

**FINCANNA CAPITAL CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

**For the six months ended**  
**October 31, 2020**

**Notice of non-review of condensed interim consolidated financial statements**

In accordance with National Instrument 51-102, the Company discloses that the accompanying condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The attached condensed interim consolidated financial statements for the six months ended October 31, 2020 have not been reviewed by the Company's auditors.

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

	Note	October 31, 2020	April 30, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,872,313	\$ 2,646,607
Accounts receivable	4	112,429	32,031
Prepaid expenses	5	192,024	401,140
Lease receivable (current)	10	48,454	44,080
Loans receivable	6, 7	361,630	356,622
		<u>2,586,850</u>	<u>3,480,480</u>
<b>Non-current</b>			
Deposits		29,915	29,915
Equipment held for sale	7(b)	1,280,774	-
Investment in software asset	7(a)	2,440,271	-
Lease receivable (non-current)	10	91,284	116,877
Royalty investments	7	8,228,526	9,689,674
Property and equipment	9	25,195	30,234
Other receivable	4	15,000	15,000
		<u>14,697,815</u>	<u>13,362,180</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	12	\$ 451,421	\$ 424,869
Convertible debenture – current	8	835,228	4,227,236
Lease liability – current	10	48,454	44,080
		<u>1,335,103</u>	<u>4,696,185</u>
<b>Non-current</b>			
Convertible debenture – non-current	8	5,444,791	-
Lease liability – non-current	10	91,283	116,876
		<u>6,871,177</u>	<u>4,813,061</u>
<b>Shareholders' equity</b>			
Share capital	11	29,595,780	29,595,780
Reserves	11	4,032,822	3,648,405
Deficit		(25,801,964)	(24,695,066)
		<u>7,826,638</u>	<u>8,549,119</u>
		<u>\$ 14,697,815</u>	<u>\$ 13,362,180</u>

**Nature and continuance of operations** (Note 1)  
**Subsequent events** (Note 16)

**Approved and authorized by the Board on December 30, 2020.**

“Andriyko Herchak”

Director

“Morris Reid”

Director

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

**FINCANNA CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended		Six months ended	
		October 31,		October 31,	
		2020	2019	2020	2019
<b>REVENUES</b>					
Royalty revenue		\$ 56,951	\$ -	\$ 101,179	\$ -
Interest income from loan	6	9,998	288,448	20,333	577,977
<b>Total revenue</b>		<b>66,949</b>	<b>288,448</b>	<b>121,512</b>	<b>577,977</b>
<b>EXPENSES</b>					
Amortization	9	2,519	23,945	5,039	47,891
Consulting fees		84,935	147,265	165,725	252,951
Foreign exchange		4,635	(8,284)	25,662	238,724
Interest expense		281,622	213,610	420,928	426,533
Management and director fees	12	138,750	138,071	277,500	277,500
Marketing and investor relations		62,540	227,130	132,890	339,271
Office, insurance and miscellaneous		7,375	39,537	38,335	82,696
Professional fees		134,027	19,589	134,567	34,298
Share-based payments	11,12	-	73,813	-	135,813
Transfer agent and filing fees		14,029	12,229	27,289	20,716
Travel and accommodation		609	22,547	609	62,523
		(731,041)	(909,452)	(1,228,544)	(1,918,916)
<b>OTHER INCOME (EXPENSES)</b>					
Interest income on cash deposits		-	27,233	134	67,163
Other income	13	-	19,583	-	19,583
		-	46,816	134	86,746
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (664,092)</b>	<b>\$ (574,188)</b>	<b>\$ (1,106,898)</b>	<b>\$ (1,254,193)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average common shares outstanding</b>		<b>100,289,734</b>	<b>99,026,813</b>	<b>100,289,734</b>	<b>98,852,777</b>

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

**FINCANNA CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - Expressed in Canadian Dollars)

AS AT

	<u>Share Capital (Note 11)</u>		<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
<b>Balance, April 30, 2019</b>	<b>98,689,734</b>	<b>\$ 29,135,454</b>	<b>\$ 3,646,688</b>	<b>\$ (13,010,684)</b>	<b>\$ 19,771,458</b>
Shares issued upon conversion of debenture	600,000	120,000	-	-	120,000
Limited recourse loan - Share-based payments - vesting of shares	-	122,824	-	-	122,824
Share-based compensation - options	-	-	12,989	-	12,989
Net loss and comprehensive loss for the period	-	-	-	(1,254,193)	(1,254,193)
<b>Balance, October 31, 2019</b>	<b>99,289,734</b>	<b>\$ 29,378,278</b>	<b>\$ 3,659,677</b>	<b>\$ (14,264,877)</b>	<b>\$ 18,773,078</b>
<hr/>					
<b>Balance, April 30, 2020</b>	<b>100,289,734</b>	<b>\$ 29,595,780</b>	<b>\$ 3,648,405</b>	<b>\$ (24,695,066)</b>	<b>\$ 8,549,119</b>
Convertible debenture – equity component	-	-	384,417	-	384,417
Net loss and comprehensive loss for the period	-	-	-	(1,106,898)	(1,106,898)
<b>Balance, October 31, 2020</b>	<b>100,289,734</b>	<b>\$ 29,595,780</b>	<b>\$ 4,032,822</b>	<b>\$ (25,801,964)</b>	<b>\$ 7,826,638</b>

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

**FINCANNA CAPITAL CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian Dollars)

	Notes	Six Months Ended October 31, 2020	Six Months Ended October 31, 2019
<b>OPERATING ACTIVITIES</b>			
Loss and comprehensive loss		\$ (1,106,898)	\$ (1,254,193)
Items not involving cash:			
Amortization		5,039	47,891
Interest income from loan	13	(20,333)	(577,977)
Interest expense		420,928	-
Foreign exchange		25,662	129,030
Share-based payments		-	135,813
Accretion on convertible debenture		38,630	116,996
Accretion on lease liability	10	-	23,284
Changes in non-cash working capital items:			
Accounts receivable		(93,242)	26,419
Prepaid expenses		209,116	362,864
Accounts payable and accrued liabilities		26,552	(16,963)
Cash used in operating activities		<u>(494,546)</u>	<u>(1,006,836)</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of royalty investment		(2,077,680)	(1,146,272)
Equipment held for sale		(53,139)	-
Software asset		(126,571)	-
Transaction costs - Loan		-	(221,407)
Cash used in investing activities		<u>(2,257,390)</u>	<u>(1,367,679)</u>
<b>FINANCING ACTIVITIES</b>			
Interest paid on convertible debt	8	(342,766)	-
Issuance of convertible debt		2,320,408	-
Lease payments made	10	(32,637)	(53,254)
Lease payments received	10	32,637	-
Cash provided by financing activities		<u>1,977,642</u>	<u>(53,254)</u>
<b>Change in cash for the period</b>		(774,294)	(2,427,769)
<b>Cash, beginning of the period</b>		<u>2,646,607</u>	<u>7,832,298</u>
<b>Cash, end of the period</b>		<u>\$ 1,872,313</u>	<u>\$ 5,404,529</u>

During the six months ended October 31, 2020, the Company paid \$342,766 (October 31, 2019 - \$214,466) in interest and \$nil (October 31, 2019 - \$nil) in taxes.

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

## **FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

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### **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”) and began trading on December 29, 2017, under the symbol “CALI”.

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

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

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

These condensed interim 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 condensed interim 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 October 31, 2020, the Company had a deficit of \$25,801,964 and a working capital of \$1,251,747. 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.

## **FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

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## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for interim information, specifically International Accounting Standards (“IAS”) 34 - Interim Financial Reporting. In addition, these interim financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at October 31, 2020 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company, except the newly adopted standards and interpretations described below (Note 3). These interim financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended April 30, 2020. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the year ending April 30, 2021.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, unless otherwise stated, which is also the functional currency of the Company.

### **Principles of consolidation**

These condensed interim 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 significant intercompany accounts and transactions have been eliminated on consolidation.

### **Critical accounting estimates and assumptions**

The preparation of the condensed interim 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 condensed interim 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.



## **FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
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### **2. BASIS OF PREPARATION** (continued)

#### **Critical accounting estimates and assumptions** (continued)

##### *Impairment of royalty investments and investment in profit sharing arrangement*

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

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

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

##### *Recoverability of Loan*

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

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

##### *Useful life of property and equipment*

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

##### *Fair value of financial instruments*

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

##### *Deferred tax assets*

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

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies in these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended April 30, 2020.

**Key sources of estimation uncertainty****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.

**4. ACCOUNTS RECEIVABLE**

Receivables as at October 31, 2020 consist of a goods and services tax (GST) receivable balance from the Federal Government of Canada, profit sharing income and receivable from a former officer of the Company as follows:

	<b>October 31, 2020</b>		<b>April 30, 2020</b>	
Royalty revenue	\$	80,952	\$	-
GST receivable		17,332		18,179
Due from third party		14,145		13,852
Ending balance	\$	112,429	\$	32,031

**5. PREPAID EXPENSES**

	<b>October 31, 2020</b>		<b>April 30, 2020</b>	
Deposits	\$	105,665	\$	227,970
Insurance		11,160		33,482
Investor relations & marketing		70,075		126,700
Transfer agent		5,123		12,988
Ending balance	\$	192,024	\$	401,140

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

**6. LOAN**

On February 12, 2020, FinCanna provided CTI with a bridge loan of US\$250,000 for a term of 6 months bearing an interest rate of 12% per annum and FinCanna will receive 5-year warrants to acquire 5% of CTI's fully-diluted capital at the time of exercise for US\$250,000. The warrants have a value of \$nil as at February 12, 2020 and as at April 30, 2020.

During the period ended October 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 no additional consideration.

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

	October 31, 2020		April 30, 2020	
	(CAD)	(USD)	(CAD)	(USD)
Principal	\$ 332,950	\$ 250,000	\$ 347,705	\$ 250,000
Interests accrued	28,680	21,534	8,917	6,411
<b>Total</b>	<b>\$ 361,630</b>	<b>\$ 271,534</b>	<b>\$ 356,622</b>	<b>\$ 256,411</b>

At October 31, 2020, the changes in the carrying value of the Loan is as follows:

	October 31, 2020		April 30, 2020	
Opening balance	\$	356,622	\$	331,350
Interest income		20,376		8,872
Foreign exchange		(15,368)		16,400
<b>Ending balance</b>	<b>\$</b>	<b>361,630</b>	<b>\$</b>	<b>356,622</b>

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

**7. ROYALTY INVESTMENTS**

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

During the nine-months period ended October 31, 2020, the Company's royalty investments had the following activities and no impairment losses have been recorded.

	Green Compliance		Refined Resin		QVI		CTI		Total	
<b>As at April 30, 2019</b>	\$	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)
<b>As at April 30, 2020</b>	<b>\$</b>	<b>2,313,700</b>	<b>\$</b>	<b>1,227,635</b>	<b>\$</b>	<b>4,018,299</b>	<b>\$</b>	<b>2,130,040</b>	<b>\$</b>	<b>9,689,674</b>
Additions and transaction costs		-		30,451		2,077,680		2,507		2,110,638
Equipment held for sale		-		(1,258,086)		-		-		(1,258,086)
Investment in software asset		(2,313,700)		-		-		-		(2,313,700)
<b>As at October 31, 2020</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>6,095,979</b>	<b>\$</b>	<b>2,132,547</b>	<b>\$</b>	<b>8,228,526</b>

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - 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”). Under the Royalty Agreement, FinCanna will fund US\$3,000,000 in tranches, in return for a perpetual royalty equal to 10% of consolidated gross revenues of Green Compliance, subject to certain buy-back options. On February 23, 2018, the Company advanced \$950,100 (US\$750,000) to Green Compliance. In addition, the Company capitalized acquisition costs of \$63,000.

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

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 would assign all of its assets to FinCanna in exchange for FinCanna foregoing its rights to recover its royalty investment from Green Compliance.

During the period ended October 31, 2020, the Company incorporated FCC Ventures, Inc. (“FCC Ventures”), a wholly owned subsidiary, which now owns the software assets (“ezGreen”) that the Company is continuing to develop.

Investment in software asset breakdown is as follows:

	<b>As at October 31, 2020</b>	
Software asset acquired	\$	2,313,700
Additions		126,571
<b>Ending balance</b>	<b>\$</b>	<b>2,440,271</b>

**b) Refined Resin LLC (formerly Gram Co Holdings LLC) (“Refined Resin”)**

In July 2018, the Company executed a Royalty Agreement with Refined Resin. FinCanna funded US\$3,000,000 in tranches to receive a tiered corporate royalty, ranging from 14% to 5% of Refined Resin’s annual revenues, based upon agreed upon benchmarks.

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 \$241,463 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 period ended October 31, 2020, the Company executed an agreement with Refined Resin whereby all of the assets of Refined Resin were transferred to the Company. The Company is now in possession of the assets and is holding them for resale.

## **FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

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### **7. ROYALTY INVESTMENTS (continued)**

#### **c) QVI, Inc.**

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

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

During the years ended April 30, 2019 and April 30, 2020, the Company advanced \$3,951,578 (US\$3,000,000) to QVI pursuant to the Royalty Agreement. In addition, the Company capitalized acquisition costs of \$66,722.

During the period ended October 31, 2020 the Company announced that it had 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 period ended October 31, 2020, the Company advanced \$2,060,877 (US\$1,488,228) to QVI.

#### **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.
- 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.

During the year ended April 30, 2020, the Company conducted a review of its CTI investment. Based on the results of the review, the Company adjusted the carrying value of its CTI investment to \$2,130,000.

During the period ended October 31, 2020, there was no change in the carrying value of the CTI investment.

As at October 31, 2020, CTI owes the Company \$160,947 (US\$120,849) in royalty payments. As per IFRS 15, the Company has not recorded this amount as the collectability is not yet assured.

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
(Unaudited - Expressed in Canadian Dollars)

**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 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.

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. Each Debenture Warrant entitles the holder to acquire one Common Share of the Company for \$0.30 at any time up to the maturity date.

Details of the convertible debenture are as follows:

	<b>1<sup>st</sup> tranche</b>	<b>2<sup>nd</sup> tranche</b>	<b>3<sup>rd</sup> tranche</b>	<b>Total</b>
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	-	-	2,341,503	2,341,503
Transaction costs	-	-	(179,592)	(179,592)
Interest	169,855	185,807	129,738	485,400
Re-payments	(130,500)	(136,650)	(75,616)	(342,766)
Change in maturity date	(145,627)	(106,135)	-	(251,762)
<b>Balance, October 31, 2020</b>	<b>\$ 1,980,616</b>	<b>\$ 2,083,370</b>	<b>\$ 2,216,033</b>	<b>\$ 6,280,019</b>

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
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**9. PROPERTY AND EQUIPMENT**

<b>Cost:</b>	<b>Leasehold improvements</b>
Balance, April 30, 2019	\$ 77,093
Recovery	(19,582)
Balance, April 30, 2020	57,511
Additions	-
<b>Balance, October 31, 2020</b>	<b>\$ 57,511</b>
<b>Accumulated amortization:</b>	
Balance, April 30, 2019	\$ 15,419
Recovery	11,858
Balance, April 30, 2020	27,277
Additions	5,039
<b>Balance, October 31, 2020</b>	<b>\$ 32,316</b>
<b>Carrying value:</b>	
<b>Balance, April 30, 2020</b>	<b>\$ 30,234</b>
<b>Balance, October 31, 2020</b>	<b>\$ 25,195</b>

**10. LEASE RECEIVABLE, RIGHT-OF-USE ASSET AND LEASE LIABILITIES****a) Right-of-use asset**

	<b>October 31, 2020</b>	<b>April 30, 2020</b>
<b>Cost</b>		
Opening balance	\$ -	\$ -
Initial adoption of IFRS 16	-	197,210
De-recognition on sublease	-	(197,210)
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Accumulated Amortization</b>		
Opening balance	\$ -	\$ -
Additions	-	(28,760)
De-recognition on sublease	-	28,760
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net book value</b>	<b>\$ -</b>	<b>\$ -</b>

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.

**FINCANNA CAPITAL CORP.**

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**10. LEASE RECEIVABLE, RIGHT-OF-USE ASSET AND LEASE LIABILITIES (continued)****b) Lease liability**

	<b>October 31, 2020</b>	<b>April 30, 2020</b>
Opening balance	\$ 160,956	\$ -
Initial adoption of IFRS 16	-	197,210
Interest expense	11,418	27,156
Lease payments	(32,637)	(63,410)
<b>Ending balance</b>	<b>\$ 139,737</b>	<b>\$ 160,956</b>
Current lease liability	48,454	44,080
Non-Current lease liability	\$ 91,283	\$ 116,876

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

Future minimum payments per the lease payable are as follows:

Fiscal 2021	\$ 32,637
Fiscal 2022	67,140
Fiscal 2023	69,005
Total future minimum lease payments	168,782
Effects of discounting	(29,045)
Total lease liability	139,737
Current lease liability	(48,454)
Non-Current lease liability	91,283

**c) Lease receivable**

	<b>October 31, 2020</b>	<b>April 30, 2020</b>
Opening balance	\$ 160,957	\$ -
Additions	-	176,721
Interest expense	11,418	10,656
Lease payments	(32,637)	(26,420)
<b>Ending balance</b>	<b>\$ 139,738</b>	<b>\$ 160,957</b>
Current lease receivable	48,454	44,080
Non-Current lease receivable	\$ 91,284	\$ 116,877

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

Future minimum payments per the lease payable are as follows:

Fiscal 2021	\$ 32,637
Fiscal 2022	67,140
Fiscal 2023	69,005
Total future minimum lease payments	168,782
Effects of discounting	(29,044)
Total lease receivable	139,738
Current lease receivable	(48,454)
Non-Current lease receivable	91,284



**FINCANNA CAPITAL CORP.**

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During the year ended April 30, 2020 and period ended October 31, 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 October 31, 2020, the authorized share capital of the Company is an unlimited number of shares, without par value.

Escrow Shares:

As at October 31, 2020, there were 533,745 common shares held in escrow (April 30, 2020 – 533,745).

**b) Issued share capital**Issued during the six months ended October 31, 2020 and 2019:

There have been no capital activities during the six months ended October 31, 2020.

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

**c) Reserves**

There have been the following changes in reserves during the six months ended October 31, 2020:

	<b>Stock Options</b>	<b>Warrants</b>	<b>Convertible Debenture</b>	<b>Total</b>
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	-	-	384,417	348,417
Balance, October 31, 2020	\$ 1,359,116	\$ 2,132,668	\$ 541,038	\$ 4,032,822

**FINCANNA CAPITAL CORP.**

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**11. SHARE CAPITAL AND RESERVES** (continued)**d) Warrants**

There have been the following changes in the share purchase warrants during the six months ended October 31, 2020:

	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	12,500,000	\$ 0.30
Expired	(24,093,564)	\$ 0.45
Outstanding as at October 31, 2020	36,425,000	\$ 0.30

As at October 31, 2020, 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
36,425,000		

The weighted average remaining contractual life for the warrants at October 31, 2020, is 2.25 years (2019 – 0.77 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. 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.

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

	For the Six Months Ended October 31, 2020	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.

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
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**11. SHARE CAPITAL AND RESERVES (continued)**

There have been no changes in stock options during the six months ended October 31, 2020:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance as at April 30, 2019	6,600,000	\$ 0.40
Granted	250,000	\$ 0.25
Balance as at April 30, 2020	6,850,000	\$ 0.39
Granted	-	-
Balance as at October 31, 2020	6,850,000	\$ 0.39

As at October 31, 2020, the outstanding stock options were as follows:

<b>Number of Options Outstanding and Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Remaining life (in years)</b>
2,250,000	\$ 0.30	July 6, 2022	1.68
3,350,000	\$ 0.50	December 27, 2022	2.16
450,000	\$ 0.30	August 29, 2023	2.83
150,000	\$ 0.30	September 21, 2023	2.89
400,000	\$ 0.25	April 30, 2024	3.50
250,000	\$ 0.25	September 19, 2024	3.89
<b>6,850,000</b>			<b>2.20</b>

**FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
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**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 six months ended October 31, 2020 and 2019, can be summarized as follows:

	<b>Six months ended October 31, 2020</b>	<b>Six months ended October 31, 2019</b>
Management fees	\$ 225,000	\$ 225,000
Director fees	52,500	52,500
Share-based payments – stock options	-	12,989
Share-based payments – limited recourse loans <sup>(1)</sup>	-	122,824
	<b>\$ 277,500</b>	<b>\$ 413,313</b>

(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. \$122,824 represents the total amount of share-based payments vested during the six months ended October 31, 2019.

**Other related party transactions**

During the six months ended October 31, 2020, the Company incurred a total of \$83,406 (2019 - \$103,926) 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 October 31, 2020, the balance payable to related party was \$14,175 (2019 - \$nil) and is included in accounts payable and accrued liabilities.

**Due to/from related parties**

As at October 31, 2020, \$52,500 (April 30, 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. During the six months ended October 31, 2020, there were \$1,050,000 (2020 - \$550,000) face value of convertible debentures held by key management.

During the six months ended October 31, 2020, the management and directors of the Company earned interest income of \$62,141 (2019 - \$37,721) with respect to the convertible debentures (Note 8).

## **FINCANNA CAPITAL CORP.**

Notes to the Condensed Interim Consolidated Financial Statements for the Six Months Ended October 31, 2020  
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### **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, 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 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 (Note 4 and 6). 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, 2020, the Company had a working capital balance of \$1,251,747. 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 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 \$39,000.

## **FINCANNA CAPITAL CORP.**

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### **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.

#### d) Environmental risk

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

### **14. CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity. As of October 31, 2020, the Company's shareholders' equity was \$7,826,638 and there were convertible debentures outstanding (Note 8). The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's capital management during the six months ended October 31, 2020.

### **15. SEGMENT INFORMATION**

The Company operates in one reportable segment, being a financier of companies operating in the cannabis sector located in the United States. The Company's loan receivable represent amounts advanced to CTI (Note 6), a company located in the United States. The Company's royalty investments also involve third-party companies operating in the United States. The Company's revenues were earned from its loan and profit-sharing interests in the United States.

### **16. SUBSEQUENT EVENTS**

There are no subsequent events to disclose after the period ended October 31, 2020.