CSE: IONC | FRA: IB3 | OTC: IONKF

For Immediate Release

IONIC BRANDS CORP. ANNOUNCES RECORD SALES OF US$8.3 MILLION IN SECOND QUARTER 2021

Release Highlights Record High Revenue for Second Quarter 2021
(Expressed in US dollars, unless otherwise stated)

- Record Q2-2021 sales revenues of $8.3M and realized $1.3M in gross profit representing a 16% gross margin for the second quarter 2021, a 1.2% decline on quarter-on-quarter growth due to our combined B2B wholesale business and entrance into the sales of lower margin flower sales compared to our concentrate segments.
- Record H1 sales revenues of $12.5M which exceeds the entire fiscal year of 2020 revenues by $3.5M, representing a 40% increase in revenue YTD
- The Company maintains its target on baseline revenues of over $28 million for annual 2021.
- Improved balance sheet through the conversion of $12.9 million in secured debt to preferred equity

TACOMA, WA / ACCESSWIRE / AUGUST 31, 2021 / IONIC BRANDS CORP. (CSE:IONC) (OTC PINK:IONKF) (FRA:IB3A) ("IONIC BRANDS" or the "Company") a regional manufacturer of innovative cannabis consumables and concentrate extract products, is pleased to report financial results for the three and six month periods ended June 30, 2021.

For further information on the financial results of the Company, please review the Company's unaudited condensed consolidated interim financial statements (unaudited) and the accompanying MD&A available under the Company's profile on www.SEDAR.com.

John Gorst, CEO of Ionic Brands, commented, “We made a commitment to our shareholders that we would improve the Company’s balance sheet and financial performance, and our recently released June 30, 2021 results reinforce that commitment. After Ionic Brands’ record revenue growth this quarter and a first half total revenue that exceeds 2020 fiscal year total revenues by 40%, we are achieving what we set out to do for our shareholders. Total revenues have also exceeded US$12 million for the first 6 months of 2021”

“Our improved top-line and bottom-line results, both year over year and sequentially, were primarily driven by modifications to operations related to our continued goal to drive down manufacturing costs and increase overall operating efficiency in the Washington and Oregon markets. While we are pleased with this quarter's progress, we have clearly laid a path to further enhance our financial performance by continuing to reduce operating expenses and remain hyper-focused on increasing gross margin revenues, improve our cash flows and reach profitability.”

Financial Highlights:

- Revenue for Q2-2021 was $8.3 million, compared to $2.9 million in Q2-2020 and $4.1 million in Q1-2021. The primary driver of the year-over-year growth was the Company entering the flower segment of the cannabis industry with the acquisition of the Cowlitz County Cannabis brand assets, which closed on March 5th, 2021. Furthermore, our growth was driven by the successful launch of new products in both the Washington and Oregon markets.

- Adjusted EBITDA was ($964.4K) in Q2-2021, compared to ($5.4 million) in Q1-2021, representing a significant improvement of approximately $4.4 million quarter over quarter. The reduction of the Adjusted EBITDA loss is primarily attributable to an increase in overall gross margin revenue. The Company remains committed to prudently managing its operating expense on its mission to improve efficiency throughout the organization.

- Revenue increased to $8.313 million in the second quarter of 2021, as compared to $4.199 million in the first quarter of 2021, representing a 98% increase. This strong quarter over quarter growth was driven primarily by the closing of the Cowlitz County Cannabis (CCC) brand asset acquisition on March 8th of 2021, where the Company acquired 6 additional brands, increasing our total portfolio size to 11 brands in the Washington and Oregon markets.

- Gross margin revenue was 16.2% in the second quarter of 2021 compared to 17.3% in the first quarter of 2021. The 1.1 basis point reduction quarter over quarter is due to the mix of revenue earned in the quarter. New, lower margin streams of revenue came online during Q1 and continued in Q2 from the CCC acquisition, as well as business to business wholesale brokerage sales. The Company expects gross margin revenue will continue to increase in Q3 and beyond due to a mix of higher-margin product (Concentrates i.e. oil based products) sales from retail sales and the addition of Ionic Brands' dedicated wholesale partners lowering input costs from the use of contract raw material partners are expected. Furthermore, quarter-on-quarter margin improvement is expected in subsequent quarters of 2021, as biomass yields increase from the Company's exclusive licensed partner-operated assets and further consolidation of purchasing services between CCC in Washington combine to lower raw material input cost for their combined operations.

Operational Highlights:

- During the first half of the 2021 year, the industry experienced aggressive pricing from various competing brands at local retail stores trying to gain market share. The Company's strategy is to maintain pricing to the retail stores, creating price stability to the end-consumer while capturing more significant gross margin revenue. The Company will maintain this pricing strategy by focusing on our premium product lines. As competition thins out and cannabis markets mature, that stabilization of wholesale pricing to retail stores will become the norm. Conversely, the Company further understands the delicate balance between margin enhancement and gaining additional market share, which we monitor monthly and adjust our strategy as required

- Ionic Brands commenced operations from its newly leased 46,000 square feet facility in June 2021. This manufacturing footprint managed by the Company's exclusive licensed partners will allow the Company to increase its manufacturing output by six times, resulting in increased revenues and margin performance. Due to our recent investments in infrastructure, inventory, and manufacturing equipment, we are beginning to see improved operating leverage throughout the organization. Overall, we continue to execute on our growth strategy in 2021. We are excited to build on our momentum from this quarter's results and are already seeing improved operating performance evidenced by continued expansion of our retail distribution network and production and manufacturing footprint.

- In the beginning of Q2 of 2021, as world economies began to reopen from the COVID pandemic, the Company experienced severe bottlenecks in its supply chains in all product categories as we ramped up sales and inventory production. Raw materials for our Zoots edibles line and packaging for all products experienced a significant increase in lead times by as much as four times. While we continue to manage through this headwind, we saw slower sell-through in retail stores due to our less eco-friendly packaging, which is important to our more eco-conscious cannabis consumers in the Pacific Northwest markets, again slowing top-line revenue growth by as much as 17%. Subsequent to the end of the quarter, we are now in total production with newly designed eco-friendly packaging, and we expect to see an improvement to our sell-through in our retail partner stores, which should result in an immediate increase in top-line sales. The launch of our direct-to-consumer CBD site is delayed due to a certain ingredient for our NRG-CBD energy shot not being readily available. Our new projected launch date is September 15th, 2021. Additionally, the company continues to face challenges in securing labor in both our manufacturing and administrative job openings. As of this quarterly update there has been no material impact to our ability to meet our manufacturing demand, however, as sales continue to increase the Company will exceed its labor capacity as it relates to manufacturing output. The Company has taken immediate action to raise hourly pay rates to attract more talent which may have a negative impact on gross margin revenue.

- In Oregon, the Company closed the acquisition of the "OPS" facility on June 16th, 2021, a fully licensed and equipped manufacturing facility in Estacada, Oregon, which now gives Ionic Brands complete operating control over the manufacturing and distribution of our products in the Oregon market. The acquisition of the Oregon facility will allow us to produce up to 3.4 million units per year, which is expected to increase annual revenues in the Oregon market to $12 million by mid-2023, with a projected 4% - 7% increase in gross margin revenue due to improved operating efficiencies. Our excitement and optimism remain strong as we broaden the horizon of IONIC BRANDS 2.0. Direct ownership of a license and state-of-the-art facility will provide a platform for our highly experienced team to propel sales of our portfolio of well-known products to new heights in the Oregon Cannabis Market.

- Our partner, The Pass, who operates in the Massachusetts market, continues to work towards its goal of having Ionic Brands products on store shelves by the end of Q3. The Company has successfully launched The Pass's product line in the Washington market, extending Ionic Brands' product portfolio. We continue to pursue similar licensing agreements in other limited-license states.

Key Performance Indicators:

The Company realized consistent growth within its concentrates business line with 344,366 Ionic-branded units sold during Q2 of 2021 (an increase of 25%) compared to 276,298 branded units sold in Q1 of 2021; Furthermore, with the entry into the flower sales segment, through the acquisition of the Cowlitz County Cannabis (CCC) brand assets on March 8th, 2021, the license holder and the Company combined to market and sell 1,096,666 units of packaged flower. The total number of branded units sold in the second quarter was 1,441,032 (an increase of 422%) over the total number of branded units sold in Q1 2021 of 276,298, substantially increasing our overall brand exposure to the end-consumer in the northwest markets.

In the B2B wholesale business unit, the license holder and the Company combined to sell 4,999,422 units (grams) of biomass in Q2 of 2021, increasing 24% over Q1 2021 total units sold of 4,030,641. This strategic business unit provides a greater supply of raw materials at a lower cost, contributing to improved gross margins in our flower and concentrates segments while ensuring that the Company has a secure an adequate supply of raw materials for our manufacturing partner to make and deliver its concentrates and flower products efficiently to the market.

IONICBRANDS

About Ionic Brands Corp.

The Company is dedicated to building a regionally based multi-state consumer packaged goods company with a highly respected cannabis concentrate brand portfolio with strong roots in the premium and luxury segments of vape, concentrates, flower and consumables. The cornerstone Brand of the portfolio, IONIC, is a top concentrates brand in Washington State along with its economy brand Dabulous and has aggressively expanded throughout the Pacific Northwest of the United States. The brand is currently operating in Washington and Oregon. IONIC BRANDS' strategy is to be the leader of the highest-value segments of the cannabis market.

On behalf of IONIC BRANDS CORP.
John Gorst
Chairman & Chief Executive Officer

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To stay better informed on the current events of the company, you can join our investor community at https://www.ionicbrands.com/investor-community

Foot notes:

1. *These preliminary and unaudited financial results are subject to customary financial statement procedures by the Company. Actual results could be affected by subsequent events or determinations. While the Company believes there is a reasonable basis for these preliminary financial results, the results involve known and unknown risks and uncertainties that may cause actual results to differ materially. These preliminary fiscal results represent forward-looking information. See "Cautionary Note Regarding Forward-Looking Information and Statements" and "Financial Outlook".*
2. *Q2 2021 includes the results of Cowlitz County Cannabis effective March 8, 2021, the date of acquisition.*
3. *See "Non-IFRS Financial Measures" below for more information regarding Ionic Brands 's use of Non-IFRS financial measures and other reconciliations.*

Explanatory Note Regarding the Company's Operations

References in this news release to the Company and its operations and assets are inclusive of the operations and assets of certain licensed cannabis operators that operate under the Ionic Brands brand pursuant to contractual arrangements with the Company. For additional information, please refer to the Company's disclosure documents available on the Company's profile at www.sedar.com.

Non-IFRS Financial Measures

The Company has provided certain non-IFRS financial measures including "Gross Margin" and Adjusted EBITDA. These non-IFRS financial measures do not have a standardized definition under IFRS, nor are they calculated or presented in accordance with IFRS and may not be comparable to similar measures presented by other companies. The Company defines "Gross Margin" as Gross divided by Revenue. The Company calculates Adjusted EBITDA as net income as reported adjusted to exclude the impact of the following items: fair value adjustment of sale of inventory, provision for income taxes, foreign exchange (gain)loss, change in fair value of investments, interest expense, share based compensation, depreciation and amortization, costs associated with public listing, impairment loss, loss on financial instruments and gain on sale of fixed assets.

The Company has provided these non-IFRS financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Company believes that these supplemental non-IFRS financial measures provide a valuable additional measure to use when analyzing the operating performance of the business. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein.

Caution Regarding Cannabis Operations in the United States

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. While legal in certain states, cannabis remains a Schedule I drug under the U.S. Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation. Investors should carefully read *the risk factors and disclosures contained in the Company's Management Discussion and Analysis ("MD&A") for the year ended December 31, 2020 and other disclosure documents available on the Company's profile at www.sedar.com.*

Caution Regarding Cannabis Operations in Washington State

Holders of marijuana licenses in Washington are subject to significant regulation. Such regulation creates a number of risks unique to such holders, especially when compared to the holders of marijuana licenses in other U.S. states. In addition, the Washington State Liquor and Cannabis Board ("LCB") has historically taken an aggressive approach to enforcing the applicable regulations. Washington law specifically prohibits out-of-state ownership or control of marijuana licenses and requires that any person or entity who provides financing to the holder of a marijuana license be subject to rigorous scrutiny. These laws significantly limit how out-of-state companies and non-licensed companies may transact with marijuana licensees. What may appear to be a minor violation may result in irreparable harm as the LCB has cancelled marijuana licenses as a punishment for a first offense of a regulatory violation related to ownership and control. While consulting agreements, service arrangements, and intellectual property agreements are generally permissible and appear to be acceptable to the LCB, a licensee who enters into such transactions with an out-of-state or non-licensed company runs the risk of the licensee's business being suddenly terminated if the LCB perceives any concern about ownership and control of the licensee. Investors in the Company must be aware that the Company faces the risk of total business loss if a Washington licensee the Company relies upon has its license cancelled. There is significant risk and uncertainty regarding an investment in the Company.

Cautionary Note Regarding Forward-Looking Information and Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Ionic Brands 's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Ionic Brands 's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but are not limited to, statements about the anticipated expansion of the Company's operations and growing capacity in Washington, projected financial results for the second quarter of 2021, potential acquisitions and the Company's prospects and the cannabis market generally in the states of Washington.

By identifying such information and statements in this manner, Ionic Brands is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results to be materially different from those expressed or implied by such information and statements. In addition, in connection with the forward-looking information and forward-looking statements contained in this press release, Ionic Brands has made certain assumptions. Although Ionic Brands believes that the assumptions and factors used in preparing, and the expectations contained in the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ *materially from those anticipated in such information and statements. Among others, the key factors that could cause actual results to differ materially from those projected in the forward-looking information and statements are the following: unexpected costs or delays in the completion of the Company's proposed dispensaries and other operations; negative results experienced by the Company as a result of general economic conditions or the ongoing COVID-19 pandemic; delays in the ability of the Company to obtain certain regulatory approvals; unforeseen delays or costs in the completion of the Company's construction projects; adverse changes to demand for cannabis products; ongoing projects by competitors that may impact the relative size of the Company's operations; adverse changes in applicable laws; adverse changes in the application or enforcement of current laws, including those related to taxation; increasing costs of compliance with extensive government regulation; changes in general economic, business and political conditions, including changes in the financial markets; and the other risks disclosed in the Company's MD&A for the year ended December 31, 2020 and other disclosure documents available on the Company's profile at www.sedar.com .*

The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and Ionic Brands does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws.

Financial Outlook

This news release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the second quarter of 2021 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed in this press release and assumptions with respect to market conditions, pricing, and demand. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Cautionary Note Regarding Forward-Looking Information and Statements", it should not be relied on as necessarily indicative of future results.

Third Party Information

This press release includes market and industry data that has been obtained from third party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this press release or ascertained the underlying economic assumptions relied upon by such sources.