.35 per share.

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 26. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows.

During the year ended March 31, 2019:

- i) The Company issued 2,380,952 common shares valued at \$19,047,618 pursuant to the Kure acquisition (Note 9);
- ii) The Company issued 113,035 common shares valued at \$666,907 pursuant to the Azure acquisition (Note 9);
- iii) The Company issued 2,130,248 common shares valued at \$22,667,610 pursuant to the BSPG acquisition (Note 9);
- iv) The Company issued 255,629 common shares valued at \$2,684,113 pursuant to the Purodiol acquisition (Note 12);
- v) The Company issued 500,000 common shares valued at \$2,500,000 pursuant to acquisitions deposits regarding manufacturing facility assets;
- vi) The company issued 452,915 common shares valued at \$2,264,576 pursuant the acquisition of three patents from Hankang Biotech Co. Ltd (Note 12);
- vii) The company issued 88,749 common shares valued at \$940,743 pursuant a license agreement with Level Brands, Inc. (Note 12);
- viii) The company issued 52,632 common shares valued at \$250,000 pursuant a license agreement with Livecare Health Canada Inc. (Note 12);
- ix) The Company issued 469,753 common shares valued at \$1,956,748 common shares pursuant to a licensing agreement with Level Brands Inc (Note 12);
- x) The Company issued 500,000 common shares valued at \$735,000 regarding termination of an agreement with Level Brands (Note 12);
- xi) The Company issued 81,054 common shares pursuant to a legal settlement for a total of \$132,190;
- xii) The Company transferred \$1,853,403 from reserves to share capital on exercise of stock options;
- xiii) The Company recognized equity components of \$737,240 on issuance of convertible debentures (Note 17);

During the year ended March 31, 2018:

- i) The Company issued 17,007 common shares measured at a fair value of \$250,000 as payment of 250,000 in loans payable;
- ii) The Company issued 4,806,650 common shares measured at a fair value of \$5,767,980 pursuant to the Isodiol International LLC acquisition;
- iii) The Company issued 2,093,750 common shares measured at a fair value of \$2,512,500 pursuant to the Pot-O-Coffee brands acquisition;
- iv) The Company issued 232,402 common shares measured at a fair value of \$574,565 pursuant to the Culinary Coffee Roasters acquisition;
- v) The Company issued 167,932 common shares measured at a fair value of \$2,502,188 pursuant to the Level Brands licensing agreement;

# ISODIOL INTERNATIONAL INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

(Expressed in Canadian Dollars)

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### 26. SUPPLEMENTAL CASH FLOW INFORMATION (CONTINUED)

- vi) The Company issued 170,148 common shares measured at a fair value of \$535,965 pursuant to the Bradley's Brands acquisition;
- vii) The company issued 154,189 common shares measured at a fair value of \$1,433,956 pursuant to the C3 Global Biosciences acquisition.
- viii) The Company acquired intangible assets measured at a fair value of \$2,173,780. This amount is included in accounts payable.
- ix) The Company acquired goodwill valued at \$1,619,238. This amount is included in accounts payable.