IONIC BRANDS CORP.

(FORMERLY ZARA RESOURCES INC.)

MANAGEMENT’S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2019

(Expressed in Canadian Dollars)

GENERAL

The following Management's Discussion and Analysis ("MD&A") is presented as at March 29, 2019 and provides an analysis of the financial results of Ionic Brands Corp. (formerly Zara Resources Inc.) ("Ionic" or "Zara" or the "Company") for the three and six months ended January 31, 2019. It should be read in conjunction with the condensed interim financial statements and related notes for the three and six months ended January 31, 2019 and the annual audited financial statements at July 31, 2018 and accompanying MD&A dated November 28, 2018. The Company's audited financial statements and the financial information contained in this MD&A were prepared in accordance with IFRS. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

The MD&A, particularly under the heading "Capital Resources", contains forward-looking statements that involve numerous risks and uncertainties. Forward-looking statements are not historical fact, but rather are based on the Company's current plans, objectives, goals, strategies, estimates, assumptions, and projections about the Company's industry, business and future financial results. The Company's actual results could differ materially from those discussed in such forward-looking statements.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "**forward-looking statements**"). Such forward-looking statements relate to possible events, conditions or financial performance of the Corporation based on future economic conditions and courses of action. All statements other than statements of historical fact are forward-looking statements. The use of any words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this prospectus should not be unduly relied upon by investors. The forward-looking statements speak only as of the date of this prospectus and are expressly qualified, in their entirety, by this cautionary statement.

COMPANY OVERVIEW

Ionic Brands Corp., formerly Zara Resources, was incorporated on October 9, 2012 in the province of Ontario and was engaged in the business of acquisition and exploration of mining properties in Canada. In September 2018, the Company entered into an assignment and novation agreement with an arm's length party (the "Assignor"), pursuant to which the Assignor has assigned to Zara the rights and obligations of the Assignor pursuant to a letter agreement ("LOI") between the Assignor and Blacklist Holdings Inc. ("Blacklist"), a private Washington company. The LOI contemplates a proposed business combination transaction pursuant to which the Company will acquire all the issued and outstanding common shares of Blacklist in exchange for the common shares of the Company.

On March 22, 2019, the Company completed the acquisition of Blacklist and changed its name from "Zara Resources Inc." to "Ionic Brands Corp." Prior to the completion of this acquisition, all of the Company's Preferred C shares were converted to common shares; the Company then consolidated its common shares on the basis of one post-consolidation share for each 34.9465 pre-consolidation shares. As a result, the Company has 331,995 post-consolidation shares. As the acquisition is considered a reverse takeover of the Company, the Company retains its listing on the CSE and continues the business of Blacklist, which becomes a wholly owned subsidiary of the Company.

GOING CONCERN

This MD&A and the condensed interim Financial Statements have been prepared on the basis that the Company will remain a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the Company's next fiscal year. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

During the three and six months ended January 31, 2019, the Company incurred a net loss of $36,153 (January 31, 2018 - $4,107) and $53,507 (January 31, 2018 – $9,128) respectively, and as at January 31, 2019, the Company had a deficit of $2,870,561 (July 31, 2018 - $2,817,054). The Company had a working capital deficiency of $153,179 (July 31, 2018 - $99,672) as at January 31, 2019 and expects that it will require additional financing.

The Company's ability to continue as a going concern is dependent upon the ability to find, acquire and develop various businesses with growth potential, its ability to obtain the necessary financing to carry out this strategy and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Therefore, this indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

As a result of the above, realization values may be substantially different from the carrying values shown and the annual financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of the assets and liabilities should the Company be unable to continue as a going concern.

REVERSE ACQUSITION

On March 22, 2019, the Company completed the acquisition of Blacklist (the "Transaction") and changed its name from "Zara Resources Inc." to "Ionic Brands Corp." As the Transaction is a reverse takeover of the Company, the Company retains its listing on the CSE and continues the business of Blacklist, which becomes a wholly owned subsidiary of the Company. The common shares of the Company will resume trading under a new symbol "IONC". In connection with the Transaction, the Company consolidated its common shares on the basis of one post-consolidation share for each 35.9389 pre-consolidation shares (the "Consolidation") and changed its name to "Ionic Brands Corp.".

In connection with the Transaction, the Company issued 5,250,000 Common Shares to certain finders at a deemed price of $0.50 per Common Share as finder's fees and such Common Shares are subject to a contractual hold period expiring on September 22, 2019. With the completion of the Transaction, the Company has 108,436,715 Common Shares issued and outstanding (on an undiluted basis).

In connection with the completion of the Transaction, the Company's new board of directors are as follows: John Gorst, Andrew Schell, Bryen Salas, Christian Struzan, Austin Gorst, M. Carroll Benton and Brian Lofquist. In addition, the Company's executive management as follows: John Gorst – Chief Executive Officer, Andrew Schell , Chief Strategies Officer, Bryen Salas – President, Christian Struzan – Chief Marketing Officer, Austin Gorst – Vice President, and Scott Manson – Chief Financial Officer

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information that should be read in conjunction with the unaudited Financial Statements and Notes of the Company for the applicable period.

Annual Results

For the fiscal year ended July 31,	2018 ($)	2017 ($)	2016 ($)
Net income (loss) and comprehensive income (loss)	(45,476)	21,092	(179,856)
Interests in exploration and evaluation assets	-	23,080	23,080
Current assets	2,518	3,062	3,349
Total assets	2,518	26,142	26,429
Total liabilities	202,190	180,338	213,233
Shareholders' (deficiency) equity	(199,672)	(154,196)	(186,804)

Summary of Quarterly Results

Quarter ended	Jan 31, 2019 ($)	Oct 31, 2018 ($)	Jul 31, 2018 ($)	Apr 30, 2018 ($)
Net income (loss)	(36,153)	(17,353)	(36,368)	(3,980)
Interests in exploration and evaluation assets	-	-	-	23,080
Current assets	6,464	3,299	2,518	1,870
Total assets	6,464	3,299	2,518	24,950
Total liabilities	259,643	220,324	202,190	92,253
Total shareholders' (deficiency) equity	(253,179)	(217,025)	(199,672)	(67,303)

Quarter ended	Jan 31, 2018 ($)	Oct 31, 2017 ($)	Jul 31, 2017 ($)	Apr 30, 2017 ($)
Net income (loss)	(4,107)	(5,021)	(13,990)	(4,052)
Interests in exploration and evaluation assets	23,080	23,080	23,080	23,080
Current assets	1,900	3,397	3,062	2,360
Total assets	24,980	26,477	26,142	25,440
Total liabilities	88,303	85,694	180,338	68,770
Total shareholders' (deficiency) equity	(63,323)	(59,217)	(154,196)	(43,330)

RESULTS OF OPERATIONS

The Company is in the exploration and evaluation stage and therefore did not have revenues from operations.

Results for the Three Months ended January 31, 2019

During the three months ended January 31, 2019, the operating expenses $36,153 (January 31, 2018 - $4,107) comprised primarily of $21,459 (January 31, 2018 – $nil) transfer agent fees, $8,167 (January 31, 2018 - $1,950) filing and listing fees and $5,272 (January 31, 2018 - $nil) investor relations and marketing expenses.

During the three-month period ended January 31, 2019, the Company reported a net loss of $36,153 (January 31, 2018 - $4,107) and basic and diluted loss per share of $0.00 (January 31, 2018 - $0.00).

Results for the Six Months ended January 31, 2019

During the six months ended January 31, 2019, the operating expenses $53,507 (January 31, 2018 - $9,128) comprised primarily of $23,604 (January 31, 2018 - $nil) transfer agent fees, $16,616 (January 31, 2018 - $7,839) filing and listing fees, and $5,272 (January 31, 2018 - $nil) investor relations and marketing expenses.

During the six months ended January 31, 2019, the Company reported a net loss of $53,507 (January 31, 2018 - $9,128) and basic and diluted loss per share of $0.01 (January 31, 2018 - $0.00).

LIQUIDITY AND SOLVENCY

The Company will need access to equity capital to pursue its business plan and there is no guarantee that equity may be available, and if available it may not be on terms that Management finds is in the interest of the Company. The Company considers its investments in its mineral properties as long-term investments, however it retains the option of disposing of some or all its properties to raise funds. Due to the difficult market conditions in the natural resource business, the Company may have difficulty selling some or all of its properties and any such sale may negatively impact the value of its properties. Previously, the Company borrowed funds from its former CEO. In order to maintain its operations, the Company needs funds for primarily management fees, legal and accounting. Although management fees have been accrued to date by management and as a result do not represent a cash requirement for the Company, there is no assurance that management fees will continue to be accrued in the future. The Company would need to raise additional equity capital in order to pursue other investment opportunities or to support special projects. The exploration budgets for the Company will require additional equity to be raised in order to fund those exploration budgets, and there is no guarantee that such equity can be raised by the Company.

The following table summarizes the Company's cash on hand, working capital and cash flow as at January 31, 2019:

	January 31, 2019 ($)	January 31, 2018 ($)
Cash	-	1,263
Working deficiency	(153,179)	(86,403)
Cash used in operating activities	(13,808)	(16,023)
Cash provided by financing activities	13,808	17,406
Net change in cash	-	1,383

The Company will have to raise additional funds to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

CAPITAL RESOURCES

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company did not have any capital asset as at January 31, 2019. The Company has no commitments for capital expenditure, and there are no known trends or expected fluctuations in the Company's capital resources.

The following is a summary of the Company's outstanding share, warrant and stock options data as of March 29, 2019:

Common Shares

The authorized common share capital of the issuer consists of an unlimited number of common shares without par value of which 10,505,508 are outstanding as of January 31, 2019. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Preferred Shares

The Authorized preferred share capital of the Issuer consists of an unlimited number of preferred shares without par value, of which 83,333 are issued or outstanding as of January 31, 2019. The preferred shares rank in priority to the common shares upon the liquidation, winding up or other dissolution of the Company. The issuance of each series of preferred shares is subject to the filing of Articles of Amendment with the directors fixing the number of shares that comprise each series and the designations, rights, privileges, restrictions and conditions attaching to each series. The 83,333 Series C preferred shares are voting and may be converted into common shares on a one for one basis. The preferred shares are subject to cumulative dividends at the rate of 5% per annum, which is payable in common shares of the Company based upon the prevailing market price of the common shares.

Stock Options

Options to purchase common shares in the capital of Zara are granted by the Board of Directors to eligible persons pursuant to Zara's Stock Option Incentive Plan. The Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

During the three and six months ended January 31, 2019, Zara granted no stock option. At January 31, 2019, no option was outstanding entitling holders to purchase any common shares in the capital of Zara.

Warrants

At January 31, 2019 the Company had no warrant outstanding.

OUTLOOK AND CAPITAL REQUIREMENTS

There is no guarantee that market conditions will be conducive to raising additional equity capital. Depending on future events, the rate of Company expenditures and general and administrative costs could increase or decrease.

Related Parties Transactions

The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms.

Due to Related Parties

$1,811 (July 31, 2018 - $1,811) was due to a company formerly with common officer and director with the Company. The amount was for the Company's working capital.

$75,120 (July 31, 2018 - $61,312) was due to a former officer and director of the Company. The amount was for the Company's working capital.

During the three months ended January 31, 2019, the Company incurred $19,661 (October 31, 2017 - $nil) in transfer agent fees to a company formerly with common shareholders, and $1,850 (October 31, 2017 - $nil) in professional fees to a director.

During the six months ended January 31, 2019, the Company incurred $21,806 (January 31, 2018 - $nil) in transfer agent fees to a company formerly with common shareholders, and $3,209 (January 31, 2018 - $nil) in professional fees to a director. The Company owed a total of $20,166 (July 31, 2018 - $13,525) to this company and $3,437 to the director as at January 31, 2019, and these amounts have been included in accounts payable and accrued liabilities.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at January 31, 2019 is summarized as follows:

		January 31, 2019		July 31, 2018
Financial Liabilities				
At amortized cost				
Accounts payable	$	82,712	$	39,067
Due to related parties		76,931		63,123
Total Financial Liabilities	$	159,643	$	102,190

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 Fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

As at January 31, 2019 and July 31, 2018, the Company did not have any Levels 2 and 3 financial instruments:

		January 31, 2019		July 31, 2018
Level 2				
Financial liabilities at fair value through profit or loss				
Series C preferred shares liability	$	100,000	$	100,000

Financial Instrument Risk Exposure

The Company's financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (Note 12 of Financial Statements).

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. The Company's assets most susceptible to credit risk is its cash, which is held at a major Canadian bank in a non-interest bearing account, and GST/HST receivable, which is due from the Canadian government. As such, the risk of loss on these assets is minimal.

Market and Other Risk

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at October 31, 2018, the Company had no cash. Currently, the Company does not have sufficient funds and will need to raise financing to carry out an exploration and evaluation program, fund the property purchase obligations and meet general and administration expenses for the next twelve months.

Commodity Risk

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for these mineral commodities. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

ACCOUNTING POLICIES

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

Share-Based Payments

Share-based payments to officers, directors and consultants are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value the goods or services cannot be reliably measured, and are recorded at the date the goods and services are received. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to reserves. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights to receive or obligation to pay cash flows from the assets or liabilities have expired or been settled or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company classifies its financial instruments in the following categories:

Financial Assets and Liabilities at Amortized Cost

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows and,
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

The Company's financial assets and liabilities at amortized cost comprise other receivables and are included in current assets due to their short-term nature. Financial assets and liabilities at amortized cost are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, financial assets and liabilities at amortized cost are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortized cost include accounts payable and accrued liabilities and due to related parties. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI")

Financial assets at FVOCI comprise:

- Equity securities which are not held for trading and which the Company has irrevocably elected at initial recognition to recognize in this category,
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

The Company currently has not classified any of its financial instruments as FVOCI.

Financial Assets at Fair Value through Profit or Loss ("FVPL")

The Company classifies the following financial assets at FVPL:

- Debt instruments that do not qualify for measurement at either amortized cost or FVOCI,
- Equity instruments that are held for trading, and,
- Equity instruments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income.

The Company's financial liabilities classified as FVPL include Series C preferred shares liability whereby dividends are considered finance fees and recorded in the statements of loss.

Income (Loss) Per Share

Income (loss) per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the years when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common shares is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases off 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.

Significant Estimates and Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from these estimates and judgments.

Critical Judgments

The following are critical judgments that management has made in the process of applying policies that have the most significant effect on the amount recognized in the financial statements:

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Going Concern

The assessment of the Company's ability to continue as a going concern involves critical judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in Note 2.

Estimation Uncertainty

The following are key assumptions concerning the future and key sources of estimation uncertainty that have significant risk of resulting in material adjustment in the carrying amounts of assets and liabilities within the next financial year.

Share-Based Payments

The Company records all share-based payments using the fair value method. The Company uses Black-Scholes option pricing model to determine the fair value of share-based payments. This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

Valuation of Receivables and Payables

The amounts due to/from companies under common control have no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of receivables. Events and circumstances arising during the year, or that are foreseeable at year-end, are reflected in the valuation of these receivables in the statement of financial position and reflect management's best estimate of the fair value of these financial instruments.

Standards and Amendments issued but not yet Adopted

The new standard replaces IFRS 16 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 16. The Company does not expect IFRS 16 to have a significant change to the consolidated statements of financial position.

CAPITAL MANAGEMENT

The Company defines its capital as its shareholders' (deficiency) equity. As at January 31, 2019, the Company's capital resources amounted to a deficiency of $153,179 (July 31, 2018 - $99,672). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s managements to sustain future development of the business.

The Company currently does not have any E&E assets; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility. The Company defines its capital as its shareholder's equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long-term debt as the Company does not currently generate operating revenues. There is no dividend policy.

OUTLOOK

Ionic Brands Corp. will continue to focus on building its premium brand and suite of cannabis vaporizer products across Washington State and expand throughout the United States, particularly Nevada, California and Oregon. The Company will also be focused on a series of strategic acquisitions that will vertically and horizontally integrate with operations.