FINCANNA CAPITAL CORP.

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

For the three months ended
July 31, 2022 and 2021

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 three months ended July 31, 2022 have not been reviewed by the Company's auditors.

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

	Note		**July 31, 2022**		**April 30, 2022**
ASSETS					
Current					
Cash		$	362,066	$	1,178,738
Accounts receivable	4		12,696		17,277
Subscription receivable	11		-		42,200
Prepaid expenses	5		11,277		15,775
Deposits			29,915		29,915
Lease receivable	10(b)		48,663		63,711
			464,617		1,347,616
Non-current					
Software asset	7(a)		191,585		229,901
Property and equipment	9		7,559		10,078
		$	**663,761**	**$**	**1,587,595**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current					
Accounts payable and accrued liabilities	12	$	410,278	$	473,186
Convertible debenture	8		6,710,706		6,615,574
Lease liability	10(a)		48,662		63,710
Due to related party	12		432,606		284,759
			7,602,252		7,437,229
Shareholders' deficiency					
Share capital	11		34,932,978		34,811,900
Reserves	11		4,179,964		4,179,964
Deficit			(46,051,433)		(44,841,498)
			(6,938,491)		(5,849,634)
		$	**663,761**	**$**	**1,587,595**

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

Approved and authorized by the Board on September 29, 2022.

"Andriyko Herchak" Director *"Michael Coner"* 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 July 31, 2022		Three months ended July 31, 2021
REVENUES					
Royalty revenue	7	$	-	$	78,885
Total revenue			-		78,885
EXPENSES					
Amortization	7,9		40,836		42,651
Consulting fees	12		30,500		137,506
Foreign exchange			1,312		(9,300)
Interest expense	8		297,322		286,912
Management and director fees	12		37,500		138,750
Marketing and investor relations			42,447		79,359
Office, insurance and miscellaneous			15,379		39,792
Professional fees			29,047		37,653
Transfer agent and filing fees			12,072		11,526
Travel and accommodation			-		6,683
			(506,415)		(771,532)
OTHER INCOME (EXPENSES)					
Impairment loss	6,7		(712,308)		-
Bad debt	11		(10,000)		-
Gain on interest settlement of convertible debentures	8		18,788		-
			(703,520)		-
Net loss and comprehensive loss for the period		$	(1,209,935)	$	(692,647)
Basic and diluted loss per common share		$	(0.03)	$	(0.06)
Weighted average number of common shares outstanding, basic and diluted			42,826,588		11,823,605

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 (DEFICIENCY)
(Unaudited - Expressed in Canadian Dollars)
AS AT

	Share Capital (Note 11)								
	Shares		**Amount**		**Reserves**		**Deficit**		**Total**
Balance, April 30, 2021	**11,823,605**	**$**	**31,487,393**	**$**	**4,138,066**	**$**	**(35,983,834)**	**$**	**(358,375)**
Net loss and comprehensive loss for the period	-		-		-		(692,647)		(692,647)
Balance, July 31, 2021	**11,823,605**	**$**	**31,487,393**	**$**	**4,138,066**	**$**	**(36,676,481)**	**$**	**(1,051,022)**

Balance, April 30, 2022	**42,468,850**	**$**	**34,811,900**	**$**	**4,179,964**	**$**	**(44,841,498)**	**$**	**(5,849,634)**
Shares issued for interest payment	1,428,185		121,078		-		-		121,078
Net loss and comprehensive loss for the period	-		-		-		(1,209,935)		(1,209,935)
Balance, July 31, 2022	**43,897,035**	**$**	**34,932,978**	**$**	**4,179,964**	**$**	**(46,051,433)**	**$**	**(6,938,491)**

On December 10, 2021, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every ten (10) old pre-consolidated common shares. All shares and per share references in these consolidated financial statements have been retroactively restated accordingly unless noted otherwise.

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)

		Three Months Ended July 31, 2022		Three Months Ended July 31, 2021
OPERATING ACTIVITIES				
Loss and comprehensive loss	$	(1,209,935)	$	(692,647)
Items not involving cash:				
Amortization		40,835		42,651
Bad debt		10,000		-
Foreign exchange		1,312		(9,300)
Gain from share issuance		(18,788)		-
Impairment loss		712,308		-
Interest expense		297,322		286,912
Changes in non-cash working capital items:				
Accounts receivable		35,469		(24,895)
Prepaid expenses		4,498		(47,246)
Accounts payable and accrued liabilities		(62,908)		90,263
Cash used in operating activities		(189,887)		(354,262)
INVESTING ACTIVITY				
Loan		(712,308)		(296,130)
Cash used in investing activity		(712,308)		(296,130)
FINANCING ACTIVITIES				
Due from related parties		147,847		-
Interest paid on convertible debt		(62,324)		(203,946)
Lease payments made		(17,251)		(16,785)
Lease payments received		17,251		16,785
Cash generated (used) in financing activities		85,523		(203,946)
Change in cash for the period		(816,672)		(854,337)
Cash, beginning of the period		1,178,738		1,628,583
Cash, end of the period	$	362,066	$	774,246

Significant non-cash transaction:				
Shares issued for interest payment	$	139,866	$	-

During the three months ended July 31, 2022, the Company paid $62,324 (2021 - $203,946) in interest and $nil (2021 - $nil) in taxes.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

On December 10, 2021, the Company consolidated its share capital on a ratio of one (1) new post-consolidated common share for every ten (10) old pre-consolidated common shares. All shares and per share references in these consolidated financial statements have been retroactively restated accordingly unless noted otherwise.

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

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

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

These 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 July 31, 2022, the Company had a deficit of $46,051,433 and a negative working capital of $7,137,635. The Company's operations are dependent upon its ability to finance its activities through the issuances of additional debt or equity securities. These conditions may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These 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 July 31, 2022 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, 2022. 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, 2023.

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

Critical accounting estimates and assumptions

The preparation of the 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.

Fair value of stock options and finders' warrants

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

Impairment of long lived assets

Management evaluates the ongoing value of assets associated with the Company's investment in software assets, royalty investments and property and equipment. Long-lived assets are tested for recoverability on an annual basis or more frequently as events or changes in circumstances indicate that their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Royalty investments have an indefinite life and are tested for impairment annually.

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and assumptions (continued)

Inherent in determining such expectations are certain judgments and estimates including, but not limited to, projected future revenue, and profit or loss. The amount of the impairment loss is determined as the excess of the carrying value of the assets over their fair value and is recognized in earnings in the period in which the impairment was determined.

As at April 30, 2022, the Company performed an impairment test over its long lived assets and determined there was an impairment of $3,450,779 (2021 - $7,539,363). 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 QVI, and factors such as external market research and data, licensing, stage of operations, and cash flow projections, amongst other factors. These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

As at April 30, 2022, the Company assessed the expected credit risk on its loans receivable and determined there was an impairment of $2,166,293 (2021 - $309,091). During the three months period ended July 31, 2022, the Company recognized an impairment loss of $712,308 for the additional loans to QVI. Refer to Note 6 for further disclosures.

Useful life of property and equipment and software asset

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

Fair value of financial instruments

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

Deferred tax assets

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

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and assumptions (continued)

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Among other conditions, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as held for sale for a period exceeding one year if it remains unsold due to events or circumstances beyond the Company's control. If the recognition criteria for assets held for sale are no longer met or if management's plans change, the Company will cease to classify the assets as held for sale.

As at April 30, 2022, the Company determined the assets held for sale were impaired by $982,108 (Note 7).

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, 2022.

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.

Standards issued but not yet effective

IAS 16, Property, Plant and Equipment - Proceeds before Intended Use

Effective for periods beginning on or after January 1, 2022, the amendment to IAS 16 prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

Effective for periods beginning on or after January 1, 2022, the changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

(Unaudited - Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLE

Receivables as at July 31, 2022 consist of goods and services tax (GST) receivable balance from the Federal Government of Canada, and receivable from a third party as follows:

		July 31, 2022		April 30, 2022
GST receivable	$	5,246	$	9,579
Due from third party		7,450		7,698
	$	12,696	$	17,277

5. PREPAID EXPENSES

		July 31, 2022		April 30, 2022
Deposits	$	-	$	-
Investor relations & marketing		780		780
Transfer agent		10,497		14,995
	$	11,277	$	15,775

6. LOANS

a) QVI, Inc. ("QVI")

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

During the year ended April 30, 2022, the Company advanced an additional US$1,408,475 ($1,816,170) under the same terms, resulting to a total loans receivable of US$1,693,475 ($2,166,293). As at April 30, 2022, the Company assessed the expected credit losses associated with the loan to QVI. Due to non-payment on the loan and the uncertainty of collection, the Company considered the loan from QVI fully impaired and wrote off the balance of $2,166,293.

During the three months period ended July 31, 2022, the Company advanced an additional US$550,000 ($712,308) to QVI, however on August 10, 2022, QVI announced that it had intended to suspend its operations indefinitely, hence the Company wrote-off the remaining loans receivable of $712,308.

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

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

The loan maturity was extended to February 29, 2021 and as consideration FinCanna was provided with additional 5-year warrants which allow it to acquire an additional 2% of CTI's fully diluted capital for US$100,000. The warrants were determined to have a value of $nil.

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

(Unaudited - Expressed in Canadian Dollars)

7. ROYALTY INVESTMENTS

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

As of July 31, 2022, the Company had no activities on its royalty investments.

	Green Compliance	Refined Resin	QVI	CTI	Total
As at April 30, 2021	**$ -**	**$ -**	**$ 2,468,671**	**$ -**	**$ 2,468,671**
Impairment loss	-	-	(2,468,671)	-	(2,468,671)
As at April 30, 2022 and July 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

a) Green Compliance Inc.

On February 6, 2018, FinCanna entered into a royalty agreement with Green Compliance, Inc. ("Green Compliance"), a cannabis software developer. Under the Royalty Agreement, FinCanna has to fund US$3,000,000 in tranches, in return for a perpetual royalty equal to 10% of consolidated gross revenues of Green Compliance, subject to certain buy-back options. A total of $2,250,700 (US$1,750,000) has been funded. The Company also incurred acquisition costs of $63,000.

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

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

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

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

Software asset breakdown is as follows:

	July 31, 2022	April 30, 2022
Opening balance	$ 229,901	$ 383,169
Amortization	(38,316)	(153,268)
	$ 191,585	**$ 229,901**

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

(Unaudited - Expressed in Canadian Dollars)

7. ROYALTY INVESTMENTS (continued)

b) Refined Resin LLC ("Refined Resin")

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

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

During the year ended April 30, 2020, it had become apparent that Refined Resin would not become operational, therefore the Company wrote down its investment in Refined Resin to the recoverable value of its assets.

During the year ended April 30, 2021, the Company executed an agreement with Refined Resin whereby certain assets of Refined Resin were transferred to the Company, consisting of machinery and equipment.

During the year ended April 30, 2021, the Company recorded an impairment of $245,527, measuring the assets at the lower of the carrying amount and fair value less costs to sell, which was determined through an assessment by independent third party.

During the year ended April 30, 2022, the Company recorded an impairment of $982,108 on its equipment classified as assets held for sale due to unlikelihood of completing the sale, and the age of the equipment. The continuity is as follows:

		July 31, 2022		April 30, 2022
Opening balance	$	-	$	982,108
Impairment loss		-		(982,108)
	$	**-**	**$**	**-**

c) QVI, Inc.

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

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

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

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

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

7. ROYALTY INVESTMENTS (continued)

c) QVI, Inc. (continued)

On September 2, 2021, the Company signed a binding Letter of Intent to increase its investment to 100% ownership of QVI. In exchange for acquiring a 100% equity ownership in QVI, the Company was to surrender its royalty and issue notes payable to the existing stakeholders of QVI. The notes would be issued upon closing and have a term of twelve months and may be settled on maturity in cash or in shares of the Company based on a 20-day volume-weighted average price (VWAP). There would also be an early conversion option that will permit the notes to be settled in shares of the Company based on a 20-day VWAP. As of April 30, 2022, the Company had not completed the acquisition of a 100% interest in QVI.

The royalty investment in QVI is an indefinite life intangible asset, and accordingly, the Company performed its annual impairment test as at April 30, 2022 and estimated the recoverable amount of its royalty investment in QVI. The royalty investment in QVI is tested for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended April 30, 2022 management determined the royalty investment in QVI to be fully impaired and recorded an impairment loss of $2,468,671 (2021 - $3,626,277). This was as a result of the continued negative financial results, non-payment of royalties, and uncertainty of future collection supported by the recent suspension of operations.

During the year ended April 30, 2022, the Company also wrote off an amount receivable of $114,612 as bad debts due to lack of payment and uncertainty of collection. The accounts receivable consists of the royalty revenue earned during fiscal year 2021.

On August 10, 2022, the Company reported that QVI intended to suspend its operations indefinitely.

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.

The royalty investment in CTI was tested for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. As a result of the negative financial results from CTI, non-payment of royalties, and uncertainty of future collection, management determined the royalty investment in CTI to be fully impaired and recorded an impairment loss of $2,130,040 during the year ended April 30, 2021.

8. CONVERTIBLE DEBENTURE

On January 10, 2019, FinCanna closed its first tranche (“Debt 1”) of Secured Convertible Debentures (“Debentures”) financing in the amount of $2,375,000. The Debentures are secured by a general security interest, mature two years from closing and bear interest at 12% per annum, payable quarterly in cash or, at the option of the subscriber, in common shares of FinCanna ("Common Shares") subject to certain conditions. The Debentures are convertible into Common Shares at $0.20 per share. Subscribers of the Debentures received one common share purchase warrant (“Debenture Warrant”) for each $0.20 of principal amount of Debentures. Each Debenture Warrant entitles the holder to acquire one common share of FinCanna for $0.30 at any time up to two years from the closing date.

On February 8, 2019, the Company closed the second tranche (“Debt 2”) of its Debentures financing in the amount of $2,410,000. The terms of the second tranche are the same as from the first tranche.

8. CONVERTIBLE DEBENTURE (continued)

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

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

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

During the year ended April 30, 2021, investors converted 100 units of convertible debentures into 66,666 common shares of the Company.

On October 6, 2021, the Company received Debenture Holder approval to amend its outstanding Convertible Debentures to allow, for up to two consecutive quarters, interest payments under the Convertible Debentures to be satisfied with the issuance of common shares of the Company. A third (or more) consecutive quarter of satisfying interest payments with the issuance of common shares of the Company will require further Debenture Holder approval. In relation to this, the Company issued 98,845 common shares at $0.70 per share to its convertible debenture holders at a value of $69,191 in settlement of interest payable of $75,616. A gain of $6,425 was recognized as a result of this transaction.

On October 10, 2021, the Company issued 86,675 common shares at $0.60 per share to its convertible debenture holders at a value of $52,005 in settlement of interest payable of $65,787. A gain of $13,782 was recognized as a result of this transaction. Please refer to Note 11 for details.

On November 8, 2021, the Company issued 105,477 common shares at $0.50 per share to its convertible debenture holders at a value of $52,739 in settlement of interest payable of $66,240. A gain of $13,501 was recognized as a result of this transaction. Please refer to Note 11 for details.

On January 6, 2022, the Company issued 492,291 common shares at $0.20 per share to its convertible debenture holders at a value of $98,458 in settlement of interest payable of $75,616. A loss of $22,842 was recognized as a result of this transaction. Please refer to Note 11 for details.

On January 10, 2022, the Company issued 428,013 common shares at $0.23 per share to its convertible debenture holders at a value of $98,443 in settlement of interest payable of $65,787. A loss of $32,656 was recognized as a result of this transaction. Please refer to Note 11 for details.

On February 8, 2022, the Company issued 338,944 common shares at $0.20 per share to its convertible debenture holders at a value of $67,789 in settlement of interest payable of $64,977. A loss of $2,812 was recognized as a result of this transaction. Please refer to Note 11 for details.

During the year ended April 30, 2022, investors converted $60,000 convertible debentures into 40,000 common shares of the Company.

(Unaudited - Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE (continued)

On July 6, 2022, the Company issued 730,000 common shares at $0.075 per share to its convertible debenture holders at a value of $54,750 in settlement of interest payable of $74,795. A gain of $20,045 was recognized as a result of this transaction. Please refer to Note 11 for details.

On July 10, 2022, the Company issued 698,185 common shares at $0.095 per share to its convertible debenture holders at a value of $66,328 in settlement of interest payable of $65,071. A loss of $1,257 was recognized as a result of this transaction. Please refer to Note 11 for details.

Details of the convertible debenture are as follows:

		1st tranche		2nd tranche		3rd tranche		Total
Balance, April 30, 2021	$	2,021,791	$	2,042,715	$	2,272,896	$	6,337,402
Conversion of debt		-		(54,380)		-		(54,380)
Interest		355,230		370,665		429,194		1,155,089
Re-payments in cash		(129,427)		(130,320)		(148,768)		(408,515)
Re-payments in shares		(131,573)		(131,216)		(151,233)		(414,022)
Balance, April 30, 2022	$	**2,116,021**	**$**	**2,097,464**	**$**	**2,402,089**	**$**	**6,615,574**
Interest		92,331		95,824		109,167		297,322
Re-payments in cash		-		(62,324)		-		(62,324)
Re-payments in shares		(65,071)		-		(74,795)		(139,866)
Balance, July 31, 2022	**$**	**2,143,281**	**$**	**2,130,964**	**$**	**2,436,461**	**$**	**6,710,706**

9. PROPERTY AND EQUIPMENT

Cost:		**Leasehold improvements**		**Machinery**		**Total**
Balance, April 30, 2021	$	57,511	$	108,876	$	166,387
Impairment loss		-		(98,896)		(98,896)
Balance, April 30, 2022 and July 31, 2022	**$**	**57,511**	**$**	**9,980**	**$**	**67,491**
Accumulated amortization:						
Balance, April 30, 2021		(37,355)		-		(37,355)
Additions		(10,078)		(9,980)		(20,058)
Balance, April 30, 2022	$	(47,433)	$	(9,980)	$	(57,413)
Additions		(2,519)		-		(2,519)
Balance, July 31, 2022	**$**	**(49,952)**	**$**	**(9,980)**	**$**	**(59,932)**
Carrying value:						
Balance, April 30, 2022	$	10,078	$	-	$	10,078
Balance, July 31, 2022	**$**	**7,559**	**$**	**-**	**$**	**7,559**

During the year ended April 30, 2022, the Company completed an impairment test on a piece of equipment on held at its investee QVI. Due to the nature and age of the equipment and the current status of QVI, it was determined that the ability to recover any amount for that piece of equipment is very unlikely. As a result of the Company considered the equipment to be fully impaired and recorded an impairment loss of $98,896.

(Unaudited - Expressed in Canadian Dollars)

10. LEASE RECEIVABLE AND LEASE LIABILITIES

a) Lease liability

		July 31, 2022		April 30, 2022
Opening balance	$	63,710	$	116,875
Interest expense		2,203		13,975
Lease payments		(17,251)		(67,140)
Ending balance	**$**	**48,662**	**$**	**63,710**

Current lease liability	$	48,662	$	63,710
Non-Current lease liability		-		-

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:

Fiscal 2023	$	51,754
Total future minimum lease payments		51,754
Effects of discounting		(3,092)
Total lease liability		48,662
Current lease liability		(48,662)
Non-Current lease liability		-

b) Lease receivable

		July 31, 2022		April 30, 2022
Opening balance	$	63,711	$	116,876
Interest income		2,203		13,975
Lease payments		(17,251)		(67,140)
Ending balance	**$**	**48,663**	**$**	**63,711**

Current lease receivable	$	48,663	$	63,711
Non-Current lease receivable		-		-

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 receivable:

Fiscal 2023	$	51,754
Total future minimum lease payments		51,754
Effects of discounting		(3,091)
Total lease receivable		48,663
Current lease receivable		(48,663)
Non-Current lease receivable		-

During the three months period ended July 31, 2022 and year ended April 30, 2022, the Company did not incur any expenses with respect to short term or low value leases.

(Unaudited - Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at July 31, 2022, the authorized share capital of the Company is an unlimited number of shares, without par value.

b) Issued share capital

Issued during the three months period ended July 31, 2022:

On July 6, 2022, the Company issued 730,000 common shares at $0.075 per share to its convertible debenture holders at a value of $54,750 in settlement of interest payable of $74,795. A gain of $20,045 was recognized as a result of this transaction and was mentioned in Note 8.

On July 10, 2022, the Company issued 698,185 common shares at $0.095 per share to its convertible debenture holders at a value of $66,328 in settlement of interest payable of $65,071. A loss of $1,257 was recognized as a result of this transaction and was mentioned in Note 8.

During the three months period ended July 31, 2022, the Company wrote-off $10,000 subscriptions receivable due to uncertainty in collectability.

Issued during the three months period ended July 31, 2022:

During the three months period ended July 31, 2021, there is no share capital activity incurred for the quarter.

c) Reserves

There were no changes in reserves during the three months period ended July 31, 2022:

		Stock Options		Warrants		Convertible Debenture		Total
Balance, April 30, 2021	$	1,359,116	$	2,478,261	$	300,689	$	4,138,066
Conversion of debenture – equity component		-		-		(5,620)		(5,620)
Finder's warrants – fair value		-		47,518		-		47,518
Balance, April 30, 2022 and July 31, 2022	$	1,359,116	$	2,525,779	$	295,069	$	4,179,964

d) Warrants

There were no changes in the share purchase warrants during the three months ended July 31, 2022:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at April 30, 2021	4,506,482	$ 2.79
Issued	29,698,000	$ 0.20
Outstanding as at April 30, 2022 and July 31, 2022	34,204,482	$ 0.54

As at July 31, 2022, the outstanding share purchase warrants were as follows:

Number of Warrants	Exercise Price	Expiry Date
1,187,500	$ 3.00	January 10, 2023
1,205,000	$ 3.00	February 8, 2023
1,250,000	$ 3.00	February 8, 2023
863,982	$ 1.80	March 11, 2023
29,055,000	$ 0.20	April 28, 2024
643,000	$ 0.20	April 28, 2024
34,204,482		

(Unaudited - Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

d) Warrants (continued)

The weighted average remaining contractual life for the warrants at July 31, 2022, is 1.58 years.

On April 28, 2022, the Company issued 643,000 finder's warrants to various agents pursuant to private placements. In addition, the Company recognized $47,518 share issuance cost in relation to this financing.

During the three months period ended July 31, 2022, warrants issued had a fair value of $nil (April 30, 2022 - $47,518), calculated using the Black-Scholes pricing model, based on the following weighted average assumptions:

	July 31, 2022	April 30, 2022
Forfeiture rate	N/A	0.00%
Estimated risk-free rate	N/A	1.26%
Expected volatility	N/A	162%
Estimated annual dividend yield	N/A	0.00%
Expected life of warrants	N/A	2 years

e) Stock Options

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

There were no options granted during the three months period ended July 31, 2022 and year ended April 30, 2022. There had been changes in stock options during the three months period ended July 31, 2022:

	Number of Options	**Weighted Average Exercise Price**
Balance as at April 30, 2021 and 2022	685,000	$ 3.95
Expired	(405,000)	$3.00
Balance as at July 31, 2022	280,000	$4.68

As at July 31, 2022, the outstanding stock options were as follows:

Number of Options Outstanding and Exercisable	**Exercise Price**	**Expiry Date**	**Weighted Average Remaining life (in years)**
240,000	$ 5.00	December 27, 2022	0.41
20,000	$ 3.00	August 29, 2023	1.08
20,000	$ 2.50	April 30, 2024	1.75
280,000			0.55

(Unaudited - Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Key management

Key management include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals. Remuneration attributed to key management during the three months ended July 31, 2022 and 2021, can be summarized as follows:

	Three months ended July 31, 2022	Three months ended July 31, 2021
Management fees	$ 37,500	$ 112,500
Director fees	-	26,250
	$ 37,500	$ 138,750

Other related party transactions

During the three months ended July 31, 2022, the Company incurred a total of $13,500 (2021 - $40,500) 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 July 31, 2022, the balance payable to related party was $nil (2021 - $14,175).

During the three months ended July 31, 2022, the Company was also advanced a total of $432,606 from a company owned by a close family member of the CFO.

Due to/from related parties

As at July 31, 2022, $54,922 (April 30, 2022 - $83,111) was owed to the management of the Company for management 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 three months ended July 31, 2022, there were convertible debentures with a face of $1,050,000 (April 30, 2022 - $1,050,000) held by key management.

During the three months ended July 31, 2022, the management of the Company were paid interest expense of $45,301 (2021 - $43,483) with respect to the convertible debentures (Note 8).

13. FINANCIAL INSTRUMENTS

Fair value

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

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

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

13. FINANCIAL INSTRUMENTS (continued)

Financial risk factors

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

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, subscriptions receivable, accounts receivable, and loans receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company believes its credit risk with respect to the GST receivable and due from third party portion of its accounts receivable is minimal. However, there is a greater risk that the recoverable portions of the Company's loan receivable from QVI may be different from that of their carrying values (Note 6). As at July 31, 2022, the Company assessed the expected credit losses associated with the loan to QVI. Due to non-payment on the loan and the uncertainty of collection, the Company considered the loan from QVI fully impaired and wrote off the balance of $712,308 (April 30, 2022 - $2,166,293).

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 a result of the ongoing cash requirements of its investments and subsequent write-offs of those investments, as well as the outstanding convertible debentures maturing in less than one year, as at July 31, 2022, the Company had a negative working capital balance of $7,137,635 (April 30, 2022 - $6,089,613). Refer to discussion of going concern in Note 1.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

c) Price risk

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

14. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' deficiency. As of July 31, 2022, the Company's shareholders' deficiency was $6,938,491 and there were convertible debentures outstanding (Note 8). The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company is currently not subject to externally imposed capital requirements. There were no changes to the Company's capital management during the three months ended July 31, 2022.

15. SEGMENT INFORMATION

The Company operates in one reportable segment, being a financier of companies operating in the cannabis sector located in the United States. All of the Company's royalty revenues were earned in the United States and its long-lived assets are all located in the United States with the exception of the Company's leasehold improvements.

16. SUBSEQUENT EVENT

Subsequent to the three months period ended July 31, 2022, the following events took place:

- On August 8, 2022, the Company issued 769,706 common shares at $0.090 per share to its convertible debenture holders at a value of $69,274 in settlement of interest payable of $64,425. A loss of $4,849 was recognized as a result of this transaction.
- On August 10, 2022, the Company reported that its portfolio company QVI Inc., intended to suspend its operations indefinitely and have written off all related investments and loans to QVI.