
ISODIOL INTERNATIONAL INC.

(FORMERLY LAGUNA BLENDS INC.)

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

(Expressed in Canadian Dollars)

	Page
Report of Independent Auditor	2
Statement of Financial Position	3
Statement of Loss and Comprehensive Loss	4
Statement of Cash Flows	5
Statement of Changes in Equity	6
Notes to the Financial Statements	7 - 32



Independent Auditor's Report

To the Shareholders of Isodiol International Inc. (formerly Laguna Blends Inc.)

We have audited the accompanying consolidated financial statements of Isodiol International Inc. (formerly Laguna Blends Inc.), which comprise the consolidated statements of financial position as at March 31, 2018 and March 31, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended March 31, 2018 and March 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Isodiol International Inc. (formerly Laguna Blends Inc.) as at March 31, 2018, and its financial performance and its cash flows for the year ended March 31, 2018 in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Isodiol International Inc. (formerly Laguna Blends Inc.) for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on July 31, 2017.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Isodiol International Inc.'s (formerly Laguna Blends Inc.) ability to continue as a going concern.

Vancouver, B.C.
July 30, 2018

"D&H Group LLP"

Chartered Professional Accountants

ISODIOL INTERNATIONAL INC.
(formerly LAGUNA BLENDS INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	March 31, 2018	March 31, 2017
ASSETS		
Current		
Cash	\$ 15,549,664	\$ 718,648
Prepaid expenses and deposits	475,223	59,297
Receivables (Note 5)	1,676,940	150,579
Inventory	1,839,439	430,915
Due from related parties (Note 15)	2,068,571	-
Loans receivable (Note 10)	1,229,235	-
Total current assets	22,839,072	1,359,439
Investments (Note 6)	865,024	860,955
Acquisition deposits (Note 9)	8,520,028	-
Fixed assets (Note 4)	768,348	-
Leasehold improvements (Note 4)	290,870	59,331
Intangible assets (Notes 7 & 11)	8,154,172	-
Goodwill (Note 11)	13,030,831	-
Total Assets	\$ 54,468,345	\$ 2,279,275
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 14)	\$ 5,380,654	\$ 125,328
Due to related parties (Note 15)	612,656	-
Income taxes payable	295,897	-
Loans payable (Notes 13 and 15)	-	250,000
Deferred revenue	409,127	-
Total current liabilities	6,698,334	375,328
Shareholders' equity		
Share capital (Note 14)	90,143,673	14,336,816
Reserves (Note 14)	7,663,231	1,443,654
Accumulated other comprehensive income	(139,947)	-
Accumulated Deficit	(49,896,946)	(13,876,073)
Total shareholder's equity	47,770,011	1,904,397
Total Liabilities and Shareholder's Equity	\$ 54,468,345	\$ 2,279,275

Nature of operations and going concern (Note 1)

Commitments (Note 21)

Events after the Reporting Period (Note 22)

Approved and authorized by the Board on July 30, 2018:

"Marcos Agramont"

Director

"Aman Parmar"

Director

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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		For the year ended March 31, 2018		For the year ended March 31, 2017
Sales	\$	19,137,266	\$	355,959
Cost of goods sold		10,253,530		229,243
Gross profit		8,883,736		126,716
Operating Expenses				
Consulting fees (Note 15)		13,051,465		1,690,524
Wages & Salaries		3,502,056		-
Commissions		938,196		-
Shipping costs		627,940		-
Advertising & promotions		1,612,816		-
Merchant fees		222,990		-
Research & development		602,560		136,831
Filing and transfer agent fees		96,209		40,700
Investor relations		234,581		355,104
Management fees (Note 15)		919,390		355,144
Office and administration		771,197		126,822
Insurance		130,240		14,124
Professional fees		562,589		231,488
Rent		349,301		43,598
Amortization		1,106,372		-
Share based compensation (Note 15)		5,805,689		130,451
Travel and promotions		1,137,859		379,464
Acquisition advisory fees		11,473,649		-
Warehouse supplies		64,879		36,478
Website expenses		35,174		38,984
		43,245,152		3,579,712
Loss from operations		(34,361,416)		(3,452,996)
Other income (expense)				
Loss on exchange rate		(215,551)		(12,949)
Bad debt		(418,559)		-
Interest expense (Note 13)		(2,205)		(71,568)
Impairment of assets (Note 12)		(730,665)		-
Impairment of licenses (Note 7)		-		(748,750)
Income tax expense		(292,477)		-
Net income (loss) for the year	\$	(36,020,873)	\$	(4,286,263)
Other comprehensive (loss) for the year		(139,947)		-
Net loss and comprehensive loss for the year	\$	(36,160,820)	\$	(4,286,263)
Basic and diluted loss per common share	\$	(1.73)	\$	(1.35)
Weighted average number of common shares outstanding		20,940,111		3,177,068

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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)

	For the year ended March 31, 2018		For the year ended March 31, 2017	
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	\$	(36,020,873)	\$	(4,286,263)
Items not involving cash:				
Shares issued for services		8,013,722		773,027
Shares issued for finder's fees		1,267,980		-
Share-based payments		5,805,689		130,451
Impairment of licenses		-		748,750
Impairment of assets		730,665		-
Bad debt		418,559		-
Amortization		1,106,372		-
Unrealized foreign exchange loss		215,551		-
Changes in non-cash working capital items:				
Receivables		(2,982,271)		(84,942)
Prepaid expenses and deposits		(415,926)		(23,732)
Inventory		(1,832,177)		(153,368)
Related parties receivable		(894,121)		-
Accounts payable and accrued liabilities		(206,024)		102,685
Deferred Revenues		409,127		-
Related parties payable		612,656		(41,666)
Income tax payable		295,897		-
Cash used in operating activities		(23,475,174)		(2,835,058)
CASH FLOWS FROM INVESTING ACTIVITIES				
Fixed assets (Note 4)		(848,359)		(328,955)
Leasehold improvements (Note 4)		(359,217)		(59,331)
Intangible assets (Note 7 & 11)		(1,078,510)		-
Goodwill		(4,771,174)		-
Acquisition deposits		(8,520,028)		-
Cash acquired on acquisition		161,541		-
Loans		(1,229,235)		-
Net cash used in investing activities		(16,644,982)		(388,286)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of common shares		56,657,974		3,841,593
Obligation to issue shares		-		400,000
Share issue costs		(1,566,855)		(50,415)
Proceeds from the issuance of loans payable		-		(355,000)
Cash provided by financing activities		55,091,119		3,836,178
Effect of exchange rate changes		(139,947)		-
Change in cash during the year		14,831,016		612,834
Cash, beginning of year		718,648		105,814
Cash, end of year	\$	15,549,664	\$	718,648
Cash paid during the year for interest	\$	2,205	\$	71,568
Cash paid during the year for income tax	\$	-	\$	-

Supplemental Cash Flow Information (Note 23)

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

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

	Share capital		Reserves			Currency translation reserve	Deficit	Total
	Number	Amount	Warrants	Obligation to issue shares	Stock-based compensation			
Balance, March 31, 2016	2,035,923	\$ 7,907,861	\$ 163,488	\$ -	775,715	\$ -	\$ (9,589,810)	\$ (742,746)
Shares issued for cash	1,949,029	3,460,991	-	-	-	-	-	3,460,991
Share issuance costs	-	(50,415)	-	-	-	-	-	(50,415)
Shares issued for services	430,060	798,027	-	-	(25,000)	-	-	773,027
Shares issued pursuant to options exercised	155,000	248,000	-	-	-	-	-	248,000
Shares issued pursuant to licensing agreement	428,254	748,750	-	-	-	-	-	748,750
Shares issued pursuant to warrants exercised	89,068	133,602	-	-	-	-	-	133,602
Shares issued pursuant to investment in Carlsbad	400,000	532,000	-	-	-	-	-	532,000
Shares issued pursuant to debt settlement	280,000	558,000	-	-	-	-	-	558,000
Share payments received	-	-	-	400,000	-	-	-	400,000
Share payments receivable	-	-	-	(1,000)	-	-	-	(1,000)
Stock-based compensation	-	-	-	-	130,451	-	-	130,451
Net Loss for the period	-	-	-	-	-	-	(4,286,263)	(4,286,263)
Balance, March 31, 2017	5,767,334	\$ 14,336,816	\$ 163,488	\$ 399,000	881,166	\$ -	\$ (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	6,400,488	9,714,486	-	-	-	-	-	9,714,486
Shares issued pursuant to debt settlement	17,007	250,000	-	-	-	-	-	250,000
Shares issued for finders' fees	1,056,650	1,267,980	-	-	-	-	-	1,267,980
Stock-based compensation	-	-	-	-	5,805,689	-	-	5,805,689
Shares held internally (not outstanding) (Note 6)	(428,254)	(618,750)	-	-	-	-	-	(618,750)
Comprehensive net income (loss) for the period	-	-	-	-	-	(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

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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Isodiol International Inc. (formerly Laguna Blends 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".

Effective January 6, 2016, the Company completed a consolidation of its common shares ("share consolidation") on the basis of one post-consolidation share for every 2.5 pre-consolidation common shares previously held.

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.

As a result of the share consolidation, the 301,343,473 common shares issued and outstanding were consolidated to 30,134,347 common shares.

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.

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.

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, 2018, the Company's operations did not generate positive cash flows, the Company incurred a net and comprehensive loss of \$36,160,820 and the Company had an accumulated deficit of \$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, 2018, 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").

These financial statements were authorized for issued by the Board of Directors on July 30, 2018.

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.

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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION - (Continued)

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, and C3 Global Biosciences, Inc., a company incorporated in the state of Nevada. 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.

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
Isodiol Latinoamerica, S. de R.L. de C.V.	50%	Equity
Carlsbad Naturals LLC	19%	Cost

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.

Business combinations

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

Functional currency

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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION - (Continued)

Use of Estimates and Judgments (Continued)

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

In estimating the fair value of inventory, management is required to consider anticipated selling prices and net realizable value of inventory on hand.

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

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

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

Impairment of tangible and intangible assets with limited lives is affected by judgments about impairment indicators 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: available for sale ("AFS"), loans and receivables, or at fair value through profit or loss ("FVTPL").

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Financial assets classified as loans and receivables are measured at amortized cost. Receivables, due from related parties, and loans receivable are classified as loans and receivables.

Financial assets classified as AFS are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At March 31, 2018 and 2017, the Company has not classified any assets as AFS.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, due to related parties, and loans payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At March 31, 2018 and 2017, the Company has not classified any financial liabilities as FVTPL.

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes product sales when it is probable that the economic benefits will flow to the Company, the goods are received by the customers and the significant risks and benefits of ownership are transferred, the price is fixed or determinable and collection of the resulting receivable is reasonably assured. Revenue is measured based on the price specified, net of sales commissions expenses, trade discounts and estimated returns at the time of sale. Historical experience is used to estimate allowances for returns.

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 historical losses, 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 realizability 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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Impairment of tangible and intangible assets (Continued)

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.

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.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

New standards not yet adopted

IFRS 9: Financial Instruments was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 15 on the Company's financial instruments has not yet been determined.

IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. The impact of IFRS 16 on the Company's financial instruments has not yet been determined.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

4. FIXED ASSETS

	Office equipment	Computer equipment	Total Equipment	Leasehold Improvements
Cost				
Balance, March 31, 2016	\$ -	\$ -	\$ -	\$ -
Additions	59,331	-	59,331	-
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
Accumulated depreciation				
Balance, March 31, 2016	\$ -	\$ -	\$ -	\$ -
Amortization for the period	-	-	-	-
Balance, March 31, 2017	-	-	-	-
Amortization for the period	106,524	32,818	139,342	32,319
Impairment	-	-	-	36,028
Balance, March 31, 2018	\$ 106,524	\$ 32,818	\$ 139,342	\$ 68,347
Carrying amounts				
As at March 31, 2017	\$ 59,331	\$ -	\$ -	\$ -
As at March 31, 2018	\$ 671,112	\$ 97,236	\$ 768,348	\$ 290,870

5. RECEIVABLES

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

	March 31, 2018	March 31, 2017
Sales tax recoverable	\$ 630,003	\$ 93,811
Subscription amounts receivable	7,000	-
Trade receivables	1,039,937	56,768
Balance, March 31, 2018	\$ 1,676,940	\$ 150,579

Sales tax receivable is due from Canadian government taxation authorities

All amounts are short-term 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 receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

6. INVESTMENTS

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 \$250,000 USD (\$328,955 CDN) for a total purchase price of \$860,955. Carlsbad is a private company without a quoted market price in an active market. The shares were initially measured at a fair value of \$860,955 and there has been no change during the period ended March 31, 2018. Management intends to evaluate the fair value of the investment at the end of each quarter.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

6. INVESTMENTS – (Continued)

During the period ended December 31, 2017, ISO international LLC, invested \$101,554 CDN into an early stage private entity, classified as a joint venture in Mexico. During the period ended March 31, 2018, the Company impaired this asset. The amount was included as an asset impairment (see Note 12).

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. During the year ended March 31, 2018, the Company reclassified the investment amount of \$618,750 as shares held internally.

7. LICENSES

During the year ended March 31, 2017, the Company signed an exclusive license and distribution agreement with ISO International LLC ("ISO") by issuing 428,254 common shares with a fair value of \$748,750. During the year ended March 31, 2018, the Company acquired a 100% interest in ISO (Note 8). As a result of the acquisition the license and distribution agreement are no longer in effect and as a result the balance was written off as at March 31, 2017.

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 \$300,000 (U.S.) payable over 180 days, along with continued minimum royalty payments predicated on product and territories.

The Company entered into a licensing agreement with Level Brands Inc. for an initial fee of US \$125,000 and initial share issuance equal to US \$2,000,000. Share issuances totalling US \$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).

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 \$125,000 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).

8. ACQUISITIONS

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 \$6,000,000 (U.S.).

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

Goodwill arose in the acquisition of ISO 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 this acquisition is expected to be deductible for tax purposes.

If the acquisition had occurred at the beginning of the period on April 1, 2017, management estimates the revenues of the Company would have been \$1.8 million higher for the year ended March 31, 2018.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. ACQUISITIONS - (Continued)

ISO International LLC (Continued)

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	\$	1,789,550

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)

Culinary Coffee Roasters, LLC

On October 20, 2017, the Company acquired 100% of the assets of Culinary Coffee Roasters, LLC. In consideration for the acquisition, the Company issued US\$450,000 worth of common shares.

The Bradley's Brand, Inc.

On November 22, 2017, the Company acquired a 100% interest in The Bradley's Brand, Inc. The Company issued 154,680 common shares which were accounted for at their estimated fair value of \$487,242.

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.

9. ACQUISITION DEPOSITS

During the year ended March 31, 2018, the Company paid deposits and advances for acquisitions which had closing dates subsequent to March 31, 2018 (Note 22) as follows:

	March 31, 2018
Cash paid towards the acquisition of Biosynthesis Pharma Group Limited	\$ 5,893,728
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

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

10. LOANS RECEIVABLE

During the year ended March 31, 2018, the Company entered into an acquisition agreement to acquire Canadian National Pharma Group Inc. At March 31, 2018, the acquisition had not closed. During the year ended March 31, 2018, the Company entered into an agreement to acquire Be Tru Organics, Inc., which was cancelled subsequent to year end. Amounts advanced to these parties were recorded as loans receivable as follows:

	March 31, 2018
Canadian National Pharma Group Inc.	\$ 850,000
Cash paid towards the acquisition of Be Tru Organics, Inc.	379,235
Balance, March 31, 2018	\$ 1,229,235

11. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

	Product development	Trademarks and other intellectual property	Domain names	Licenses	Skin care formulations	Total
Cost						
Balance, March 31, 2016, & March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	383,895	3,211,640	150,280	5,214,128	128,940	9,088,883
Balance, March 31, 2018	\$ 383,895	\$ 3,211,640	\$ 150,280	\$ 5,214,128	\$ 128,940	\$ 9,088,883
Accumulated amortization						
Balance, March 31, 2016 & March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization for the period	92,744	160,443	12,823	657,699	11,002	934,711
Balance, March 31, 2018	\$ 92,744	\$ 160,443	\$ 12,823	\$ 657,699	\$ 11,002	\$ 934,711
Carrying amounts						
Balance, March 31, 2016 & March 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, March 31, 2018	\$ 291,151	\$ 3,051,197	\$ 137,457	\$ 4,556,429	\$ 117,938	\$ 8,154,172

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

11. INTANGIBLE ASSETS AND GOODWILL – (Continued)

Goodwill

	ISO International LLC	C3 Biosciences Inc.	Culinary Coffee Roasters LLC	The Bradley's Band Inc.	Total
Cost					
Balance, March 31, 2016 & 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

12. IMPAIRMENT OF ASSETS

	March 31, 2018
Expired inventory of the Company	\$ 485,166
ISO LLC receivable from Carlsbad Naturals LLC	108,333
ISO International LLC investment in Mexico joint venture	101,554
ISO International LLC leasehold improvements	35,612
Balance, March 31, 2018	\$ 730,665

13. LOANS PAYABLE

	March 31, 2018	March 31, 2017
Secured loan payable, bearing interest at 3.5% per annum, due July 16, 2017.	\$ -	\$ 250,000
Balance, March 31, 2018	-	250,000
Less: Current portion	-	(250,000)
Long term portion	\$ -	\$ -

During the year ended March 31, 2016, the Company, through its wholly owned subsidiary Laguna USA, entered into various loan agreements in the aggregate principal amount of \$935,000. The loans are secured by a charge against all present and future inventory of Laguna USA and are bearing interest at a rate of 10% per annum, payable on each monthly anniversary of the date of the respective loan agreement. The loans may be prepaid at any time during the term of the loan, together with any accrued and unpaid interest then outstanding.

During the year ended March 31, 2017, the Company entered into an amended loan agreement to extend the maturity date of the \$250,000 loan payable to July 16, 2017 and to adjust the interest rate to 3.5%. On December 6, 2017, the Company entered into a debt settlement and subscription agreement whereby \$250,000 previously loaned under a promissory note and the interest thereon were settled by the issuance of 17,007 common shares of the Company.

During the year ended March 31, 2018, the Company recorded \$Nil (2017 - \$71,568) in interest in connection with the issuance of loans payable.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common without par value.

b) Issued share capital

Effective January 6, 2016, the Company completed a consolidation of its common shares ("share consolidation") on the basis of one post-consolidation share for every 2.5 pre-consolidation common shares previously held.

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. As a result of the share consolidation, the 301,343,473 common shares issued and outstanding were consolidated to 30,134,347 common shares.

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 years ended March 31, 2018 and March 31, 2017 were as follows:

Year ended March 31, 2018:

- i. On April 2, 2017, the Company issued 1,563 common shares at an estimated 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 at an estimated fair value of \$1.20 per share pursuant to the Isodiol International LLC acquisition. In connection with the acquisition, the Company issued 1,056,550 common shares at an estimated 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 share 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 at an estimated 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.
- vi. On July 19, 2017, the Company issued 4,270,231 common shares to Officers, Directors, and consultants of the Company at an estimated 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 at an estimated 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 at an estimated 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.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL - (Continued)

- x. 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 at a price of \$14.70 per share to settle loan amounts of \$250,000.
- xiii. On December 14, 2017, Company issued 232,402 common shares at an estimated 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 at an estimated 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 with an estimated fair value of \$74,362 exchange for consulting services with unrelated parties.
- xviii. On January 15, 2018, the Company issued 100,000 common shares at an estimated 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 at an estimated 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 at an estimated 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 at an estimated 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 at an estimated fair value of \$3.15 per share pursuant to the acquisition.
- xxii. On March 27, 2018, the Company issued 114,189 common shares at an estimated 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 at an estimated 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.

Year ended March 31, 2017:

- i. On May 17, 2016, completed a non-brokered private placement by issuing 176,341 units at a price of \$1.10 per unit for total proceeds of \$193,975. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at \$1.50 for a period of 12 months.
- ii. On June 2, 2016, the Company issued 2,273 common shares at a price of \$1.10 per common share for a total of \$2,500 in exchange for consulting services with an unrelated party.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL - (Continued)

- iii. On June 2, 2016, the Company issued 43,896 common shares at a price of \$1.10 per common share for a total of \$48,286 in exchange for consulting services with a related party.
- iv. On June 23, 2016, the Company issued 8,571 common shares at a price of \$1.05 per common share for a total of \$9,000 in exchange for consulting services with a related party.
- v. On June 30, 2016, the Company issued 20,000 common shares pursuant to the exercise of options at a price of \$1.60 per share.
- vi. On July 5, 2016, the Company issued 1,471 common shares at an estimated fair value of \$1.70 per common share in for a total of \$2,500 in exchange for consulting services with an unrelated party.
- vii. On, July 15, 2016, the Company completed a non-brokered private placement by issuing 271,288 units at a price of \$1.10 per unit for total proceeds of \$298,417. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at \$1.50 for a period on twelve months.
- viii. On July 18, 2016, the Company issued 1,316 common shares at a price of \$1.90 per common share for a total of \$2,500 in exchange for consulting services with an unrelated party.
- ix. On July 18, 2016, the Company issued 3,000 common shares at a price of \$3.00 per common share for a total of \$9,000 in exchange for consulting services with a related party.
- x. On August 2, 2016, the Company issued 25,000 shares pursuant to the exercise of options at \$1.60 per share.
- xi. On August 2, 2016, the Company issued 1,000 common shares at a price of \$2.50 per common share for a total of \$2,500 in exchange for consulting services with an unrelated party.
- xii. On August 18, 2016, the Company issued 962 common shares at a price of \$2.60 per common share for a total of \$2,500 in exchange for consulting services with an unrelated party.
- xiii. On August 18, 2016, the Company issued 3,462 common shares at a price of \$2.60 per common share for a total of \$9,000 in exchange for consulting services with a related party.
- xiv. On August 19, 2016, the Company issued 53,254 common shares at \$2.40 per share pursuant to a licensing agreement.
- xv. On August 26, 2017, the Company completed a non-brokered private placement by issuing 162,720 units at a price of \$2.50 per unit for total proceeds of \$406,800. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at \$4.00 for a period on twelve months.
- xvi. On September 2, 2016, the Company issued 1,136 common shares at a price of \$2.20 per common share for a total of \$2,500 in exchange for consulting services with an unrelated party.
- xvii. On September 19, 2016, the Company issued 1,087 common shares at a price of \$2.30 per common share for a total of \$2,500 in exchange for consulting services with an unrelated party.
- xviii. On September 19, 2016, the Company issued 3,913 common shares at a price of \$2.30 per common share for a total of \$9,000 in exchange for consulting services with a related party.
- xix. On October 2, 2016, the Company issued 1,136 common shares at a price of \$2.20 per share for a total of \$2,500 in exchange for services with unrelated parties.
- xx. On October 14, 2016, the Company issued 20,714 common shares at a price of \$2.80 per share for a total of \$58,000 in exchange for services with unrelated parties.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL - (Continued)

- xxi. On October 14, 2016, the Company issued 15,000 shares pursuant to the exercise of options at \$1.60 per share.
- xxii. On October 18, 2016, the Company issued 667 common shares at a price of \$3.75 per share for a total of \$2,500 in exchange for services with unrelated parties.
- xxiii. On October 18, 2016, the Company issued 3,467 common shares at a price of \$3.75 per common share for a total of \$13,000 in exchange for consulting services with related parties.
- xxiv. On October 18, 2016, the Company issued 15,000 shares pursuant to the exercise of options at \$1.16 per share.
- xxv. On October 18, 2016, the Company 60,000 common shares at a price of \$3.80 per common share in connection with debt settlement agreements for a total of \$228,000 as settlement for consulting services with an unrelated party.
- xxvi. On October 28, 2016, the Company issued 10,000 shares pursuant to the exercise of options at \$1.60 per share.
- xxvii. On November 2, 2016, the Company issued 625 common shares at a price of \$4.00 per share for a total of \$2,500 in exchange for services with unrelated parties.
- xxviii. On November 3, 2016, the Company completed a non-brokered private placement by issuing 553,780 units at a price of \$2.50 per unit for total proceeds of \$1,384,450. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at \$4.00 for a period on twelve months.
- xxix. On November 18, 2016, the Company issued 4,464 common shares at a price of \$2.80 per share for a total of \$12,500 in exchange for services with unrelated parties.
- xxx. On November 18, 2016, the Company issued 3,928 common shares at a price of \$2.80 per share for a total of \$11,000 in exchange for services with related parties.
- xxxi. On November 30, 2016, the Company issued 6,364 shares pursuant to the exercise of warrants at \$1.50 per share.
- xxxii. On December 2, 2016, the Company issued 926 common shares at a price of \$2.70 per share for a total of \$2,500 in exchange for services with unrelated parties.
- xxxiii. On December 19, 2016, the Company issued 5,882 common shares at a price of \$1.70 per share for a total of \$10,000 in exchange for services with an unrelated party.
- xxxiv. On December 19, 2016, the Company issued 6,471 common shares at a price of \$1.70 per share for a total of \$11,000 in exchange for services with related parties.
- xxxv. On January 2, 2017, the Company issued 50,000 common shares at a price of \$1.85 per share for a total of \$92,500 in exchange for services with related parties.
- xxxvi. On January 2, 2017, the Company issued 2,083 common shares at a price of \$1.20 per share for a total of \$2,500 in exchange for services with an unrelated party.
- xxxvii. On January 18, 2017, the Company issued 5,295 common shares at a price of \$2.35 per share for a total of \$12,444 in exchange for services with related parties.
- xxxviii. On January 18, 2017, the Company issued 4,255 common shares at a price of \$2.35 per share for a total of \$10,000 in exchange for services with an unrelated party.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL - (Continued)

- xxxix. On January 23, 2017, the Company issued 22,727 shares pursuant to the exercise of warrants at \$1.50 per share.
- xl. On January 24, 2017, the Company issued 22,727 shares pursuant to the exercise of warrants at \$1.50 per share.
- xli. On February 1, 2017, the Company issued 220,000 shares at a price of \$1.15 per shares to settle loan amounts of \$330,000.
- xlii. On February 3, 2017, the Company completed the first tranche of a non-brokered private placement by issuing 554,333 units at a price of \$1.15 per unit for total proceeds of \$831,500. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at \$2.50 for a period on twelve months.
- xliii. On February 3, 2017, the Company issued 10,000 shares pursuant to the exercise of warrants at \$1.50 per share.
- xliv. On February 3, 2017, the Company issued 1,163 common shares at a price of \$2.15 per share for a total of \$2,500 in exchange for services with an unrelated party.
- xlvi. On February 7, 2017, the Company issued 100,000 common shares at a price of \$2.20 per share for a total of \$220,000 in exchange for services with an unrelated party.
- xlv. On February 9, 2017, the Company completed a non-brokered private placement by issuing 230,567 units at a price of \$1.50 per unit for total proceeds of \$345,850. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at \$2.50 for a period on twelve months.
- xlvi. On February 17, 2017, the Company issued 50,000 shares pursuant to the exercise of options at \$1.60 per share.
- xlvi. On February 17, 2017, the Company issued 5,615 common shares at a price of \$2.20 per share for a total of \$12,353 in exchange for services with related parties.
- xlix. On February 21, 2017, the Company issued 425,000 common shares at a price of \$1.65 per share pursuant to the ISO International LLC license and distribution agreement.
 - i. On February 22, 2017, the Company issued 20,000 shares pursuant to the exercise of options at \$1.60 per share.
 - ii. On February 22, 2017, the Company issued 27,250 shares pursuant to the exercise of warrants at \$1.50 per share.
 - iii. On February 22, 2017, the Company issued 75,000 common shares at a price of \$1.45 per share for a total of \$108,750 in exchange for services with a related party.
 - liii. On March 2, 2017, the Company issued 400,000 common shares at a price of \$1.33 per share pursuant to the Carlsbad purchase agreement. (Note 6)
 - liv. On March 2, 2017, the Company issued 1,316 common shares at a price of \$1.90 per share for a total of \$2,500 in exchange for services with an unrelated party.
 - lv. On March 17, 2017, the Company issued 7,273 common shares at a price of \$1.65 per share for a total of \$12,000 in exchange for services with an unrelated party.
 - lvi. On March 17, 2017, the Company issued 7,694 common shares at a price of \$1.65 per share for a total of \$12,695 in exchange for services with related parties.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL - (Continued)

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, 2018, 120,000 common shares were held in escrow.

d) Warrants

The continuity of warrants for the periods ended March 31, 2018 and 2017 is summarized below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, March 31, 2016	347,536	\$5.50
Issued	1,949,029	\$2.80
Expired	(28,941)	\$12.10
Exercised	(89,068)	\$1.50
Balance, March 31, 2017	2,178,556	\$3.30
Issued	10,094,338	\$2.80
Expired	(1,119,719)	\$12.10
Exercised	(2,116,412)	\$1.50
Balance, March 31, 2018	<u>9,036,762</u>	

At March 31, 2018, the Company had 9,036,762 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
87,224	\$6.80	December 31, 2019
1,620,930	\$2.50	May 19, 2019
732,970	\$2.50	June 16, 2019
358,441	\$7.50	September 12, 2019
2,484,819	\$7.50	November 23, 2018
1,218,378	\$7.50	December 4, 2020
1,708,000	\$20.00	December 21, 2019
826,000	\$20.00	January 2, 2020
<u>9,036,762</u>		

As at March 31, 2018, the weighted average remaining contractual life of all warrants outstanding was 1.06 years.

The fair value of the 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:

	2018	2017
Risk-free interest rate	1.18%	N/A
Annualized volatility	85%	N/A
Expected dividend yield	0.00	N/A
Expected warrants life in years	2.0	N/A

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

14. SHARE CAPITAL - (Continued)

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.

The continuity of options for the period ended March 31, 2018 is summarized below:

	Number	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2016	253,000	\$1.80
Granted	190,000	\$1.70
Cancelled	(89,000)	\$1.50
Exercised	(155,000)	\$1.60
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	\$2.20

At March 31, 2018, 1,720,000 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
90,000	\$1.60	March 27, 2019
280,000	\$1.50	April 4, 2019
900,000	\$2.05	June 16, 2019
450,000	\$3.15	September 1, 2019
<u>1,720,000</u>		

The weighted average remaining life for the options outstanding and exercisable at March 31, 2018 is 1.22 years.

During the period ended March 31, 2018, stock-based compensation in the amount of \$5,805,689 (2017 - \$130,451) was recognized on the issuance of stock options to directors, officers and consultants.

The following weighted average assumptions were used for the valuation of stock options:

	March 31, 2018	March 31, 2017
Risk-free interest rate	1.79%	1.18%
Expected life of options	2 years	1.27 years
Annualized volatility	133%	85%
Forfeiture rate	0.00%	0.00%

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

15. RELATED PARTY DISCLOSURES

Key management personnel are the directors and officers of the Company. Management compensation transactions for the periods ended March 31, 2018 and 2017 are summarized as follows:

	Management fees (paid/accrued)	Share-based payments	Total
Year ended March 31, 2018			
Directors and officers	\$ 1,634,315	\$ 2,651,595	\$ 4,285,910
Year ended March 31, 2017			
Directors and officers	\$ 755,333	\$ 116,468	\$ 865,801

As of March 31, 2018, \$Nil (March 31, 2017 - \$41,666) is owed to directors and officers of the Company for unpaid fees and expenses.

During the year ended March 31, 2018, the Company paid \$204,160 (2017 - \$Nil) for consulting fees to the current CEO and Director of the Company. During the year ended March 31, 2018, the Company issued 500,000 common shares with an estimated fair value of \$750,000 to the current CEO and Director of the Company. During the year ended March 31, 2018, the Company issued incentive stock options with a fair value of \$117,138 to the current CEO and Director of the Company.

During the year ended March 31, 2018, the Company paid \$132,000 (2017 - \$57,000) for consulting fees to the CFO and Director of the Company. During the year ended March 31, 2018, the Company issued incentive stock options to the CFO and Director of the Company with a fair value of \$165,700. During the year ended March 31, 2017, the Company issued 75,000 common shares at an estimated fair value of \$1.45 per share to the CFO and Director of the Company.

During the year ended March 31, 2018, the Company paid \$114,082 (2017 - \$Nil) for consulting fees to a company controlled by a Director of the Company.

During the year ended March 31, 2018, the Company issued 400,000 common shares with an estimated fair value of \$600,000 to a Director of the Company.

During the year ended March 31, 2018, the Company issued incentive stock options with a fair value of \$117,138 (2017 - \$Nil) to a Director of the Company.

During the year ended March 31, 2018, the Company paid \$68,188 for consulting fees and issued incentive stock options with a fair value of \$863,271 (2017 - \$Nil) to a Director and chairman of the Company.

During the year ended March 31, 2018, the Company paid \$1,013,393 (2017 - \$6,790) for consulting fees to a company controlled by a Director and chairman of the Company.

During the year ended March 31, 2018, the Company paid \$Nil (2017 - \$347,592) for consulting fees to the former CEO, President, and Director of the Company. Of this amount \$235,278 represented the issuance of 139,382 common shares.

During the year ended March 31, 2018, the Company issued 10,059 common shares at an estimated fair value of \$20,622 and issued incentive stock options with a fair value of \$40,689 to the former CEO, President, and Director of the Company.

During the year ended March 31, 2018, the Company paid \$Nil (2017 - \$58,892) for consulting fees to the former President of a wholly owned subsidiary of the Company.

During the year ended March 31, 2018, the Company's subsidiary, ISO International LLC, paid \$289,435 for consulting fees, \$63,725 for finder's fees, and \$1,083,325 for acquisition advisory fees, and issued 500,000 common shares with a deemed value of \$750,000 to a company controlled by the President of ISO International LLC.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

15. RELATED PARTY DISCLOSURES - (continued)

During the year ended March 31, 2018, the Company issued incentive stock options with a fair value of \$117,138 to the President of ISO International LLC.

During the year ended March 31, 2018, the Company, the Company paid \$10,092,046 for consulting and acquisition advisory fees to a company controlled by a relative of the director in combination of cash and 1,822,237 common shares of the Company.

During the year ended March 31, 2018, the Company paid \$6,000 (2017 - \$18,099) for consulting fees to the former Corporate Secretary and Director.

During the year ended March 31, 2018, the Company paid \$37,600 (2017 - \$60,000) for consulting fees to a former director of the Company. Of this amount \$6,000 (2017 - \$14,000) represented the issuance of 2,927 (2017 - 5,929) common shares.

During the year ended March 31, 2018, the Company paid \$Nil (2017 - \$105,000) for consulting fees to the former Chief Executive Officer and Director. Of the amount paid in 2016, \$108,000 represented the issuance of 216,000 common shares at an estimated fair value of \$0.50 per share and issuance of 160,000 warrants to purchase common shares at a fair value of \$10,000. In addition, the Company paid \$797 in benefits on behalf of the former CEO and Director.

During the year ended March 31, 2018, the Company paid and accrued interest expense of \$Nil (2017 - \$67,993) in connection with loans payable to the spouse of the former CEO of the Company.

On December 6, 2017, the Company entered into a debt settlement and subscription agreement with the spouse of the former CEO whereby \$250,000 previously loaned by the spouse of the former CEO to the Company under a promissory note and the interest thereon were settled by the issuance of 17,007 common shares of the Company.

Amounts due from related parties

	March 31, 2018
Due from associated businesses	\$ 121,708
Due from companies with a common director of the Company	1,946,863
Balance, March 31, 2018	\$ 2,068,571

Amounts due to related parties

Due to a Company controlled by the President of ISO International LLC	\$ 612,656
---	------------

16. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

	2018	2017
Net loss available to common shareholders (numerator)	\$ (36,160,820)	\$ (4,286,263)
Weighted average number of common shares outstanding (denominator)	20,940,111	3,177,068

The basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, only if dilutive.

As of March 31, 2018, loss per share excludes 10,756,762 (2017 - 2,367,556) potentially dilutive common shares related to outstanding share purchase options and warrants, as the effect was anti-dilutive.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

		2018	2017
Financial Assets			
Cash	Fair Value through Profit and Loss	\$ 15,549,664	\$ 718,648
Receivables	Loans and receivables	1,676,940	150,579
Due from related parties	Loans and receivables	2,068,571	-
Loans receivables	Loans and receivables	1,229,235	-
Total Financial Assets		\$ 20,524,410	\$ 869,227
Financial Liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	\$ 5,380,654	\$ 125,328
Due to related parties	Other financial liabilities	612,656	41,666
Loans payable	Other financial liabilities	-	250,000
Total Financial Liabilities		\$ 5,993,310	\$ 375,328

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, 2018 and 2017, cash is measured using Level 1 inputs. During the years ended March 31, 2018 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 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.

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.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - (Continued)

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, 2018, the Company had a cash balance of \$15,549,664 to settle current liabilities of \$6,698,334. 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 financings. The Company has limited financial resources, is currently generating net losses from operations, and has no assurance that additional funding will be available to it for future development of its business. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

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

The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of GST receivable from the Government of Canada and receivables due from merchant accounts. The Company believes credit risk with respect to receivables to be insignificant.

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, 2018, 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.

18. CAPITAL MANAGEMENT

The Company considers capital to be the elements of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance its business development and meet its obligations as they come due. The Company is in the early stages of operations and is currently developing a capital structure which will support expanded activity. The Company monitors economic conditions and the risks related to the underlying assets and business opportunities. 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.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

19. SEGMENTED REPORTING

The Company has 2 two operating segments and generates external revenues from the sale of nutritional health products derived from hemp. The operating segments have been disclosed by geographical region as follows:

	Assets	Revenue	Profit (loss)
Canada	\$ 44,517,846	\$ -	\$ (34,587,698)
United States	9,950,499	19,137,266	(1,433,175)
	<u>\$ 54,468,345</u>	<u>\$ 19,137,266</u>	<u>\$ (36,020,873)</u>

20. INCOME TAXES

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

	March 31, 2018	March 31, 2017
Net loss for the year	\$ (36,160,820)	\$ (4,286,263)
Expected tax recovery at a combined federal and provincial rate of 26.0% (2017 - 26.0%)	(9,401,813)	(1,115,000)
Non-deductible expenses	2,075,601	224,000
Effect of change in rates	-	-
Foreign tax rate differential	(175,131)	(4,000)
Changes in unrecognized deductible temporary differences	7,208,866	895,000
Total income tax expense	<u>\$ 292,477</u>	<u>\$ -</u>

Significant components of the Company's deferred income tax assets (not recognized) after applying enacted corporate income tax rates are as follows:

	March 31, 2018	March 31, 2017
Non-capital loss carry forwards	\$ 8,938,213	\$ 1,623,000
Un-deducted financing costs	16,923	22,000
Other		15,000
Net deferred income tax asset not recognized	<u>\$ 8,955,136</u>	<u>\$ 1,660,000</u>

Management had determined that the realization of the potential income tax benefits related to the non-capital losses is uncertain at this time and cannot be viewed as more likely than not. Accordingly, the Company has not recorded the potential deferred income tax asset.

As at March 31, 2018 the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$34,477,741 (2017 - \$6,200,000) that may be carried forward to reduce taxable income derived in future years with expiry dates ranging from 2035 to 2038.

As at March 31, 2018, the Company had approximately \$295,897 of U.S. income taxes payable.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

21. COMMITMENTS

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

Commitment	2019	2020	2021
Rent Canada	\$ 286,905	\$ 316,146	\$ 321,561
Rent United States	195,289	-	-
BSPG acquisition	7,736,400	3,223,500	-
Medical advisory agreement	225,645	-	-
Total	\$ 8,444,239	\$ 3,539,646	\$ 321,561

22. SUBSEQUENT EVENTS

Subsequent to March 31, 2018:

- i) 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 \$2,200,000 is a receivable at July 30, 2018. 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) The Company acquired BSPG Laboratories Limited ("BSPG") by issuing 2,385,878 common shares at an estimated fair value of \$15.10 per share and issuing 500,00 common shares at an estimated fair value of \$5.40 per share, and made a cash payment of \$500,000 (U.S.). The company will pay an additional US\$8 million, US\$5.5-million of which will be paid over the next 12 months with the remainder to be paid by July 31, 2019.
- iii) In connection with the BSPG acquisition, the Company issued 472,915 common shares at an estimated fair value of \$1.20 per finder's-fee share to a consultant of the Company.
- iv) The Company acquired 100% of the outstanding shares of Azure Bottling LLC on April 1st, 2018, for US\$1,000,000 cash paid upon closing, as well as US\$350,000 in six months and US\$1,000,000 in stock escrowed over 36 months.
- v) The Company acquired 100% of the outstanding shares of Kure Corp on May 1st, 2018, for 2,380,952 Isodiol shares subject to a 36-month escrow.
- vi) The Company acquired 51% of the outstanding shares of Farmtiva LLC on May 2nd, 2018 for US\$1,500,000 in stock subject to 36-month escrow.
- vii) The company acquired 51% of the outstanding shares of Round Mountain Technologies LLC on June 12th, 2018 for US\$400,000 working capital contributions and US\$250,000 in Isodiol stock subject to 36-month escrow.
- viii) The company terminated its 100% acquisition of Betru Organics on June 29, 2018.
- ix) 266,684 common shares were issued pursuant to consulting agreements.
- x) 77,033 warrants were exercised for proceeds of \$133,308.
- xi) 420,000 options were exercised for proceeds of \$260,250.
- xii) 88,749 common shares were issued pursuant to the Level Brands Inc. licensing agreement.
- xiii) On April 20, 2018, the Company purchased 6,451,613 common shares of 10330698 Canada Ltd. at \$0.31 per share for a total investment of \$2,000,000.

ISODIOL INTERNATIONAL INC.

(formerly LAGUNA BLENDS INC.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017

(Expressed in Canadian Dollars)

23. 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, 2018:

- i) The Company issued 17,007 common shares valued at \$250,000 as payment of 250,000 in loans payable;
- ii) The Company issued 4,806,650 common shares valued at \$5,767,980 pursuant to the Isodiol International LLC acquisition;
- iii) The Company issued 2,093,750 common shares valued at \$2,512,500 pursuant to the Pot-O-Coffee brands acquisition;
- iv) The Company issued 232,402 common shares valued at \$732,065 pursuant to the Culinary Coffee Roasters acquisition;
- v) The Company issued 167,932 common shares valued at \$2,502,188 pursuant to the Level Brands licensing agreement;
- vi) The Company issued 170,148 common shares valued at \$535,965 pursuant to the Bradley's Brands acquisition;
- vii) The company issued 154,189 common shares valued at \$1,433,956 pursuant to the C3 Global Biosciences acquisition.
- viii) The Company acquired intangible assets valued at \$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.

During the year ended March 31, 2017:

- i) The Company issued 220,000 common shares valued at \$330,000 as payment of \$330,000 in loans payable;
- ii) The Company issued 60,000 common shares valued at \$228,000 as payment of \$228,000 accounts payable.