FINCANNA CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS
(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED JULY 31, 2022 AND 2021

Date and Note to Reader

The following management's discussion and analysis ("MD&A") prepared effective September 29, 2022 should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2022 and the condensed interim consolidated financial statements for the three months ended July 31, 2022 of FinCanna Capital Corp. ("FinCanna" or the "Company"), and accompanying notes thereto which have been prepared in accordance with International Financial Reporting Standards. All figures are in Canadian dollars unless stated otherwise.

Forward-Looking Statements

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

Overview

FinCanna Capital Corp. ("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, and further to FinCanna Capital Corp. on May 12, 2017. The Company's head office address is at Suite 550 – 800 West Pender Street, Vancouver, BC V6C 2V6 and its registered and records office address is Suite 2500 - 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B3. The Company's principal business activity has been seeking investment opportunities and making royalty financing investments in the licensed cannabis sector in the United States and managing these investments.

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

Nature of Business

FinCanna began operating in 2017 as an investment company that provided growth capital to businesses in the licensed U.S cannabis industry. The Company focused on targeted sectors of the cannabis supply chain through direct royalty or equity investments and strategic joint venture partner relationships. Subsequent to the fiscal 2022 year end, the Company effectively discontinued operations as it made a determination not to continue funding QVI, Inc., its last remaining operating investee company. As at July 31, 2022, all of the Company's investments have been written off.

Highlights & Recent Developments

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

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.

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.

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.

Investments

QVI, Inc.

QVI, Inc. ("QVI"), doing business as "West County Brands" formerly known as "The Galley", is a 10,000 square foot manufacturing facility that included dedicated spaces for its large-scale commercial kitchen for baked goods, chocolate products and a hard candy and gummy line and a designated area for manufacturing live rosin and additional products including topicals and tinctures, vapes, pre-rolls, flower assembly and packaging services.

In conjunction with preparation of the financial statements for the year ended April 30, 2022, the Company tested for impairment the loan to and royalty investment in QVI effective as at the year-end date of April 30, 2022. As a result of the continued negative financial results, non-payment of royalties, and uncertainty of future collection of loan and royalty payments supported by the recent suspension of operations of QVI, management determined the loan and royalty investments to be fully impaired and wrote off the loan balance of $2,166,293 and the remaining amount of the royalty investment resulting in an impairment loss of $2,468,671.

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

Cultivation Technologies Inc.

Cultivation Technologies Inc. ("CTI"), previously located in Palm Desert CA, was a multifaceted manufacturing and distribution company that provided state licensed, high quality concentrates for white label manufacturing, toll processing and packaging to hand-selected brands and cultivators in California. Doing business as Coachella Manufacturing,

CTI utilized a BHO (butane hash oil) extraction method that allows for rapid and efficient extraction of cannabinoids. Over the past few years, it had built a reputation for quality, having won numerous awards and first place finishes from industry leading competitions including the prestigious Emerald Cup, High Times, Kushstock Festival and Weedcon Wonderland and for its ability to produce quality products that it distributes to numerous brands across the state.

As at April 30, 2021, the Company tested for impairment the loan to and royalty investment in CTI. As a result of the negative financial results from CTI, non-payment of royalties, and uncertainty of future collection of loan and royalty payments, management determined the loan and royalty investments to be fully impaired and wrote off the loan balance of $351,856 and the remaining amount of the royalty investment resulting in an impairment loss of $2,130,040.

On August 27, 2021, CTI issued correspondence to its stakeholders that due to a number of challenges, including an extremely competitive environment and ongoing legal issues that it intended to wind down operations.

Green Compliance

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

Green Compliance developed its software (ezGreen) with Automated Healthcare Solutions ("AHCS") a leading point of care tracking and dispensing software solution in the U.S. pharmaceutical industry. By delivering a proven HIPAA compliant solution, AHCS supports thousands of active physician-owned dispensaries. In December 2019 Green Compliance acquired the IP (intellectual property) associated with the ezGreen software from AHCS.

During the period ended July 31, 2020, the Company provided Green Compliance with notice that it was in default of the royalty agreement. Subsequently on August 27, 2020, Green Compliance and FinCanna came to an agreement whereby Green Compliance would assign all of its assets to FinCanna in exchange for FinCanna foregoing its rights to recover its royalty investment from Green Compliance.

On October 26, 2020, the Company incorporated FCC Ventures, Inc. ("FCC Ventures"), a wholly owned subsidiary, which now owns the software assets ("ezGreen"). The asset is owned by FinCanna Holdings.

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 to be less than the investment in the software asset and resulted in an impairment loss of the software asset of $1,537,519.

Refined Resin Technologies Inc.

Refined Resin Technologies Inc. ("Refined Resin") (formerly known as Gram Co Holdings LLC), was a cannabinoid research and refinement company focused on the licensed cannabis industry to provide B2B products and services to licensed medical dispensaries, infused product manufacturers and other businesses in the cannabis supply chain.

Refined Resin had leased a facility in Oakland, California in which they had planned to retrofit and operate a large, state-of-the-art licensed cannabis extraction laboratory to produce bulk quantities of THC distillate and various concentrates as part of a white label service for licensed brands and infused product manufacturers.

During the year ended April 30, 2020, it became apparent that Refined Resin would not become operational. Accordingly, the company wrote down the investment in Refined Resin to the amount of $1,227,635 (US$882,555) comprised of recently purchased equipment and a deposit with an equipment manufacturer.

On July 18, 2020, an agreement was executed between the Company and Refined Resin whereby Refined Resin assigned its assets to FinCanna. FinCanna was in receipt of the assets.

During the year ended April 30, 2022, the Company recorded an impairment of $982,108, the full amount of the assets. This was partially due to the challenging state of the extraction segment of the cannabis industry in California resulting in lower sales prices for extraction equipment but also due to the fact that the Company has a dispute with the company that held, and has been trying to sell, the equipment on behalf of FinCanna. As at year ended April 30, 2022, it is clear that the company is not in possession of FinCanna's equipment and as a result FinCanna has demanded that this company either provide replacement equipment to FinCanna or the cash equivalent value of the equipment. As of the date of this MD&A, the company has not responded to FinCanna. While FinCanna is hopeful that replacement equipment or cash equivalent value can be recovered there is no way to determine if there will be a positive outcome from the current situation and as a result the Company has decided to fully impair the value of the equipment.

Selected Annual Information

The following table summarizes selected financial data for the three recent fiscal years, ended April 30, 2022, 2021 and 2020, and should be read in conjunction with such financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") and the related notes thereon:

	Year ended April 30, 2022	Year ended April 30, 2021	Year ended April 30, 2020
Revenues	$ nil	$ 141,922	$ 776,650
Income (loss) and comprehensive income (loss)	$ (8,857,664)	$ (11,288,768)	$ (11,684,382)
Basic and diluted income (loss) per common share	$ (0.71)	$ (0.11)	$ (0.12)
Total assets	$ 1,587,595	$ 6,396,896	$ 13,362,180

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the quarter ended July 31, 2022 and the previous seven quarters.

Quarter Ended		Revenues		Income (Loss) for the period		Income (Loss) per share	Weighted average outstanding shares
July 31, 2022	$	-	$	(1,209,935)	$	(0.03)	42,826,588
April 30, 2022	$	-	$	(6,585,273)	$	(0.47)	14,036,304
January 31, 2022	$	-	$	(722,165)	$	(0.06)	12,361,252
October 31, 2021	$	-	$	(857,579)	$	(0.01)	118,236,048
July 31, 2021	$	78,885	$	(692,647)	$	(0.01)	118,236,048
April 30, 2021	$	(49,485)	$	(9,329,817)	$	(0.08)	110,596,652
January 31, 2021	$	69,895	$	(852,053)	$	(0.01)	100,289,734
October 31, 2020	$	66,949	$	(664,092)	$	(0.01)	100,289,734

Results of Operations

<u>For the three months ended July 31, 2022 and 2021</u>

During the three months ended July 31, 2022, the Company's net loss was $1,209,935 (2021 - $692,647). The key contributors to the net loss were as follows:

Revenue:

- Royalty revenue was $nil (2021 – $78,885) due to QVI's suspension of operations indefinitely.

Expenses:

- Consulting fees were $30,500 (2021 – $137,506). The decrease was due to the reduction of corporate activities wherein fewer consultants were engaged during the quarter.
- Management and director fees were $37,500 (2021 – $138,750). The decrease was due to discontinuance of management fees starting June 2022 and no director fees were recognized during the quarter.
- Marketing and investor relations was $42,447 (2021 – $79,359). The decrease was due to the reduction of corporate activities.
- Office, insurance and miscellaneous were $15,379 (2021 – $39,792). The decrease was due to the reduction of corporate activities.
- Travel and accommodation were $nil (2021 – $6,683). The decrease was due to no operating activities incurred in relation to the investee companies.

Other expenses:

- Impairment loss was $712,308 (2021 – $nil) as the Company wrote down its short-term loans receivable from QVI due to its indefinite suspension of operations.
- Bad debt was $10,000 (2021 – $nil) mainly from write-off of subscriptions receivable due to uncertainty of collection.

Liquidity and Capital Resources

As at July 31, 2022, the Company had negative working capital of $7,137,635 and a secured debt of $6,710,706. The Company is currently in discussions with representatives of its secured creditors with respect to possible options.

The Company currently does not have any capital commitments.

Working Capital

As at July 31, 2022, the Company had negative working capital of $7,137,635 (April 30, 2022 – $6,089,613).

Cash

As at July 31, 2022, the Company had cash of $362,066 (April 30, 2022 – $1,178,738).

Cash used in operating activities

The Company used $189,887 (2021 – $354,262) for its operating activities during the three months ended July 31, 2022. For details on the Company's operating cash activities, refer to the Statements of Cash Flow in the condensed interim consolidated financial statements for the three months ended July 31, 2022.

Cash used in investing activities

The Company used $712,308 (2021 – $296,130) for its investing activities during the three months ended July 31, 2022, by providing short-term non-interest loan to QVI.

Cash generated (used) in financing activities

The Company generated $85,523 (2021 – used $203,946) for its financing activities during the three months ended July 31, 2022.

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 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.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

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

Proposed Transactions

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

Accounting Matters

The accounting policies in these condensed interim consolidated financial statements are 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.

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, 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. 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, wherever possible, complete sufficient equity or debt financings 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).

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.

Risk Factors

Investing in the common shares of the Company involves a very high degree of risk, as the Company is insolvent and in discussions with its creditors regarding possible ways forward.

Resale of Shares

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

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

Price Volatility of Publicly Traded Securities

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

Dividends

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

Costs of Maintaining a Public Listing

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

Litigation

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

Outstanding Share Data

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

	Number of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	44,666,741		
Stock options	240,000	$ 5.00	December 27, 2022
	20,000	$ 3.00	August 29, 2023
	20,000	$ 3.00	April 30, 2024
Warrants	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
Shares issuable upon conversion of Debenture	1,450,000	$1.50	January 10, 2023
	1,420,000	$1.50	February 8, 2023
	1,666,667	$1.50	February 8, 2023
Fully diluted	83,687,890		

APPROVAL

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

ADDITIONAL INFORMATION

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