FINCANNA CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED APRIL 30, 2020 AND 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
FinCanna Capital Corp.

Opinion

We have audited the accompanying consolidated financial statements of FinCanna Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a total deficit of $24,695,066 and negative working capital of $1,215,705. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's 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 audit 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 audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. 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 IFRS, 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 auditor's 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 auditor's 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 auditor's 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 Company 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 partner on the audit resulting in this independent auditor's report is Alyson Neil.

Vancouver, Canada

Chartered Professional Accountants

August 28, 2020

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	Note		**April 30, 2020**		**April 30, 2019**
ASSETS					
Current					
Cash		$	2,646,607	$	7,832,298
Accounts receivable	4		32,031		418,260
Prepaid expenses	5		401,140		598,910
Lease receivable	10		44,080		-
Loans receivable	6,7		356,622		53,343
			3,480,480		8,902,811
Non-current					
Deposits			29,915		-
Investment in profit sharing arrangement	6		-		758,478
Lease receivable	10		116,877		-
Loan	6		-		6,359,934
Royalty investments	7		9,689,674		8,326,372
Property and equipment	9		30,234		61,674
Other receivable			15,000		-
		$	**13,362,180**	**$**	**24,409,269**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	12	$	424,869	$	364,537
Convertible debenture	8		4,227,236		526,573
Lease liability	10		44,080		-
			4,696,185		891,110
Non-current					
Convertible debenture	8		-		3,746,701
Lease liability	10		116,876		-
			4,813,061		4,637,811
Shareholders' equity					
Share capital	11		29,595,780		29,135,454
Reserves	11		3,648,405		3,646,688
Deficit			(24,695,066)		(13,010,684)
			8,549,119		19,771,458
		$	**13,362,180**	**$**	**24,409,269**

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

Approved and authorized by the Board on August 28, 2020.

"Andriyko Herchak" Director *"Morris Reid"* Director

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

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note		Year-ended April 30, 2020		Year-ended April 30, 2019
REVENUES					
Interest income from loan	6	$	776,650	$	1,245,015
Penalties	6		-		263,130
Profit sharing income			-		374,542
Royalty revenue			-		-
Total revenue			776,650		1,882,687
EXPENSES					
Amortization	9, 10		40,618		15,419
Consulting fees	12		492,951		593,259
Foreign exchange			194,924		(388,289)
Interest expense			844,520		128,054
Management and director fees	12		555,000		558,603
Marketing and investor relations			410,550		941,637
Office, insurance and miscellaneous			171,014		275,425
Professional fees			129,870		456,435
Share-based payments	11,12		164,989		634,249
Transfer agent and filing fees			40,684		50,823
Travel and accommodation			77,981		105,261
			(3,123,101)		(3,370,876)
OTHER INCOME (EXPENSES)					
Gain on modification of debt	6		-		1,619,006
Impairment loss	7		(9,480,961)		-
Interest income on cash deposits			94,103		79,362
Gain on disposal of furniture			30,000		-
Gain on sublease			8,271		-
Finance income			10,656		-
			(9,337,931)		1,698,368
Net income (loss) and comprehensive income (loss) for the year		$	(11,684,382)	$	210,179
Basic and diluted income (loss) per common share		$	(0.12)	$	0.00
Weighted average number of common shares outstanding					
Basic			99,182,084		94,369,899
Diluted			99,182,084		119,104,222

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

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED

	Share Capital (Note 11)								
	Shares		**Amount**		**Reserves**		**Deficit**		**Total**
Balance, April 30, 2018	**75,482,777**	**$**	**23,041,484**	**$**	**2,909,757**	**$**	**(13,220,863)**	**$**	**12,730,378**
Private placements	21,166,957		6,078,009		272,078		-		6,350,087
Shares issued – limited recourse loan	1,500,000		450,000		-		-		450,000
Reduction due to limited recourse loans	-		(450,000)		-		-		(450,000)
Limited recourse loan - Share-based payments - vesting of shares	-		511,000		-		-		511,000
Share-based payments – options	-		-		123,249		-		123,249
Shares issued for finders' fees	400,000		120,000		-		-		120,000
Warrants exercised	140,000		42,000		-		-		42,000
Share issue costs – cash	-		(483,328)		-		-		(483,328)
Share issue costs – finders' warrants	-		(173,711)		173,711		-		-
Convertible debenture – equity component	-		-		167,893		-		167,893
Income and comprehensive income for the year	-		-		-		210,179		210,179
Balance, April 30, 2019	**98,689,734**	**$**	**29,135,454**	**$**	**3,646,688**	**$**	**(13,010,684)**	**$**	**19,771,458**

Balance, April 30, 2019	**98,689,734**	**$**	**29,135,454**	**$**	**3,646,688**	**$**	**(13,010,684)**	**$**	**19,771,458**
Shares issued upon conversion of debenture	1,600,000		297,054		-		-		297,054
Limited recourse loan - Share-based payments - vesting of shares	-		152,000		-		-		152,000
Share-based compensation – options	-		-		12,989		-		12,989
Convertible debenture – equity component	-		11,272		(11,272)		-		-
Net loss and comprehensive loss for the year	-		-		-		(11,684,382)		(11,684,382)
Balance, April 30, 2020	**100,289,734**	**$**	**29,595,780**	**$**	**3,648,405**	**$**	**(24,695,066)**	**$**	**8,549,119**

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

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

		Year Ended April 30, 2020		Year Ended April 30, 2019
OPERATING ACTIVITIES				
Income (loss) and comprehensive income (loss)	$	(11,684,382)	$	210,179
Items not involving cash:				
Accretion on convertible debenture		-		36,500
Amortization		40,618		15,419
Finance income		(10,656)		-
Foreign exchange		203,761		(359,194)
Gain on disposal of equipment		(30,000)		-
Gain on modification of debt		-		(1,619,006)
Gain on sublease		(8,271)		-
Impairment loss		9,480,961		-
Interest income from loan		(776,650)		(1,245,015)
Interest expense		844,520		-
Penalties		-		(263,130)
Profit sharing income		-		(374,542)
Share-based payments		164,989		634,249
Changes in non-cash working capital items:				
Accounts receivables		17,969		24,716
Prepaid expenses		197,770		(81,018)
Accounts payable and accrued liabilities		60,332		(37,815)
Deposits		(29,915)		-
Cash used in operating activities		(1,528,954)		(3,058,657)
INVESTING ACTIVITIES				
Acquisition of royalty investment		-		(7,193,272)
Leasehold improvements		-		(77,093)
Proceeds from disposal of furniture and tenant improvement recovery		7,500		-
Loan		(331,350)		(53,343)
Loan transaction costs		(277,740)		-
Tenant improvement recovery		19,582		-
Royalty investment and transaction costs		(2,471,391)		-
Cash used in investing activities		(3,053,399)		(7,323,708)
FINANCING ACTIVITIES				
Debt issue costs		-		(380,333)
Interest paid on convertible debt		(566,348)		-
Lease payments made		(63,410)		-
Lease payments received		26,420		-
Proceeds from collection of subscription receivable		-		11,100
Proceeds from issuance of convertible debenture		-		4,785,000
Proceeds from loan repayment		-		5,174,107
Proceeds from private placements		-		6,350,087
Share issue costs		-		(483,328)
Warrants exercised		-		42,000
Cash provided by (used in) financing activities		(603,338)		15,498,633
Change in cash for the year		(5,185,691)		5,116,268
Cash, beginning of year		7,832,298		2,716,030
Cash, end of year	$	2,646,607	$	7,832,298

Significant non-cash transactions:				
Shares issued for convertible debt	$	297,054	$	-
Lease liability	$	197,210	$	-
Lease receivable	$	168,450	$	-
Loan restructuring	$	8,372,872	$	-
Sale of furniture included in receivables	$	22,500	$	-
Fair value of finders' warrants issued (Note 11)	$	-	$	173,711
Fair value of shares relating to limited recourse loans (Note 11)	$	-	$	450,000
Fair value of shares issued for finder's fee (Note 11)	$	-	$	120,000
Equity component of convertible debenture (Note 10)	$	11,272	$	167,893

During the year ended April 30, 2020, the Company paid $567,390 (2019 - $71,250) in interest and $nil (2019 - $nil) in taxes.
The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

FinCanna Capital Corp. ("FinCanna" or the "Company") was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on November 28, 2016, under the name 1098119 B.C. Ltd., and changed its name to Coachella Cannabis Corp. on the same date. The Company further changed its name to FinCanna Capital Corp. on May 12, 2017. The Company's head office address is at Suite 550 – 800 West Pender Street, Vancouver, BC V6C 2V6 and its registered and records office address is Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B3. The Company's principal business activity has been seeking of investment opportunities in the medical cannabis sector in the United States.

FinCanna and Astar Minerals Ltd. ("Astar") entered into an Arrangement Agreement on July 11, 2017, pursuant to which Astar acquired all of the issued and outstanding common shares of the Company on a one to one basis. In addition, each outstanding option and/or warrant to acquire the Company's common shares became exercisable for one common share of Astar (the "Transaction"). The Transaction was carried out by way of a plan of arrangement. As a result of the Transaction, FinCanna took control of governance and management resulting in control over all decision-making processes which constituted a reverse acquisition of Astar by FinCanna (the "Reverse Acquisition"), for accounting purposes with FinCanna being identified as the accounting acquirer, and accordingly the Company is considered a continuation of FinCanna Capital Corp.

The common shares of FinCanna Capital Corp. are listed on the Canadian Securities Exchange ("CSE") and began trading on December 29, 2017, under the symbol "CALI".

The Company has advanced funds to companies based in the United States that are involved in various aspects of the US Cannabis industry.While marijuana and CBD-infused products are legal under the laws of several U.S. States (with vastly differing restrictions), the United States Federal Controlled Substances Act classifies all "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. At the present time, the distinction between "medical marijuana" and "recreational marijuana" does not exist under U.S. federal law, if one is illegal, both are illegal. Despite the marijuana laws in the State of California, marijuana is illegal under federal law. The federal government is not prosecuting businesses that are operating in compliance with their state and local laws and regulations, however, if the federal government did change their position, it would have a significant impact on the Company's financial position and results of operations.

During the year ended April 30, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on FinCanna as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may/ be put, in place by Canada and other countries to fight the virus.

Historically the Company has funded its operations through the issuance of equity. In the near future it is anticipated that the Company will continue to rely on the issuance of equity to fund its operations. There are no assurances that the Company will be successful in continuing to complete such financings to fund operations.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

As at April 30, 2020, the Company had a deficit of $24,695,066 and a negative working capital of $1,215,705. The Company's continuing operations are dependent upon its ability to identify, evaluate, and negotiate agreements to acquire royalty interests in material assets or businesses, and to finance these activities through the issuances of additional debt or equity securities. These conditions may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, unless otherwise stated, which is also the functional currency of the Company.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries FinCanna Holdings Corp and FCC Holdings Ltd. The financial statements of its subsidiaries are included in the consolidated financial statements from the date on which control was transferred to the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany accounts and transactions have been eliminated on consolidation.

Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. The following are the critical assumptions and estimates that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Going concern

The preparation of these consolidated financial statements requires management to make estimates regarding the going concern of the Company, as discussed in Note 1.

The information about significant areas of estimation uncertainty considered by management are as follows:

Fair value of stock options and finders' warrants

The fair value of share-based payments including the grant of stock options, and the fair value of compensatory finders' warrants are estimated using the Black-Scholes option pricing model. There are a number of estimates used in the calculation, such as forfeiture rates, expected life, and share price volatility which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

Impairment of royalty investments and investment in profit sharing arrangement

At the end of each financial reporting period, the carrying amounts of the Company's non-financial assets are tested for impairment. In determining the recoverable amount of royalty investments, various estimates are employed.

The Company determines value in use by using estimates including projected future revenues, profit or loss, and capital investment, if available depending on the stage of development of royalty investments and its investment in profit sharing arrangement. Discount rates used to measure value in use are consistent with external industry information reflecting the risk associated with the specific cash flows.

As at April 30, 2020, the Company performed an impairment test over its royalty investments and determined there was an impairment of $9,480,961. Refer to Note 7 for further disclosures.

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and assumptions (continued)

Recoverability of Loan

The Company's loans represent amounts owed to the Company invested by the Company in respect of advances made to an investee. The balances are presented net of allowances for non-recoverability. In establishing allowances for non-recoverable balances, significant judgment is exercised by management in determining the amount that is expected to be recovered from the debtors.

The recoverability of the loans may ultimately differ from its carrying value due to the potential for an investee to become financially impaired or insolvent. Consequently, reviews of the loans are done on a regular basis to determine if there is a need to establish an allowance for non-recoverability. In performing this review, the Company uses judgment in assessing the credit worthiness of CTI, and factors such as external market research and data, licensing, stage of operations, and cash flow projections, amongst other factors. These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

Useful life of property and equipment

Amortization of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any 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 the assets.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debt, is determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from shareholders' equity as share issue costs. Common shares issued for consideration other than cash, are valued based on their market value on the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the market price on the date of issuance. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded within reserves. Cash proceeds received subsequent to the issuance of share capital

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital (continued)

is recorded as subscriptions receivable within current assets provided the proceeds are received within twelve months of the statement of financial position date.

Share-based payments

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Income (loss) per share

The Company presents basic income (loss) per share for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share does not adjust the income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the periods presented, basic income (loss) per share equates to diluted income (loss) per share.

Foreign currency translation

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," management determined the functional currency of the Company based on the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiaries.

Foreign currency transactions are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the period end rate of exchange. Foreign exchange gains and losses resulting from such translations are recognized in profit or loss.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Classification

Financial assets are classified at initial recognition as either: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Under IFRS 9, the Company classifies its financial instruments as follows:

Cash	Amortized cost
Accounts receivable and other receivable	Amortized cost
Loans receivable	Amortized cost
Loan	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debenture	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of non-financial assets

The carrying amount of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount (or cash-generating units (“CGU”)) is the greater of an asset’s fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset or CGU that does not generate cash inflows largely independent of those from other assets or CGUs, the recoverable amount is determined for the cash generating unit to which the asset or CGU belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in profit or loss. Assets that have an indefinite useful life (royalty investments and investment in profit sharing arrangement) are not subject to amortization and are tested annually for impairment.

Royalty investments and investment in profit sharing arrangement

Royalty investments consist of acquired royalty interests in cannabis companies in the United States.

The Company’s royalty investments have an indefinite life as the royalty investments entitle the Company to earn royalties in perpetuity and as such are tested for impairment annually.

Revenue recognition

The Company recognizes interest income from loan over time as interest accrues.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Company recognizes royalty income based on the total revenue earned and reported by the third party for the respective reporting period. The Company recognizes income from investment in profit sharing arrangement based on the total profits earned and reported by the third party for the respective reporting period.

Revenue as stated above is only recognized when reasonableness of collection is assured.

Property and equipment

Property and equipment are stated at cost, net of accumulated amortization and accumulated impairment losses, if any. Amortization for leasehold improvements is calculated using a straight-line basis over the term of the lease, which is five years.

New accounting standards and interpretations adopted during the year

As at the date of these financial statements, the following standards have been applied in these financial statements:

(i) On January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on July 1, 2019 using the modified retrospective method, and no restatement of prior comparative periods.

The Company elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:
i) recognition exemption of short-term leases;
ii) recognition exemption of low-value leases;
iii) application of a single discount rate to a portfolio of leases with similar characteristics on transition;
iv) exclusion of initial direct costs from the measurement of the right-of-use assets upon transition;
v) application of hindsight in determining the applicable lease term at the date of transition; and
vi) election to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

	Previously Reported under IAS 17	IFRS 16 Transition Adjustments	As reported under IFRS 16
Right of Use Asset	$ -	$ 197,210	$ 197,210
Lease Liability	$ -	$ (197,210)	$ (197,210)

(ii) IFRIC 23 - New standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRIC 23 did not have an impact on the consolidated financial statements of the Company.

(Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLE

Receivables as at April 30, 2020 consist of a goods and services tax (GST) receivable balance from the Federal Government of Canada, profit sharing income and receivable from a former officer of the Company as follows:

		April 30, 2020		April 30, 2019
GST receivable	$	18,179	$	30,753
Profit sharing income		-		381,155
Due from third party		13,852		6,352
Ending balance	$	32,031	$	418,260

5. PREPAID EXPENSES

		April 30, 2020		April 30, 2019
Deposits	$	227,970	$	137,424
Financing & advisory fee		-		58,114
Insurance		33,482		79,444
Investor relations & marketing		126,700		310,492
Transfer agent		12,988		13,436
Ending balance	$	401,140	$	598,910

6. LOAN AND INVESTMENT IN PROFIT SHARING ARRANGEMENT

a) Loan

On December 27, 2016, the Company entered into an agreement with Cultivation Technologies, Inc. ("CTI") (the "Loan Agreement") to fund CTI's purchase of land in Coachella, California in the amount of $1,320,180 (US$977,913) (advanced to CTI during the year ended April 30, 2017) (the "Loan").

Subsequent amendments to the Loan Agreement (in April 2017, September 2017, and January 2018), resulted in the Company agreeing to advance additional funds for the construction of a cannabis manufacturing and testing facility in Coachella, USA (the "Coachella Facility") (see table below). CTI also operated an interim extraction facility for medical cannabis (the "Interim Extraction Facility") at the same location. The Loan was secured by a Deed of Trust to the Company providing the Company with a first position security interest in land owned by CTI, and a first charge General Security Agreement providing the Company with security over all assets owned by CTI.

On October 8, 2018, the Company and CTI agreed to a Restructured Agreement ("RA"). The RA replaced the Loan agreement and FinCanna will no longer need to provide additional financing to earn payments in perpetuity on any of CTI's projects, as the RA covers all of CTI's current and future projects. Under the RA CTI was indebted to FinCanna in the amount of $8,000,000 ("the Principal Amount")

Subsequent to the signing of the RA, CTI entered into an agreement for US$4,000,000 to sell its 6-acre property in Coachella California, subject to certain conditions. During the year ended April 30, 2019, the Company received $5,174,107 (US$3,877,188) from CTI as partial repayment of its outstanding secured loan.

During the year ended April 30, 2020, effective January 1, 2020, the Company signed a new royalty agreement ("CTI Royalty") with CTI, which effectively converted the Company's loan and investment in profit-sharing arrangement into a royalty arrangement (see Note 7d).

(Expressed in Canadian Dollars)

6. LOAN AND INVESTMENT IN PROFIT SHARING ARRANGEMENT (continued)

a) Loan (continued)

The breakdown of the carrying value of the Loan is as follows:

	April 30, 2020 (CAD)	April 30, 2020 (USD)	April 30, 2019 (CAD)	April 30, 2019 (USD)
Principal	$ 5,614,468	$ 4,322,812	$ 5,802,510	$ 4,322,812
Interests accrued	1,293,083	995,598	557,424	415,275
Transaction costs	277,740	213,844	-	-
Conversion to Royalty	(7,185,291)	(5,532,254)	-	-
Total	**$ -**	**$ -**	**$ 6,359,934**	**$ 4,738,087**

At April 30, 2020, the changes in the carrying value of the Loan is as follows:

	April 30, 2020	April 30, 2019
Opening balance	$ 6,359,934	$ 8,047,696
Interest income	767,778	1,245,015
Modification of debt	-	1,619,006
Penalty	-	263,130
Foreign exchange	(220,161)	359,194
Partial repayment	-	(5,174,107)
Transaction costs	277,740	-
Royalty conversion	(7,185,291)	-
Ending balance	**$ -**	**$ 6,359,934**

(Expressed in Canadian Dollars)

6. LOAN AND INVESTMENT IN PROFIT SHARING ARRANGEMENT (continued)

b) Investment in profit sharing arrangement

Effective January 12, 2018, the Company and CTI agreed to reclassify $758,478 (US$617,000) of the Loan to the Interim Extraction Facility (the "Investment in Profit Sharing Arrangement"). CTI granted the Company the right to receive from CTI, 50% of the profits derived from the Interim Extraction Facility, which accrue from October 1, 2017, and became payable in June 2018, and thereafter payable monthly, for as long as the Interim Facility is in operation (the "Interim Extraction Payments").

During the year ended April 30, 2020, effective January 1, 2020, the Company signed a new royalty agreement ("CTI Royalty") with CTI, which effectively converted the Company's loan and investment in profit-sharing arrangement into a royalty arrangement (see Note 7d).

A continuity of Investment in Profit Sharing Arrangement is as follows:

		April 30, 2020		April 30, 2019
Opening	$	758,478	$	758,478
Royalty conversion		(758,478)		-
Ending balance	**$**	**-**	**$**	**758,478**

Pursuant to the CTI Royalty that was signed during the year ended April 30, 2020, effective January 1, 2020, the Investment in Profit Sharing Arrangement was converted into a royalty agreement (see Note 7c). In addition, the receivable amount of $375,760 (US$283,956) associated with the profit-sharing income and a loan receivable from CTI in the amount of $53,343 has also been added to the CTI royalty investment amount.

On February 12, 2020, FinCanna provided CTI with a bridge loan of US$250,000 for a term of 6 months bearing an interest rate of 12% per annum and FinCanna will receive 5-year warrants to acquire 5% of CTI's fully-diluted capital at the time of exercise for US$250,000. The warrants have a value of $nil as at February 12, 2020 and as at April 30, 2020. The purpose of the bridge loan was to support CTI in relocating its operations from the interim site in Coachella CA to its new permanent facility in Palm Desert CA.

Subsequent to April 30, 2020, the loan maturity was extended to February 29 2021 and as consideration FinCanna was provided with additional 5-year warrants which allow it to acquire an additional 2% of CTI's fully-diluted capital for US$100,000.

The breakdown of the carrying value of the Loan is as follows:

		April 30, 2020 (CAD)		April 30, 2020 (USD)		April 30, 2019 (CAD)		April 30, 2019 (USD)
Principal	$	331,350	$	250,000	$	-	$	-
Interests accrued		8,872		6,411		-		-
Foreign exchange		16,400		-		-		-
Total	**$**	**356,622**	**$**	**256,411**	**$**	**-**	**$**	**-**

The Loan was issued in connection with a security agreement, whereby the Loan is secured by the assets of CTI.

(Expressed in Canadian Dollars)

7. ROYALTY INVESTMENTS

The Company's royalty investments have an indefinite life and in accordance with the Company's accounting policy are measured at acquisition cost and reviewed for impairment annually.

As of April 30, 2020, the Company's royalty investments had the following activities and impairment losses recorded.

		Green Compliance		Refined Resin		QVI		CTI		Total
As at April 30, 2018	**$**	**1,013,100**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**1,013,100**
Additions and transaction costs		1,300,600		4,316,048		1,696,624		-		7,313,272
As at April 30, 2019	**$**	**2,313,700**	**$**	**4,316,048**	**$**	**1,696,624**	**$**	**-**	**$**	**8,326,372**
Additions and transaction costs		-		43,548		2,321,675		106,168		2,471,391
Conversion to royalty		-		-		-		8,372,872		8,372,872
Impairment loss		-		(3,131,961)		-		(6,349,000)		(9,480,961)
As at April 30, 2020	**$**	**2,313,700**	**$**	**1,227,635**	**$**	**4,018,299**	**$**	**2,130,040**	**$**	**9,689,674**

a) Green Compliance Inc.

On February 6, 2018, FinCanna entered into a royalty agreement with Green Compliance, Inc. ("Green Compliance"). Under the Royalty Agreement, FinCanna will fund US$3,000,000 in tranches, in return for a perpetual royalty equal to 10% of consolidated gross revenues of Green Compliance, subject to certain buy-back options. On February 23, 2018, the Company advanced $950,100 (US$750,000) to Green Compliance. In addition, the Company capitalized acquisition costs of $63,000.

During the year ended April 30, 2019, the Company advanced $1,300,600 (US$1,000,000) to Green Compliance completing its "Milestone Payment 1" pursuant to the Royalty Agreement.

There have been no additional advances to Green Compliance during the year ended April 30, 2020.

Subsequent to April 30, 2020, the Company provided Green Compliance with notice that is was in default of the royalty agreement and subsequently Green Compliance and FinCanna came to an agreement whereby Green Compliance would assign all of its assets to FinCanna in exchange for FinCanna foregoing its rights to recover its royalty investment from Green Compliance (Note 17).

As at April 30, 2020, the Company performed its annual impairment test and estimated the recoverable amount of its royalty investment in Green Compliance. The Company determined the fair value of the Company's royalty investment in Green Compliance to be the value of the assets assigned to the Company subsequent to April 30, 2020, using the replacement cost method which exceeded the carrying cost of the royalty investment as at April 30, 2020.

7. ROYALTY INVESTMENTS (continued)

b) Refined Resin LLC (formerly Gram Co Holdings LLC) ("Refined Resin")

In July 2018, the Company executed a Royalty Agreement with Refined Resin. FinCanna funded US$3,000,000 in tranches to receive a tiered corporate royalty, ranging from 14% to 5% of Refined Resin's annual revenues, based upon agreed upon benchmarks. Concurrently, FinCanna also agreed to acquire an Additional Royalty for the purchase price of US$1,795,000. The payment is to be comprised of US$500,000 in cash and the remainder paid in common shares of FinCanna. The Additional Royalty provides FinCanna the right to receive a further royalty payment of 2% of Refined Resin's revenues.

During the year ended April 30, 2019, the Company advanced $3,945,620 (US$3,000,000) to Refined Resin completing the Initial Advance Payment, its "Milestone Payment 1" and its "Milestone Payment 2" pursuant to the Royalty Agreement. In addition, the Company capitalized acquisition costs of $240,428 and finders' fees of $130,000, including 400,000 common shares with a fair value of $120,000.

During the year ended April 30, 2020, it had become apparent that Refined Resin would not become operational. Accordingly, subsequent to April 30, 2020, the Company and Refined Resin executed an agreement whereby all of the assets of Refined Resin were assigned to the Company. The Company took physical possession of the assets subsequent to April 30, 2020.

As at April 30, 2020, the Company performed its annual impairment test and estimated the recoverable amount of its royalty investment in Refined Resin LLC. The Company determined the fair value of the Company's royalty investment in Refined Resin to be the value of the assets assigned to the Company, resulting in an impairment on the royalty investment of $3,131,961.

c) QVI, Inc.

On January 8, 2019, the Company signed a Royalty Agreement with QVI, Inc. ("QVI"), doing business as "The Galley", a cannabis infused product manufacturer.

According to the Royalty Agreement, FinCanna would fund US$3,000,000 in tranches, subject to certain milestones being met. In return FinCanna would receive a tiered corporate royalty, adjusted based on revenues levels, ranging from 15% to 6% of QVI's total revenues, with the top royalty rate of 15% on the first US$20,000,000 of annual sales until cumulative royalties to FinCanna of US$10,000,000.

During the year ended April 30, 2019, the Company advanced $1,650,245 (US$1,250,000) to QVI completing its "Initial Payment" pursuant to the Royalty Agreement. In addition, the Company capitalized acquisition costs of $46,379.

During the year ended April 30, 2020, FinCanna advanced $2,301,333 (US$1,750,000) to QVI completing its Milestone 1 and 2 payments pursuant to royalty agreement. In addition, the Company capitalized acquisition costs of $20,343.

Subsequent to April 30, 2020, on June 23, 2020 the Company announced that it has restructured its Royalty Agreement with QVI. In exchange for providing an additional $1,500,000 to QVI FinCanna would receive an increased royalty of 20% on all revenue and a supplemental payment that will ensure that FinCanna is paid a minimum of 70% of QVI's after tax income on an annual basis.

(Expressed in Canadian Dollars)

7. ROYALTY INVESTMENTS (continued)

d) Cultivation Technologies, Inc. ("CTI")

On February 13, 2020, the Company signed a Royalty Agreement ("Agreement") with Cultivation Technologies, Inc. ("CTI") of Coachella, CA, doing business as Coachella Manufacturing.

Under the Agreement, the Company is entitled to receive:

- 10% of CTI's top line revenue in perpetuity, subject to certain buyback options, of which 5% is paid in cash monthly and 5% is deferred. The accrued deferred payment will be paid out upon certain triggering events, including a change of control, an initial public offering ("IPO") or certain other specified events of CTI.
- 25% to 50% of the gross sales proceeds of any change of control transaction with the final percentage to be determined according to certain predetermined parameters.

Details of the royalty investment in CTI are as follows:

	Note		April 30, 2020
Loan to CTI converted to royalty	6a	$	7,185,291
Investment in profit sharing converted to royalty	6b		758,478
Receivable associated to investment in profit sharing	6b		375,760
Loan receivable from CTI			53,343
Transaction costs			106,168
Less: impairment			(6,349,000)
Ending balance		**$**	**2,130,040**

The royalty investment in CTI is tested for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended April 30, 2020, management performed its annual impairment test and recorded an impairment of $6,349,000.

The recoverable amount was determined based on value in use using level 3 inputs in a discounted cash flow methodology. The key assumptions used in the calculation of the recoverable amount relate to the future revenues. growth projections, future weighted average cost of capital, and terminal growth rate. These key assumptions were based on historical data from internal sources as well as industry and market trends. The Company estimated the recoverable amount of the royalty investment in CTI based on discounted cash flows (five-year projections and a terminal year thereafter) and incorporated assumptions an independent market participant would apply. The Company adjusted discount rates for the risks associated with achieving its forecast. Post-tax discount rates approximated 30% and perpetual growth rates were 0%

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE

On January 10, 2019, FinCanna closed its first tranche of Secured Convertible Debentures financing in the amount of $2,375,000. The Debentures are secured by a general security interest, mature two years from closing and will bear interest at 12% per annum, payable in cash or, at the option of the subscriber, in common shares of FinCanna ("common shares") subject to certain conditions. The Debenture is convertible into Common Shares at $0.20 per share. Subscribers for Debentures will receive one common share purchase warrant ("warrant") for each $0.20 of principal amount of Debenture. Each warrant will entitle the holder to acquire one com mon share of FinCanna for $0.30 at any time up to two years from the closing date. On February 8, 2019, the Company closed the second tranche of its Debentures financing of $2,410,000. The terms of the second tranche are the same as from the first tranche.

During the year ended April 30, 2020, investors converted 320 units of convertible debentures into 1,600,000 common shares of the Company.

Details of the convertible debenture are as follows:

	1st tranche	2nd tranche	Total
Balance, April 30, 2018	$ -	$ -	$ -
Additions	2,375,000	2,410,000	4,785,000
Transaction costs	(155,264)	(225,069)	(380,333)
Equity portion of convertible debenture	(84,610)	(83,283)	(167,893)
Interest	96,851	9,923	106,774
Re-payments	(70,274)	-	(70,274)
Balance, April 30, 2019	2,161,703	2,111,571	4,273,274
Conversion of debt	(189,041)	(108,013)	(297,054)
Interest	398,414	418,950	817,364
Re-payments	(284,188)	(282,160)	(566,348)
Balance, April 30, 2020	**$ 2,086,888**	**$ 2,140,348**	**$ 4,227,236**

Subsequent to the year ended April 30, 2020, the Company announced that the maturity period for the Debentures and Warrants will be extended for an additional 24 months to January 10, 2023 and February 8, 2023 for the first and second tranches, respectively. The conversion price of the Debenture has been decreased from $0.20 to $0.15. (Note 17)

9. PROPERTY AND EQUIPMENT

Cost:	**Leasehold improvements**
Balance, April 30, 2018	$ -
Additions	77,093
Balance, April 30, 2019	77,093
Recovery	(19,582)
Balance, April 30, 2020	**$ 57,511**

Accumulated amortization:	
Balance, April 30, 2018	$ -
Additions	15,419
Balance, April 30, 2019	15,419
Recovery	11,858
Balance, April 30, 2020	**$ 27,277**

Carrying value:	
Balance, April 30, 2019	**$ 61,674**
Balance, April 30, 2020	**$ 30,234**

(Expressed in Canadian Dollars)

10. LEASE RECEIVABLE, RIGHT-OF-USE ASSET AND LEASE LIABILITIES

a) Right-of-use asset

		April 30, 2020		April 30, 2019
Cost				
Opening balance	$	-	$	-
Initial adoption of IFRS 16		197,210		-
De-recognition on sublease		(197,210)		-
Ending balance	**$**	**-**	**$**	**-**
Accumulated Amortization				
Opening balance	$	-	$	-
Additions		(28,760)		-
De-recognition on sublease		28,760		-
Ending balance	**$**	**-**	**$**	**-**
Net book value	**$**	**-**	**$**	**-**

The right-of-use asset relates entirely to the Company's office space. During the year ended April 30, 2020, the Company subleased its office space and derecognized the right-of-use asset with a net book value of $168,450. In connection with the sublease, the Company recorded a lease receivable of $176,721 and a gain on sublease of $8,271.

b) Lease liability

		April 30, 2020		April 30, 2019
Opening balance	$	-	$	-
Initial adoption of IFRS 16		197,210		-
Interest expense		27,156		
Lease payments		(63,410)		-
Ending balance	**$**	**160,956**	**$**	**-**
Current lease liability		44,080		
Non-Current lease liability	**$**	116,876	**$**	

The Company used 15% interest rate, its incremental borrowing rate to calculate the present value of the lease payments as well as to calculate the monthly accretion expense.

Future minimum payments per the lease payable are as follows:

Fiscal 2021	$	65,275
Fiscal 2022		67,140
Fiscal 2023		69,004
Total future minimum lease payments		201,419
Effects of discounting		(40,463)
Total lease liability		160,956
Current lease liability		(44,080)
Non-Current lease liability		116,876

(Expressed in Canadian Dollars)

10. LEASE RECEIVABLE, RIGHT-OF-USE ASSET AND LEASE LIABILITIES (continued)

c) Lease receivable

		April 30, 2020		April 30, 2019
Opening balance	$	-	$	-
Additions		176,721		-
Interest expense		10,656		
Lease payments		(26,420)		-
Ending balance	**$**	**160,957**	**$**	**-**
Current lease receivable		44,080		
Non-Current lease receivable	$	116,877	$	

The Company used 15% interest rate, its incremental borrowing rate to calculate the present value of the lease payments as well as to calculate the monthly accretion expense.

Future minimum payments per the lease payable are as follows:

Fiscal 2021	$	65,275
Fiscal 2022		67,140
Fiscal 2023		69,005
Total future minimum lease payments		201,420
Effects of discounting		(40,463)
Total lease receivable		160,957
Current lease receivable		(44,080)
Non-Current lease receivable		116,877

During the year ended April 30, 2020, the Company did not incur any expenses with respect to short term or low value leases.

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at April 30, 2020, the authorized share capital of the Company is an unlimited number of shares, without par value.

<u>Escrow Shares:</u>

As at April 30, 2020, there were 533,745 common shares held in escrow (2019 – 2,134,980).

b) Issued share capital

<u>Issued during the year ended April 30, 2020:</u>

During the year ended April 30, 2020, 320 units of convertible debentures with a value of $297,054 were converted into into 1,600,000 common shares of the Company. In connection with the conversion, the original equity component of $11,272 was transferred from reserves to share capital.

<u>Issued during the year ended April 30, 2019:</u>

In July 2018, the Company closed private placements whereby it issued 21,166,957 units at a price of $0.30 per unit for gross proceeds of $6,350,087. Each unit consists of one common share and one common share purchase warrant. Each full warrant will be exercisable to acquire one common share of the Company at an exercise price of $0.45, for a period of two years from the date of closing. $272,078 of the proceeds from the private placement were allocated to reserves, representing the residual value of the warrants attached to the units.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES

b) Issued share capital (continued)

In connection with this offering, on June 29, 2018, the Company issued 1,500,000 common shares at $0.30 per share, for a total fair value of $450,000, to certain officers of the Company subject to a limited recourse shareholder loan. See Note 12 for vesting terms.

- 800,000 common shares were issued to the CEO of the Company, and have fully vested.
- 700,000 common shares were issued to the CFO of the Company, and have fully vested.

In connection with the July 2018 private placement, the Company incurred the following share issue costs:

- issued 1,307,267 finders' warrants with each warrant exercisable for into one common share at an exercise price of $0.45 until June 29, 2020. Refer to Note 11 (c) for fair value information.
- issued 119,340 finders' warrants with each warrant exercisable for into one common share at an exercise price of $0.45 until July 5, 2020. Refer to Note 11 (c) for fair value information.

The subscription receivable balance of $11,100, in connection with the private placement held in April 2018, was received during the year ended April 30, 2019.

During the year ended April 30, 2019, 140,000 warrants were exercised for gross proceeds of $42,000.

On September 26, 2018, the Company issued 400,000 shares with a fair value of $120,000 for finders' fees in connection with one of its royalty investments.

On January 10, 2019, the Company issued 11,875,000 warrants in connection with its first tranche of Secured Convertible Debentures. Subscribers for Debentures will receive one common share purchase warrant ("warrant") for each $0.20 of principal amount of Debenture. Each warrant will entitle the holder to acquire one Common Share of FinCanna for $0.30 at any time up to two years from the Closing Date.

On February 8, 2019, the Company also issued 12,050,000 warrants upon closing of its second tranche of its Convertible debentures, these warrants have the same terms as the ones issued on the first tranche.

In connection with the financings completed during the year ended April 30, 2019, the Company incurred cash share issue costs including finders' fees, legal, and other fees of $483,328 in aggregate, and non-cash share issue costs relating to the fair value of finders' warrants issued of $173,711.

The following weighted average assumptions using the Black Scholes option pricing model were used for the valuation of the finders' warrants issued:

	For the Year Ended April 30, 2019
Risk-free interest rate	1.91%
Expected life	2 years
Annualized volatility	100%
Dividend rate	0%
Exercise price	$0.45
Stock price	$0.29
Call option value	$0.12

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

c) Reserves

There have been the following changes in reserves during the year ended April 30, 2020:

	Stock Options	Warrants	Convertible Debenture	Total
Balance, April 30, 2018	$ 1,222,878	$ 1,686,879	$ -	$ 2,909,757
Share-based payments	123,249	-	-	123,249
Warrants – residual value on private placements	-	272,078	-	272,078
Finders' warrants – fair value	-	173,711	-	173,711
Convertible debenture – equity component	-	-	167,893	167,893
Balance, April 30, 2019	$ 1,346,127	$ 2,132,668	$ 167,893	$ 3,646,688
Share-based payments	12,989	-	-	12,989
Convertible debenture – equity component	-	-	(11,272)	(11,272)
Balance, April 30, 2020	$ 1,359,116	$ 2,132,668	$ 156,621	$ 3,648,405

d) Warrants

There have been the following changes in the share purchase warrants during the year ended April 30, 2020:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at April 30, 2018	25,846,907	$ 0.51
Exercised	(140,000)	$ 0.30
Expired	(420,000)	$ 0.50
Issued – finders' warrants	1,426,607	$ 0.45
Issued – unit warrants	46,591,957	$ 0.37
Outstanding as at April 30, 2019	73,305,471	$ 0.42
Expired	(25,286,907)	$ 0.51
Outstanding as at April 30, 2020	48,018,564	$ 0.38

As at April 30, 2020, the outstanding share purchase warrants were as follows:

Number of Warrants	Exercise Price	Expiry Date
21,703,802	$ 0.45	June 29, 2020 *
2,389,762	$ 0.45	July 5, 2020 *
11,875,000	$ 0.30	January 10, 2021
12,050,000	$ 0.30	February 8, 2021
48,018,564		

* Expired unexercised subsequent to April 30, 2020.

The weighted average remaining contractual life for the warrants at April 30, 2020, is 0.45 year (2019 – 1.19 years).

d) Stock Options

On July 4, 2017, the Company's board of directors approved a Stock Option Plan. The Company may grant options to employees, directors, officers, and consultants. The maximum number of options that may be granted under the plan is 10% of the issued and outstanding common shares and the maximum term of the options is for a period of ten years. The exercise price may not be less than the market value of the common shares as determined by the board of directors. Stock options are subject to vesting requirements, and terms, as determined by the board of directors.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

The fair value of options fully vested during the year ended April 30, 2020 was $12,989 (April 30, 2019 - $123,249). The fair value was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Year Ended April 30, 2020	For the Year Ended April 30, 2019
Risk-free interest rate	1.46%	1.98%
Expected life	5 years	5 years
Annualized volatility *	75%	75%
Dividend rate	0%	0%
Exercise price	$0.25	$0.28
Stock price	$0.115	$0.22
Call option value	$0.05	$0.12

* The volatility was calculated using the Company's historical information and industry benchmarks.

There have been the following changes in stock options during the year ended April 30, 2020:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2018	6,000,000	$ 0.41
Granted	1,000,000	$ 0.28
Expired	(400,000)	$ 0.30
Balance as at April 30, 2019	6,600,000	$ 0.40
Granted	250,000	$ 0.25
Balance as at April 30, 2020	6,850,000	$ 0.39

As at April 30, 2020, the outstanding stock options were as follows:

Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining life (in years)
2,250,000	$ 0.30	July 6, 2022	2.18
3,350,000	$ 0.50	December 27, 2022	2.66
450,000	$ 0.30	August 29, 2023	3.33
150,000	$ 0.30	September 21, 2023	3.39
400,000	$ 0.25	April 30, 2024	4.00
250,000	$ 0.25	September 19, 2024	4.39
6,850,000			2.71

12. RELATED PARTY TRANSACTIONS

Key management

Key management include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals. Remuneration attributed to key management during the year ended April 30, 2020 and 2019, can be summarized as follows:

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

	Year ended April 30, 2020	Year ended April 30, 2019
Management fees	$ 450,000	$ 450,000
Director fees	105,000	108,603
Share-based payments – stock options	12,989	40,471
Share-based payments – limited recourse loans (1)	152,000	511,000
	$ 719,989	$ 1,110,074

(1) In June 2018, the Company issued 1,500,000 common shares at $0.30 per share for a total fair value of $450,000, to certain officers of the Company pursuant to limited recourse shareholder loans. The common shares vested 40% immediately, with the remainder vesting evenly on December 29, 2018, June 29, 2019, and December 29, 2019. $152,000 represents the total amount of share-based payments vested during the year ended April 30, 2020.

Other related party transactions

During the year ended April 30, 2020, the Company incurred a total of $185,276 (2019 - $193,244) in consulting (including accounting, corporate compliance and administration fees), office, and other expenses from a company owned by a close family member of the CFO. As at April 30, 2020, there was $146,535 (2019 - $nil) in prepaid expenses to this company.

Due to/from related parties

As at April 30, 2020, $105,000 (April 30, 2019 - $68,438) was owed to directors of the Company for director fees. This amount is included in accounts payable and accrued liabilities. Amounts due to related parties are unsecured, have no fixed repayments and are non-interest bearing. As at April 30, 2020, there were $550,000 (2019 - $550,000) face value of convertible debentures held by key management.

13. FINANCIAL INSTRUMENTS

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair values of cash, accounts receivable, loans receivable, accounts payable and accrued liabilities and convertible debentures approximate their carrying values due to the short term nature of the instrument. The carrying value of the lease liability also approximates its fair value as this instrument bears a market rate of interest.

13. FINANCIAL INSTRUMENTS (continued)

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, accounts receivable, loans receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company believes its credit risk with respect to the GST receivable portion of its accounts receivable is minimal. However, there is a greater risk that the recoverable portions of the Company's loan to CTI may be different from that of their carrying values (Note 4 and 6). The Company's credit risk exposure, with respect to the loan is equal to their carrying value.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2020, the Company had a working capital deficiency of $1,215,705. Refer to discussion of going concern in Note 1 and Note 8 and 17 with respect to the extension of the convertible debenture's term.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and price risk.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution is subject to floating rates of interest. The interest rate risk on cash is not considered significant. The interest rate earned on the loan is fixed, as such the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, loan, accounts receivable and accounts payable and accrued liabilities, denominated in United States dollars. A 10% fluctuation between the Canadian dollar and the United States dollar would impact profit or loss by approximately $240,000.

c) Price risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

14. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. As of April 30, 2020, the Company's shareholders' equity was $8,549,119 and there were convertible debentures outstanding (Note 8). The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's capital management during the year ended April 30, 2020.

(Expressed in Canadian Dollars)

15. SEGMENT INFORMATION

The Company operates in one reportable segment, being a financier of companies operating in the cannabis sector located in the United States. The Company's royalty investments (Note 7), represent investments made in companies located and operating in the United States. All of the Company's equipment is located in Canada. The Company's revenues were earned from its loan and profit-sharing interests in the United States.

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes are as follows:

		2020		2019
Income (loss) for the year	$	(11,684,382)	$	210,179
Expected income tax expense (recovery)	$	(3,155,000)	$	57,000
Change in statutory rates and other		(46,000)		(37,000)
Permanent differences		1,387,000		(32,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(62,000)		779,000
Share issue costs		-		(163,000)
Change in unrecognized deductible temporary differences		1,876,000		(604,000)
Total	$	-	$	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

		2020		2019
Deferred tax assets (liabilities)				
Convertible debenture	$	(35,000)	$	(69,000)
Non-capital losses		35,000		69,000
Net deferred tax asset (liability)	$	-	$	-

Significant components of deductible temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

		2020	Expiry		2019	Expiry
Property and equipment	$	302,000	No expiry date	$	269,000	No expiry
Share issue costs		1,359,000	No expiry date		1,913,000	No expiry
Royalty Investment		9,481,000	No expiry date		-	No expiry
Allowable capital losses		8,000	No expiry date		20,000	No expiry
Non-capital losses available for future periods	$	6,426,000	2032 to 2039	$	3,681,000	2032 to 2038

17. SUBSEQUENT EVENTS

Subsequent to the year ended April 30, 2020, the following events took place:

- On June 23, 2020 the Company restructured its Royalty Agreement with QVI. In exchange for providing an additional US$1,500,000 FinCanna will receive a increase in the royalty rate to 20% of all revenue. In addition, it will receive a supplemental payment, that when coupled with the royalty, will ensure FinCanna receives a minimum of 70% of QVI's annual after-tax net income. In addition, sales proceeds from any future sale of QVI will be paid 70% to FinCanna and 30% to QVI shareholders.

- On June 25, 2020, the Company received Debenture and Warrant Holder approval to amend the Convertible Debentures and Warrants. The Maturity period for the Debentures and Warrants were extended for an additional 24 months to January 10, 2023 and February 8, 2023 for the first and second tranches, respectively. The conversion price of the Debenture has been decreased from $0.20 to $0.15.

- On July 7, 2020, the Company closed its convertible debenture for $2.5 million. The subscription price is $1,000 per Unit. The Debentures mature on February 8, 2023 and bear interest at 12% per annum, payable in cash or, at the option of the Subscriber, in common shares of the Company subject to certain conditions. The Debenture is convertible into Common Shares at $0.15 per share. Subscribers for Debentures received 5,000 common share purchase warrants for each Unit of principal amount of Debenture. Each Warrant will entitle the holder to acquire one Common Share of the Company for $0.30 at any time up to the maturity date.

- On August 27, 2020 the Company reached an agreement with Green Compliance whereby in exchange for foregoing its rights to recover its royalty investment from the Green Compliance, Green Compliance would assign all of its assets to the Company.