FINCANNA CAPITAL CORP.

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

For the six months ended
October 31, 2018

Notice of non-review of condensed interim consolidated financial statements

In accordance with National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators, notice is given that the attached condensed interim consolidated financial statements for the six months ended October 31, 2018 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		**October 31, 2018**		**April 30, 2018**
ASSETS					
Current					
Cash		$	2,565,285	$	2,716,030
Accounts receivable	6b		257,427		68,434
Prepaid expenses	5		490,534		517,892
Subscriptions receivable	9		-		11,100
			3,313,246		3,313,456
Non-current					
Investment in Profit Sharing Arrangement	6		758,478		758,478
Loan	6		10,513,600		8,047,696
Royalty investments	7		5,466,957		1,013,100
Fixed Assets					
Leasehold improvements, net	8		69,384		-
		$	**20,121,665**	**$**	**13,132,730**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	10	$	278,422	$	402,352
Shareholders' equity					
Share capital	9		28,976,600		23,041,484
Reserves	9		3,453,915		2,909,757
Deficit			(12,587,272)		(13,220,863)
			19,843,243		12,730,378
		$	**20,121,665**	**$**	**13,132,730**

Nature and continuance of operations (Note 1)
Commitment (Note 11)
Subsequent events (Note 15)

Approved and authorized by the Board on December 20, 2018.

"Andriyko Herchak" Director *"Robert Kamm"* 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 October 31, 2018	Three months ended October 31, 2017	Six months ended October 31, 2018	Six months ended October 31, 2017
REVENUES					
Interest income from Loan	6a	$ 292,575	$ -	$ 678,528	$ -
Interest income on cash deposits		15,534	-	34,170	-
Profit sharing income	6b	190,964	-	190,964	-
Restructuring fee	6a	1,559,515	-	1,559,515	-
Total revenue		2,058,588	-	2,463,177	-
EXPENSES					
Amortization	8	7,709	-	7,709	-
Consulting fees		205,606	131,165	359,486	200,450
Foreign exchange	6	(112,739)	(141,628)	(221,974)	153,037
Management and director fees	10	112,500	112,500	225,000	246,667
Marketing and investor relations		182,129	156,618	656,727	231,939
Office, insurance and miscellaneous		51,336	21,639	132,531	37,998
Professional fees		74,642	252,052	163,553	378,339
Share-based payments	9,10	214,619	-	427,619	706,916
Transfer agent and filing fees		12,052	-	18,449	-
Travel and accommodation		27,242	22,938	60,486	57,133
		(775,096)	(555,284)	(1,829,586)	(2,012,479)
OTHER INCOME (EXPENSES)					
Finance expense		-	(52,025)	-	(382,575)
		-	(52,025)	-	(382,575)
Net income (loss) and comprehensive income (loss) for the period		$ 1,283,492	$ (607,309)	$ 633,591	$ (2,395,054)
Basic and diluted gain (loss) per common share		$ 0.01	$ (0.02)	$ 0.01	$ (0.09)
Weighted average number of common shares outstanding		97,757,995	30,328,297	90,491,256	27,009,336

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

	Share Capital (Note 9)										
	Shares		**Amount**		**Subscriptions received**		**Reserves**		**Deficit**		**Total**
Balance, April 30, 2017	**13,291,665**	**$**	**1,773,930**	**$**	**-**	**$**	**63,552**	**$**	**(525,324)**	**$**	**1,312,158**
Private placements	15,066,632		4,519,990		-		-		-		4,519,990
Shares issued - limited recourse loans	1,900,000		570,000		-		-		-		570,000
Reduction due to limited recourse loans	-		(570,000)		-		-		-		(570,000)
Limited recourse loan - Share-based payments - vesting of shares	-		114,000		-		-		-		114,000
Shares issued for services	70,000		21,000		-		-		-		21,000
Subscription received	-		-		920,565		-		-		920,565
Share issue costs – cash	-		(398,572)		-		-		-		(398,572)
Share issue costs – finders' warrants	-		(193,101)		-		193,101		-		-
Share-based payments	-		-		-		592,916		-		592,916
Loss and comprehensive loss for the period	-		-		-		-		(2,395,054)		(2,395,054)
Balance, October 31, 2017	**30,328,297**	**$**	**5,837,247**	**$**	**920,565**	**$**	**849,569**	**$**	**(2,920,378)**	**$**	**4,687,003**

Balance, April 30, 2018	**75,482,777**	**$**	**23,041,484**	**$**	**-**	**$**	**2,909,757**	**$**	**(13,220,863)**	**$**	**12,730,378**
Private placements	21,166,957		6,078,009		-		272,078		-		6,350,087
Shares issued – limited recourse loan	1,500,000		450,000		-		-		-		450,000
Reduction due to limited recourse loans	-		(450,000)		-		-		-		(450,000)
Limited recourse loan - Share-based payments - vesting of shares	-		329,250		-		-		-		329,250
Share-based compensation – options	-		-		-		98,369		-		98,369
Shares issued for services	400,000		120,000		-		-		-		120,000
Warrants exercised	140,000		42,000		-		-		-		42,000
Share issue costs – cash	-		(460,432)		-		-		-		(460,432)
Share issue costs – finders' warrants	-		(173,711)		-		173,711		-		-
Net income and comprehensive income for the period	-		-		-		-		633,591		633,591
Balance, October 31, 2018	**98,689,734**	**$**	**28,976,600**	**$**	**-**	**$**	**3,453,915**	**$**	**(12,587,272)**	**$**	**19,843,243**

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)

	Note		Six Months Ended October 31, 2018		Six Months Ended October 31, 2017
OPERATING ACTIVITIES					
Income (loss) and comprehensive income (loss)		$	633,591	$	(2,395,054)
Items not involving cash:					
Amortization	8		7,709		-
Interest income on loan	6		(678,528)		-
Restructuring fee	6		(1,559,515)		-
Foreign exchange			(221,974)		145,000
Finance expense on loan			-		382,575
Share-based payments	9,10		427,619		706,916
Shares issued for services – consulting fees			-		21,000
Shares issued for finders' fees			120,000		-
Changes in non-cash working capital items:					
Accounts receivable			(204,785)		-
GST receivable			9,905		(27,904)
Prepaid expenses			27,358		(481,768)
Accounts payable and accrued liabilities			(123,930)		465,126
Deferred transaction costs			-		(108,095)
Cash used in operating activities			(1,562,550)		(1,292,204)
INVESTING ACTIVITIES					
Leasehold improvements	8		(77,093)		-
Loan funds advanced			-		(2,680,875)
Acquisition of royalty investment	7		(4,453,857)		-
Cash used in investing activities			(4,530,950)		(2,680,875)
FINANCING ACTIVITIES					
Proceeds from private placements			6,350,087		4,519,990
Proceeds from collection of subscription receivable			11,100		225,000
Warrants exercised			42,000		-
Subscription received in advance			-		920,565
Share issue costs			(460,432)		(398,572)
Cash provided by financing activities			5,942,755		5,266,983
Change in cash for the period			(150,745)		1,293,904
Cash, beginning of period			2,716,030		27,990
Cash, end of period		$	2,565,285	$	1,321,894

Significant non-cash transactions:				
Fair value of finders' warrants issued	$	173,711	$	193,101
Fair value of shares relating to limited recourse loans	$	450,000	$	570,000

Supplemental disclosure:				
Cash paid for interest	$	-	$	-
Cash paid for income 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 595 Burrard St, Suite 2600, Vancouver, British Columbia, Canada, V7X 1L3. The Company's principal business activity has been seeking of investment opportunities in the medical cannabis sector in the United States.

FinCanna and Astar Minerals Ltd. ("Astar") entered into an Arrangement Agreement on July 11, 2017, pursuant to which Astar acquired all of the issued and outstanding common shares of the Company on a one to one basis. In addition, each outstanding option and/or warrant to acquire the Company's common shares became exercisable for one common share of Astar (the "Transaction"). The Transaction was carried out by way of a plan of arrangement (the "Agreement") (Note 4). As a result of the Transaction, FinCanna took control of governance and management resulting in control over all decision-making processes which constituted a reverse acquisition of Astar by FinCanna (the "Reverse Acquisition"), for accounting purposes with FinCanna being identified as the accounting acquirer, and accordingly the Company is considered a continuation of FinCanna Capital Corp. The net assets of Astar at the date of the Reverse Acquisition, on December 22, 2017, are deemed to have been acquired by the Company. These condensed interim consolidated financial statements include the results of operations of Astar from December 22, 2017. The comparative figures are those of FinCanna, prior to the Reverse Acquisition.

As contemplated by the Agreement, Astar's common shares were delisted from the TSX Venture Exchange ("TSX-V"). On December 22, 2017, the Company completed the Transaction, and the common shares of FinCanna Capital Corp. were 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.

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.

The Company's continuing operations are dependent upon its ability to identify, evaluate, and negotiate agreements to acquire royalty interests in material assets or businesses, and to finance these activities through the issuances of additional debt or equity securities. These conditions may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

The condensed interim consolidated financial statements of the Company 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, the condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated 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 consolidated financial statements for the year ended April 30, 2018. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the year ending April 30, 2019.

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

Critical accounting estimates, judgements and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of these condensed interim consolidated financial statements, and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of judgment considered by management are as follows:

Going concern

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

The information about significant areas of estimation uncertainty considered by management are as follows:

Fair value of stock options and finders' warrants

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

Impairment of non-financial assets (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.

2. BASIS OF PREPARATION (continued)

Critical accounting estimates, judgements and assumptions (continued)

Recoverability of Loan

The Company's loan represents amounts owed to the Company in respect of advances made to an investee, Cultivation Technologies Inc ("CTI"). The balances are presented net of allowances of $nil 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 loan may ultimately differ from its carrying value due to the potential for CTI to become financially impaired or insolvent. Consequently, reviews of the loan is 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.

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.

There have been no changes to the Company's critical accounting estimates, judgements, and assumptions during the six months ended October 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended April 30, 2018, except the changes discussed below.

The Company adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers as of May 1, 2018. The effect of initially applying these standards did not have a material impact on the Company's financial statements.

New and Revised Standards and Interpretations

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments. effective for annual periods beginning on or after January 1, 2018, replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value.

The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. However, most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and Revised Standards and Interpretations (continued)

IFRS 9 Financial Instruments (continued)

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Fair value through other comprehensive income ("FVTOCI") – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost – A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Management determines the classification of its financial assets at initial recognition.

The adoption of IFRS 9 has had no significant impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

The adoption of this standard has had no significant impact on the Company's financial statements.

New standards and interpretations not yet adopted

IFRS 16 Leases

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

The Company does not expect a significant impact on its consolidated financial statements upon adoption of this standard.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

(Unaudited - Expressed in Canadian Dollars)

4. REVERSE ACQUISITION

As described in Note 1, on December 22, 2017, the Company and Astar completed a Transaction which constituted a reverse acquisition.

As a result of the Transaction, the shareholders of the Company obtained control of the combined entity by obtaining control of the voting power of the combined entity and the resulting power to govern the financial and operating policies of the combined entities. The Transaction constitutes a reverse acquisition of Astar by the Company and has been accounted for a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based payments* and IFRS 3, *Business combinations.* As Astar did not qualify for a business according to the definition in IFRS 3, this reverse acquisition does not constitute a business combination, rather it is treated as an issuance of common shares by the Company for the net assets of Astar and its listing status, with the Company as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, the Company was treated as the accounting parent company (legal subsidiary) and Astar has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As the Company was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying value. Astar's results of operations have been included from December 22, 2017.

Astar net assets:		
Cash	$	432,448
Prepaid expenses		23,367
Accounts payable and accrued liabilities		(4,678)
Net assets acquired	**$**	**451,137**
Consideration provided in reverse acquisition of Astar:		
Fair value of 21,595,334 common shares at $0.35 per share (1)	$	7,558,367
Transaction costs – non-cash (2)		781,168
Total consideration paid	**$**	**8,339,535**

(1) The transaction was measured at the fair value of the shares that FinCanna would have to issue to shareholders of Astar, to give shareholders of Astar the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of FinCanna acquiring Astar.

(2) Non-cash transaction costs include the following:

- The fair value of the 498,667 finders' warrants, assumed from Astar of $113,398;
- The fair value of the 3,427,666 warrants assumed from Astar of $667,770.

The excess between the total consideration paid, and the net assets of Astar, amounted to $7,888,398, which was recorded as a listing expense during the year ended April 30, 2018.

5. PREPAID EXPENSES

		October 31, 2018		April 30, 2018
Deposits	$	74,357	$	42,099
Financing & advisory fee		160,000		83,974
Insurance		18,161		62,296
Investor relations & marketing		233,346		317,849
Transfer agent		4,670		11,674
Ending balance	$	490,534	$	517,892

6. LOAN AND INVESTMENT IN PROFIT SHARING ARRANGEMENT

a) Loan

On December 27, 2016, the Company entered into an agreement with Cultivation Technologies, Inc. ("CTI") (the "Loan Agreement") to fund CTI's purchase of land in Coachella, California in the amount of $1,320,180 (USD $977,913) (advanced to CTI during the period ended April 30, 2017) (the "Loan").

Subsequent amendments to the Loan Agreement (in April 2017, September 2017, and January 2018), resulted in the Company agreeing to advance additional funds for the construction of a cannabis manufacturing and testing facility in Coachella (the "Coachella Facility") (see table below). CTI also operates an interim extraction facility for medical cannabis (the "Interim Extraction Facility") at the same location. The Loan is secured by a Deed of Trust to the Company providing the Company with a first position security interest in land owned by CTI, and a first charge General Security Agreement providing the Company with security over all assets owned by CTI.

<u>*Terms of the Loan Agreement:*</u>

- Principal: Up to USD $5,959,251 (USD $5,948,903 advanced as at October 31, 2018)
- Interest: 20% per annum (increased from 10% effective January 12, 2018)
- Repayment:
  - Maturity: January 12, 2023
  - Accrued interest on the Loan will be payable monthly starting June 30, 2018, ("Loan Repayment Date"). As a result of Federal Banking restrictions in the United States, the timing of interest payments is currently being deferred as the ability of the Company to receive funds from the United States is currently limited due to Federal Banking restrictions in the United States.
  - The Company will also receive additional payments based on revenue and free cash flow of CTI if certain conditions are met.
- Conversion:
  - The Company may convert the Loan into such number of common shares of CTI that facilitates a 10.6% equity ownership in CTI; or
  - The Company may convert the Loan into a perpetual royalty for the right to receive payment of 5% of CTI's revenue, payable on a monthly basis.
- Coachella Project Royalty:
  - The Company has the option to purchase a royalty from CTI in the amount of USD $8,083,000, for the right to receive payment of 14% of CTI's revenues from its planned Coachella cannabis facility project, payable on a monthly basis.

On October 8, 2018, the Company and CTI agreed to a Restructured Agreement ("RA"). The RA replaced the Loan agreement and FinCanna will no longer need to provide additional financing to earn payments in perpetuity on any of CTI's projects, as the RA covers all of CTI's current and future projects.

<u>*Terms of the Restructured Agreement:*</u>

- Principal Amount:
  - Upon execution of the RA, CTI will be indebted to FinCanna in the amount of USD $8,000,000 ("the Principal Amount"), which is comprised of all accrued interests up to October 8, 2018 and a restructuring fee as a result of the RA.
- Repayment:
  - On or before December 31, 2018, CTI will partially repay the Principal Amount with the net proceeds from the sale of the Coachella property or a minimum of USD $3,000,000.
  - CTI will repay the remaining balance ("Remaining Principal Amount") quarterly using a repayment factor ("the Repayment Factor") applied to its future Net Revenues. The Repayment Factor percentage will be defined on December 31, 2018.
- Interest and penalty:
  - If CTI does not repay the Company a minimum of USD $3,000,000 by December 31, 2018, interests will continue to accrue at 20% per annum plus a penalty of USD $100,000 per month.
  - If the minimum Principal Amount repayment is satisfied on December 31, 2018, the Remaining Principal Amount will accrue interests at 1% per annum starting January 1, 2019.

(Unaudited - Expressed in Canadian Dollars)

6. LOAN AND INVESTMENT IN PROFIT SHARING ARRANGEMENT (continued)

a) Loan (continued)

Terms of the Restructured Agreement (continued)

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

Subsequent to the signing of the RA, CTI entered into an agreement for USD $4,000,000 to sell its 6-acre property in Coachella California, subject to certain conditions. The sale is expected to close in January 2019, and the expected net proceeds of approximately USD $3,900,000 after transaction costs will be paid to the Company. CTI has the option to increase its cash payment to the Company before December 31, 2018.

The breakdown of the Loan is as follows:

		October 31, 2018 (CAD)		October 31, 2018 (USD)		April 30, 2018 (CAD)		April 30, 2018 (USD)
Principal	$	7,818,048	$	5,948,903	$	7,636,012	$	5,948,903
Interests accrued		1,111,202		845,535		411,684		320,726
Restructuring fee		1,584,350		1,205,562		-		-
Total	**$**	**10,513,600**	**$**	**8,000,000**	**$**	**8,047,696**	**$**	**6,269,629**

At October 31, 2018, the carrying value of the Loan is as follows:

	Note		October 31, 2018		April 30, 2018
Opening balance		$	8,047,696	$	1,140,300
Advances to CTI			-		6,878,701
Interest income			678,528		838,148
Restructuring fee			1,559,515		-
Foreign exchange			227,861		(50,975)
Investment in Profit Sharing Arrangement	6(b)		-		(758,478)
Ending balance		**$**	**10,513,600**	**$**	**8,047,696**

b) Investment in Profit Sharing Arrangement

Effective January 12, 2018, the Company and CTI agreed to reclassify $758,478 ($617,000 USD) of the Loan to the Interim Extraction Facility (the "Investment in Profit Sharing Arrangement"). CTI granted the Company the right to receive from CTI, 50% of the profits derived from the Interim Extraction Facility, which will accrue from October 1, 2017, and become payable in June 2018, and thereafter payable monthly, for as long as the Interim Facility is in operation (the "Interim Extraction Payments"). The Interim Extraction Payments are being deferred as the Company's ability to receive funds from the United States is currently limited due to Federal Banking restrictions in the United States.

As at October 31, 2018, the Company has accrued $192,547 (USD $146,512) in Interim Extraction Payments (April 30, 2018 - $nil).

A continuity of Investment in Profit Sharing Arrangement is as follows:

		October 31, 2018		April 30, 2018
Opening	$	-	$	-
Reclassified from Loan		758,478		758,478
Ending balance	**$**	**758,478**	**$**	**758,478**

(Unaudited - Expressed in Canadian Dollars)

6. LOAN AND INVESTMENT IN PROFIT SHARING ARRANGEMENT (continued)

b) Investment in Profit Sharing Arrangement (continued)

The Company's Investment in Profit Sharing Arrangement, and royalty investments (Note 7), have an indefinite life and in accordance with the Company's accounting policy are measured at acquisition cost, and reviewed for impairment annually. As of October 31, 2018, no impairment was recorded to investment in profit sharing arrangement.

7. ROYALTY INVESTMENTS

The Company's royalty investments, and the investment in profit sharing arrangement (Note 6(b)), have an indefinite life and in accordance with the Company's accounting policy are measured at acquisition cost, and reviewed for impairment annually. As of October 31, 2018, no impairment was recorded to the royalty investments.

		October 31, 2018		April 30, 2018
Green Compliance, Inc.	$	2,313,700	$	1,013,100
Refined Resin LLC		3,153,257		-
Ending balance	**$**	**5,466,957**	**$**	**1,013,100**

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 USD $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 (USD $750,000) to Green Compliance. In addition, the Company capitalized acquisition costs of $63,000.

During the six months ended October 31, 2018, the Company advanced $1,300,600 (USD $1,000,000) to Green Compliance completing its "Milestone Payment 1" pursuant to the Royalty Agreement.

b) Refined Resin LLC (formerly Gram Co Holdings LLC)

In July 2018, the Company executed a Royalty Agreement with Refined Resin. FinCanna will fund USD $3,000,000 in tranches and will receive a tiered corporate royalty, ranging from 14% to 5.0% of Refined Resin's annual revenues, based upon agreed upon benchmarks. Concurrently, FinCanna also agreed to acquire an Additional Royalty for the purchase price of USD $1,795,000, the payment will be comprised of USD $500,000 in cash and the remainder paid in common shares of FinCanna. The Additional Royalty provides FinCanna the right to receive a further royalty payment of 2% of Refined Resin's revenues.

During the six months ended October 31, 2018, the Company advanced $2,937,845 (USD $2,250,000) to Refined Resin completing the Initial Advance Payment and its "Milestone Payment 1" pursuant to the Royalty Agreement. In addition, the Company capitalized acquisition costs of $85,412 and finders' fees of $130,000.

Subsequent to the period ended October 31, 2018, the Company advanced $1,007,775 (USD $750,000) to Refined Resin completing its "Milestone Payment 2" pursuant to the Royalty Agreement.

8. LEASEHOLD IMPROVEMENTS

The Leasehold improvements were made to the Company's office space. This amount is amortized during the life of the lease, which is 5 years, on a straight-line basis, commencing May 1, 2018.

		October 31, 2018		April 30, 2018
Leasehold improvements, cost	$	77,093	$	-
Less: Amortization		(7,709)		-
Ending balance	**$**	**69,384**	**$**	**-**

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at October 31, 2018, the authorized share capital of the Company is an unlimited number of shares, without par value.

Escrow Shares:

As at October 31, 2018, there were 2,668,725 common shares held in escrow (2017 – 3,558,300).

b) Issued share capital

Issued during the six months ended October 31, 2018:

In July 2018, the Company closed private placements whereby it issued 21,166,957 units at a price of $0.30 per unit for gross proceeds of $6,350,087. Each unit consists of one common share and one common share purchase warrant. Each full warrant will be exercisable to acquire one common share of the Company at an exercise price of $0.45, for a period of two years from the date of closing. $272,078 of the proceeds from the private placement were allocated to reserves, representing the residual value of the warrants attached to the units.

In connection with this offering, on June 29, 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 subject to a limited recourse shareholder loan. See Note 10 for vesting terms.

- 800,000 common shares were issued to the CEO of the Company, 320,000 common shares have vested.
- 700,000 common shares were issued to the CFO of the Company, 280,000 common shares have vested.

In accordance with *IAS 33, Earnings per share,* although eligible for voting, the unvested 900,000 common shares issued that are subject to the limited recourse shareholder loan, are not included in the calculation of weighted average number of shares in the loss per share measure.

In connection with the July 2018 private placement, the Company incurred the following share issue costs:

- issued 1,307,267 finders' warrants with each warrant exercisable for into one common share at an exercise price of $0.45 until June 29, 2020. Refer to Note 9 (c) for fair value information.
- issued 119,340 finders' warrants with each warrant exercisable for into one common share at an exercise price of $0.45 until July 5, 2020. Refer to Note 9 (c) for fair value information.

In connection with the financings completed during the period ended October 31, 2018, the Company incurred cash share issue costs including finders' fees, legal, and other fees of $460,432 in aggregate, and non-cash share issue costs relating to the fair value of finders' warrants issued of $173,711.

The subscription receivable balance of $11,100, in connection with the private placement held in April 2018, was received during the six months ended October 31, 2018.

During the six months ended October 31, 2018, 140,000 warrants were exercised for gross proceeds of $42,000.

During the period ended October 31, 2018, the Company issued 400,000 shares for finders' fees in connection with one of its royalty investments.

Issued during the six months ended October 31, 2017:

In May 2017, the Company completed private placement financings of 10,309,333 common shares at $0.30 per share, for gross proceeds of $3,092,800. Additionally, the Company issued 799,547 finders' warrants in connection with this financing exercisable at $0.30 per share, expiring on either May 26, 2020, or May 29, 2020.

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital (continued)

Issued during the six months ended October 31, 2017: (continued)

In June 2017, the Company completed a private placement financing of 4,757,299 common shares at $0.30 per share, for gross proceeds of $1,427,190. The Company also issued 241,600 finders' warrants in connection with this financing exercisable at $0.30 per share, expiring on June 13, 2020. In addition, the Company issued 70,000 common shares with a fair value of $21,000, to a director of the Company for consulting services.

In connection with this offering, on July 5, 2017, the Company issued 1,900,000 common shares at $0.30 per share, for a total fair value of $570,000, to certain officers of the Company subject to a limited recourse shareholder loan. See Note 10 for vesting terms.

- 800,000 common shares were issued to the CEO of the Company, 480,000 common shares have vested.
- 700,000 common shares were issued to the CFO of the Company, 420,000 common shares have vested.

In accordance with *IAS 33, Earnings per share,* although eligible for voting, the unvested 600,000 common shares issued that are subject to the limited recourse shareholder loan, are not included in the calculation of weighted average number of shares in the loss per share measure.

In connection with the financings completed during the period ended October 31, 2017, the Company incurred cash share issue costs including finders' fees, legal, and other fees of $398,572, and non-cash share issue costs relating to the fair value of finders' warrants of $193,101.

c) Reserves

In connection with the private placements completed in July 2018, the Company issued 1,426,607 finders' warrants recorded at a fair value of $173,711.

The following weighted average assumptions using the Black Scholes option pricing model were used for the valuation of the finders' warrants issued:

	Six Months Ended October 31, 2018	For the Year Ended April 30, 2018
Risk-free interest rate	1.91%	1.08%
Expected life	2 years	3 years
Annualized volatility	100%	100%
Dividend rate	0%	0%

The following is a summary of changes in reserves:

	Stock Options	Warrants	Total
Balance, November 28, 2016	$ -	$ -	$ -
Finders' warrants – fair value	-	63,552	-
Balance, April 30, 2017	-	63,552	63,552
Share-based payments	1,222,878	-	1,222,878
Warrants assumed from RTO	-	781,168	781,168
Warrants – residual value on private placements	-	720,037	720,037
Finders' warrants exercised	-	(243,878)	(243,878)
Finders' warrants – fair value	-	366,000	366,000
Balance, April 30, 2018	$ 1,222,878	$ 1,686,879	$ 2,909,757
Share-based payments	98,369	-	98,369
Warrants – residual value on private placements	-	272,078	272,078
Finders' warrants exercised	-	-	-
Finders' warrants – fair value	-	173,711	173,711
Balance, October 31, 2018	$ 1,321,247	$ 2,132,668	$ 3,453,915

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

d) Warrants

Share purchase warrants activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 28, 2016	-	-
Issued – regular warrants	13,291,664	$ 0.30
Issued – finders' warrants	883,866	$ 0.30
Outstanding as at April 30, 2017	14,175,530	$ 0.30
Exercised	(3,812,011)	$ 0.30
Assumed from RTO – unit warrants (Note 4)	3,427,666	$ 0.30
Assumed from RTO – finders' warrants (Note 4)	498,667	$ 0.20
Issued – finders' warrants	2,158,490	$ 0.52
Issued – unit warrants	9,398,565	$ 0.82
Outstanding as at April 30, 2018	25,846,907	$ 0.51
Exercised	(140,000)	$ 0.30
Issued – finders' warrants	1,426,607	$ 0.45
Issued – unit warrants	22,666,957	$ 0.45
Outstanding as at October 31, 2018	49,800,471	$ 0.48

As at October 31, 2018, the outstanding share purchase warrants were as follows:

Number of Warrants	Exercise Price	Expiry Date
420,000	$ 0.50	December 22, 2018
394,800	$ 0.75	November 21, 2019
7,149,433	$ 0.75	December 22, 2019
10,237,652	$ 0.30	December 23, 2019
2,857,833	$ 0.30	January 4, 2020
485,333	$ 0.20	January 4, 2020
1,112,632	$ 0.30	January 12, 2020
314,070	$ 0.30	May 26, 2020
52,000	$ 0.30	May 29, 2020
131,479	$ 0.30	June 13, 2020
2,089,153	$ 1.05	April 5, 2020
462,522	$ 1.05	April 10, 2020
21,703,802	$ 0.45	June 29, 2020
2,389,762	$ 0.45	July 5, 2020
49,800,471		

The weighted average remaining contractual life for the warrants at October 31, 2018, is 1.41 years (2017 – 2.18 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. 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.

On August 29, 2018, FinCanna granted a total of 450,000 incentive stock options to certain officers of the Company, exercisable at $0.30 per share for a period of five years.

(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

e) Stock Options (continued)

On September 21, 2018, FinCanna granted a total of 150,000 incentive stock options to a certain officer of the Company, exercisable at $0.30 per share for a period of five years.

The fair value of options fully vested during the period ended October 31, 2018, was $98,369. The fair value was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended October 31, 2018	For the Year Ended April 30, 2018
Risk-free interest rate	2.25 – 2.33%	1.44%
Expected life	5 years	3 years
Annualized volatility	75%	75%
Dividend rate	0%	0%

There have been the following changes in stock options during the period ended October 31, 2018:

	Number of Options	Weighted Average Exercise Price
Balance as at November 28, 2016, and April 30, 2017	-	-
Granted	6,000,000	$ 0.41
Balance as at April 30, 2018	6,000,000	$ 0.41
Granted	600,000	$ 0.30
Expired	(150,000)	$ 0.30
Balance as at October 31, 2018	6,450,000	$ 0.40

As at October 31, 2018, the outstanding stock options were as follows:

Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining life (in years)
2,500,000	$ 0.30	July 6, 2022	3.68
3,350,000	$ 0.50	December 27, 2022	4.16
450,000	$ 0.30	August 29, 2023	4.83
150,000	$ 0.30	September 21, 2023	4.89
6,450,000			4.04

10. 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, 2018, can be summarized as follows:

(Unaudited - Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (continued)

	Six Months Ended October 31, 2018	Six Months Ended October 31, 2017
Management fees	$ 225,000	$ 246,667
Consulting fees	-	55,000
Consulting fees – common shares issued	-	21,000
Share-based payments – stock options	40,471	447,484
Share-based payments – limited recourse loans (1)	329,250	114,000
Ending balance	$ 594,721	$ 884,151

(1) In July 2017, the Company issued 1,900,000 common shares at $0.30 per share for a total fair value of $570,000, to certain officers of the Company pursuant to limited recourse shareholder loans (Note 9). The common shares vested 20% immediately, with the remainder vesting evenly on January 5, 2018, July 5, 2018, January 5, 2019, and July 5, 2019. On November 23, 2017, the VP Corporate Development left the Company and the 400,000 common shares issued to him (of which 80,000 had vested) under the limited recourse shareholder loan were returned to treasury and cancelled. The shareholder loan relating to those shares was also extinguished. In June 2018, the Company issued 1,500,000 common shares at $0.30 per share for a total fair value of $450,000, to certain officers of the Company pursuant to limited recourse shareholder loans (Note 9). The common shares vested 40% immediately, with the remainder vesting evenly on December 29, 2018, June 29, 2019, December 29, 2019. $329,250 represents the total amount of share-based payments vested during the six months ended October 31, 2018.

Due to/from related parties

As at October 31, 2018 $2,026 (2017 - $Nil) was due to the CEO of the Company for travel expenses. This amount is included in accounts payable and accrued liabilities. Amounts due to related parties are unsecured, have no fixed repayments and are non-interest bearing.

11. COMMITMENTS

The company entered into a lease agreement with a third party to rent an office space commencing May 1, 2018 to April 30, 2023 for $8,705 per month.

12. 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.

Cash is carried at fair value using a Level 1 fair value measurement. The fair values of subscriptions receivable, accounts receivable and accounts payable and accrued liabilities approximate their carrying values. The carrying value of the loan also approximates its fair value as the loan bears 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 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 accounts receivable, which mainly consists of profit-sharing income and GST receivable, is minimal. The Company's credit risk with respect to the loan, is equal to its carrying value.

12. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

Credit risk (continued)

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, 2018, the Company had a working capital balance of $3,034,824. 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 against the United States dollar would impact profit or loss by approximately $1,076,000.

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.

13. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. As at October 31, 2018, the Company's shareholders' equity was $19,843,243 and there was no long-term debt outstanding. 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 period.

14. 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 investment in profit sharing arrangement, and loan, represent amounts advanced to CTI (Note 6), a company located in the United States. The Company's royalty investment also involves a third-party company operating in the United States. The Company's revenues were earned from its loan in the United States.

15. SUBSEQUENT EVENTS

Subsequent to the period ended October 31, 2018, the following events took place:

- On December 7, 2018 the Company advanced $1,007,775 (USD $750,000) to Refined Resin completing its "Milestone Payment 2" pursuant to the Royalty Agreement (Note 7 b).
- On December 15, 2018, 150,000 options previously granted to the former Vice-President of Corporate Development expired.