

IONIC BRANDS

IONIC BRANDS CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(UNAUDITED, EXPRESSED IN UNITED STATES DOLLARS)**

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of these condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

August 30, 2021

IONIC BRANDS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2021
(Unaudited, Expressed in United States Dollars)

	Notes	June 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash		\$ 1,976,950	\$ 288,383
Trade and other receivables	7	2,764,181	1,284,934
Prepaid expenses and deposits	6,8	657,606	111,699
Inventory	9	2,613,834	140,542
Biological assets	3, 10	396,683	
Due from related parties	16	1,764,688	644,688
		10,173,942	2,470,246
Non-Current Assets			
Property and equipment	11	988,236	782,086
Patents, brands and goodwill	5, 13	19,978,036	2,102,251
Right-of-Use assets	12	4,148,933	752,382
TOTAL ASSETS		\$ 35,289,147	\$ 6,106,965
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Accounts payable and accrued liabilities	14	\$ 3,876,845	\$ 3,992,197
Loans payable	15	1,183,559	2,815,025
Current portion of lease liability	12	542,033	381,600
Current portion of vehicle loans	18	25,487	30,094
		5,627,924	7,218,916
Non-Current Liabilities			
Convertible debentures	16	1,065,805	13,994,255
Lease liability	11	3,512,043	193,905
Vehicle loans	18	104,003	87,249
TOTAL LIABILITIES		\$ 10,309,775	\$ 21,494,325
SHAREHOLDERS' DEFICIENCY			
Share capital	18	57,411,792	41,883,795
Preferred shares	5,18	30,315,882	-
Reserves	18	8,824,735	6,662,439
Other comprehensive income		(1,118,336)	(142,430)
Accumulated deficit		(70,454,702)	(63,791,164)
TOTAL SHAREHOLDERS' DEFICIENCY		24,979,371	(15,387,360)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 35,289,146	\$ 6,106,965
Nature and continuance of operations	1		
Commitments and contingencies	19		

Approved and authorized for issue by the Board of Directors on August 30, 2021.

"John Gorst"
Director

"Christian Vara"
Director

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (Unaudited)

(Expressed in United States Dollars)

		Three Months Ended		Six Months Ended	
	Notes	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
REVENUE					
Product sales	16	\$ 5,460,223	\$ 485,055	\$ 7,423,885	\$ 1,034,248
Brokerage sales		1,698,959	-	2,517,041	-
Equipment rental income	16	184,001	230,251	414,252	460,502
Royalty and service income	16	969,963	1,381,677	2,156,646	2,894,340
		8,313,146	2,096,983	12,511,824	4,389,090
Unrealized gain on changes in fair value of biological assets	10	94,489	-	94,489	-
COST OF GOODS SOLD		(7,063,754)	(1,670,056)	(10,536,780)	(3,655,350)
GROSS PROFIT		1,343,881	426,927	2,069,533	733,740
OPERATING EXPENSES					
Accretion	17	159,794	288,142	503,745	577,702
Advertising and promotion		4,228	-	5,728	3,811
Bad debts (recovery)		-	-	338,000	-
Depreciation/amortization	11,12,13	834,571	224,478	1,325,345	429,294
Financing fees		-	(217)	-	14,531
Interest and finance charges	15,17	279,119	66,290	808,798	167,269
Marketing and investor relations		29,367	595	160,692	11,587
Office and administration		180,120	166,228	320,581	355,904
Professional fees		216,704	107,243	1,055,579	325,647
Rent expense	16	6,030	3,000	12,790	16,275
Research and development		15,082	14,147	24,082	53,682
Salaries and wages	16	719,772	254,518	1,159,795	674,235
Share-based payments	18	888,412	20,163	4,699,516	42,145
Transfer agent and regulatory fees		47,937	17,078	85,088	42,029
Travel		40,836	9,364	59,130	39,176
		3,421,972	1,171,028	10,558,869	2,753,287
OTHER ITEMS					
Gain (loss) from asset disposal		9,696	-	9,696	-
Gain from forgiveness of debts		1,139,070	(845)	1,741,430	56,356
Gain on settlement of debts	18	-	(71,966)	-	53,777
Gain (loss) from revaluation of warrants	18	-	(19,011)	-	400,249
Foreign exchange gain(loss)		71,341	(21,449)	74,672	(61,165)
		1,220,107	(113,271)	1,825,798	449,217
NET LOSS BEFORE INCOME TAXES		(857,984)	(857,372)	(6,663,538)	(1,570,330)
OTHER COMPREHENSIVE LOSS					
Unrealized foreign exchange loss on translation of foreign operations		(956,972)	10,926	(975,906)	(104,968)
COMPREHENSIVE LOSS		\$ (1,814,956)	\$ (846,446)	\$ (7,639,444)	\$ (1,675,298)
LOSS PER SHARE – BASIC AND DILUTED					
	18	\$ (0.01)	\$ (0.03)	\$ (0.07)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED					
	18	134,233,830	30,714,828	102,358,596	29,051,927

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Unaudited, Expressed in United States Dollars)

	Common Shares		Preferred Shares	Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Number of Shares	Amount					
Balance at December 31, 2020	194,171,151	\$ 41,883,795	\$ -	\$ 6,662,439	\$ (142,430)	\$ (63,791,164)	\$ (15,387,360)
Adjustment for share consolidation (note 18):	(161,809,293)	-	-	-	-	-	-
Shares issued for:							
Private placement of units, net	77,695,502	11,016,935	-	1,022,624	-	-	12,039,559
Settlement of debt	1,571,892	366,516	-	-	-	-	366,516
Services rendered	14,392,817	2,268,157	-	-	-	-	2,268,157
Conversion of convertible debentures	8,644,169	1,835,985	-	(281,085)	-	-	1,554,900
Acquisition of Cowlitz assets	-	-	17,608,118	525,898	-	-	18,134,016
Convertible debt conversion to Preferred Shares (note 16)	-	-	12,806,300	-	-	-	12,806,300
Preferred shares converted to Common shares	491,068	40,404	(98,536)	59,788	-	-	1,656
Issuance of stock options	-	-	-	641,359	-	-	641,359
Issuance of warrants	-	-	-	193,712	-	-	193,712
Currency translation adjustments	-	-	-	-	(975,906)	-	(975,906)
Net loss for the period	-	-	-	-	-	(6,663,538)	(6,663,538)
Balance at June 30, 2021	135,157,306	\$ 57,411,792	\$ 30,315,882	\$ 8,824,735	\$ (1,118,336)	\$ (70,454,702)	\$ 24,979,371

	Common Shares		Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Number of Shares	Amount				
Balance at December 31, 2019	161,749,791	\$ 40,909,598	\$ 7,415,636	\$ (332,866)	\$ (57,110,422)	\$ (9,118,054)
Adjustment for share consolidation (note 18):	(134,791,492)	-	-	-	-	-
Shares issued for:						
Settlement of debt	594,100	44,177	-	-	-	44,177
Conversion of convertible debentures	4,809,460	1,027,148	(154,110)	-	-	873,038
Issuance of stock options	-	-	32,059	-	-	32,059
Extinguishment of convertible debentures	-	-	(3,980,700)	-	-	(3,980,700)
Reissuance of convertible debentures	-	-	2,287,607	-	-	2,287,607
Cancellation of convertible debentures warrants	-	-	(427,732)	-	-	(427,732)
Reissuance of convertible debenture warrants	-	-	21,902	-	-	21,902
Currency translation adjustments	-	-	-	(104,968)	-	(104,968)
Net loss for the period	-	-	-	-	(1,570,330)	(1,570,330)
Balance at June 30, 2020	32,361,859	\$ 41,980,923	\$ 5,194,662	\$ (437,834)	\$ (58,680,752)	\$ (11,943,001)

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Unaudited, Expressed in United States Dollars)

	June 30, 2021	June 30, 2020
Cash Flows Provided By (Used In) Operating Activities		
Net loss for the period before tax	\$ (6,663,538)	\$ (1,570,330)
Adjustments for items not affecting cash:		
Accretion	503,745	577,702
Bad debt/(recovery)	338,000	-
Depreciation and amortization	1,325,345	429,294
Interest and finance charges	392,188	67,496
(Gain) loss on forgiveness of debts	-	(56,356)
(Gain) loss on revaluation of warrants	-	(400,249)
(Gain) loss on settlement of debts	(319,247)	(53,777)
(Gain) loss on from asset disposal	(9,696)	-
Share-based payments	888,412	42,145
Shares issued for services rendered	3,869,436	-
Unrealized gain on changes in fair value of biological assets	(94,489)	-
	(1,095,189)	(964,075)
Changes in non-cash working capital:		
Trade and other receivables	(1,352,692)	10,482
Accounts payables and accrued liabilities	144,644	435,501
Prepaid expenses and deposits	(545,693)	51,767
Inventory	(1,867,100)	12,334
Due from related parties	(1,120,000)	(538,800)
	(5,836,030)	(992,791)
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(178,243)	-
Cash consideration for acquisition of assets from Cowlitz County Cannabis Cultivation Inc.	(1,381,434)	-
	(1,559,677)	-
Cash Flows From Financing Activities		
Proceeds from private placement, net	11,016,935	-
Proceeds from loans payable	-	434,300
Redemption of convertible debentures	(198,807)	-
Principal elements of lease payments	(175,689)	(72,538)
Repayment of loans payable	(1,593,179)	(6,673)
Repayment of vehicle loans	(12,147)	(13,065)
	9,037,113	342,024
Effect of exchange rate changes on cash	47,161	(5,534)
Changes in cash during the period	1,688,567	(650,767)
Cash, beginning of period	288,383	704,897
Cash, end of period	\$ 1,976,950	\$ 48,596

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

1. NATURE, DESCRIPTION OF BUSINESS AND CONTINUANCE OF OPERATIONS

Ionic Brands Corp. (“Ionic” or the “Company”) was incorporated on October 9, 2012 in the province of Ontario. On July 3, 2013, the Company received its Certificate and Continuation and is now a company governed under the British Columbia Corporation Act. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “IONC”. The registered and records office of the Company is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia. The head office of the Company is located at 1142 Broadway, Suite 310, Tacoma, Washington, USA.

Description of Business

The Company’s primary business is the provision of services and products ancillary to the cannabis production and processing industry in the States of Washington and Oregon. The Company solely relies upon the holders of the cannabis operating licenses in the state of Washington for the direct handling of all its cannabis specific materials and assets. The Company has an irrevocable purchase option agreement to acquire cannabis operating licenses when the state of Washington legislation changes to permit cannabis operating licenses to be owned by non-residents. The Company intends to exercise its irrevocable purchase option agreements when and if the residency restriction is lifted.

The Company, through its operating subsidiaries, delivers comprehensive solutions to licensed cannabis processors and producers which includes the following:

- Sale of cannabis products;
- processing and transportation equipment leasing;
- operating and marketing support;
- licensing of intellectual property; and
- sourcing of devices, packaging and labeling.

The Company expects to generate returns from any or all of the following revenue sources: (i) sale of cannabis products; (ii) administrative services such as accounting and human resources, operating support, consulting, intellectual property licensing and advisory fees from service contracts with certain license holders; (iii) the selling of ancillary products to cannabis entities; and (vi) leasing facilities and equipment to certain licensed cannabis entities.

The Company’s extraction, formulations, and post extraction processes are proprietary and held as closely guarded trade secrets. The specific plant-based terpene profiles are never provided to any licensed partner whether they are a direct licensed processor or co-packing partner. These processes are contractually licensed to producers and co-packagers. The Company has quality control managers in place at each partner processor or co-packager location to guarantee the highest quality standards in the industry to support our brand promises and standards. In addition, the Company procures and supplies branded packaging and devise including vape pens, both refillable and disposable, cartridges, applicators, jars and brand, packaging and labeling for the licensee. The Company’s management believes the products are well received in the marketplace and will capture a significant portion of the vape pen and concentrate oil business. The Company’s brands, IONIC™, Dabulous™ and Zoots™ and processes were developed for the oil-infused products category in the cannabis industry, which is the fastest growing sector of the industry.

Going Concern

These condensed consolidated interim financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company incurred a net loss of \$857,984 and \$6,663,538 for the three and six months ended June 30, 2021 respectively and has an accumulated deficit of \$70,454,702.

At June 30, 2021, the Company has positive working capital of \$4,546,018 and may require further financing to operate and further develop its business. The Company’s ability to realize its assets and discharge its liabilities is

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

dependent upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These condensed consolidated interim financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

COVID-19

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These consolidated financial statements were authorized for issue by the Board of Directors on August 30, 2021.

Basis of Preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in United States dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the United States entities is in United States dollar. The functional currency of the Canadian entities is in Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks, and

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

- Exchange differences on monetary items received from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned and controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries have been consolidated from all dates presented within these financial statements:

Subsidiary	Ownership	Location
Blacklist Finco Inc. ("Blacklist Finco")	100%	Canada
Blacklist Holdings OR Inc. ("Blacklist Oregon")	100%	USA
Blacklist Brands CA Inc. ("Blacklist California")	100%	USA
Natural Extractions, Inc. ("NE")	100%	USA
Vegas Valley Capital Corp. ("VVC")	100%	USA

The Company has consolidated the results of Cowlitz County Cannabis Cultivation Inc. ("Cowlitz") from March 5, 2021, which represents the date control of operations transferred to the Company.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

Significant Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Significant judgment

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company applied the same accounting policies in these condensed consolidated interim financial statements as those applied in the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2020. In connection with the acquisition of Cowlitz County Cannabis Cultivation Inc., the Company implemented new accounting policies for Biological Assets and Goodwill, as follows:

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

Biological Assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less estimated costs to sell up to the point of harvest in accordance with IAS 41, "Agriculture", which becomes the initial basis for the cost of inventory after harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The net unrealized gains or losses arising from changes in fair value less estimated costs to sell during the year are included in the results of operations of the related year.

Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the CGU or CGUs to which it relates.

Goodwill is measured at historical cost and is evaluated for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use.

Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

In preparing these condensed consolidated interim financial statements, the significant judgements we made in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2020

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The following new amendment to standards and interpretations under IFRS, are not yet effective for the three and six months ended June 30, 2021, and have not been applied in preparing these consolidated statements:

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company will assess the financial impact of the amendments and expects to apply the amendments at the effective date.

5. ACQUISITION OF COWLITZ COUNTY CANNABIS CULTIVATION INC.

On March 5, 2021, the Company entered into an agreement for the acquisition of the cannabis assets relating to Washington-based Cowlitz County Cannabis Cultivation Inc. ("Cowlitz") held by Lobe Sciences Ltd.'s subsidiary vendor.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

The acquisition constitutes a business combination as the acquired assets meet the definition of a business, as defined in IFRS 3, Business Combinations. The allocation of the fair value of the consideration transferred is summarized as follows:

Cash	\$	1,381,434
Series E Preferred Shares		17,608,118
Warrants		525,898
Promissory Note		50,000
Fair value of consideration	\$	19,565,450
Assets acquired:		
Inventory	\$	606,192
Biological assets		302,194
Property and equipment		203,345
Brands		3,611,048
Goodwill		14,842,668
Right-of-use asset facility lease		193,200
Total assets acquired		19,758,650
Liabilities assumed:		
Facility lease liability		(193,200)
Total liabilities assumed		(193,200)
Fair value of purchase consideration	\$	19,565,449

Certain fair values have been estimated at the acquisition date, pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, not to exceed one year from the acquisition date.

The fair value of total consideration for the transaction was \$19,565,449 and is comprised of the following: \$1,381,435 cash; issuance of 100,406,701 Series E non-voting preferred shares ("Preferred Share"), 4,000,000 warrants of the company, and a \$50,000 secured promissory note.

The amount of income attributable to the acquisition, from the date of acquisition to June 30, 2021 is product revenue of \$5,472,991. The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

6. ACQUISITION OF OREGON PROCESSING SOLUTIONS

On June 16, 2021, the Company entered into a series of agreements to acquire the cannabis assets of Oregon Processing Solutions ("OPS"). The transaction is valued at approximately \$1,500,000, of which \$50,000 was paid in cash upon execution of documents and \$450,000 is due at closing upon the approval of license transfer. The balance of \$1,000,000 is to be paid according to a thirty-month payment schedule at an annual interest rate of 4%. The deposit of \$50,000 is included in prepaid expenses and deposits at June 30, 2021.

7. TRADE AND OTHER RECEIVABLES

	June 30, 2021		December 31, 2020	
Trade receivables	\$	6,017,652	\$	4,165,258
GST and other receivables		10,816		45,963
Provision for doubtful accounts		(3,264,287)		(2,926,287)
	\$	2,764,181	\$	1,284,934

During the six-month period ended June 30, 2021, the Company recorded a provision for doubtful accounts of \$338,000 (June 30, 2020 - \$nil).

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

Prior to the COVID-19 outbreak, the Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2020 or December 31, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect the current forward-looking information on economic factors affecting the ability of customers to settle receivables.

Since the COVID-19 outbreak, the Company applies a direct customer analysis approach to measure expected credit losses as the Company determines how COVID-19 impacts its customers. The Company assesses the collectability of receivables of each customer on an individual basis using quantitative and qualitative information available to management. The historical loss rates are adjusted to reflect the current and forward-looking information on economic factors affecting the ability of the customers to make regular monthly payments on the receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include business closure and/or the failure to make monthly contractual payments.

8. PREPAID EXPENSES AND DEPOSITS

	June 30, 2021		December 31, 2020	
Prepaid expenses	\$	453,363	\$	49,508
Deposits		204,243		62,191
	\$	657,606	\$	111,699

9. INVENTORY

	June 30, 2021		December 31, 2020	
Raw materials	\$	521,800	\$	10,958
Work in progress		756,189		6,527
Finished goods		1,335,845		123,057
	\$	2,613,834	\$	140,542

During the three and six-month periods ended June 30, 2021, total cost of inventory sold was \$5,657,738 and \$7,956,047 (June 30, 2020 - \$1,670,056 and \$3,655,350).

10. BIOLOGICAL ASSETS

Biological assets consist of live cannabis plants. Prior to the acquisition of the cannabis assets from Cowlitz, the Company did not have direct ownership of biological assets. The fair value of the biological assets acquired from Cowlitz at March 5, 2021 was \$302,194 (note 5).

On average, the growing time for a full harvest approximates 12 weeks. As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates are subject to changes that could result in future gains or losses on biological assets. Changes in estimates could result from volatility of sales prices, changes in yields and variability of the costs necessary to complete the harvest.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

- the selling price per gram based on average selling prices for the period;
- the cost to complete the cannabis production process post-harvest and the cost to sell;
- attrition rate;
- the stage of plant growth; and
- expected yields from each cannabis plant.

All of the plants are to be harvested as agricultural produce (i.e., cannabis). For the periods ended June 30, 2021 and December 31, 2020, plants were on average 64% and nil complete, respectively. The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods. As of June 30, 2021, the fair value of the biological assets is \$396,683 and it is expected that the Company's biological assets will yield approximately 332,328 grams.

11. PROPERTY AND EQUIPMENT

	Motor Vehicles (\$)	Computer Equipment (\$)	Furniture and Fixtures (\$)	Leasehold Improvements (\$)	Lab Equipment (\$)	Total (\$)
Cost:						
Balance at December 31, 2019	194,118	168,855	130,829	150,900	515,285	1,159,987
Additions	37,278	175,978	-	-	200,000	413,256
Disposal	-	(11,590)	(12,451)	(150,900)	(28,813)	(203,754)
Balance at December 31, 2020	231,396	333,243	118,378	-	686,472	1,369,489
Additions	62,345	-	-	61,103	258,140	381,588
Disposals	(64,991)	-	-	-	-	(64,991)
Balance at June 30, 2021	228,750	333,243	118,378	61,103	944,612	1,686,086
Amortization:						
Balance at December 31, 2019	66,201	60,960	23,781	137,090	237,516	525,548
Charge for the year	40,323	63,372	16,911	7,584	119,776	247,966
Eliminated on disposal	-	(12,167)	(2,521)	(144,674)	(26,750)	(186,113)
Balance at December 31, 2020	106,524	112,165	38,171	-	330,542	587,402
Charge for the period	17,387	51,090	8,455	-	67,102	144,034
Eliminated on disposal	(33,586)	-	-	-	-	(33,586)
Balance at June 30, 2021	90,325	163,255	46,626	-	397,644	697,850
Net Book Value:						
Balance at December 31, 2020	124,872	221,078	80,207	-	355,930	782,086
Balance at June 30, 2021	138,425	169,988	71,752	61,103	546,968	988,236

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

In connection with the Cowlitz acquisition, the existing facility lease was assigned to the Company. The following table details the change in the Company's right-of-use assets for the six-month period ended June 30, 2021:

	ROU Asset Buildings	ROU Asset Equipment	ROU Asset License	ROU Asset Total
Cost:				
Balance at December 31, 2019	\$ 397,116	\$ 791,644	\$ -	\$ 1,188,760
Modification	-	212,978	-	212,978
Balance at December 31, 2020	397,116	1,004,622	-	1,401,738
Additions	2,450,220	1,085,106	260,425	193,200
Balance at June 30, 2021	\$ 2,847,336	\$ 2,089,728	\$ 260,425	\$ 5,197,489
Accumulated amortization:				
Balance at December 31, 2019	\$ (124,779)	\$ (105,553)	\$ -	\$ (230,332)
Depreciation	(124,780)	(294,244)	-	(419,024)
Balance at December 31, 2020	(249,559)	(399,797)	-	(649,356)
Depreciation	(161,986)	(231,295)	(5,919)	(399,200)
Balance at June 30, 2021	\$ 411,545	\$ 631,092	\$ 5,919	\$ 1,048,556
Net book value:				
Balance at December 31, 2020	\$ 147,557	\$ 604,824	\$ -	\$ 752,382
Balance at June 30, 2021	\$ 2,435,791	\$ 1,458,636	\$ 254,506	\$ 4,148,933

Effective May 7, 2021, the Company's wholly owned subsidiary entered into a Commercial Lease Agreement for the manufacturing and production facility, equipment and associated license located at 2148 Port of Tacoma Road, Tacoma, WA. The lease has an initial term of 5 years with an option to extend for an additional 5 year term. At the end of the initial 5-year term, ownership of specified manufacturing equipment will transfer to the Company and the Company will have an option to transfer ownership of the Cannabis license for an agreed upon amount.

Lease Liabilities

The lease liabilities are calculated using an incremental borrowing rate of 10% per annum.

	(\$)
Balance at December 31, 2019	720,233
Modification	212,978
Interest expense	91,700
Lease payments	(449,406)
Balance at December 31, 2020	575,505
Addition	3,795,751
Interest expense	141,491
Lease payments	(175,689)
Balance at June 30, 2021	4,054,076
Current portion	542,033
Non-current portion	3,512,043

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

At June 30, 2021, the Company is committed to minimum lease payments as follows

	June 30, 2021
Not later than one year	\$ 1,562,095
Later than one year and not later than five years	3,959,991
Total minimum lease payments	5,522,086
Less: amounts representing finance costs	(1,467,380)
Present value of minimum lease payments	\$ 4,054,706

13. PATENTS, BRANDS AND GOODWILL

	Patents (\$)	Natural Extraction Brands (\$)	Cowlitz Brands (note 5)	Goodwill (note 5)	Total (\$)
Cost:					
Balance at December 31, 2019	845,432	890,000	-	-	1,735,432
Additions	-	1,202,000	-	-	1,202,000
Balance at December 31, 2020	845,432	2,092,000	-	-	2,937,432
Additions	-	-	3,611,048	14,842,668	18,453,716
Balance at June 30, 2021	845,432	2,092,000	3,611,048	14,842,668	21,391,148
Amortization:					
Balance at December 31, 2019	32,381	222,703	-	-	255,084
Charge for the year	50,510	529,587	-	-	580,097
Balance at December 31, 2020	82,891	752,290	-	-	835,181
Charge for the period	24,922	345,801	407,208	-	777,931
Balance at June 30, 2021	107,813	1,098,091	407,208	-	1,613,112
Net Book Value:					
Balance at December 31, 2020	762,541	1,339,710	-	-	2,102,251
Balance at June 30, 2021	737,619	993,909	3,203,840	14,842,668	19,978,036

During the six-months ended June 30, 2021, the Company recognized brands of \$3,611,048 and goodwill of \$15,144,862 pursuant to the acquisition of Cowlitz.

The Company determined that there were no indicators of impairment that exist for goodwill as at March 31, 2021.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	December 31, 2020
Trade payables	\$ 2,255,257	\$ 1,958,137
Accrued expenses	1,621,588	2,034,060
	\$ 3,876,845	\$ 3,992,197

Accounts payables and accrued liabilities comprised primarily of trade payables incurred in the normal course of business.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

15. LOANS PAYABLE

On April 1, 2019, Blacklist assumed loans from the acquisition of Natural Extractions, Inc. ("NE"). At December 31, 2020, the loans were past due and in default of the original terms, resulting in an interest rate of 12%. During the six-month period ended June 30, 2021, the Company made a payment of \$79,937 on account of accrued interest and renegotiated the terms to reduce the interest rate to 7% and extend the due date to July 31, 2022. The balance of the loan at June 30, 2021 is \$215,821 (December 31, 2020 - \$373,022).

In November 2019, the Company entered into a Memorandum of Understanding ("MOU") with a device manufacturer. The device manufacturer advanced the Company \$500,000 to purchase their products and the loan plus a fee of \$75,000 was initially to be repaid no later than November 20, 2020. The device manufacturer has failed to deliver their products and accordingly, the repayment of the loan has been deferred until the device manufacturer fulfils their obligation. As at June 30, 2021, the outstanding balance is \$500,000 (December 31, 2019 - \$500,000).

In November 2019, the Company entered into a promissory note of \$400,000. The loan carries an interest rate of 12% per annum and due on November 22, 2020. The due date for the promissory note has been extended to May 22, 2021. The promissory note is also secured by all or substantially all of the Company's assets. As at June 30, 2021, the balance outstanding is \$nil (December 31, 2020 - \$433,433).

On April 10, 2020, the Company received loan proceeds in the amount of \$239,300 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable, based on eligibility requirements that are currently under revision by the US Small Business Administration ("SBA"). At June 30, 2021, the Company has accrued interest of \$13,287 and the balance of the loan is \$184,799 (December 31, 2020 - \$171,512).

In June 2020, the Company assumed a note payable with a term of 34 months in the amount of \$195,000 from the acquisition of Dabulous brand and equipment from WW Agriculture Inc. The note bears interest at 12% per annum. During the six-month period ended June 30, 2021, the Company made payments totalling \$31,599 and the balance of the loan at June 30, 2021 is \$128,967 (December 31, 2020 - \$160,565).

During the year ended December 31, 2020, the Company borrowed 3 loans totaling \$625,000 from an unrelated party with a fee of \$18,750. The loans are to be repaid over 32 weeks with payments determined based on net sales of the Company. Collectively, the loans have effective annual interest rates between 72.2% and 91.3%. During the six-month period ended March 31, 2021, the Company made a lump sum payment of \$250,000 and additional payments totalling \$206,806 against the outstanding balance, resulting in a balance of \$27,850 at June 30, 2021 (December 31, 2020 - \$484,657). These loans were fully repaid subsequent to June 30, 2021.

In July 2020, the Company borrowed \$200,000. The bridge loan bears interest at 10% per annum and was due in March 2021. As at December 31, 2020 the Company accrued interest of \$11,573 and the balance outstanding was \$211,573. During the six-month period ended June 30, 2021, the holder of the bridge loan converted the balance outstanding into 1,072,242 units, with each unit consisting of one common share and one share purchase warrant of the Company. Accordingly, the balance of the bridge loan is \$nil at June 30, 2021.

On December 8, 2020, the Company borrowed \$150,000. The bridge loan was non-interest bearing and the loan balance plus a fee of \$10,000 must be repaid on January 23, 2021. During the three-month period ended March 31, 2021, this bridge loan was fully repaid with proceeds from the Company's March 2, 2021 private placement.

On December 31, 2020, the Company borrowed 4 loans totalling \$255,906 (CAD \$325,000) from unrelated parties. The loans bear interest of 12% per annum and was payable on January 31, 2021. In connection with the 4 loans,

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

25,000 share purchase warrants were issued. This bridge loan was fully repaid with proceeds from the Company's March 2, 2021 private placement and accordingly the balance was \$nil at June 30, 2021.

Continuity schedule of loans payable at June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021	December 31, 2020
Balance, beginning	\$ 2,815,025	\$ 1,484,236
Issued (note 5)	50,000	1,664,562
Interest expense	22,144	165,249
Repayment of loans payable	(1,693,610)	(216,396)
Government grant	-	(67,787)
Debt forgiveness	-	(214,839)
Balance, ending	\$ 1,183,559	\$ 2,815,025

16. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three and six-month periods ended June 30, 2021 and 2020 are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Salaries and wages	\$ 260,367	\$ 93,732	\$ 399,397	\$ 247,704
Professional fees	83,000	70,900	140,000	129,225
	\$ 343,367	\$ 164,632	\$ 539,397	\$ 376,929

Accounts Payable and Accrued Liabilities

As at June 30, 2021, the following amounts in accounts payable were due to related parties:

- \$33,777 (December 31, 2020 - \$56,975) owing to an officer for services rendered
- \$nil (December 31, 2020 - \$20,000) owing to a director for services rendered;
- \$142,225 (December 31, 2020 - \$174,225) owing to officers for deferred compensation.

Accounts Receivable

As at June 30, 2020, \$1,214,346 (December 31, 2020 - \$2,128,976) in accounts receivable were due from a company jointly owned by the Company's CEO and former CFO. The ability of this company to repay the full amount owing is uncertain, and accordingly, the Company has recorded a provision for doubtful accounts in the amount of \$338,000, (December 31, 2020 - \$1,272,591) resulting in a net accounts receivable from a related party of \$876,346 (December 31, 2020 - \$856,385).

Due from Related Parties

On May 31, 2019, the Company loaned an officer \$25,000. The loan carries an annual interest rate of 3% and is due and payable upon the officer's authorization to sell his shares in the Company.

During the year ended December 31, 2020, the Company loaned \$619,688 to a company owned by the Company's CEO. The loan carries interest at 3% per annum and is due on or before January 1, 2023. As at June 30, 2021, the balance outstanding was \$1,764,688.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

During the year ended December 31, 2019, the Company loaned \$2,485,283 to a company owned by the Company's CEO. The loan carries interest at 3% per annum and is due on or before January 1, 2022. As at December 31, 2019, the balance outstanding was \$316,564 as the loan was impaired due to the uncertainty of the companies' ability to repay the entire balance. During the year ended December 31, 2020, the loan in the amount of \$316,564 was fully repaid.

Transactions with Related Parties

During the three and six-month periods ended June 30, 2021, the Company had product and service sales to a company jointly owned by the Company's CEO and former CFO of \$1,926,284 and \$4,523,998 (three and six-month periods ended June 30, 2020 - \$1,920,809 and \$4,119,032) respectively.

During the three and six-month periods ended June 30, 2021, the Company recognized equipment rental income of \$230,521 and \$X earned from a company controlled by the Company's CEO and former CFO (three and six-month periods ended June 30, 2020 - \$230,251 and \$460,502) respectively.

On January 1, 2017, Blacklist entered into an agreement with a company jointly controlled by the Company's CEO and former CFO (the "Licensee"). Under the agreement, Blacklist granted the Licensee a non-exclusive, non-transferable, non-assignable license to reproduce, distribute, publicly display and publicly use the IONIC trademark. At granted commencement, the Licensee was to pay licensing fees of 5% of its gross revenue for 3 years. On January 1, 2018, the license fee was increased to 10% of gross revenue. Of the total royalty and service income recognized during the three and six-month periods ended June 30, 2021, \$907,120 and \$2,093,802 respectively was earned from a related party (three and six-month periods ended June 30, 2020 - \$211,427 and \$404,036) respectively.

During the three and six-month periods ended June 30, 2021, the Company earned \$90,675 and \$X in procurement fees from a company jointly controlled by the Company's CEO and former CFO (three and six-month periods ended June 30, 2020 - \$81,703 and \$206,200) respectively.

During the three and six-month periods ended June 30, 2021, the Company incurred total expenses of \$6,232 and \$21,024 on behalf of an entity controlled by the Company's President (three and six-month periods ended June 30, 2020 - \$nil and \$nil) respectively. The ability of this company to repay the amount owing is uncertain and therefore has been fully impaired at June 30, 2021 and 2020.

17. CONVERTIBLE DEBENTURES

On July 6, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for \$577,459 (CAD\$735,000). The Convertible Debenture bore interest at 0% per annum, provided, however, that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided if the Transaction was duly terminated pursuant to its terms, then October 18, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 21,000,000 common shares at CAD\$0.035 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be \$10,257,104 and was recorded as equity of the Company.

On October 2, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for \$942,790 (CAD\$1,200,000). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then October 18, 2019. On March 22,

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 4,800,000 common shares at CAD\$0.25 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be \$1,574,918 and was recorded as equity of the Company.

On October 10, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for \$982,073 (CAD\$1,250,000). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on November 26, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then November 26, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 3,125,000 common shares at CAD\$0.40 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be \$675,791 and was recorded as equity of the Company.

On November 26, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for \$1,350,869 (CAD\$1,719,408). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary at the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on November 26, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then November 26, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 3,438,816 common shares at CAD\$0.50 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be \$487,222 and was recorded as equity of the Company.

On May 16, 2019, the Company issued 19,759 convertible debenture units ("May Debenture Units") for gross proceeds of \$14,702,731 (CAD\$19,759,000).

Each Debenture Unit consists of:

- CAD\$1,000 principal amount of 8.0% unsecured debentures convertible into common share of the Company at a conversion price of CAD\$0.75 per share and matures on May 16, 2022;
- 1,333 common share purchase warrants of the Company, each warrant entitles the holder to purchase a common share at an exercise price of CAD\$0.90 until May 16, 2022, subject to acceleration in certain circumstances.

The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. The conversion feature value has been determined to be \$3,810,273 (CAD\$5,366,060). The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost, using a discount rate of 20%.

In connection with the Debenture offering, the Company issued an aggregate of 1,059 compensation warrants ("Compensation Warrants"). The Company also issued 62 finders warrants ("Finders Warrants"). Each Compensation Warrant and Finders Warrant entitles the holder to purchase one Debenture Unit of the Company at an exercise price of CAD\$1,000 until May 16, 2022. In addition, the Company paid \$1,049,666 for associated legal fees, financing fees, commissions and finders fees from the proceeds of the convertible debentures. The Company also incurred transaction costs of \$184,984 (CAD\$245,434).

In February 2020, the Company amended the terms of the Debenture Units:

- Increase interest rate from 8% to 10%
- Decrease the conversion price from CAD\$0.90 to CAD\$0.75 per share
- Decrease the exercise price of the warrants from CAD\$0.90 to \$0.075 per share.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

Due to the amendment to the terms of the Debenture Units, the Company is deemed to have extinguished the existing debentures and reissued new debentures with the new terms. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost, using a discount rate of 20%. The Company valued the liability portion of the convertible debt to \$12,449,857 (CAD \$16,463,691). The value of the conversion feature is determined using the Black-Scholes Option Pricing Model with the assumptions of 122.99% volatility rate, discount rate of 1.45, expected life of 2.23 years and no dividends. The conversion feature of the new debentures is valued at \$2,822,971 (CAD\$3,733,097). As a result of the amendment, the Company has recorded a loss on extinguishment of debt of \$547,984 (CAD\$ 735,094).

On December 31, 2020, the Company entered into a convertible debenture agreement (individually, the "Convertible Debenture") for \$196,356 (CAD\$250,000). The Convertible Debenture bore interest at 12% per annum and was payable on January 31, 2021. During the three-month period ended March 31, 2021, the holder exchanged the amount of principal plus accrued interest due at the date of conversion to the Company's common shares at a conversion price equal to the average of the open and close market price on the date of the conversion. The full amount of \$196,356 (CAD\$250,000) was recorded as a current liability at December 31, 2020.

On April 30, 2021, the Company converted \$15,093,840 of convertible debentures into 59,829,261 Series D Voting Preferred Shares at CAD\$0.30 per share.

A continuity schedule of the convertible debentures outstanding at June 30, 2021 and December 31, 2020 is as follow:

	June 30, 2021	December 31, 2020
Balance, beginning of period	\$ 13,994,255	\$ 11,973,871
Issue of convertible debentures, net	-	196,356
Extinguishment of convertible debentures	-	(12,373,211)
Reissuance of convertible debentures	-	12,449,857
Conversion to common shares	(1,084,621)	(775,885)
Accretion and interest	986,789	2,552,584
Repayment of convertible debt	(197,348)	(31,570)
Gain on conversions	(16,696)	-
Conversion to Preferred Shares (note 18)	(12,621,340)	
Foreign exchange	4,766	2,254
Balance, end of period	\$ 1,065,805	\$ 13,994,255

The fair value is calculated based on the November 26, 2018 arm's length financing which the shares would be converted at fair value at \$0.50 per share. Blacklist was a private company at the end of December 31, 2018, thus the November 2018 financing would be the most appropriate representation of Blacklist's shares' fair value. During the year ended December 31, 2019, the convertible option was valued using the share price of the Company.

18. SHARE CAPITAL

Authorized Share Capital of the Company

The Company's authorized share capital consists of:

- An unlimited number of voting common shares, with no par value;
- An unlimited number of series A non-voting preferred shares;
- An unlimited number of series B non-voting preferred shares;
- An unlimited number of series C non-voting preferred shares;
- An unlimited number of series D voting preferred shares; and
- An unlimited number of series E non-voting preferred shares.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

The series A and B preferred shares may be converted into common shares at the option of the Company. The series C preferred shares may be converted into common shares at the option of the holders. Each series of preferred shares are convertible into such number of common shares equal to the quotient of the paid-up capital of the preferred shares divided by the market price of the common shares on the date of conversion. Each series of 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.

In connection with the Cowlitz acquisition (note 5), 100,406,701 series E preferred shares ("Preferred Shares") were issued as consideration. The Preferred Shares are exchangeable into one common share on a one-for-one basis (subject to adjustment, and provided that the holder's share ownership of the Company remains below 10% at the time of conversion) and carries an annual dividend equal to 13% for a period of two years from the date of issuance, with the Preferred Shares automatically converting to Common Shares four years from the issuance date. Under the terms of the Cowlitz Agreement, the Company will not issue any additional Preferred Shares without obtaining written consent from the seller.

On April 30, 2021, and pursuant to the Second Supplemental Indenture dated April 20, 2021, the Company converted 91.5% or CDN\$15,093,840 of the outstanding principal of secured convertible debentures, including accrued and unpaid interest, into 59,829,261 Series D Voting Preferred Shares ("Series D Preferred"). The Series D Preferred were issued at an initial amount of CDN\$0.30, or CDN\$17.9 million in aggregate. During the three-month period ended June 30, 2021, a total of 491,068 common shares were issued from the conversion of 453,280 Series D Preferred, representing the conversion of \$119,193 of original convertible debenture principle plus accrued interest in the amount of \$5,747. At June 30, 2021, 15,613,307 Series D Preferred shares are outstanding.

Share Consolidation

On February 8, 2021, the Company consolidated its common shares ("share consolidation") at a ratio of one post-consolidated common share for every six pre-consolidated common shares. As a result of the share consolidation, the weighted average number of shares outstanding, basic and diluted, for the three and six-month periods ended June 30, 2020 would reduce from 184,288,971 common shares to 30,714,829 common shares outstanding and from 174,311,562 to 29,051,927 respectively. The loss per share, basic and diluted would increase from \$0.00 and \$0.01 loss per share for the three and six-month periods ended June 30, 2020 respectively to \$0.03 loss per share for the three-month period ended June 30, 2020 and \$0.05 loss per share for the six-month period ended June 30, 2020.

Common Shares Issued During the Period

On March 2, 2021, the Company issued 77,695,502 units at a price of CAD \$0.19 per unit for total gross proceeds of CAD \$14,762,145. Each unit consist of one common share of the Company and one share purchase warrant, exercisable at CAD \$0.30 per share for five years from the issuance date. The Company paid finders' fees of CAD \$1,094,912 and issued finders fees of 7,285,014 finder's warrants exercisable at CAD \$0.19 per share for a period of two years from the issuance date. Net proceeds from the issuance was \$11,016,935.

During the six-month period ended June 30, 2021, the Company also issued the following:

- 1,571,892 common shares for the settlement of debt with a fair value of \$366,516;
- 14,392,817 common shares for payment of consulting services in connection with the Company's private placement and Cowlitz acquisition. The fair value of the shares issued was \$2,268,157 and the fair value of the services provided was \$2,870,517 and accordingly, the Company has recognized a gain from forgiveness of debt in the amount of \$602,360; and
- 9,135,237 common shares were issued for convertible debt conversions with a fair value of \$1,408,912

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

Stock Options

The Company has a stock option plan under which 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 10 years. The plan allows for the issuance up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

Stock options issued, outstanding and exercisable at June 30, 2021 and December 31, 2020, adjusted for the impact of the Share Consolidation, are as follows

Number Outstanding	Number Exercisable	Exercise Price (CAD)	Expiry Date
950,000	950,000	\$ 4.08	April 12, 2024
419,666	419,666	\$ 1.20	August 16, 2024
6,775,000	3,387,500	\$ 0.195	April 16, 2026
8,144,666	4,757,166		

During the six-month period ended June 30, 2021, the Company issued 6,775,000 stock options with a grant date fair value of \$1,219,500 (June 30, 2020 – nil options granted). The Company recorded share-based compensation of \$641,359 during the six-month period ended June 30, 2021 (June 30, 2020 - \$42,145)

The weighted average exercise price of the stock options issued, outstanding and exercisable at June 30, 2021 is \$1.06 (December 31, 2020 - \$3.20).

Stock options granted during the six-month period ended June 30, 2021 were valued using the Black-Scholes Option Pricing Model with the following assumptions:

	2021
Volatility	129.4
Risk-free interest rate	0.20
Expected life of options	5 years
Dividend yield	0.00%

Warrants

Details regarding warrants issued and outstanding, adjusted for the impact of the Share Consolidation, are summarized as follows:

	Weighted average exercise price (CAD)	Number of shares issued or issuable on exercise
Warrants outstanding, beginning	\$ -	-
Warrants issued	3.84	9,162,382
Warrants exercised	1.20	(1,310,400)
Balance at December 31, 2019	\$ 4.26	7,851,982
Warrants expired	2.76	(576,730)
Warrants issued	0.30	25,000
Balance at December 31, 2020	\$ 0.21	7,300,252
Warrants expired	0.30	(1,833,333)
Warrants issued	0.29	92,980,516
Balance at June 30, 2021	\$ 0.46	98,447,435

The expiry dates of warrants are as follows:

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

Grant Date	Expiry Date	Weighted average exercise price (CAD)	Number of warrants issued
May 16, 2019	May 16, 2022	2.70	4,638,840
July 1, 2019	July 1, 2022	7.98	803,079
December 31, 2020	December 31, 2023	0.30	25,000
March 2, 2021	March 2, 2023	0.19	77,695,502
March 2, 2021	March 2, 2026	0.19	7,285,014
March 4, 2021	March 4, 2026	0.30	6,000,000
April 16, 2021	April 16, 2026	0.195	2,000,000
		0.46	98,447,435

The 7,285,014 finders warrants issued in connection with the private placement had a fair value of \$1,022,6241 which was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	2021
Volatility	106
Risk-free interest rate	0.16%
Expected life of options	2 years
Dividend yield	0.00%

The warrants issued on April 16, 2021 to a consultant had a fair value of \$250,200 which was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	2021
Volatility	129.4
Risk-free interest rate	0.26%
Expected life of options	5 years
Dividend yield	0.00%

The weighted average life remaining of the warrants at June 30, 2021 is 2.5 years.

19. COMMITMENTS AND CONTINGENCIES

Commitments

Vehicle Loans

The company obtained financing for motor vehicles acquired. The loans are secured by the vehicles financed. The loans have terms ranging from 60 – 72 months and bear interest at 5.60% - 13.49%.

	June 30, 2021		December 31, 2020	
Balance, beginning of period	\$	117,343	\$	107,745
Issued		62,345		36,078
Interest expense		4,089		5,714
Repayments		(20,621)		(32,194)
Retirement		(33,666)		-
Balance, end of period		129,490		117,343
Current		25,487		30,094
Long-term	\$	104,003	\$	87,249

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

A schedule for the Company's future minimum principal payments over the term of the loans is as follows:

Year		
2021		12,525
2022		26,354
2023		28,204
2024		30,225
2025		25,786
2026		6,396
Total	\$	129,490

Contingencies

The Company is involved in litigation and disputes arising in the normal course of operations with regards to monies owed for services. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations. On March 1, 2021, ongoing litigation was resolved, resulting in the Company making a cash payment of \$75,000 and the issuance of 372,566 Common Shares at a deemed price of \$0.20 per share.

20. REVENUE

The Company generates revenue from the transfer of goods and services over time and at a point-in-time from the revenue streams below. Net revenue from sale of goods is reflected net of returns, if any.

For the three months ended June 30, 2021	Point-in-Time (\$)	Over-Time (\$)	Total (\$)
Sale of products	5,460,223	-	5,460,223
Brokerage sales	1,698,989	-	1,698,989
Rental income	-	184,001	184,001
Management services and royalty fees	-	969,963	969,963
	7,159,182	1,153,964	8,313,146
<hr/>			
For the three months ended June 30, 2020	Point-in-Time (\$)	Over-Time (\$)	Total (\$)
Sale of products	485,055	-	485,055
Brokerage sales	-	-	-
Rental income	-	230,251	230,251
Management services and royalty fees	-	1,381,677	1,381,677
	485,055	1,611,928	2,096,983
<hr/>			
For the six months ended June 30, 2021	Point-in-Time (\$)	Over-Time (\$)	Total (\$)
Sale of products	7,423,885	-	7,423,885
Brokerage sales	2,517,041	-	2,517,041
Rental income	-	414,252	414,252
Management services and royalty fees	-	2,156,646	2,156,646
	9,940,926	2,570,898	12,511,824
<hr/>			
For the six months ended June 30, 2020	Point-in-Time (\$)	Over-Time (\$)	Total (\$)
Sale of products	1,034,248	-	1,034,248
Brokerage sales	-	-	-
Rental income	-	460,502	460,502
Management services and royalty fees	-	2,894,340	2,894,340
	1,034,248	3,354,842	4,389,090

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and accounts receivable. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. Accounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Accounts Receivable

Accounts receivable primarily consist of trade receivables and sales tax receivable. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses since the COVID-19 outbreak. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The Company's aging of trade receivables was as follows:

	June 30, 2021	December 31, 2020
	(\$)	(\$)
0 – 30 days	1,005,099	611,139
31 – 60 days	576,346	284,395
61 - 90 days	399,097	269,300
91 + days	783,639	120,100
	2,764,181	1,284,934

For the three months and six months ended June 30, 2021 and 2020, the following revenue was recorded from customers that comprise 10% or more of revenue:

Percentage of revenue from major customers	Three Months ended		Six Months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Customer A (related party)	61%	95%	62%	97%

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2021:

	On demand (\$)	Less than 1 year (\$)	1 to 2 years (\$)	2 to 3 years (\$)	Total (\$)
Trade payables	3,876,845	-	-	-	3,876,845
Lease liabilities	-	542,033	1,756,022	1,756,022	4,054,077
Vehicle loans	-	25,487	56,443	47,560	129,490
Loans payable and accrued interest	-	665,726	465,307	52,526	1,183,559
Convertible debt	-	-	1,065,805	-	1,065,805
Total liabilities	3,876,845	1,223,246	3,343,577	1,856,108	10,309,776

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is limited as the majority of its sales and expenditures are denominated in the same currency as its functional currency.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company managed its interest rate risk by having a fixed rate for its convertible debentures. Based on borrowings that accrue interest as at June 30, 2021 and December 31, 2020, a 1% change in interest rate would not have a significant impact on net loss.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

Fair Value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data

The Company did not have any marketable securities at June 30, 2021.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

IONIC BRANDS CORP.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (UNAUDITED)
(Expressed in United States Dollars)

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate (note 17).

There were no transfers between the levels of the fair value hierarchy during the period.

CAPITAL MANAGEMENT

The Capital manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2020.

23. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASHFLOWS

Interest paid during the three and six-month periods ended June 30 2021 was \$171,497 and \$416,310 (three and six month periods ended June 30, 2020 - \$66,290 and \$167,269) respectively.