

**Integrated Cannabis Company, Inc.**  
Suite 810, 789 West Pender Street  
Vancouver, British Columbia, Canada V6H 1H2

## **Integrated Cannabis Company, Inc. CEO Letter to Shareholders**

February 6, 2020

To Our Shareholders,

With the goal of being a leader in the pre-roll space, Integrated Cannabis Company, Inc. has worked to develop three main pillars that provide the Company with an unmatched competitive advantage in the California market and the ability to enter other legal states at scale.

### **Sales Platform and New SKUs**

The first pillar that sets Integrated Cannabis apart from the rest of its competition is its sales platform. The company currently operates in over 340 licensed dispensaries in the state of California. To provide perspective, there are almost 600 licensed dispensaries in the state of California, of which 120 or so are currently under construction with another 50 or so operating as medical only facilities which are currently not locations that our team is pursuing. Given this background, we estimate that Integrated Cannabis is currently servicing over 340 of the potential 430 licensed dispensaries in the state or almost 80% of its total retail addressable market. Given the Company's historical product offering has been more premium in focus and developed a niche cult like following, the Company is excited to leverage its impressive sales platform and team for future growth by penetrating existing and future stores with new SKUs geared towards a larger customer demographic. As evidence by this and the feedback that the Company has received from its retail partners, Integrated Cannabis's Ganja Gold brand is in the process of launching its jarred flower SKUs that will be on shelves by the end of February. By leveraging the same world-class flower that can be found in existing Ganja Gold pre-rolls, we feel very confident that the new SKUs will be very well received and provides options to consumers seeking the Ganja Gold brand but in a less potent option. Additionally, we are also excited to announce that in March, the Company plans to roll out its next brand called Taylors. Taylors will focus on the lower end of the market while still providing tremendous value to the end customer. Due to the fact that the most sales volume comes at the lower end of the market, we feel that by leveraging our existing sales platform, the Company will be able to provide SKUs geared towards the masses. The Company hopes that with the addition of these two new categories, the Company will be able to achieve significant revenue growth over the upcoming quarters by leveraging its impressively developed sales platform pillar.

### **Proprietary World-Class Technology**

The second pillar of the Integrated Cannabis brand is technology. In 2018, the Company, through its wholly owned subsidiary, partnered with a leading manufacturer of unique one of a kind manufacturing equipment. Historically, this manufacturing partner has completed novel and proprietary equipment and systems for large Fortune 500 customers. Through this partnership, the two Companies were able to develop a proprietary pre-roll machine that completely automates the pre-roll manufacturing process - producing volume at scale while maintaining quality without the fear of human error. It is no secret that one of the main issues holding back the pre-roll category has

been its inability to scale quickly and efficiently. The majority of pre-rolls today are made through processes that consist mainly of human labor. With the addition of this technology, Integrated Cannabis is able to produce pre-rolls at a rate of 400+ units every hour. This is a crucial long-term piece to the Company's business as it decreases the cost of manufacturing by over 65% per pre-roll. Integrated Cannabis expects that after an update to the technology that's currently underway, the machine should be able to produce over 1,000 units per hour reducing the estimated cost of manufacturing by over 80% per pre-roll. While the Company originally intended for the technology to be used solely for internal purposes and provide its brands with a competitive advantage when it comes to gross margins and scalability, over the past several months through conversations with larger California brands and large multi-state operators, the Company has realized there is significant demand for white label contract manufacturing in the pre-roll category. While historically not a high margin business, Integrated Cannabis believes that by utilizing its technology, the Company could achieve a 50% gross margin white label business by satisfying the existing demand by the industry's largest players for this type of solution.

### **Supply Chain: Vertical Integration**

The third and final pillar of the business is our supply chain. Due to the fact the flower is the single largest input in the cost of goods analysis for Integrated Cannabis, the Company quickly realized that finding a solution to dramatically cut costs was going to be crucial in order to provide it with a path towards its desired gross margin targets. In late 2018 the Company embarked on a path to solidify its own supply by partnering with another local California company to achieve this goal. Previously, the Company was spending between \$2,000 USD and \$2,300 USD per pound on flower. The Company is proud to report that its Sacramento based cultivation facility is now up and running. The Company received its first shipment of flower in late December. This achievement represents a significant milestone for the Company with the cost of our premium indoor flower coming in at roughly \$1,000 USD per pound, decreasing the overall cost of the single largest input in the cost of goods equation by over 50%, which dramatically improves the gross margin profile. Not only does this partnership significantly help gross margins but it also provides a constant supply that will be necessary to scale the Company and allow it to continue to add SKUs while maintaining margins.

### **The Year Ahead**

Given the hard work, dedication and focus on building the aforementioned three pillars, the Company is now well positioned for not only growth but high margin responsible growth. During the next couple of quarters, the team will be heads down focused on execution which should deliver a wide range of SKUs ranging from the existing infused Ganja Gold pre-rolls to the exciting launch of the Ganja Gold jarred flower to the highly anticipated roll out of the Taylors brand that promises high value at a very affordable price point. The Company hopes to be able to launch all of these products while achieving a gross margin of 50% or more. The Integrated Cannabis team is deeply committed to the vision of being the leading authority on pre-rolls by continuing to leverage its three pillars and find additional ways to improve margins. Throughout the upcoming quarters, the Company plans to provide updates on its ability to execute on the roadmap and find success based on the foundation that has been built.

Thank you for your support.

Regards,

Brandon Kou, CEO

## **About Integrated Cannabis Company**

Integrated Cannabis Company, Inc. is a leading cannabis branded products manufacturer based in California & Nevada, the largest and most competitive cannabis markets in the world. The company's mission is to make cannabis safe and approachable - that starts with manufacturing high-quality products delivering consistent experiences.

For more information, please visit the company's website at: [www.icaninc.com](http://www.icaninc.com).

**For further information about Integrated Cannabis, please contact the Company at:**

Email: [investors@icaninc.com](mailto:investors@icaninc.com)

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