FINCANNA CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED APRIL 30, 2021 AND 2020

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, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), 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, 2021 and 2020, 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 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.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

August 30, 2021

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

	Note		**April 30, 2021**		**April 30, 2020**
ASSETS					
Current					
Cash		$	1,628,583	$	2,646,607
Accounts receivable	4		138,034		32,031
Subscription receivable	11		33,000		-
Prepaid expenses	5		129,885		401,140
Lease receivable	10		53,165		44,080
Loans receivable	6		350,123		356,622
Equipment held for sale	7(b)		982,108		-
			3,314,898		3,480,480
Non-current					
Deposits			29,915		29,915
Software asset	7(a)		383,169		-
Lease receivable	10		63,711		116,877
Royalty investments	7		2,468,671		9,689,674
Property and equipment	9		129,032		30,234
Other receivable			7,500		15,000
		$	**6,396,896**	**$**	**13,362,180**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current					
Accounts payable and accrued liabilities	12	$	300,994	$	424,869
Convertible debenture	8		-		4,227,236
Lease liability	10		53,165		44,080
			354,159		4,696,185
Non-current					
Convertible debenture	8		6,337,402		-
Lease liability	10		63,710		116,876
			6,755,271		4,813,061
Shareholders' equity (deficiency)					
Share capital	11		31,487,393		29,595,780
Reserves	11		4,138,066		3,648,405
Deficit			(35,983,834)		(24,695,066)
			(358,375)		8,549,119
		$	**6,396,896**	**$**	**13,362,180**

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on August 30, 2021.

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

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

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

	Note		Year-ended April 30, 2021		Year-ended April 30, 2020
REVENUES					
Interest income from loan	6	$	-	$	776,650
Royalty revenue	7		141,922		-
Total revenue			141,922		776,650
EXPENSES					
Amortization	7,9		403,090		40,618
Consulting fees	12		420,409		492,951
Foreign exchange			106,108		194,924
Interest expense			755,763		844,520
Management and director fees	12		555,000		555,000
Marketing and investor relations			712,585		410,550
Office, insurance and miscellaneous			134,207		171,014
Professional fees			268,143		129,870
Research and development			170,625		-
Share-based payments	11,12		-		164,989
Transfer agent and filing fees			53,172		40,684
Travel and accommodation			3,268		77,981
			(3,582,370)		(3,123,101)
OTHER INCOME (EXPENSES)					
Impairment loss	6,7		(7,848,454)		(9,480,961)
Gain on assets			-		38,271
Interest income on cash deposits			134		94,103
Finance income			-		10,656
			(7,848,320)		(9,337,931)
Net loss and comprehensive loss for the year		$	(11,288,768)	$	(11,684,382)
Basic and diluted loss per common share		$	(0.11)	$	(0.12)
Weighted average number of common shares outstanding, basic and diluted			102,802,928		99,182,084

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

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

	Share Capital (Note 11)								
	Shares		Amount		Reserves		Deficit		Total
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**

Balance, April 30, 2020	**100,289,734**	**$**	**29,595,780**	**$**	**3,648,405**	**$**	**(24,695,066)**	**$**	**8,549,119**
Private placement	17,279,648		2,159,956		-		-		2,159,956
Warrants – residual value on private placement	-		(345,593)		345,593		-		-
Share issuance cost	-		(22,750)		-		-		(22,750)
Shares issued upon conversion of debenture	666,666		100,000		(14,428)		-		85,572
Convertible debenture – equity component	-		-		158,496		-		158,496
Net loss and comprehensive loss for the year	-		-		-		(11,288,768)		(11,288,768)
Balance, April 30, 2021	**118,236,048**	**$**	**31,487,393**	**$**	**4,138,066**	**$**	**(35,983,834)**	**$**	**(358,375)**

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, 2021	Year Ended April 30, 2020
OPERATING ACTIVITIES		
Loss and comprehensive loss	$ (11,288,768)	$ (11,684,382)
Items not involving cash:		
Amortization	403,090	40,618
Finance income	-	(10,656)
Foreign exchange	67,981	203,761
Gain on disposal of equipment	-	(30,000)
Gain on sublease	-	(8,271)
Impairment loss	7,848,454	9,480,961
Interest expense	792,428	844,520
Interest income from loan	-	(776,650)
Share-based payments	-	164,989
Changes in non-cash working capital items:		
Accounts receivable	(98,503)	17,969
Deposits	-	(29,915)
Prepaid expenses	271,255	197,770
Accounts payable and accrued liabilities	(123,875)	60,332
Cash used in operating activities	(2,127,938)	(1,528,954)
INVESTING ACTIVITIES		
Loan	(368,607)	(331,350)
Loan transaction costs	-	(277,740)
Proceeds from disposal of furniture and tenant improvement recovery	-	7,500
Royalty investment and transaction costs	(2,076,649)	(2,471,391)
Property and equipment	(108,876)	
Tenant improvement recovery	-	19,582
Cash used in investing activities	(2,554,132)	(3,053,399)
FINANCING ACTIVITIES		
Private placement	2,126,956	-
Share issuance cost	(22,750)	-
Issuance of convertible debt	2,320,408	-
Interest paid on convertible debt	(760,568)	(566,348)
Lease payments made	(65,275)	(63,410)
Lease payments received	65,275	26,420
Cash provided by (used in) financing activities	3,664,046	(603,338)
Change in cash for the year	(1,018,024)	(5,185,691)
Cash, beginning of the year	2,646,607	7,832,298
Cash, end of the year	$ 1,628,583	$ 2,646,607

Significant non-cash transactions:		
Shares issued for convertible debt	$ 85,572	$ 297,054
Share subscriptions receivable	$ 33,000	$ -
Lease liability	$ -	$ 197,210
Lease receivable	$ -	$ 168,450
Loan restructuring	$ -	$ 8,372,872
Sale of furniture included in receivables	$ -	$ 22,500
Equity component of convertible debenture	$ 158,496	$ -
Warrants – residual value on private placement	$ 345,593	$ -

During the year ended April 30, 2021, the Company paid $760,568 (2020 - $567,390) in interest and $nil (2020 - $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.

The common shares of FinCanna Capital Corp. are listed on the Canadian Securities Exchange ("CSE") 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.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. The Company continues to closely monitor developments in the COVID-19 pandemic, including the potential impact on the Company's operations. The impact of COVID-19 is uncertain, and the pandemic could have a significant impact on the Company if it or its suppliers are not able to maintain operations.

Historically the Company has funded its operations through the issuance of convertible debentures and equity. In the near future it is anticipated that the Company will continue to rely on the issuance of debt and 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, 2021, the Company had a deficit of $35,983,834 and working capital of $2,960,739. 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 consolidated 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, FCC Holdings Ltd and FCC Ventures, Inc. 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 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 long lived assets

Management evaluates the ongoing value of assets associated with the Company's investment in software assets, royalty investments and property and equipment. Long-lived assets are tested for recoverability on an annual basis or more frequently as events or changes in circumstances indicate that their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Royalty investments have an indefinite life and are tested for impairment annually. Inherent in determining such expectations are certain judgments and estimates including, but not limited to, projected future revenue, and profit or loss. The amount of the impairment loss is determined as the excess of the carrying value of the assets over their fair value and is recognized in earnings in the period in which the impairment was determined.

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and assumptions (continued)

Impairment of long lived assets (continued)

As at April 30, 2021, the Company performed an impairment test over its long lived assets and determined there was an impairment of $7,539,363 (2020 - $9,480,961). Refer to Note 7 for further disclosures.

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.

As at April 30, 2021, the Company assessed the expected credit risk on its loans receivable from CTI and determined there was an impairment of $309,091. Refer to Note 6 for further disclosures.

Useful life of property and equipment and software asset

Amortization of property and equipment and software asset 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.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Among other conditions, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as held for sale for a period exceeding one year if it remains unsold due to events or circumstances

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and assumptions (continued)

Assets held for sale (continued)

beyond the Company's control. If the recognition criteria for assets held for sale are no longer met or if management's plans change, the Company will cease to classify the assets as held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES

Share Capital

Common shares are classified as shareholders' equity (deficiency). 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 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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, subscription receivable and other receivable	Amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debenture	Amortized cost

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 recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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) are not subject to amortization and are tested annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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. Machinery is amortized over a period of 5 years and commences when it is available for use.

Intangible assets

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.

Software assets are considered a definite life intangible asset and are amortized over a period of 3 years.

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) the intention to complete the intangible asset and use or sell it;
c) the ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits;
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the costs incurred from the date when the intangible assets first meet the recognition criteria listed above. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, internally-generated intangible assets are reported at cost. Where no internally-generated intangible asset can be recognized, development costs are recognized as an expense in the period in which it is incurred.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition, its sale must be highly probable and expected to be completed within one year from the date of classification.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale (continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and their fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Prior period consolidated statements of financial position are not restated to reflect the new classification of a non-current asset (or a disposal group) as held for sale.

4. ACCOUNTS RECEIVABLE

Receivables as at April 30, 2021 consist of royalty revenue (see note 7), goods and services tax (GST) receivable balance from the Federal Government of Canada, and receivable from a former officer of the Company as follows:

		April 30, 2021		April 30, 2020
Royalty revenue	$	114,612	$	-
GST receivable		9,382		18,179
Due from third party		14,040		13,852
	$	138,034	$	32,031

5. PREPAID EXPENSES

		April 30, 2021		April 30, 2020
Deposits	$	80,665	$	227,970
Insurance		-		33,482
Investor relations & marketing		33,825		126,700
Transfer agent		15,395		12,988
	$	129,885	$	401,140

6. LOANS

a) Cultivation Technologies, Inc. (“CTI”)

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 had a value of $nil as at February 12, 2020 and as at April 30, 2020.

During the period ended July 31, 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 warrants were determined to have a value of $nil.

Subsequent to the period ended April 30, 2021, the Company extended the term of the loan to October 31, 2021.

As at April 30, 2021, the Company assessed the expected credit losses associated with the loan to CTI. Due to non-payment on the loan and the uncertainty of collection, the Company considered the loan from CTI fully impaired as at April 30, 2021 and wrote off the balance of $309,091.

(Expressed in Canadian Dollars)

6. LOAN (continued)

a) Cultivation Technologies, Inc. ("CTI") (continued)

At April 30, 2021, the changes in the carrying value of the Loan is as follows:

		April 30, 2021		April 30, 2020
Opening balance	$	356,622	$	331,350
Interest income		1,966		8,872
Foreign exchange		(49,497)		16,400
Impairment loss		(309,091)		-
Ending balance	**$**	**-**	**$**	**356,622**

b) QVI, Inc. ("QVI")

During the year ended April 30, 2021, the Company advanced $US 285,000 ($350,123) to QVI as a non-interest bearing short term loan. The loan has no specific terms of repayment.

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 tested for impairment annually.

During the year ended April 30, 2021, the Company's royalty investments had the following activities and impairment losses recorded.

		Green Compliance		Refined Resin		QVI		CTI		Total
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**
Additions and transaction costs		-		-		2,076,649		-		2,076,649
Transfer to equipment held for sale		-		(1,227,635)		-		-		(1,227,635)
Transfer to in software asset		(2,313,700)		-		-		-		(2,313,700)
Impairment loss		-		-		(3,626,277)		(2,130,040)		(5,756,317)
As at April 30, 2021	**$**	**-**	**$**	**-**	**$**	**2,468,671**	**$**	**-**	**$**	**2,468,671**

(Expressed in Canadian Dollars)

7. ROYALTY INVESTMENTS (continued)

a) Green Compliance Inc.

On February 6, 2018, FinCanna entered into a royalty agreement with Green Compliance, Inc. ("Green Compliance"), a cannabis software developer. 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. A total of $2,250,700 (US$1,750,000) has been funded. The Company also incurred acquisition costs of $63,000.

During the period ended July 31, 2020, the Company provided Green Compliance with notice that it was in default of the royalty agreement.

On August 27, 2020, the Company and Green Compliance came to an agreement whereby Green Compliance assigned its interest in its point-of-sale software (the "software asset") in exchange for FinCanna foregoing its rights to recover its royalty investment from Green Compliance.

On October 26, 2020, the Company incorporated FCC Ventures, Inc. ("FCC Ventures"), a wholly owned subsidiary, which now owns the software asset.

Software asset breakdown is as follows:

		As at April 30, 2021
Software asset acquired	$	2,313,700
Amortization		(393,012)
Impairment loss		(1,537,519)
Ending balance	**$**	**383,169**

The software assets are amortized over a period of 3 years.

As at April 30, 2021, the Company assessed the software asset for impairment and determined that indicators of impairment existed due to lack of profitable history and slower than expected revenue growth rates. The recoverable amount was determined based on fair value less costs of disposal using Level 3 inputs in a discounted cash flow analysis. The significant assumptions applied in the determination of the recoverable amount include annual revenue growth rate and a discount rate of 30%. The result is that the carrying amount of the software asset exceeded the recoverable amount and resulted in an impairment charge to the software asset of $1,537,519.

b) Refined Resin LLC ("Refined Resin")

In July 2018, the Company executed a Royalty Agreement with Refined Resin, a cannabinoid research and refinery company. 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.

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, therefore the Company wrote down its investment in Refined Resin to the recoverable value of its assets.

During the year ended April 30, 2021, the Company executed an agreement with Refined Resin whereby certain assets of Refined Resin were transferred to the Company, consisting of machinery and equipment. The Company is now in possession of the assets and is holding them for resale.

In accordance with IFRS 5, the Company recorded an impairment of $245,527, measuring the assets at the lower of the carrying amount and fair value less costs to sell, which was determined through an assessment by independent third party. The continuity is as follows:

(Expressed in Canadian Dollars)

7. ROYALTY INVESTMENTS (continued)

b) Refined Resin LLC ("Refined Resin") (continued)

		As at April 30, 2021
Assets held for sale	$	1,227,635
Impairment loss		(245,527)
Ending balance	**$**	**982,108**

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.

As at April 30, 2020, the Company had advanced a total of $3,951,578 (US$3,000,000) to QVI pursuant to the Royalty Agreement. In addition, the Company capitalized acquisition costs of $66,721.

On June 19, 2020, the Company restructured its Royalty Agreement with QVI. In exchange for providing an additional US $1,500,000 to QVI, FinCanna would receive an increased royalty of 20% on all QVI revenue. In addition, there will be a supplemental payment from QVI to ensure that FinCanna is paid a minimum of 70% of QVI's after tax income on an annual basis.

During the year ended April 30, 2021, the Company advanced $2,076,649 (US$1,500,000) to QVI.

The royalty investment in QVI is an indefinite life intangible asset, and accordingly, the Company performed its annual impairment test as at April 30, 2021 and estimated the recoverable amount of its royalty investment in QVI. The recoverable amount was based on fair value less costs of disposal using level 3 inputs in a discounted cash flow methodology. The significant assumptions applied in the determination of the recoverable amount include a revenue growth rate of 10%, and a discount rate of 30%.

The result is that the carrying amount of the royalty investment in QVI exceeded the recoverable amount and resulted in an impairment charge to the royalty investment in QVI of $3,626,277.

Subsequent to year end, the Company advanced an additional US$305,000 under the short-term loan agreement.

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

On February 13, 2020, the Company announced that it signed a new 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.

7. ROYALTY INVESTMENTS (continued)

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

- 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.

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. As a result of the negative financial results from CTI, non-payment of royalties, and uncertainty of future collection, management determined the royalty investment in CTI to be fully impaired and recorded an impairment loss of $2,130,040.

8. CONVERTIBLE DEBENTURE

On January 10, 2019, FinCanna closed its first tranche ("Debt 1") of Secured Convertible Debentures ("Debentures") financing in the amount of $2,375,000. The Debentures are secured by a general security interest, mature two years from closing and bear interest at 12% per annum, payable quarterly in cash or, at the option of the subscriber, in common shares of FinCanna ("Common Shares") subject to certain conditions. The Debentures are convertible into Common Shares at $0.20 per share. Subscribers of the Debentures received one common share purchase warrant ("Debenture Warrant") for each $0.20 of principal amount of Debentures. Each Debenture Warrant entitles 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 closed the second tranche ("Debt 2") of its Debentures financing in the amount 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.

On June 25, 2020, the Company received Debentures and Debenture Warrant holders' approval to amend the Debentures and Debenture Warrants. The Maturity period for the Debentures and Debenture Warrants were extended for an additional 24 months to January 10, 2023 and February 8, 2023, for the Debt 1 and Debt 2 respectively. The conversion price of the Debentures was also decreased from $0.20 to $0.15. Based on management's assessment, the modification of the convertible debenture did not result in a substantial change in the carrying amount of the convertible debentures and therefore was accounted for as a modification of the convertible debenture with no impact to profit or loss.

On July 7, 2020, the Company closed another tranche ("Debt 3") of Debentures in the amount of $2,500,000. The Debt 3 debentures mature on February 8, 2023 and bear interest at 12% per annum. The Debt 3 debenture is also convertible into Common Shares at $0.15 per share. Subscribers of Debt 3 received one Debenture Warrant for each $0.20 of Debentures principal amount, resulting in the issuance of 12,500,000 warrants, entitling the holder to acquire one Common Share of the Company for $0.30 at any time up to the maturity date.

During the year ended April 30, 2021, investors converted 100 units of convertible debentures into 666,666 common shares of the Company.

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE (continued)

Details of the convertible debenture are as follows:

	1st tranche	2nd tranche	3rd tranche	Total
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
Additions	-	-	2,500,000	2,500,000
Equity component	-	-	(158,496)	(158,496)
Transaction costs	-	-	(179,592)	(179,592)
Conversion of debt	-	(85,572)	-	(85,572)
Interest	201,530	218,043	336,190	755,763
Re-payments	(260,482)	(274,880)	(225,206)	(760,568)
Change in maturity date	(6,145)	44,776	-	38,631
Balance, April 30, 2021	**$ 2,021,791**	**$ 2,042,715**	**$ 2,272,896**	**$ 6,337,402**

9. PROPERTY AND EQUIPMENT

Cost:	Leasehold improvements	Machinery	Total
Balance, April 30, 2019	$ 77,093	$ -	$ 77,093
Recovery	(19,582)	-	(19,582)
Balance, April 30, 2020	57,511	-	57,511
Additions	-	108,876	108,876
Balance, April 30, 2021	**57,511**	**108,876**	**$ 166,387**
Accumulated amortization:			
Balance, April 30, 2019	$ 15,419	$ -	$ 15,419
Recovery	11,858	-	11,858
Balance, April 30, 2020	27,277	-	27,277
Additions	10,078	-	10,078
Balance, April 30, 2021	**$ 37,355**	**$ -**	**$ 37,355**
Carrying value:			
Balance, April 30, 2020	**$ 30,234**	**$ -**	**$ 30,234**
Balance, April 30, 2021	**$ 20,156**	**$ 108,876**	**$ 129,032**

Machinery is not yet available for use and accordingly no amortization has been recorded for the year ended April 30, 2021.

(Expressed in Canadian Dollars)

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

a) Right-of-use asset

		April 30, 2021		April 30, 2020
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 during the year ended April 30, 2020.

b) Lease liability

		April 30, 2021		April 30, 2020
Opening balance	$	160,956	$	-
Initial adoption of IFRS 16		-		197,210
Interest expense		21,194		27,156
Lease payments		(65,275)		(63,410)
Ending balance	**$**	**116,875**	**$**	**160,956**
Current lease liability		53,165		44,080
Non-Current lease liability	**$**	63,710	**$**	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 2022	$	67,140
Fiscal 2023		69,005
Total future minimum lease payments		136,145
Effects of discounting		(19,270)
Total lease liability		116,875
Current lease liability		(53,165)
Non-Current lease liability		63,710

(Expressed in Canadian Dollars)

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

c) Lease receivable

		April 30, 2021		April 30, 2020
Opening balance	$	160,957	$	-
Additions		-		176,721
Interest income		21,194		10,656
Lease payments		(65,275)		(26,420)
Ending balance	**$**	**116,876**	**$**	**160,957**
Current lease receivable		53,165		44,080
Non-Current lease receivable	$	63,711	$	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 2022	$	67,140
Fiscal 2023		69,005
Total future minimum lease payments		136,145
Effects of discounting		(19,269)
Total lease receivable		116,876
Current lease receivable		(53,165)
Non-Current lease receivable		63,711

During the year ended April 30, 2021 and 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, 2021 and 2020, the authorized share capital of the Company is an unlimited number of shares, without par value.

Escrow Shares:

As at April 30, 2021, there are Nil common shares held in escrow (April 30, 2020 – 533,745).

b) Issued share capital

Issued during the year ended April 30, 2021:

On February 9, 2021, 100 units of convertible debentures with a carrying value of $85,572 were converted into 666,666 common shares of the Company. In connection with the conversion, the original equity component of $14,428 was transferred from reserves to share capital.

On March 11, 2021, the Company completed its non-brokered private placement by issuing 17,279,648 units at a price of $0.125 per unit for gross proceeds of $2,159,956. Each unit consist of one common share of the Company and one-half of one common share purchase warrant. Each full warrant will be exercisable to acquire one common share of the Company at an exercise price of $0.18 for 24 months from the date of the closing of the private placement. As at April 30, 2021, $33,000 of subscriptions were receivable. These subscriptions were collected subsequent to April 30, 2021.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

Issued during the year ended April 30, 2020:

During the year ended April 30, 2020, 320 units of convertible debentures with a value of $297,054 were converted 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.

c) Reserves

There have been the following changes in reserves during the year ended April 30, 2021:

	Stock Options	Warrants	Convertible Debenture	Total
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
Convertible debenture – equity component	-	-	158,496	158,496
Conversion of debenture – equity component	-	-	(14,428)	(14,428)
Warrants – residual value on private placement	-	345,593	-	345,593
Balance, April 30, 2021	$ 1,359,116	$ 2,478,261	$ 300,689	$ 4,138,066

d) Warrants

There have been the following changes in the share purchase warrants during the year ended April 30, 2021:

	Number of Warrants	Weighted Average Exercise Price
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
Issued	21,139,824	$ 0.25
Expired	(24,093,564)	$ 0.45
Outstanding as at April 30, 2021	45,064,824	$ 0.28

As at April 30, 2021, the outstanding share purchase warrants were as follows:

Number of Warrants	Exercise Price	Expiry Date
11,875,000	$ 0.30	January 10, 2023
12,050,000	$ 0.30	February 8, 2023
12,500,000	$ 0.30	February 8, 2023
8,639,824	$ 0.18	March 11, 2023
45,064,824		

The weighted average remaining contractual life for the warrants at April 30, 2021, is 1.77 years (2020 – 0.45 year).

e) 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)

e) Stock Options (continued)

The fair value of options fully vested during the year ended April 30, 2021 was $nil (2020 - $12,989). The fair value was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Year Ended April 30, 2021	For the Year Ended April 30, 2020
Risk-free interest rate	n/a	1.46%
Expected life	n/a	5 years
Annualized volatility *	n/a	75%
Dividend rate	n/a	0%
Exercise price	n/a	$0.25
Stock price	n/a	$0.115
Call option value	n/a	$0.05

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

There have been no changes in stock options during the year ended April 30, 2021:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2019	6,600,000	$ 0.40
Granted	250,000	$ 0.25
Balance as at April 30, 2020 and 2021	6,850,000	$ 0.39

As at April 30, 2021, 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	1.18
3,350,000	$ 0.50	December 27, 2022	1.66
450,000	$ 0.30	August 29, 2023	2.33
150,000	$ 0.30	September 21, 2023	2.39
400,000	$ 0.25	April 30, 2024	3.00
250,000	$ 0.25	September 19, 2024	3.39
6,850,000			1.71

(Expressed in Canadian Dollars)

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, 2021 and 2020, can be summarized as follows:

	Year ended April 30, 2021	Year ended April 30, 2020
Management fees	$ 450,000	$ 450,000
Director fees	105,000	105,000
Share-based payments – stock options	-	12,989
Share-based payments – limited recourse loans (1)	-	152,000
	$ 555,000	$ 719,989

(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, 2021, the Company incurred a total of $178,885 (2020 - $185,276) 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, 2021, the balance payable to related party was $nil (2020 - $146,535 prepaid expense).

Due to/from related parties

As at April 30, 2021, $105,000 (2020 - $105,000) 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, 2021, there were convertible debentures with a face of $945,000 (2020 - $550,000) held by key management.

During the year ended April 30, 2021, the management and directors of the Company were paid interest expense of $138,236 (2020 - $75,832) with respect to the convertible debentures (Note 8).

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, subscriptions receivable, accounts receivable, loans receivable, accounts payable and accrued liabilities, approximate their carrying values due to their short term nature. The carrying value of the convertible debentures also approximates its fair value as these instruments bear a market rate of interest.

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, subscriptions receivable, accounts receivable, and 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 and due from third party portion of its accounts receivable is minimal. However, there is a greater risk that the recoverable portions of the Company's royalty revenue and loan receivable from QVI may be different from that of their carrying values (Note 4 and 6). The Company's maximum credit risk is the carrying amount of the loan and amounts receivable.

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, 2021, the Company had a working capital balance of $2,960,739. Refer to discussion of going concern in Note 1.

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 and the interest rate paid on the convertible debt 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 $42,000.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (continued)

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 (deficiency). As of April 30, 2021, the Company's shareholders' deficiency was $358,375 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 is 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, 2021.

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. All of the Company's royalty revenues were earned in the United States and its long lived assets are all located in the United States with the exception of the Company's leasehold improvements.

16. INCOME TAXES

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

		2021		**2020**
Income (loss) for the year	$	(11,288,768)	$	(11,684,382)
Expected income tax expense (recovery)	$	(3,048,000)	$	(3,155,000)
Change in statutory rates and other		33,000		(46,000)
Permanent differences		897,000		1,387,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(30,000)		(62,000)
Share issue costs		(6,000)		-
Change in unrecognized deductible temporary differences		2,154,000		1,876,000
Total	$	-	$	-

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

		2021		**2020**
Deferred tax assets (liabilities)				
Convertible debenture	$	(76,000)	$	(35,000)
Non-capital losses		76,000		35,000
Net deferred tax asset (liability)	$	-	$	-

(Expressed in Canadian Dollars)

16. INCOME TAXES (Continued)

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

		2021	Expiry		2020	Expiry
Property and equipment	$	2,216,000	No expiry date	$	302,000	No expiry date
Equipment held for resale		246,000	No expiry date		-	No expiry date
Share issue costs		966,000	2022 to 2025		1,359,000	2021 to 2024
Royalty Investment		12,152,000	No expiry date		9,481,000	No expiry date
Allowable capital losses		1,654,000	No expiry date		8,000	No expiry date
Non-capital losses available for future periods	$	9,564,000	2032 to 2041	$	6,426,000	2032 to 2039