ICANIC BRANDS COMPANY INC.
(FORMERLY INTEGRATED CANNABIS COMPANY, INC.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

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AChan
A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Integrated Cannabis Company, Inc.

Opinion
We have audited the consolidated financial statements of Integrated Cannabis Company, Inc. and its subsidiaries (together, the "Company"), which comprise the consolidated statements of financial position as at July 31, 2020 and July 31, 2019, the consolidated statements of loss and comprehensive loss for the years ended July 31, 2020, July 31, 2019 and the consolidated statements of changes in shareholders' equity for the years ended July 31, 2020 and July 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and July 31, 2019, and its financial performance and its cash flow for the years ended July 31, 2020 and July 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net comprehensive loss of $793,906 during the year ended July 31, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $21,686,194 since its inception, and expects to incur further losses in the development of its business. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditors' report is Anthony Chan, CPA, CA.

"A Chan & Company LLP"
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court
Burnaby, BC, Canada V5J 5H8
November 30, 2020

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

AS AT	July 31, 2020 $	July 31, 2019 $
Current assets		
Cash and cash equivalents	**2,037,795**	4,681,677
Accounts receivable (note 5)	**1,039,681**	582,420
Government HST recoverable	**76,062**	48,954
Prepaid expenses and deposits	**1,078,807**	156,479
Inventory (note 7)	**694,855**	454,115
Promissory note receivable	**1,408,427**	1,447,268
Loans receivable (note 8)	**4,699,735**	4,305,303
	11,035,362	11,676,216
Investments	**2**	2
Property and equipment (note 6)	**4,477,230**	2,704,188
Brands and licenses (notes 9)	**52,300,945**	52,300,945
Total Assets	**67,813,539**	66,681,351
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (note 10)	**1,557,759**	619,564
Lease liability (note 12)	**172,084**	-
Loan payable	**25,758**	83,748
Derivative liability (note 11)	**129,745**	-
Notes payable (note 11 and 18)	**149,636**	12,500,000
	2,034,982	13,203,312
Lease liability (note 12)	**992,497**	-
Total liabilities	**3,027,479**	13,203,312
Shareholders' Equity		
Common share capital (note 16)	**80,965,645**	52,491,279
Shares to be issued (note 16)	**9,800**	17,600,000
Share subscriptions receivable	**(195,663)**	(95,286)
Reserves (note 16)	**5,692,472**	4,392,803
Deficit	**(21,686,194)**	(20,910,757)
Total shareholders' equity	**64,786,060**	53,478,039
Total liabilities and shareholders' equity	**67,813,539**	66,681,351

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent events (Note 22)

Approved on behalf of the board of directors on November 30, 2020

“Eugene Beukman, Director”

“Nishal Kumar, Director”

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the year ended,	July 31, 2020 $	July 31, 2019 $
Sales	7,971,497	108,346
Cost of sales	(6,120,856)	(99,763)
Gross margin	1,850,641	8,583
Operating Expenses		
Advertising and promotion	993,099	295,514
Accretion (Note 11 and 12)	23,848	-
Bank charges	51,333	2,299
Depreciation (Note 6)	97,680	-
Filing and listing fees	44,875	32,627
Bad debt expense	53,849	-
Interest (Note 11)	6,731	-
Payroll expense	1,316,147	-
Legal and professional fees (Note 15)	384,330	229,442
Management and consulting fees (Note 15)	1,135,304	1,169,636
Office and general expenses	1,117,404	488,341
Share-based compensation (Notes 16)	1,253,788	1,766,041
Transfer agent fees	21,942	14,581
Total operating expenses	(6,500,330)	(3,998,481)
Net loss before other items	(4,649,689)	(3,989,898)
Impairment of advances to Critical Mass Industries (Note 17)	-	(597,310)
Loss on foreign exchange	(8,009)	-
Gain on sale of marketable securities (Note 5)	4,976	-
Gain on settlement of accounts receivable (Note 5)	15,763	-
Gain on settlement of debt (Note 16)	3,844,221	-
Revaluation of derivative liability (Note 11)	15,607	-
Interest revenue	1,694	6,651
Write-off accounts payable	-	4,850
Net loss	(775,437)	(4,575,707)
Foreign currency translation	(18,469)	(43,443)
Comprehensive loss	(793,906)	(4,619,150)
Basic and diluted net loss per share	(0.00)	(0.10)
Weighted average number of common shares outstanding	188,820,716	47,434,643

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the year ended,	July 31, 2020 $	July 31, 2019 $
Operating Activities		
Net loss for the year	(775,437)	(4,575,707)
Accretion expense	23,805	-
Interest expense	6,731	-
Impairment of advances to Critical Mass Industries	-	597,310
Revaluation of derivative liability	(15,607)	-
Depreciation	398,100	-
Foreign exchange	44,600	-
Gain on settlement of accounts receivable	(15,763)	-
Realized gain on sale of marketable security	(4,976)	-
Gain on settlement of debt	(3,720,034)	-
Consulting services	776,500	201,192
Share-based compensation	1,253,788	1,766,041
Write-off of accounts payable	-	(4,850)
Net changes in non-cash working capital		
Accounts receivable	(791,312)	(43,700)
Government HST recoverable	(27,108)	(22,662)
Prepaid expenses and deposits	(922,328)	284,936
Inventory	(240,740)	-
Accounts payable and accrued liabilities	1,029,195	191,110
Net cash used in operating activities	(2,980,586)	(1,606,330)
Investing activities		
Advances to Critical Mass Industries, LLC (note 17)	-	(597,310)
Purchase of property and equipment	(940,522)	-
Rent repayments	(74,466)	-
Proceeds from sale of marketable securities	354,790	-
Proceeds from acquisition of subsidiaries	-	917,769
Loans receivable	(394,432)	(1,501,132)
Net cash used in investing activities	(1,054,630)	(1,180,673)
Financing activities		
Proceeds from issuance of shares, net of share issuance cost	881,150	5,471,799
Obligation to issue shares	9,800	-
Loan payable	-	(74,953)
Share subscription receivable	49,623	-
Secured loan payable	267,120	-
Exercise of warrants	260,100	395,708
Repayment of loans payable	(57,990)	-
Net cash provided by financing activities	1,409,803	5,792,554
Net change in cash	(2,625,413)	3,005,551
Effect of foreign exchange on cash	(18,469)	(43,443)
Cash, beginning of year	4,681,677	1,719,569
Cash, end of year	2,037,795	4,681,677
Repaid interest	-	-
Taxes paid	-	-

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Consolidated Statement of Equity
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

	Common Share Capital							
	Number of shares	**Amount**	**Shares to be issued**	**Share subscriptions receivable**	**Reserve for foreign currency translation**	**Reserve for share-based payments**	**Deficit**	**Total**
Balance at July 31, 2018	**36,023,786**	**$ 15,170,422**	**$ -**	**$ -**	**$ -**	**$ 3,173,916**	**$ (16,335,050)**	**$ 2,009,288**
Shares issued to acquire Ganja Gold (note 19)	43,200,000	19,008,000	17,600,000	-	-	-	-	36,608,000
Shares issued to acquire 1200665BC (note 18)	30,645,161	11,645,161	-	-	-	-	-	11,645,161
Private placements	22,504,000	5,701,000	-	(95,286)	-	-	-	5,605,714
Exercise of warrants	1,226,769	987,020	-	-	-	(591,312)	-	395,708
Share issuance costs	-	(221,516)	-	-	-	87,601	-	(133,915)
Shares for services	609,677	201,192	-	-	-	-	-	201,192
Share-based compensation	-	-	-	-	-	1,766,041	-	1,766,041
Foreign currency translation	-	-	-	-	(43,443)	-	-	(43,443)
Loss for the year	-	-	-	-	-	-	(4,575,707)	(4,575,707)
Balance at July 31, 2019	**134,209,393**	**$ 52,491,279**	**$ 17,600,000**	**$ (95,286)**	**$ (43,443)**	**$ 4,436,246**	**$ (20,910,757)**	**$ 53,478,039**
Shares for services	1,550,000	776,500	-	-	-	-	-	776,500
Exercise of warrants	693,594	260,100	-	-	-	-	-	260,100
Share exchange agreement (Note 19)	40,000,000	17,600,000	(17,600,000)	-	-	-	-	-
Shares for debt (Note 18)	40,322,580	8,870,966	-	-	-	-	-	8,870,966
Private placements (Note 16)	4,290,000	1,008,150	-	(150,000)	-	64,350	-	922,500
Share issuance costs	-	(41,350)	-	-	-	-	-	(41,350)
Subscription received	-	-	9,800	49,623	-	-	-	59,423
Share-based compensation	-	-	-	-	-	1,253,788	-	1,253,788
Foreign currency translation	-	-	-	-	(18,469)	-	-	(18,469)
Loss for the year	-	-	-	-	-	-	(775,437)	(775,437)
Balance at July 31, 2020	**221,065,567**	**$ 80,965,645**	**$ 9,800**	**$ (195,663)**	**$ (61,912)**	**$ 5,754,384**	**$ (21,686,194)**	**$ 64,786,060**

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

1. Nature of Operations

Icanic Brands Company Inc. (Formerly Integrated Cannabis Company, Inc.) ("iCannaCo" or the "Company") was incorporated on September 15, 2011, under the laws of the province of British Columbia and is registered extra-provincially under the laws of Ontario. The Company is a cannabis branded products manufacturer based in California and Nevada. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "ICAN". The head office of the Company is located at Suite 810 - 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada.

During the year ended July 31, 2019, the Company completed the acquisition of all of the issued and outstanding shares of 1200665 B.C. Ltd. (note 14), which intends to complete the acquisition of a Nevada cultivation manufacturing and real property interests of V6E Holdings LLC ("V6E") and Sullivan Park Capital LLC. ("Sullivan Park"), and also completed the acquisition of all of the issued and outstanding shares of Ganja Gold Inc. (note 15), which holds a California cannabis manufacturing interests.

2. Going Concern Assumption

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. As at July 31, 2020, the Company has yet to generate a positive net income and had an accumulated deficit of $21,686,194 (July 31, 2019 - $20,910,757). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

3. Statement of Compliance and Basis of Presentation

Statement of compliance

These consolidated financial statements are prepared by the Company in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

(Expressed in Canadian Dollars)

3. Statement of Compliance and Basis of Presentation (Continued)

Basis of consolidation
These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company as follows:

Name	Date of acquisition
1127466 B.C. Ltd.	October 25, 2017
X-Sprays Industries Inc.	October 25, 2017
1200665 B.C. Ltd.	May 21, 2019
Ganja Gold Inc.	July 31, 2019

All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

Use of Estimates
The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Critical accounting estimates

i. Share-based payments and fair value adjustment to contingent liability are subject to estimation of the value of the award and warrants at the date of grant and measurement date using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

iii. Management reviews the useful lives of depreciable assets including property and equipment and customer contracts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence.

Critical accounting judgments

i. The determination that the Company will continue as a going concern for the next year.
ii. The revenue recognition of sale revenue.
iii. The determination of related parties.

4. Significant Accounting Policies

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Intangible assets

Intangible assets acquired are measured on initial recognition at cost, while the cost of intangible assets acquired in a business combination is initially recorded at their fair values as at the date of acquisition.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Company’s intangible assets consists of acquired licenses and brands that are amortized on a straight-line bases and have an indefinite amortization term.

Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Impairment of non-financial assets

Impairment tests on non-financial assets, including property, plant and equipment, and intangible assets are subject to impairment tests at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to statement of comprehensive loss.

4. Significant Accounting Policies (Continued)

Share-based payments

As part of its remuneration, the Company grants stock options and warrants to buy common shares of the Company to its employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted or vested if the option vests over a period. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

All share-based remuneration is ultimately recognized as an expense in the statements of comprehensive loss with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transactions costs and the amount originally credited to contributed surplus are allocated to share capital. When options expire unexercised the related value remains in contributed surplus.

Foreign currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

i) <u>Transactions and Balances in Foreign Currencies</u>

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4. Significant Accounting Policies (Continued)

Foreign currency (continued)

ii) <u>Foreign operations</u>

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

Share capital and share subscriptions

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Share subscriptions represent proceeds received for shares that have not yet been issued as at the reporting date.

Loss per share

Loss per share is calculated using the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

Reserves

Stock options reserve and share purchase warrants reserve are used to recognize the fair value of stock options and finders' warrants prior to their exercise, expiry, or cancellation. Fair value of stock options and finder's warrants is determined on the date of grant using the Black-Scholes Model.

Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit and loss ("FVTPL") transaction costs.

Financial assets are subsequently measured at either:

(i) amortized cost;
(ii) fair value through other comprehensive income ("FVTOCI"); or
(iii) at fair value through profit or loss ("FVTPL").

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company's financial instruments under under IFRS 9:

4. Significant Accounting Policies (Continued)

Financial instruments (continued)

	IFRS 9 Classification
Financial assets	
Cash and cash equivalents	FVTPL
Restricted cash	FVTPL
Accounts receivable	Amortized cost
GTEC loan receivable	FVTPL
Other loans receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Bank indebtedness	Amortized cost
Loans	Amortized cost
Liability for put-call lease agreement	FVTPL
Contingent consideration	FVTPL

IFRS 9 uses an expected credit loss impairment model. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets recognized at amortized cost.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimated useful lives and impairment considerations

Depreciation and amortization of property, plant, and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Share-based compensation and warrants

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company’s stock price, and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of the Company’s stock price, the value of the common share, and the risk-free interest rate.

4. Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation on the consolidated statements of operations and comprehensive loss.

IFRS 16 – Leases

The Company adopted IFRS 16 – Leases on August 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company does not have any leases prior to January 1, 2019, and as a result, this standard had no impact on the Company's financial statements on the day of adoption.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian Dollars)

5. Accounts Receivable

On February 6, 2020, Ganja Gold entered into an accounts receivable settlement agreement whereas an arm's length party agreed to issue common shares to the Company to settle $334,051 (US $252,000) of outstanding accounts receivable. The Company received 920,564 common shares with a fair value of $349,814 to settle the outstanding account receivable. The Company recognized a gain on settlement of accounts receivable of $15,763. During the year, all of the shares were sold for gross proceeds of $354,790 which resulted in a gain of $4,976 on sale of marketable securities.

6. Property and Equipment

	Building(1)	Equipment(2)	Right-of-Use Asset	TOTAL
COSTS				
Balance, July 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**
Additions	2,704,188	-	-	2,704,188
Balance, July 31, 2019	**2,704,188**	**-**	**-**	**2,704,188**
Additions (note 12)	-	940,522	1,526,019	2,466,541
Lease termination (note 12)	-	-	(369,712)	(369,712)
Foreign currency adjustments	-	-	72,589	72,589
Balance, July 31, 2020	**2,704,188**	**940,522**	**1,228,896**	**4,873,606**
ACCUMULATED DEPRECIATION				
Balance, July 31, 2018 and 2019	-	-	-	**-**
Depreciation	-	300,420	97,680	398,100
Foreign currency adjustments	-	(1,298)	(426)	(1,724)
Balance, July 31, 2020	**-**	**299,122**	**97,254**	**396,376**
NET BOOK VALUE				
Balance, July 31, 2019	2,704,188	-	-	2,704,188
Balance, July 31, 2020	**$ 2,704,188**	**$ 641,400**	**$ 1,131,642**	**$ 4,477,230**

(1) During the year ended July 31, 2019, the Company acquired 1200665BC (note 14) resulting in the acquisition of certain property and equipment with a carrying value of $2,704,188. The business of 1200665BC through its investments in V6E and Sullivan Park has yet to commence as at July 31, 2020. As a result, the Company did not amortize the property and equipment.

(2) As at July 31, 2020, the amortization of the Company's equipment with Granja Gold has been included in Cost of Sales on the consolidated statements of loss and comprehensive loss.

7. Inventory

As at July 31, 2020, Inventory consists of the following:

	July 31, 2020 $	July 31, 2019 $
Finished goods	515,107	337,037
Inventory in process	-	-
Raw material	179,748	117,078
Total	694,855	454,115

(Expressed in Canadian Dollars)

8. Loans Receivable

	Amount $
Balance, July 31, 2018	-
Additions	4,305,303
Balance, July 31, 2019	4,305,303
Additions made by 1200665BC	458,230
Repayments to Granja Gold	(63,798)
Balance, July 31, 2020	4,699,735

During the year ended July 31, 2019, the Company acquired 1200665BC (Note 18) and Ganja Gold (note 19) resulting in the acquisition of certain loans receivable as follows:

Entity		Amount
1200665BC	$	4,241,505
Ganja Gold		63,798
Total	$	4,305,303

During the year ended July 31, 2020, the Company through 1200665BC advanced $225,000 to V6E and $233,230 to Sullivan Park.

The loans receivable acquired from 1200665BC are due from V6E and Sullivan Park as the closing conditions for the acquisitions of V6E and Sullivan Park by 1200665BC have not been met as at July 31, 2020. The loans receivable acquired from Ganja Gold are due from the shareholders which were repaid during the year ended July 31, 2020. The loans are unsecured, non-interest bearing and due on demand.

9. Intangible Assets

	Amount $
Balance, July 31, 2018	-
Additions (Note 18 and 19)	52,300,945
Balance, July 31, 2019 and July 31, 2020	52,300,945

During the year ended July 31, 2019, the Company acquired brands and cannabis license via the acquisition of Ganja Gold Inc. and 1200665 B.C. Ltd.

10. Accounts Payable

As at July 31, 2020, accounts payable consists of the following:

	July 31, 2020 $	July 31, 2019 $
Accounts payable	1,507,759	619,564
Accrued liabilities	50,000	-
Total	1,557,759	619,564

(Expressed in Canadian Dollars)

11. Secured Convertible Note Payable

On March 1, 2020, the Company entered into a Secured Note Payable for gross proceeds of $US $200,000 (“Secured Loan”). The Secured Loan bears interest of 6%, matures on December 31, 2020 and the principal and interest is convertible into common stock of the Company at a market rate less an allowable discount (“Conversion Price”).

The following table reconciles the recorded value of the liability and derivative components of the secured note payable.

	Secured loan payable $	Derivative liability $	Total $
Balance, July 31, 2019	-	-	-
Additions	122,356	144,764	267,120
Accretion	20,226	-	20,226
Interest	6,731	-	6,731
Foreign exchange	323	588	911
Revaluation of derivative liability	-	(15,607)	(15,607)
Balance, July 31, 2020	149,636	129,745	279,381

For the Secured Loan, the variability of the Conversion Price would result in a variable number of shares on conversion. For the Secured Loan, the conversion does not meet the fixed for fixed requirement because a variable number of shares could be issued. On initial recognition, the derivative liability of $144,764 was recognized, with the residual value of $122,356 allocated to debt. The Company estimated the fair value of equity as $Nil. The Secured Loan are being accreted to the face value of the debt plus interest to maturity.

12. Lease Liability

The Company has a lease contract for its facility used in the Company’s operations. Lease of facility is 11 years. The Company utilized a discount rate of 15%.

Set below are the carry amounts of the lease liability recognized and the movements during the period:

	Santa Rosa Lease	Concord Lease	Total
As at August 1, 2019	403,322	-	403,322
Additions	-	1,122,697	1,122,697
Payments	(42,560)	(31,906)	(74,466)
Termination	(369,712)	-	(369,712)
Foreign exchange	7,887	71,274	79,161
Accretion	1,063	2,516	3,579
Current lease liability	-	172,084	172,084
Non-current lease liability	-	992,497	992,497
Total	-	1,164,581	1,164,581

During the year ended July 31, 2020, the Santa Rosa lease was terminated.

12. Lease Liability (continued)

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at July 31, 2020, denominated in USD:

	$
July 31, 2021	151,905
July 31, 2022	159,500
July 31, 2023	167,475
July 31, 2024	175,849
July 31, 2025	184,641
Thereafter	1,174,451
Total	2,013,821

13. Financial Risk Management

Classification of financial instruments

As at July 31, 2020	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	$	$	$
Cash	2,037,795	-	-
Accounts receivable	-	1,039,681	-
Promissory note receivable	-	1,408,427	-
Loans receivable	-	4,699,735	-
Accounts payable and accrued liabilities	-	-	1,557,759
Derivative liability	129,745	-	-
Lease liability	-	-	1,164,581
Secured notes payable	-	-	149,636

As at July 31, 2019	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	$	$	$
Cash	4,681,677	-	-
Accounts receivable	-	582,420	-
Promissory note receivable	-	1,447,268	-
Loans receivable	-	4,305,303	-
Accounts payable and accrued liabilities	-	-	619,564
Loans payable	-	-	83,748
Notes payable	-	-	12,500,000

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

Financial Risk Management Objectives and Policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management, with the Board of Directors oversight, manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors.

13. Financial Risk Management (Continued)

Financial Risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. Credit risk associated with accounts receivable (note 6), the promissory note receivable and loans receivable arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship. The Company is currently exposed to moderate credit risk associated with its trade receivable.

Market and Other Risks

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

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at July 31, 2020, the Company has a working capital (deficit) of $9,000,380 (July 31, 2019 – ($823,784)) and will require additional financing to meet its short term obligations.

14. Capital Management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There have been no changes to the Company's approach to capital management during the period.

(Expressed in Canadian Dollars)

15. Related Party Transactions and Disclosures

As of July 31, 2020, the amount due to related parties is $2,814 (July 31, 2019 - $578). This amount consists of amounts due to a former director of the Company. These amounts were made to provide working capital and are non-interest bearing and without fixed terms of repayment.

Relation to Icanic	Type of service		July 31, 2020		July 31, 2019
Former CEO and Director	Management fees	$	-	$	98,995
CFO and Director has a minority interest in a firm providing accounting services.	Legal and professional fees		45,000		-
CFO and Director has a minority interest in a firm providing management services.	Management Fees		-		3,750
CFO and Director has a minority interest in a firm providing corporate consulting services	Consulting fees		51,050		-
CFO and Director controls a firm providing corporate consulting services.	Consulting fees		17,100		-
CFO and Director controls a firm providing management services.	Management Fees		-		48,200
CEO	Share-based compensation		16,429		-
		$	129,579	$	150,945

As at July 31, 2020, $2,814 (July 31, 2019 - $578) was due to related parties for the above described services provided.

16. Share Capital

(i) Authorized capital

The Company's authorized share capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares issuable in series. No preferred shares are issued as of July 31, 2020.

(ii) Common shares

For the year ended July 31, 2020:

a) On August 14, 2019, the Company issued 150,000 common shares, valued at $76,500 to a consultant of the Company for services rendered.

b) On August 16, 2019, the Company issued 1,250,000 common shares, valued at $625,000 to a consultant of the Company for services rendered.

c) During the year ended July 31, 2020, the Company issued 693,594 common shares upon exercise of warrants at $0.375 per share for total proceeds of $260,100.

d) On November 12, 2019, the Company issued 150,000 common shares with a fair value of $75,000 to a consultant of the Company for services rendered.

16. Share Capital (Continued)

e) On February 5, 2020, the Company fulfilled its obligation by issuing 40,000,000 common shares valued at $17,600,000 pursuant to the California Definitive Agreement with Ganja Gold. See note 18.

f) On February 6, 2020, the Company entered into an amending agreement (the “Amending Agreement”) with 1200665 B.C. Ltd. and settled $12,500,000 of outstanding debt through the issuance of 40,322,580 common shares. The shares were issued with a fair value of $8,870,968 resulting in a $3,629,032 gain on settlement of debt.

On November 5, 2019, the Company announced that it, together with certain shareholders of the Company entered into a voluntary pooling agreement (the “Agreement”). The Agreement restricts the sale of approximately 26,000,000 shares of the Company, representing approximately 12% of the issued and outstanding shares of the Company. There are approximately 91,000,000 restricted shares outstanding at July 31, 2020.

g) On July 22, 2020, the Company announced a first tranche closing of its non-brokered private placement announced on June 11, 2020 (the “Offering”). Pursuant to the first tranche, the company issued 4,290,000 units at a price of $0.25 per unit for gross proceeds of $1,072,500. Each Unit is comprised of one common share in the capital of the Company (a “Share”) and one common share purchase warrant (a “Warrant”). Each Warrant shall be exercisable to acquire one additional Share at a price of $0.31 for a period of two years from the date of issuance. In the event that the Shares trade at a closing price of greater than $0.50 per Share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the Warrants to expire on the 30th day after the date on which such notice is given. The fair value of the warrants was $64,350, using the residual method. The Company paid share issuance cost of $41,350.

For the year ended July 31, 2019:

a) During the month of September 2018, the Company issued 276,773 common shares upon exercise of finder’s warrants at $0.40 per share for total proceeds of $110,710.

b) During the month of November 2018, the Company issued 393,749 common shares upon exercise of warrants at $0.30 per share for total proceeds of $118,125.

(iii) Share options

The Company has a share option plan in place 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 share options vest according to the provisions of the individual option agreements approved by the directors’ resolutions and have a maximum life of ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

On July 31, 2019, the Company granted 4,100,000 share options to consultants at an exercise price of $0.33 per share expiring July 31, 2024. 1,650,000 options vest in 6 months and 2,450,000 options vest over 4 years. The fair value of these 4,100,000 stock options was determined to be $1,796,211 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 1.47%, expected life of 5 years, expected volatility of 250%, forfeiture rate of 0% and a dividend rate of 0%. During the year ended July 31, 2020, the Company recognized share-based compensation of $1,253,788.

(Expressed in Canadian Dollars)

16. Share Capital (Continued)

(iii) Share options (continued)

The issued and outstanding options balance as at July 31, 2020 and July 31, 2019 is comprised as follows:

	Number of Options		Weighted Average Price
Balance November 30, 2017	-	$	-
Options granted	3,600,000	$	0.40
Balance July 31, 2018	3,600,000	$	0.40
Options granted	9,600,000	$	0.33
Balance July 31, 2019 and July 31, 2020	13,200,000	$	0.35

As at July 31, 2020, 11,312,500 options are exercisable with a weighted average price of $0.35 and average life of 3.75 years.

As of July 31, 2020, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of options #	Number of exercisable options #
June 8, 2023	0.40	3,600,000	3,600,000
June 28, 2024*	0.32	1,500,000	1,500,000
July 4, 2024	0.33	4,000,000	4,000,000
July 31, 2024	0.33	4,100,000	2,212,500
		13,200,000	11,312,500

*see Note 19.

(iv) Warrants

The issued and outstanding warrants balance as at July 31, 2020 and July 31, 2019 are comprised as follows:

	Exercise Price	Average Life	Expiry Date	Number of Warrants
Balance July 31, 2018	$0.31	0.36		2,409,230
Private placements warrants	$0.375	0.28	May 7, 2021	5,702,000
Finders' warrants	$0.375	0.28	May 7, 2021	117,250
Private placements warrants	$0.375	0.21	May 13, 2021	4,300,000
Finders' warrants	$0.375	0.21	May 13, 2021	343,560
Private placements warrants	$0.375	0.05	May 14, 2021	1,250,006
Finders' warrants exercised	$0.40	-	September 26, 2018	(276,773)
Warrants exercised	$0.30	-	June 13, 2019	(949,996)
Warrants expired	$0.30	-	June 13, 2019	(1,182,461)
Balance July 31, 2019	$0.375	0.56		11,712,816
Private placements warrants	$0.310	0.55	July 22, 2022	4,290,000
Warrants exercised	$0.375	-		(693,594)
Balance July 31, 2020	$0.357	1.11		15,309,222

16. Share Capital (Continued)

(v) Reserves

Reserves includes accumulated foreign currency translation adjustments and the accumulated fair value of share-based compensation and warrants transferred from share-based payment reserve and warrant reserve upon cancellation or expiry of the share options and warrants.

17. Letter of Intent

In October 2018, the Company signed a Letter of Intent (the "LOI") to acquire all of the issued and outstanding securities of Critical Mass Industries, LLC ("CMI"), a Colorado-based cannabis leader operating successfully for nearly 10-years under the brands Good Meds and BOSM Labs. Integrated Cannabis has paid a non-refundable deposit of US$250,000 upon signing the LOI. The Company paid a total of US$450,000 during the year ended July 31, 2019. At closing, will pay an additional US$2,400,000 and issue 2,300,000 Integrated Cannabis common shares to the shareholders of CMI in exchange for the securities being acquired. During the year ended July 31, 2019, the Company terminated the LOI to acquire all of the issued and outstanding securities of CMI and wrote-off the advances of $597,310 to a carrying value of $Nil.

18. Acquisition of 1200665 B.C. Ltd.

On May 21, 2019, the Company entered into a share exchange agreement (the "BC Definitive Agreement") among the Company, 1200665 B.C. Ltd., a private British Columbia company ("1200665BC") and the shareholders of 1200665BC, pursuant to which, the Company will acquire all of the issued and outstanding shares of 1200665BC ('BC Transaction"). 1200665BC, through its interests in V6E and Sullivan Park, is the owner of a cannabis cultivation business and license and prospective owner of a cannabis manufacturing business and license in the state of Nevada.

In consideration for the BC Transaction and pursuant to the terms of the BC Definitive Agreement, the Company: (a) has issued an aggregate of 30,645,161 common shares of the Company pro rata to shareholders of 1200665BC on the closing of the BC Transaction (the "BC Closing Date"); (b) will pay $5,019,900 in cash, payable within 120 days following the BC Closing Date; and (c) will pay up to an additional $7,480,100 in cash, payable upon 1200665BC completing certain milestones after the BC Closing Date.

(Expressed in Canadian Dollars)

18. Acquisition of 1200665 B.C. Ltd. (Continued)

The purchase price allocation of 1200665BC's assets acquired and liabilities assumed is summarized below:

Purchase price:		**Amount**
Paid in shares	$	11,645,161
Payable in cash recorded as notes payable		12,500,000
Total purchase price	$	24,145,161
Assets acquired:		
Cash	$	468,669
Accounts receivable		1,301
Investments		2
Property and equipment (note 7)		2,704,188
Loans receivable		2,740,373
Brands and licenses		18,333,221
Liabilities assumed:		
Accounts payable and other liabilities		27,641
Loans payable		74,952
Net assets acquired	$	24,145,161

19. Acquisition of Ganja Gold Inc.

On July 31, 2019, the Company entered into a share exchange agreement (the "California Definitive Agreement") among the Company, Ganja Gold Inc., a California company ("Ganja Gold") and the shareholders of Ganja Gold, pursuant to which, the Company acquired all of the issued and outstanding shares of Ganja Gold ("California Transaction"). Ganja Gold is a State and municipally licensed cannabis manufacturing business.

In consideration for the California Transaction and pursuant to the terms of the California Definitive Agreement, the Company: (a) issued an aggregate of 40,000,000 common shares of the Company (the "Payment Shares") pro rata to shareholders of Ganja Gold on the closing of the California Transaction (the "California Closing Date") (Issued); (b) issued an additional 40,000,000 common shares valued at $17,600,000 upon Ganja Gold completing certain milestones (issued). The Payment Shares are subject to a voluntary hold period of 12 months from the California Closing Date which expires July 31, 2020.

In connection with the California Transaction, the Company issued 3,200,000 common shares to an arm's length third party finder. The finder shares were subject to a statutory hold period which expired on December 1, 2019.

(Expressed in Canadian Dollars)

19. Acquisition of Ganja Gold Inc. (Continue)

The purchase price allocation of Ganja Gold's assets acquired and liabilities assumed is summarized below:

Purchase price:		**Amount**
Paid in shares	$	35,200,000
Paid in shares – finder's fees		1,408,000
Total purchase price	$	36,608,000
Assets acquired:		
Cash	$	449,100
Accounts receivable		537,419
Inventory		454,115
Deposit		131,480
Promissory note		1,447,268
Loans receivable		63,798
Brands and licenses		33,967,724
Liabilities assumed:		
Accounts payable and other liabilities		377,164
Loans payable		65,740
Net assets acquired	$	36,608,000

20. Income Taxes

The income taxes shown in the consolidated statements of loss and comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	July 31, 2020	**July 31, 2019**
Loss for the period	$ (775,437)	$ (4,575,707)
Enacted tax rates	27.0%	27.0%
Expected income tax recovery	(209,368)	(1,235,441)
Items not deductible for income tax purposes	(596,264)	747,607
Adjustments for RTO	-	-
Current and prior tax attributes not recognized	805,632	487,835
	-	-

Details of deferred tax assets are as follows:

	July 31, 2020	**July 31, 2019**
Non-capital loss carryforwards	1,959,256	1,222,238
Resource properties	2,080,015	2,080,015
Share issue costs	44,817	47,847
Unrecognized deferred tax assets	(4,084,089)	(3,350,100)
	-	-

As at July 31, 2020, the Company had approximately $7,469,000 of non-capital losses available, which begin to expire in 2032 through to 2040 and may be applied against future taxable income.

At July 31, 2020, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

(Expressed in Canadian Dollars)

21. Segmented Information

The assets and operations of the Company are located in Canada and the United States. The Company has one reportable business segments in the cannabis sector.

	Canada	USA	TOTAL
Year ended July 31, 2020	**$**	**$**	**$**
Revenues	-	7,971,497	7,971,497
Total income (expenses)	249,439	(2,875,514)	(2,626,075)
Net income (loss)	249,436	(1,024,873)	(775,437)
As at July 31, 2020			
Current assets	5,757,470	5,277,892	11,035,362
Total assets	8,461,660	59,351,879	67,813,539
Total liabilities	339,641	2,687,838	3,027,479
As at July 31, 2019			
Current assets	8,146,235	3,529,981	11,676,216
Total assets	8,146,235	58,535,117	66,681,352
Total liabilities	262,198	12,941,115	13,203,313

22. Other investments

On August 30, 2019, the Company announced it entered into a term sheet (the “Term Sheet”) to acquire Nevada based CannaAmerican Brands LLC (“CA Brands”).

The term sheet contemplates the Company acquiring all of the issued and outstanding shares of CA Brands for $4,000,000 to be satisfied through the issuance of common shares of the Company at a deemed price of $0.45 per share.

The Term Sheet sets out certain terms and conditions pursuant to which the proposed transaction will be completed. The proposed transaction remains subject to certain closing conditions including, without limitation, (a) the receipt by the Company of all necessary corporate and regulatory approval; (b) customary due diligence; (c) definitive agreements; (d) each party's representations and warranties in the share purchase agreement being true and correct in all aspects, and each party meeting its terms and conditions and completing its covenants and obligations as contained therein; and (e) all of the requisite municipal and State approvals. There can be no guarantees that the proposed transaction will be completed as contemplated at all. The Company may pay a finder’s fee in relation to the proposed transaction in accordance with CSE policies.

The Company has not yet entered into a definitive agreement with CA Brands as at July 31, 2020.

23. Subsequent events

On August 13, 2020, the Company announced that it has closed a second and final tranche of its previously announced non-brokered private placement (the "Offering"). In the final, second tranche of the Offering, the Company issued 3,710,000 units (each a "Unit") at a price of $0.25 per Unit for aggregate gross proceeds of $927,500. In total, the Company issued 8,000,000 Units at $0.25 for aggregate gross proceeds of $2,000,000. Pursuant to the private placement, the Company paid an aggregate of $20,000 in finder's fees.

On September 1, 2020, 1,500,000 share options exercisable at $0.32 per share have been expired.

On October 14, 2020, the Company announced the granting of stock options to purchase an aggregate of 1,375,000 common shares of the Company at an exercise price of $0.35 per share, for a five-year term to the director of the Company. The stock options were granted pursuant to the Company's Stock Option Plan to directors of the Company.

On October 29, 2020, the Company announced that it has entered into an agreement (the "Agreement") with OGIB Corporate Bulletin Ltd. ("OGIB"). Pursuant to the Agreement, OGIB will provide investor awareness services to the Company for 6 months. As part of its compensation, OGIB will be paid $43,750CAD per month for 6 months. In addition, the Company also announced that it has engaged Octagon Media Corp./Wall Street Reporter ("Octagon") for a three-month term to deliver a digital media advertising campaign coupled with an investor marketing program. As part of its compensation, Octagon will be $15,000CAD per month for 3 months.