

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED OCTOBER 31, 2020**
(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

AS AT	October 31, 2020 (Unaudited) \$	July 31, 2020 (Audited) \$
Current assets		
Cash and cash equivalents	2,689,344	2,037,795
Accounts receivable	919,697	1,039,681
Government HST recoverable	90,458	76,062
Prepaid expenses and deposits	1,464,920	1,078,807
Inventory (note 5)	947,911	694,855
Promissory note receivable	1,399,390	1,408,427
Loans receivable (note 6)	4,699,735	4,699,735
	12,211,455	11,035,362
Investments	2	2
Property and equipment (note 4)	4,398,272	4,477,230
Brands and licenses (notes 7)	52,300,945	52,300,945
Total Assets	68,910,674	67,813,539
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (note 8)	1,641,832	1,557,759
Lease liability (note 10)	204,764	172,084
Loan payable	25,758	25,758
Derivative liability (note 9)	94,077	129,745
Notes payable (note 9)	166,249	149,636
	2,132,680	2,034,982
Lease liability (note 10)	924,784	992,497
Total liabilities	3,057,464	3,027,479
Shareholders' Equity		
Common share capital (note 14)	81,837,781	80,965,645
Shares to be issued (note 14)	19,175	9,800
Share subscriptions receivable	(195,663)	(195,663)
Reserves (note 14)	6,171,835	5,692,472
Deficit	(21,979,918)	(21,686,194)
Total shareholders' equity	65,823,210	64,786,060
Total liabilities and shareholders' equity	68,910,674	67,813,539

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent events (Note 19)

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

“Eugene Beukman, Director”

“Nishal Kumar, Director”

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

For the three months ended,	October 31, 2020 \$	October 31, 2019 \$
Sales	2,656,027	1,827,283
Cost of sales	(1,442,034)	(1,299,394)
Gross margin	1,213,993	527,889
Operating Expenses		
Advertising and promotion	268,987	818,481
Accretion (Note 10)	4,038	-
Bank charges	15,283	3,231
Depreciation (Note 4)	27,270	-
Filing and listing fees	29,922	27,129
Foreign exchange	15,433	-
Interest (Note 10)	18,977	-
Payroll expense	339,366	-
Legal and professional fees (Note 13)	131,949	273,185
Consulting fees (Note 13)	23,825	729,223
Office and general expenses	215,493	173,950
Share-based compensation (Notes 14)	375,524	494,163
Transfer agent fees	2,060	5,960
Total operating expenses	(1,468,127)	(2,525,322)
Net loss before other items	(254,134)	(1,997,433)
Gain on foreign exchange	(320)	-
Gain on disposition of mineral property	175,000	-
Revaluation of derivative liability (Note 9)	35,204	-
Interest revenue	94	1,118
Net loss before income taxes	(44,156)	(1,996,315)
Income taxes	(249,568)	-
Net loss	(293,724)	(1,996,315)
Foreign currency translation	(44,561)	(1,627)
Net comprehensive loss	(338,285)	(1,997,942)
Basic and diluted net loss per share	(0.00)	(0.01)
Weighted average number of common shares outstanding	220,476,170	135,694,819

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

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

For the three months ended,	October 31, 2020 \$	October 31, 2019 \$
Operating activities		
Net loss for the period	(293,724)	(1,996,315)
Accretion expense	5,255	478
Revaluation of derivative liability	(26,157)	
Depreciation	27,270	46,327
Foreign exchange	18,412	792
Shares for services	-	701,500
Share-based compensation	375,524	494,163
Net changes in non-cash working capital		
Accounts receivable	(14,396)	(217,175)
Government HST recoverable	119,984	(17,475)
Prepaid expenses and deposits	(386,113)	(992,266)
Inventory	84,073	(288,245)
Accounts payable and accrued liabilities	(253,056)	(74,127)
Net cash used in operating activities	(342,928)	-
Investing activities		
Investment in CA Brands	-	(233,230)
Purchase of property and equipment	51,688	(410,825)
Loan receivable	-	(300,000)
Rent repayments	(49,663)	-
Net cash used in investing activities	2,025	(944,055)
Financing activities		
Proceeds from issuance of shares, net of share issuance cost	907,500	-
Loan payable	7,101	(65,740)
Share subscription received	9,375	9,800
Exercise of warrants	113,037	260,100
Net cash provided by financing activities	1,037,013	204,160
Net change in cash	696,110	(3,082,238)
Effect of foreign exchange on cash	(44,561)	(1,627)
Cash, beginning of year	2,037,795	4,681,677
Cash, end of period	2,689,344	1,597,812
Repaid interest	-	-
Taxes paid	35,250	-

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Condensed Interim Consolidated Statement of Equity
For the Three Months Ended October 31, 2020
(Expressed in Canadian Dollars)

Common Share Capital								
	Number of shares	Amount	Shares to be issued	Share subscription s receivable	Reserve for foreign currency translation	Reserve for share-based payments	Deficit	Total
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
Exercise of warrants	693,594	260,100	-	-	-	-	-	260,100
Shares for services	1,400,000	701,500	-	-	-	-	-	701,500
Share subscriptions received	-	-	9,800	-	-	-	-	9,800
Share-based compensation	-	-	-	-	-	494,163	-	494,163
Foreign currency translation	-	-	-	-	(1,627)	-	-	(1,627)
Loss for the period	-	-	-	-	-	-	(1,996,315)	(1,996,315)
Balance at October 31, 2019	136,302,987	\$ 53,452,879	\$ 17,609,800	\$ (95,286)	\$ (45,070)	\$ 4,930,409	\$ (22,907,072)	\$ 52,945,660
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
Private placements	3,710,000	779,100	-	-	-	148,400	-	927,500
Share issuance costs	-	(20,000)	-	-	-	-	-	(20,000)
Exercise of warrants	301,431	113,036	-	-	-	-	-	113,036
Shares to be issued	-	-	9,375	-	-	-	-	9,375
Share-based compensation	-	-	-	-	-	375,524	-	375,524
Foreign currency translation	-	-	-	-	(44,561)	-	-	(44,561)
Loss for the period	-	-	-	-	-	-	(293,724)	(293,724)
Balance at October 31, 2020	225,076,998	\$ 81,837,781	\$ 19,175	\$ (195,663)	\$ (106,473)	\$ 6,278,308	\$ (21,979,918)	\$ 65,853,210

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended October 31, 2020
(Expressed in Canadian Dollars)

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 15), 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 16), which holds a California cannabis manufacturing interests.

2. Going Concern Assumption

These condensed interim 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 October 31, 2020, the Company has yet to generate a positive net income and had an accumulated deficit of \$21,979,918 (October 31, 2019 - \$22,907,072). 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 condensed interim consolidated financial statements.

3. Statement of Compliance and Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements are prepared by the Company in accordance with International Accounting Standards 34 - Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended July 31, 2020.

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
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3. Statement of Compliance and Basis of Presentation (Continued)

Basis of consolidation

These condensed interim 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 condensed interim consolidated financial statement presentation.

Use of Estimates

The preparation of these condensed interim 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 condensed interim 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.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
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4. Property and Equipment

	Building ⁽¹⁾	Equipment ⁽²⁾	Right-of-Use Asset	TOTAL
COSTS				
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
Additions	-	74,788	-	74,788
Foreign currency adjustments	-	-	(7,262)	(7,262)
Balance, October 31, 2020	2,704,188	1,015,310	1,221,634	4,941,132
ACCUMULATED DEPRECIATION				
Balance, July 31, 2019 and 2020	-	299,122	97,254	396,376
Depreciation	-	119,499	26,985	146,484
Foreign currency adjustments	-	-	-	-
Balance, October 31, 2020	-	418,621	124,239	542,860
NET BOOK VALUE				
Balance, July 31, 2019	2,704,188	-	-	2,704,188
Balance, July 31, 2020	\$ 2,704,188	\$ 596,689	\$ 1,097,395	\$ 4,398,272

(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 October 31, 2020. As a result, the Company did not amortize the property and equipment.

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

5. Inventory

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

	October 31, 2020	October 31, 2019
	\$	\$
Finished goods	498,428	337,037
Inventory in process	169,862	-
Raw material	279,622	117,078
Total	947,911	454,115

6. Loans Receivable

	Amount
	\$
Balance, July 31, 2019	4,305,303
Additions made by 1200665BC	458,230
Repayments to Ganja Gold	(63,798)
Balance, July 31, 2020 and October 31, 2020	4,699,735

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6. Loans Receivable (Continued)

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 October 31, 2020. The loans receivable acquired from Ganja Gold are due from the shareholders which were repaid during the period ended October 31, 2020. The loans are unsecured, non-interest bearing and due on demand.

7. Intangible Assets

	Amount \$
Balance, July 31, 2019 and July 31, 2020 and October 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.

8. Accounts Payable

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

	October 31, 2020 \$	October 31, 2019 \$
Accounts payable	1,641,832	545,437
Total	1,641,832	545,437

9. 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").

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9. Secured Convertible Note Payable (Continued)

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
Additions			
Accretion	13,716	-	13,716
Interest	4,036	-	4,036
Foreign exchange	(1,139)	(467)	(1,606)
Revaluation of derivative liability	-	(35,201)	(35,201)
Balance, October 31, 2020	166,249	94,077	260,326

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.

10. Lease Liability

The Company has a lease contract for its facility used in the Company's operations. Lease of the 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
As at July 31, 2020	-	1,164,581	1,164,581
Payments	-	(49,663)	(49,663)
Foreign exchange	-	9,375	9,375
Accretion	-	5,255	5,255
Current lease liability	-	204,764	204,764
Non-current lease liability	-	924,784	924,784
Total	-	1,129,548	1,129,548

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Condensed Interim Consolidated Financial Statements
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10. Lease Liability (continued)

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

	\$
July 31, 2021	115,005
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	1,973,921

11. Financial Risk Management

Classification of financial instruments

As at October 31, 2020	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	2,689,344	-	-
Accounts receivable	-	919,697	-
Promissory note receivable	-	1,399,390	-
Loans receivable	-	4,699,735	-
Accounts payable and accrued liabilities	-	-	1,641,832
Derivative liability	94,077	-	-
Lease liability	-	-	1,129,548
Secured notes payable	-	-	166,249

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

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.

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Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)

11. 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, 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 October 31, 2020, the Company has a working capital of \$10,078,775 (October 31, 2019 – \$2,765,882) and will require additional financing to meet its short term obligations.

12. 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.

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13. Related Party Transactions and Disclosures

As of October 31, 2020, the amount due to related parties is \$5,340 (October 31, 2019 - \$997). 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	October 31, 2020	October 31, 2019
Former CEO and Director	Management fees	\$ -	\$ 32,500
CFO and Director has a minority interest in a firm providing accounting services.	Legal and professional fees	11,250	-
CFO and Director has a minority interest in a firm providing management services.	Management Fees	-	-
CFO and Director has a minority interest in a firm providing corporate consulting services	Consulting fees	15,750	-
CEO	Share-based compensation	91,167	-
		\$ 118,167	\$ 32,500

14. 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 October 31, 2020.

(ii) Common shares

For the period ended October 31, 2020:

a) On August 13, 2020, 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. 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 \$148,400, using the residual method. The Company paid share issuance cost of \$20,000.

b) During the period ended October 31, 2020, the Company issued 301,431 common shares upon exercise of warrants for total proceeds of \$133,037.

For the period ended October 31, 2019:

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.

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14. Share Capital (Continued)

For the period ended October 31, 2019 (continued):

c) In September 2019, the Company issued 693,594 common shares upon exercise of warrants at \$0.375 per share for total proceeds of \$260,100.

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 October 31, 2020.

(ii) 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 October 14, 2020, the Company granted 4,869,000 common shares of the Company at an exercise price of \$0.35 per share and expiring on October 14, 2025. 3,619,000 options vest in 30 months, 250,000 options vest in 24 months and 1,000,000 options vest immediately. The fair value of these 4,869,000 stock options was determined to be \$1,819,591 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 0.35%, expected life of 5 years, expected volatility of 110%, forfeiture rate of 0% and a dividend rate of 0%. During the period ended October 31, 2020, the Company recognized share-based compensation of \$304,401.

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 period ended October 31, 2020, the Company recognized share-based compensation of \$71,123.

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

	Number of Options	Weighted Average Price
Balance July 31, 2019 and July 31, 2020	13,200,000	\$ 0.35
Options granted	4,869,000	0.35
Cancelled	(1,500,000)	0.32
Balance October 31, 2020	16,569,000	0.35

As at October 31, 2020, 10,812,500 options are exercisable with a weighted average price of \$0.35 and average life of 3.84 years.

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14. Share Capital (Continued)

(ii) Share options (continued)

As of October 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
July 4, 2024	0.33	4,000,000	4,000,000
July 31, 2024	0.33	4,100,000	2,212,500
October 14, 2025	0.35	4,869,000	1,000,000
		16,569,000	10,812,500

(iii) Warrants

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

	Exercise Price	Average Life	Expiry Date	Number of Warrants
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
Private placements warrants	\$0.310	0.40	August 13, 2022	3,710,000
Warrants exercised	\$0.357	-		(301,431)
Balance October 31, 2020	\$0.357	1.3		18,717,791

As of October 31, 2020, the Company had warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price \$	Number of warrants issued and exercisable #
May 7, 2021	0.375	5,685,750
May 13, 2021	0.375	4,139,179
May 14, 2021	0.375	892,862
July 22, 2022	0.31	4,290,000
August 13, 2022	0.31	3,710,000
		18,717,791

(iv) 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.

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15. 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.

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

16. 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.

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16. Acquisition of Ganja Gold Inc. (Continued)

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.

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

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17. 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
Three months ended			
October 31, 2020	\$	\$	\$
Revenues	-	2,656,027	2,656,027
Total income (expenses)	(605,919)	(2,194,023)	(2,700,183)
Net income (loss)	(605,919)	462,004	(44,156)
As at October 31, 2020			
Current assets	7,579,710	4,631,745	12,211,455
Total assets	7,579,710	61,330,964	68,910,674
Total liabilities	308,136	2,749,328	3,057,464
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

18. 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 October 31, 2020.

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19. Subsequent events

On December 9, 2020, the Company entered into an Letter of Intent (“LOI”) to acquire a 100% interest of THC Engineering LLC (“THC Engineering”), a company focused on building an automation technology in the cannabis manufacturing industry. Under the terms of the LOI, the Company will issue common shares with a value of \$1,750,000 (“Purchase Shares”). THC Engineering will have the opportunity to earn additional Purchase Shares of the Company upon the completion of the following milestones:

- \$500,000 common shares upon completion milestone 1;
- \$1,750,000 common shares upon completion of milestone 2; and,
- \$500,000 common shares upon completion of milestone 1 and 2.

The Purchase Shares will be locked up until December 31, 2021, and will be released in 4 equal installments based on the following schedule:

- 25% on January 1, 2022;
- 25% on April 1, 2022;
- 25% on July 1, 2022; and,
- 25% on October 1, 2022.