FINCANNA CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2019

Date and Note to Reader

The following management's discussion and analysis ("MD&A") prepared effective December 24, 2019 should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2019 and the condensed interim consolidated financial statements for the six months ended October 31, 2019 of FinCanna Capital Corp. ("FinCanna" or the "Company"), and accompanying notes thereto which have been prepared in accordance with International Financial Reporting Standards. All figures are in Canadian dollars unless stated otherwise.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Overview

FinCanna Capital Corp. (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, and further 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 700 West Georgia Street, 25th floor, 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 Company 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 in exchange for common shares of Astar, 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 (the "Agreement"), pursuant to which the Company became a wholly owned subsidiary of Astar. As a result of the Transaction, Astar, as the "Resulting Issuer," continued on with the business of the Company under the name "FinCanna Capital Corp."

As contemplated by the Agreement, Astar's common shares were delisted from the TSX Venture Exchange ("TSX-V"). On December 22, 2017, the Company completed the Transaction and the common shares of the Resulting Issuer were listed on the Canadian Securities Exchange ("CSE") and began trading on December 29, 2017 under the symbol "CALI".

In March 2018, FinCanna received its listing on the OTCQB under the symbol "FNNZF".

Nature of Business

The Company's mission is to combine extensive investment expertise and industry experience, in funding best-in-class businesses in the U.S licensed medical cannabis industry with a focus on California.

The Company's vision is to be the capital partner of choice for high growth, rapidly emerging private companies operating in the licensed U.S cannabis industry and is focused on delivering high impact returns to its shareholders by way of a strategically diversified investment portfolio.

Licensed Medical Cannabis

According to analysts at Ameri Research, the global market for licensed medical cannabis is growing at a compound annual rate of more than 21% and is on track to exceed $63.5 billion by 2024. The Company is focused on this sector and is confident that its investors and portfolio companies will benefit from this focus.

FinCanna is focusing initially on California since it is the fifth largest economy in the world and the largest medical cannabis market in North America. At Arcview Group, analysts estimate the California's legal cannabis industry will grow at a 21% CAGR to $6.5 billion by 2020 and generate upwards of $1 billion in tax revenue.

Royalty Model

FinCanna's primary objective is to form part of a "whole capital" solution for businesses in the licensed medical cannabis sector by providing capital investment for a percentage of the future revenues. It seeks to invest in best-in-class businesses and align the business and financial interests of existing owners and operators with those of the Company.

FinCanna's capital solution seeks to deliver efficient long-term capital under a royalty arrangement to facilitate the growth or other specific objectives of its investees. It also endeavors to provide funds in a timely way to insure the business opportunity is optimized.

FinCanna's royalty financing offering is an alternative or complement to debt/or and equity financing. It provides the advantage of allowing investees to maintain financial flexibility and control of their business as opposed to entering into arrangements that may include restrictive debt structures or giving up a significant ownership stake.

Highlights & Recent Developments

For more details on the following highlights, please refer to the news releases available on SEDAR: www.sedar.com.

Corporate

On September 19, 2019, the Company announced the appointment of Mr. Holger Heims to its Board of Directors. Mr. Heims is the Managing Partner of Falcon Equity Advisors GmbH of Switzerland and has been involved in international M&A and private equity investments for more than 25 years.

On September 19, 2019, the Company issued a total of 250,000 incentive stock options to a new director with an exercise price of $0.25 per share and a term of five years.

Financing

As at April 30, 2019, the Company had $29,135,454 in share capital representing 98,689,734 common shares outstanding.

During the six months ended October 31, 2019, an investor converted 120 units of convertible debentures into 600,000 common shares of the Company.

Subsequent to the period ended October 31, 2019, 17,781,885 warrants expired unexercised.

Loans and Royalty Investments

Cultivation Technologies Inc.

Cultivation Technologies Inc. ("CTI") has been granted a multitude of local permits that allow for the construction of its planned project and permit CTI to conduct on-site cannabis operations, subject to regulatory requirements. Subsequent to amendments to the laws of the State of California with respect to cultivating marijuana that took effect on January 1, 2018, CTI has applied for and received a Temporary State License which will remain in effect until such time as a Permanent State License can be obtained. The Permanent State License will then be subject to renewal on an annual basis. Presently, this industry is illegal under United States federal law. CTI has and intends to adhere strictly to the state statutes in its operation.

In September 2017, CTI began operations in Coachella, California with one of the state's first permitted solvent extraction facilities for medical cannabis. The lab was established as an interim facility in accordance with CTI's conditional land use permit in Coachella, to remain in operation during the construction of a proposed permanent facility planned for the site.

CTI produces tetrahydrocannabinol ("THC") concentrates through Butane Hash Oil ("BHO") extraction to create custom formulations at its state-of-the-art, licensed lab which includes the latest in cold storage, extraction and distillation technologies. CTI is working to maximize commercialization of its products from the interim facility.

Some of its propriety products include Coachella™ Premium products, which unlike a majority of concentrates in the marketplace, undergo full panel testing and a scoring process, where only select batches are approved for distribution under the Coachella™ Premium brand label.

In October 2017, FinCanna agreed to amend the agreement with CTI. In exchange for FinCanna agreeing to extend certain dates, subject to certain limitations, the amended agreement with CTI provided FinCanna with a 50% share of the profit from CTI's interim medical cannabis extraction facility.

In June 2018, CTI announced that its Coachella™ Premium brand of cannabis concentrates and vape cartridges is expanding its retail presence, securing distribution in ten dispensaries across California. Coachella™ Premium, procures craft cannabis from artisan, licensed cultivators to produce some of the highest quality concentrates in California.

On June 7, 2018, FinCanna announced that CTI has achieved USD $1,000,000 in cumulative revenue since January 2018. The Company is entitled to receive 50% of the profits from this extraction facility.

In July 2018, the Company reported that CTI has executed an agreement with Phoenix Tears LLC, to be the exclusive manufacturer and distributer of official Phoenix Tears THC-based products in California. Since its inception in 2010, Phoenix Tears, through its cannabis research and formulations, has supported more than 200,000 individuals through its brand and products which now resonate globally. The Phoenix Tears-branded portfolio of THC-based products will initially include a full spectrum of oil dispensers, vaporizer cartridges and vaporizer kits, as well as topicals. All products will feature formulations developed by Janet Rosendahl-Sweeney, a co-founder of the Phoenix Tears organization, and will be manufactured exclusively by CTI's state-licensed subsidiary Coachella Manufacturing.

On October 8, 2018, the Company and CTI agreed to a Restructured Agreement ("RA"). The RA replaces the current funding 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.

Terms of the Restructured Agreement:

- Principal Amount:
  - Upon execution of the RA, CTI will be indebted to FinCanna in the amount of USD $8,000,000 ("the Principal Amount"), which is comprised of all accrued interests up to October 8, 2018 and a restructuring fee as a result of the RA.

- Repayment:
  - On or before December 31, 2018, CTI will partially repay the Principal Amount with the net proceeds from the sale of the Coachella property or a minimum of USD $3,000,000.
  - CTI will repay the remaining balance ("Remaining Principal Amount") quarterly using a repayment factor ("the Repayment Factor") applied to its future Net Revenues. The Repayment Factor percentage will be defined on December 31, 2018.

- Interest and penalty:
  - If CTI does not repay the Company a minimum of USD $3,000,000 by December 31, 2018, interests will continue to accrue at 20% per annum plus a penalty of USD $100,000 per month.
  - If the minimum Principal Amount repayment is satisfied on December 31, 2018, the Remaining Principal Amount will accrue interests at 1% per annum starting January 1, 2019.

- Conversion to Royalty:
  - The Company, at any time up to 30 days following repayment of the Remaining Principal Amount, may acquire a perpetual royalty ("New Royalty") for renunciation of all accrued interests on the Remaining Principal Amount. The New Royalty will be a percentage, equal to the Repayment Factor, of CTI's revenues excluding the revenues from the Interim Extraction Facility.

Subsequent to the signing of the RA, CTI entered into an agreement for USD $3,900,000 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 (USD $3,877,188, which represents the net proceeds from the sales price less the transaction costs) from CTI as partial repayment of its outstanding secured loan.

On May 1, 2019, FinCanna acquired all of the rights and interests of CTI in substantially all of the existing property of CTI, including but not limited to all accounts, contract rights, general intangibles including trademarks, service marks and trade names, furniture, fixtures and equipment and the economic benefits of CTI's membership interests in its subsidiaries.

The acquisition of property was made through a foreclosure at public auction pursuant to California Commercial Code section 9610. The consideration paid by FinCanna was a partial offset against total amounts owing to FinCanna by CTI, and the amount of the remaining balance is still owed to FinCanna. FinCanna and CTI are in discussion towards the best path forward.

Green Compliance

Green Compliance ("Green Compliance"), headquartered in Fort Lauderdale, Florida, offers a state-of-the-art enterprise compliance and point-of-sale software solution ("ezGreen") specifically designed for licensed medical cannabis dispensaries and cultivators. Green Compliance helps its customers comply with both the Health Insurance Portability and Accountability Act ("HIPAA") and State Laws by ensuring patients' confidential data is being handled properly, helping to protect from possible security breaches and financial and criminal liability resulting from potential violations.

Green Compliance developed the software with Automated Healthcare Solutions ("AHCS") and has an exclusive licensing and support agreement with them. AHCS is a leading point of care tracking and dispensing software solution in the U.S. dedicated to the workers compensation vertical in the pharmaceutical industry, and a proven HIPAA compliant solution. AHCS supports thousands of active physicians that dispense medication onsite and has tracked, monitored, reported, and protected patient information for the past 16 years across thousands of physician practices, while maintaining HIPAA compliance and following Health and Human Services protocols in the United States. Green Compliance target market is every licensed operating dispensary and cultivator in the states which have passed laws legalizing medical cannabis - currently 29 states and Washington, D.C.

In February 2018, FinCanna entered into a royalty agreement with Green Compliance. Under the royalty agreement, FinCanna will fund USD $3,000,000 in tranches. In return, FinCanna will receive a perpetual royalty equal to 10% of consolidated gross revenues of Green Compliance, subject to certain buy-back options.

In February 2018, the Company advanced $950,100 (USD $750,000) completing the Initial Advance Payment to Green Compliance.

In June 2018, the Company announced that Green Compliance had launched its advanced "ezGreen Compliance 2.0" software solution. Additionally, Green Compliance executed a strategic partnership agreement with a major technology solution provider in the cannabis industry.

The ezGreen Compliance 2.0 release is an add-on to the company's existing POS application with new features related to dispensary and retail workflows, custom reporting for retail data sets, and key cannabis platform integrations including the heavy load of ever-changing laws and compliance regulations. As a further point of differentiation, ezGreen has achieved certification status with Marijuana Enforcement Tracking Reporting Compliance ("METRC"), and as part of its ezGreen Compliance 2.0 release, is developing deep integration with their seed to sale tracking program. The METRC tracking system was specifically designed for government agencies in charge of legalized marijuana enforcement. The ezGreen Compliance 2.0 release also features:

- Enhanced dispensary station workflow capabilities;
- Product automation for State taxation and reporting;
- Product formulary management tools for custom retail portal needs.

On August 3, 2018, the Company advanced $1,300,600 (USD $1,000,000) to Green Compliance completing its "Milestone Payment 1" pursuant to the Royalty Agreement.

On October 11, 2018, FinCanna announced that Green Compliance has expanded its proprietary Business Intelligence Dashboard ("BID") with the addition of a new comprehensive taxation feature to automate essential revenue reporting functionality., The company believes it is the only comprehensive tax reporting solution in the market. ezGreen's new proprietary taxation functionality resolves the problem of labor intensive, error prone manual inputting of key financial data as it is designed to ensure that critical financial information is instantly captured and seamlessly organized for complex municipal and state tax reporting. ezGreen's automation of the state taxation formulas are customizable to track both municipal and state requirements around sales and excise taxes. ezGreen intends to roll out this new taxation feature as a fully integrated component of its BID.

On May 9, 2019, FinCanna announced that Green Compliance has completed its integration with METRC for the states of California, Colorado, Maryland, Massachusetts, Montana and Oregon. With this integration, ezGreen becomes the first Point-of-Sale solution designed by medical, data and security professionals to be sanctioned by Cannabis Control Commissions in 6 States, with applications for certification made for the remaining METRC States. This integration with METRC allows ezGreen customers to substantially reduce their time and costs associated with managing product information and client data, in a fully compliant state-by-state environment.

On August 29, 2019, the Company announces that Green Compliance completed an installation of its Point-of-Sale (POS) software with a leading Los Angeles based cannabis dispensary. The client dispensary is a flagship store of a Multi Site Operator (MSO) that has a broad network of recreational and medical dispensaries located across California in its portfolio. The integration included the development and delivery of several customized dashboards to enhance and simplify business analytics, operational control, complex taxation reporting as well as seamless integration with the government mandated Metrc tracking software.

Refined Resin Technologies Inc.

Refined Resin Technologies Inc. ("Refined Resin") (formerly known as Gram Co Holdings LLC), based in Oakland, California, is a cannabinoid research and refinement facility focused on the licensed cannabis industry to provide B2B products and services to licensed medical dispensaries, infused product manufacturers and numerous others in the cannabis supply chain.

Refined Resin has leased a facility in Oakland, California in which they are retrofitting a large, state-of-the-art licensed cannabis extraction laboratory. Refined Resin plans to be a premier producer of bulk quantities of THC distillate and various concentrates produced via hydrocarbon-based solvent extraction. Refined Resin also plans to provide white labeling services to licensed brand and infused product manufacturers who do not have direct access to compliant production facilities.

Refined Resin principles have extensive experience in extraction, manufacturing and business operations.

In February 2018, the Company signed a binding term sheet with Refined Resin, pursuant to which FinCanna would fund USD $3,000,000 in tranches. In return, FinCanna will receive a tiered corporate royalty, adjusted based on revenues levels, ranging from 14% to 7.5% of Refined Resin's revenues.

In July 2018, the Company executed an Expanded Royalty Agreement with Refined Resin. FinCanna will fund USD $3,000,000 in tranches to complete the original Royalty Agreement transaction that was previously announced under a binding term sheet in February 2018. In return, FinCanna will receive a tiered corporate royalty, ranging from 14% to 5.0% of Refined Resin's annual revenues, based upon agreed upon benchmarks. Concurrently, FinCanna has also agreed to acquire an Additional Royalty for the purchase price of USD $1,795,000, the payment will be comprised of USD $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. Refined Resin has the option to repurchase the Additional Royalty subject to certain terms. With the inclusion of the 2% additional royalty consideration, the tiered royalty payments to FinCanna range from 16% to 7.0% based on agreed upon benchmarks, with the combined royalty rate to FinCanna totaling 11.75% on the first USD $160,000,000 of annual revenues payable in perpetuity subject to certain buy-back options. The additional payment will allow Refined Resin to increase production volumes to take advantage of strong market demand that in turn will benefit the Company through accelerating speed to market and advancing the royalty payment schedule.

In July 2018, the Company advanced $1,633,845 (USD $1,250,000) to Refined Resin, completing the Initial Advance Payment pursuant to the Royalty Agreement.

On August 9, 2018, the Company advanced $1,304,000 (USD $1,000,000) to Refined Resin completing its "Milestone Payment 1" pursuant to the Royalty Agreement.

On September 26, 2018, FinCanna announced that Refined Resin had received its first purchase order for THC distillate in the amount of USD $840,000. This purchase order was received from a high volume, top California cannabis brand that manufactures a diversified product line, which is distributed across the state. The purchase order of USD $840,000 is specified as a minimum annual amount with the expectation that monthly volumes and associated payments could escalate based on consistent delivery and performance.

On October 3, 2018, the Company announced that Refined Resin acquired its second purchase order for THC distillate in the minimum amount of USD $9,600,000. This purchase order was received from a prominent, large volume, California cannabis enterprise whose business interests include brands, products, and a California wide distribution network. The purchase order of USD $9,600,000 is specified as a minimum annual amount with the expectation that monthly volumes and associated payments would significantly increase based on consistent delivery and performance.

Refined Resin continues to meet with suppliers, contractors and potential customers in support of its commercial launch in 2019. The company anticipates that this will be the first of a series of purchase orders it will acquire based on advanced discussions in progress with a number of interested parties.

On December 6, 2018, the Company advanced $1,007,775 (USD $750,000) to Refined Resin completing its “Milestone Payment 2” pursuant to the Royalty Agreement.

On December 13, 2018, the Company announced that Refined Resin achieved its California state, Temporary Manufacturing License for Adult and Medicinal Cannabis Products (“Temporary Manufacturing License”). The Temporary Manufacturing License, issued under state Type 7 license protocols, is a conditional license that authorizes Refined Resin to engage in commercial cannabis activity as would be permitted under an Annual License. The acquisition of the Temporary Manufacturing License also positions Refined Resin to submit for its Annual License by December 31, 2018.

On January 3, 2019, the Company announced has been issued its California state, “Adult-Use and Medicinal – Temporary Distributor License” (“Temporary Distributor License”). The acquisition of the Temporary Distributor License issued by the California Bureau of Cannabis Control is in addition to the company’s receipt of its “Temporary Manufacturing License Adult and Medicinal Cannabis Products,” issued under the state Type 7 license protocols previously announced. Further to the receipt of its Temporary Manufacturing License, Refined Resin has submitted its application for its “Annual License”.

QVI, Inc.

On January 23, 2019, the Company announced that it has signed a Royalty Agreement with QVI, Inc. (“QVI”) which stands for, Quality, Value, Integrity, doing business as “The Galley”, a cannabis infused product manufacturer.

QVI is strategically located in Sonoma, California, between the famed Emerald Triangle and the greater San Francisco Bay Area. QVI is completing the build out of its 8,300 square foot facility in Santa Rosa, CA and expects to be in full commercial operation by the end of 2019 with dedicated spaces for a large-scale commercial kitchen for baked goods, chocolate products and a hard candy and gummy line. The facility will also have a designated area for contract manufacturing for additional products including topicals and tinctures, vapes, pre-rolls, flower assembly and packaging services.

According to the Royalty Agreement, FinCanna will fund USD $3,000,000 in tranches, subject to certain milestones being met. In return FinCanna will 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 USD $20,000,000 of annual sales until cumulative royalties to FinCanna of USD $10,000,000.

In January 2019, the Company advanced $397,860 (USD $300,000) to QVI for partial "Initial Payment" pursuant to the Royalty Agreement. Subsequent to signing the agreement, the Company further advanced $1,252,385 (USD $950,000) to QVI completing its "Initial Payment" pursuant to the Royalty Agreement.

During the six months ended October 31, 2019, FinCanna advanced $1,145,113 (USD $875,000) to QVI pursuant to the Royalty Agreement.

On August 6, 2019, the Company announced that QVI expects to receive its Occupancy Permit from the City of Santa Rosa upon completion of certain remaining construction items. The Occupancy Permit is required prior to the issuance of a Manufacturing License, by the California Department of Public Health Office of Manufactured Cannabis Safety. The QVI facility has been inspected by this department and expects that once in possession of its Occupancy Permit that it will have satisfied the remaining requirements for issuance of its Manufacturing License.

QVI is experiencing strong demand for its services and based on existing MOU's, its first 12-month revenue upon commercial production is projected to meet or exceed USD $7,000,000. Revenue is expected to increase substantially as operations and marketing efforts utilizing the founders' wide network of industry participants is activated. Additionally, The Galley will produce its own line of branded products, "Big Fish Edibles".

On September 30, 2019, QVI announced it is experiencing greater than initially anticipated demand for its manufacturing services. QVI reports that demand for its services from both in-state and out-of-state clients is substantially exceeding its previous estimates. Based on this demand, revenue from the first 12-months, upon commencement of commercial production, originally projected to meet or exceed USD $7,000,000 has now increased to over USD $10,000,000 with significant remaining capacity. Furthermore, revenue is expected to continue to escalate as marketing efforts utilizing the founders' wide network of industry participants gains additional momentum. QVI is currently completing the build out of its 8,300 square foot facility in Santa Rosa, CA and expects to be in full commercial operation in Q4. QVI management reports that all local permits and state licensing are on track and operating procedures, food safety guidelines and human resource requirements are in place. Additionally, QVI has upgraded their equipment specifications to increase throughput. They have also reconfigured their production flow adding certain capabilities that also support faster and more efficient product processing. These improvements will significantly increase the overall output capacity of the plant as it ramps to full production.

Selected Annual Information

The following table summarizes selected financial data for the three recent fiscal years, ended April 30, 2019, 2018 and 2017, and should be read in conjunction with such financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") and the related notes thereon:

	Year ended April 30, 2019	Year ended April 30, 2018	From incorporation on November 28, 2016 to April 30, 2017
Revenues	$ 1,882,687	$ 838,148	$ Nil
Income (loss) and comprehensive income (loss)	$ 210,179	$ (12,695,539)	$ (525,324)
Basic and diluted income (loss) per common share	$ 0.00	$ (0.31)	$ (0.05)
Total assets	$ 24,409,269	$ 13,132,730	$ 1,403,843

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the quarter ended October 31, 2019 and the previous seven quarters.

	October 31, 2019	July 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018	Apr 30, 2018	Jan 31, 2018
Revenues	$288,448	$289,529	$475,919	$503,106	$499,073	$404,589	$358,948	$479,200
Income (Loss) for the period	$(574,188)	$(680,005)	$(202,295)	$(221,117)	$1,283,492	$(649,901)	$(301,438)	$(9,999,047)
Income (Loss) per share	$(0.01)	$(0.01)	$(0.002)	$(0.002)	$0.01	$(0.01)	$(0.01)	$(0.22)
Weighted average outstanding shares	99,026,813	98,689,734	98,624,529	98,567,777	97,757,995	83,101,474	58,882,275	46,235,885

Results of Operations

For the six months ended October 31, 2019

During the six months ended October 31, 2019, the Company's net loss was $1,254,193 as compared to a net income of $633,591 in 2018, which comprises the net effect of decreased revenue and a significantly lower other income of $86,746 as compared to $1,593,685 in 2018.

The main contributors to the net loss for the six months ended October 31, 2019 were foreign exchange, interest expense, amortization expense, marketing and investor relation fees, professional fees and management and director fees as follows:

Revenues:

- The Company accrued $577,977 in interest income pursuant to the Loan agreement with CTI (2018 - $678,528).
- The Company accrued $Nil (2018 - $190,964) in profit sharing income.

Expenses:

- Foreign exchange loss of $238,724 (2018 – gain of $221,974).
- Interest expense of $426,533 (2018 - $Nil) as the Company incurred interest expense and accretion expense in relation to its convertible debenture and accretion expense in relation to its lease liability.
- Amortization expense of $47,891 (2018 - $7,709) related to its property and equipment and right-of-use asset.
- Marketing and investor relations fees of $339,271 were significantly lower compared to the same quarter prior year (2018 $656,727) due to decreased marketing and promotional activities.
- Professional fees of $34,298 were lower than prior year (2018 - $163,553) due to decreased business activities.
- Management and director fees of $277,500 (2018 - $225,000) related to payments to its personnel.

For the three months ended October 31, 2019

During the three months ended October 31, 2019, the Company's net loss was $574,188 as compared to a net income of $1,283,492 in 2018, which comprises the net effect of decreased revenue and a significantly lower other income of $46,816 as compared to $1,575,049 in 2018.

The main contributors to the net loss for the three months ended October 31, 2019 were foreign exchange, interest expense, amortization expense, marketing and investor relation fees, professional fees and management and director fees as follows:

Revenues:

- The Company accrued $288,448 in interest income pursuant to the Loan agreement with CTI (2018 - $292,575).
- The Company accrued $Nil (2018 - $190,964) in profit sharing income.

Expenses:

- Foreign exchange gain of $8,284 (2018 – gain of $112,739).
- Interest expense of $213,610 (2018 - $Nil) as the Company incurred interest expense and accretion expense in relation to its convertible debenture and accretion expense in relation to its lease liability.
- Amortization expense of $23,945 (2018 - $7,709) related to its property and equipment and right-of-use asset.
- Marketing and investor relations fees of $227,130 (2018 - $182,129) related to marketing and promotion.
- Professional fees of $19,589 were lower than prior year (2018 - $74,642) due to decreased business activities.
- Management and director fees of $138,071 (2018 - $112,500) related to payments to its personnel.

Liquidity and Capital Resources

The Company's main sources of liquidity in the near term are proceeds from equity financings. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

FinCanna's ability to adequately track and legally transfer funds received from the sale of cannabis and cannabis related products may be significantly limited, see "*Overall Performance – Involvement in the U.S. Marijuana Industry.*"
The Company has enough capital to meet its working capital requirements for the next 12 months. However, the Company may require additional debt or equity financing to complete its funding rights in connection with its royalty agreements.

The Company currently does not have any capital commitments.

Working Capital

At October 31, 2019, the Company had positive working capital of $4,852,276 (April 30, 2019 – $8,011,701).

Cash

As at October 31, 2019, the Company had cash of $5,404,529 (April 30, 2019 - $7,832,298).

Cash used in operating activities

The Company used $1,006,836 (October 31, 2018 - $1,562,550) for its operating activities during the six months ended October 31, 2019. For details on the Company's operating cash activities, refer to the Statements of Cash Flow in the condensed interim consolidated financial statements for the six months ended October 31, 2019.

Cash used in investing activities

The Company used $1,367,679 (October 31, 2018 - $4,530,950) for its investing activities during the six months ended October 31, 2019. The Company invested in acquiring more royalty investments ($1,146,272) and paid transaction costs associated to its loan to CTI ($221,407).

Cash used in financing activities

The Company used $53,254 (October 31, 2018 - generated $5,942,755) for its financing activities during the six months ended October 31, 2019, which represent lease payments for its office space.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

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 six months ended October 31, 2019 and 2018, can be summarized as follows:

	Six months ended October 31, 2019	Six months ended October 31, 2018
Management fees	$ 225,000	$ 225,000
Director fees	52,500	-
Share-based payments – stock options	12,989	40,471
Share-based payments – limited recourse loans (1)	122,824	329.250
	$ 413,313	$ 594,721

(1) In July 2017, the Company issued 1,900,000 common shares at $0.30 per share for a total fair value of $570,000, to certain officers of the Company pursuant to limited recourse shareholder loans. The common shares vested 20% immediately, with the remainder vesting evenly on January 5, 2018, July 5, 2018, January 5, 2019, and July 5, 2019. On November 23, 2017, the VP Corporate Development left the Company and the 400,000 common shares issued to him (of which 80,000 had vested) under the limited recourse shareholder loan were returned to treasury and cancelled. The shareholder loan relating to those shares was also extinguished. 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 (Note 11). The common shares vested 40% immediately, with the remainder vesting evenly on December 29, 2018, June 29, 2019, December 29, 2019. $122,824 represents the total amount of share-based payments vested during the six months ended October 31, 2019.

Due to/from related parties

As at October 31, 2019, $37,851 (April 30, 2019 - $68,438) was owed to various officers and director of the Company for director fees and travel expenses. 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. During the six months ended October 31, 2019, there were $550,000 face value of convertible debentures held by key management.

Lease liability

The Company entered into a lease agreement with a third party to rent an office space commencing May 1, 2018 to April 30, 2023. Future minimum payments per the lease are as follows:

2019	$	17,752
2020		107,909
2021		109,774
2022		111,639
2023		28,026
Total	$	375,100

Details of the lease are as follows:

		October 31, 2019		April 30, 2019
Lease liability *	$	321,467	$	-
Accretion expense on lease *		23,284		-
Less: lease payments		(53,254)		-
Ending balance	**$**	**291,497**	**$**	**-**
Current portion		**(125,314)**		**-**
Non-current	**$**	**166,183**	**$**	**-**

* 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.

During the six months ended October 31, 2019, the company received $19,583 for the tenant improvement allowance pursuant to its lease agreement.

Subsequent to the period ended October 31, 2019, FinCanna subleased its office space to a third party. The sublease is for the full amount of the Company's lease cost.

Proposed transactions

As of the date of this report, there are no proposed transactions.

Accounting Matters

The accounting policies in these condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended April 30, 2019, except the changes discussed below.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligation. This standard is effective for reporting periods beginning on or after January 1, 2019, with early adoption permitted.

The Company has adopted IFRS 16, Leases as of May 1, 2019 using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the lease liability. The right-of-use asset is depreciated using the straight-line method. Upon adoption of this standard the Company recorded a right of use asset and a respective liability for the amount of $321,467. In addition, this resulted in an increase in depreciation and interest expenses. The Company had an increase in financing activities as the principal portion of lease payments was recorded as financing outflows in the Company's condensed interim consolidated statement of cash flow.

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, accounts payable and accrued liabilities, convertible debt, right-of-use asset and lease liability approximate their carrying values. The carrying value of the loan, loan receivable, convertible debt, right-of-use asset, and lease liability 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, loans receivable, and loan. 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 goods and services tax (GST) receivable portion of its accounts receivable is minimal. However, there is a greater risk that the recoverable portions of the Company's profit-sharing income and its loan to CTI may be different from that of their carrying values. The Company's credit risk exposure, with respect to the profit-sharing income and the loan, are equal to their carrying value. Repayments of the loan is dependent on CTI reaching targeted revenue generating activities, and the ability of the Company to receive funds from such activities in the United States which is currently limited due to Federal Banking restrictions in the United States.

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 October 31, 2019, the Company had a working capital balance of $4,852,276 and requires additional debt or equity financing to meet its obligations in connection with the loan.

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, Investment in Profit Sharing Arrangement, and loan, and accounts payable and accrued liabilities, denominated in United States dollars. A 10% fluctuation between the Canadian dollar against the United States dollar would impact profit or loss by approximately $1,071,000.

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 earnings due to movements in individual equity prices or general movements in the level of the stock market.

Risk Factors

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline, and prospective investors may lose part or all of their investment.

Regulatory Risks

While marijuana is legal in many US state jurisdictions, it continues to be a controlled substance under the United States Federal Controlled Substances Act.

The companies in which the FinCanna has and will continue to invest are directly or indirectly engaged in the medical cannabis industry in Canada and the United States where, although local state law permits such activities, cannabis is federally illegal.

The Company's ability to recruit and retain management, skilled labor and suppliers is crucial to the Company's success.

Limited Operating History and Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company.

The Company was incorporated on November 28, 2016 and has not commenced commercial operations. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future.

Banking and Financial Transactions

The federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the money laundering statues, the unlicensed money transmitter statute and the Bank Secrecy Act.

Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities.

The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws.

Risks Inherent in FinCanna's Business

Although the Company's business plan contemplates further investment in additional entities operating within the cannabis sector, the Company currently relies on the performance of a single investee.

Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability.

The Canadian Depository for Securities Limited ("CDS") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

Additional Financing

Companies in which the Company has or will invest may require additional sources of financing other than from the Company. Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal at a federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector and as such there is no guarantee that investee companies will be able to obtain adequate financing to carry out their business objectives.

Change in Laws, Regulations and Guidelines

The current and proposed operations of the companies in which the Company have or will invest are subject to a variety of laws, regulations and guidelines that are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan.

Violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a Material Adverse Effect on certain aspects of its planned operations.

Unfavorable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity.

Currency Fluctuations

The Company's revenues and expenses are expected to be primarily denominated in US dollars, and therefore may be exposed to significant currency exchange fluctuations.

Research and Market Development

Although the Company, itself and through its investments, is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Any loss of the services of such individuals could have a Material Adverse Effect on the Company's business, operating results or financial condition.

Operation Permits and Authorizations

The companies in which the Company has or will invest in may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses.

Liability, Enforcement, Complaints etc.

The Company, its subsidiaries, or other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against these subsidiaries.

Resale of Shares

There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company.

There can be no assurance that the publicly traded price of the Company's shares will be high enough to create a positive return for investors.

Price Volatility of Publicly Traded Securities

The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control.

Dividends

The Company has not paid dividends in the past, and the Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Intellectual Property

The success of the Company will depend, in part, on the ability of the companies in which the Company invests in to maintain and enhance trade secret protection over various existing and potential proprietary techniques and processes.

Insurance Coverage

The Company will require insurance coverage for a number of risks and there can be no assurance that the amount of coverage will be available or sufficient to cover claims to which the Company may become subject.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Operational Risks

The Company and the companies in which it invests may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements.

Potential Conflicts

Certain Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Outstanding Share Data

The following table sets forth the Company's outstanding share data:

	Number of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	99,289,734		
Stock options	2,250,000	$ 0.30	July 6, 2022
	3,350,000	$ 0.50	December 27, 2022
	450,000	$ 0.30	August 29, 2023
	150,000	$ 0.30	September 21, 2023
	400,000	$ 0.25	April 30, 2024
	250,000	$ 0.25	September 19, 2024
Warrants	2,857,833	$0.30	January 4, 2020
	485,333	$0.20	January 4, 2020
	1,112,632	$0.30	January 12, 2020
	314,070	$0.30	May 26, 2020
	52,000	$0.30	May 29, 2020
	131,479	$0.30	June 13, 2020
	2,266,332	$1.05	April 5, 2020
	285,343	$1.05	April 10, 2020
	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
Shares issuable upon conversion of Debenture	11,875,000	$0.30	January 10, 2021
	11,450,000	$0.30	February 8, 2021
Fully diluted at December 24, 2019	184,988,320		

APPROVAL

The Board of Directors of FinCanna has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

ADDITIONAL INFORMATION

Additional information related to FinCanna Capital Corp. is on SEDAR at www.sedar.com and the Company's website https://fincannacapital.com/.