FINCANNA CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEAR-ENDED APRIL 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
FinCanna Capital Corp.

Opinion

We have audited the accompanying consolidated financial statements of FinCanna Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2019 and 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that 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. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

August 28, 2019

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

	Note		April 30, 2019		April 30, 2018
ASSETS					
Current					
Cash		$	7,832,298	$	2,716,030
Accounts receivable	5,7b		418,260		68,434
Prepaid expenses	6		598,910		517,892
Loans receivable			53,343		-
Subscriptions receivable	11		-		11,100
			8,902,811		3,313,456
Non-current					
Investment in Profit Sharing Arrangement	7		758,478		758,478
Loan	7		6,359,934		8,047,696
Royalty investments	8		8,326,372		1,013,100
Property and equipment	10		61,674		-
		$	**24,409,269**	**$**	**13,132,730**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	12	$	364,537	$	402,352
Convertible debenture – current	9		526,573		-
			891,110		402,352
Non-current					
Convertible debenture – non-current	9		3,746,701		-
			4,637,811		402,352
Shareholders' equity					
Share capital	11		29,135,454		23,041,484
Reserves	11		3,646,688		2,909,757
Deficit			(13,010,684)		(13,220,863)
			19,771,458		12,730,378
		$	**24,409,269**	**$**	**13,132,730**

Nature and continuance of operations (Note 1)
Commitment (Note 13)
Subsequent events (Note 18)

Approved and authorized by the Board on August 26, 2019.

"Andriyko Herchak" Director   *"Morris Reid"* Director

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

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note		Year-ended April 30, 2019		Year-ended April 30, 2018
REVENUES					
Interest income from loan	7a	$	1,245,015	$	838,148
Penalties	7a		263,130		
Profit sharing income	7b		374,542		-
Total revenue			1,882,687		838,148
EXPENSES					
Amortization	10		15,419		-
Consulting fees	12		593,259		759,978
Foreign exchange			(388,289)		69,352
Interest expense			128,054		-
Management and director fees	12		558,603		576,667
Marketing and investor relations			941,637		1,882,262
Office, insurance and miscellaneous			275,425		109,992
Professional fees			456,435		652,609
Share-based payments	11,12		634,249		1,459,878
Transfer agent and filing fees			50,823		43,362
Travel and accommodation			105,261		91,189
			(3,370,876)		(5,645,289)
OTHER INCOME (EXPENSES)					
Interest income on cash deposits			79,362		-
Listing expense	4		-		(7,888,398)
Gain on modification of debt	7		1,619,006		-
			1,698,368		(7,888,398)
Net income (loss) and comprehensive income (loss) for the year		$	210,179	$	(12,695,539)
Basic and diluted income (loss) per common share		$	0.00	$	(0.31)
Weighted average number of common shares outstanding					
Basic			94,369,899		41,537,409
Diluted			119,104,222		41,537,409

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

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
AS AT

	Share Capital (Note 11)								
	Shares		**Amount**		**Reserves**		**Deficit**		**Total**
Balance, April 30, 2017	**13,291,665**	**$**	**1,773,930**	**$**	**63,552**	**$**	**(525,324)**	**$**	**1,312,158**
Private placements	33,863,767		14,105,054		720,037		-		14,825,091
Limited recourse loan - Shares issued	1,900,000		570,000		-		-		570,000
Limited recourse loan – Shares in treasury	-		(570,000)		-		-		(570,000)
Limited recourse loan – Shares returned to treasury	(400,000)		-		-		-		-
Limited recourse loan - Share-based payments - vesting of shares	-		237,000		-		-		237,000
Shares of Astar Minerals	21,595,334		7,558,367		781,168		-		8,339,535
Warrants exercised	3,812,011		1,386,148		(243,878)		-		1,142,270
Shares issued for services	70,000		21,000		-		-		21,000
Shares issued for finders' shares	1,350,000		-		-		-		-
Share issue costs – cash	-		(1,674,015)		-		-		(1,674,015)
Share issue costs – finders' warrants	-		(366,000)		366,000		-		-
Share-based payments – options	-		-		1,222,878		-		1,222,878
Loss and comprehensive loss for the year	-		-		-		(12,695,539)		(12,695,539)
Balance, April 30, 2018	**75,482,777**	**$**	**23,041,484**	**$**	**2,909,757**	**$**	**(13,220,863)**	**$**	**12,730,378**

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	-		511,000		-		-		511,000
Share-based payments – options	-		-		123,249		-		123,249
Shares issued for finders' fees	400,000		120,000		-		-		120,000
Warrants exercised	140,000		42,000		-		-		42,000
Share issue costs – cash	-		(483,328)		-		-		(483,328)
Share issue costs – finders' warrants	-		(173,711)		173,711		-		-
Convertible debenture – equity component	-		-		167,893		-		167,893
Income and comprehensive income for the year	-		-		-		210,179		210,179
Balance, April 30, 2019	**98,689,734**	**$**	**29,135,454**	**$**	**3,646,688**	**$**	**(13,010,684)**	**$**	**19,771,458**

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

FINCANNA CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

		Year Ended April 30, 2019		Year Ended April 30, 2018
OPERATING ACTIVITIES				
Income (loss) and comprehensive income (loss)	$	210,179	$	(12,695,539)
Items not involving cash:				
Amortization		15,419		-
Interest income from loan		(1,245,015)		(838,148)
Penalties		(263,130)		
Profit sharing income		(374,542)		
Gain on modification of debt		(1,619,006)		-
Foreign exchange		(359,194)		50,975
Listing expense related to reverse acquisition		-		7,888,398
Share-based payments		634,249		1,459,878
Accretion on convertible debenture		36,500		
Shares issued for services – consulting fees		-		21,000
Changes in non-cash working capital items:				
Accounts receivable		24,716		-
Prepaid expenses		(81,018)		(494,525)
Accounts payable and accrued liabilities		(37,815)		305,989
Cash used in operating activities		(3,058,657)		(4,359,853)
INVESTING ACTIVITIES				
Leasehold improvements		(77,093)		-
Loan funds advanced		-		(6,878,701)
Cash received on reverse acquisition		-		432,448
Acquisition of royalty investment		(7,193,272)		(1,013,100)
Loan		(53,343)		
Cash used in investing activities		(7,323,708)		(7,459,353)
FINANCING ACTIVITIES				
Proceeds from private placements		6,350,087		15,050,091
Proceeds from collection of subscription receivable		11,100		-
Warrants exercised		42,000		1,131,170
Share issue costs		(483,328)		(1,674,015)
Proceeds from issuance of convertible debenture		4,785,000		-
Debt issue costs		(380,333)		-
Proceeds from loan repayment		5,174,107		-
Cash provided by financing activities		15,498,633		14,507,246
Change in cash for the year		5,116,268		2,688,040
Cash, beginning of year		2,716,030		27,990
Cash, end of year	$	7,832,298	$	2,716,030

Significant non-cash transactions:				
Fair value of finders' warrants issued (Note 11)	$	173,711	$	366,000
Fair value of shares relating to limited recourse loans (Note 11)	$	450,000	$	570,000
Fair value of shares issued on completion of Transaction (Note 4)	$	-	$	7,558,367
Fair value of warrants assumed from Astar (Note 4)	$	-	$	781,168
Reclassification of loan to Investment Profit Sharing Arrangement (Note 7)	$	-	$	758,478
Fair value of shares issued for finder's fee (Note 11)	$	120,000	$	915,000
Equity component of convertible debenture (Note 9)	$	167,893	$	-
Subscription receivable	$	-	$	11,100

During the year ended April 30, 2019, the Company paid $71,250 (2018 - $nil) in interest and $nil (2018 - $nil) in taxes.

The accompanying notes are an integral part of these 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 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. One such loan was made to Cultivation Technologies Inc. ("CTI") (Note 7), a company operating a cannabis extraction facility. Subsequent to amendments to the laws of the State of California with respect to cultivating marijuana that took effect on January 1, 2018, CTI has applied for and received a Temporary State License which will remain in effect until such time as a Permanent State License can be obtained. The Permanent State License will then be subject to renewal on an annual basis. Presently, this industry is illegal under United States federal law. CTI has and intends to adhere strictly to the state statutes in its operation.

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 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 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

These financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These 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 and FCC Holdings Ltd. The financial statements of its subsidiaries are included in the consolidated financial statements from the date on which control was transferred to the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany accounts and transactions have been eliminated on consolidation.

Critical accounting estimates and assumptions

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

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

Fair value of stock options and finders' warrants

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

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 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 are done on a regular basis to determine if there is a need to establish an allowance for non-recoverability. In performing this review, the Company uses judgment in assessing the credit worthiness of CTI, and factors such as external market research and data, licensing, stage of operations, and cash flow projections, amongst other factors. These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

The Company is currently in discussions with CTI concerning its loan. Depending on the outcome of these discussions, the loan's recoverable amount may differ from the current carrying value of the loan (Note 7). The risk exposure could equal that of the full carrying value.

Useful life of property and equipment

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from shareholders' equity as share issue costs. Common shares issued for consideration other than cash, are valued based on their market value on the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the market price on the date of issuance. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded within reserves. Cash proceeds received subsequent to the issuance of share capital is recorded as subscriptions receivable within current assets provided the proceeds are received within twelve months of the statement of financial position date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Income (loss) per share

The Company presents basic income (loss) per share for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share does not adjust the income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the periods presented, basic income (loss) per share equates to diluted income (loss) per share.

Foreign currency translation

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," management determined the functional currency of the Company based on the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiaries.

Foreign currency transactions are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the period end rate of exchange. Foreign exchange gains and losses resulting from such translations are recognized in profit or loss.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Classification

Financial assets are classified at initial recognition as either: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Fair value through profit or loss (“FVTPL”) – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss 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.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Under IFRS 9, the Company classifies its financial instruments as follows:

Cash	Amortized cost
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Loan	Amortized cost
Subscriptions receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debenture	Amortized cost

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount (or cash-generating units ("CGU")) is the greater of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset or CGU that does not generate cash inflows largely independent of those from other assets or CGUs, the recoverable amount is determined for the cash generating unit to which the asset or CGU belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in profit or loss. Assets that have an indefinite useful life (royalty investments and investment in profit sharing arrangement) are not subject to amortization and are tested annually for impairment.

Royalty investments and investment in profit sharing arrangement

The Company measures royalty investments with a definite life at amortized cost on a straight-line basis.

Amortization commences when the investee demonstrates commercial operations that reflect the economic benefits the Company is entitled to. Royalty investments and investment in profit sharing arrangement that have an indefinite life are measured at acquisition cost, are not amortized, and are tested for impairment annually.

Revenue recognition

The Company recognizes interest income from loan over time as interest accrues.

The Company recognizes royalty income based on the total revenue earned and reported by the third party for the respective reporting period. The Company recognizes income from investment in profit sharing arrangement based on the total profits earned and reported by the third party for the respective reporting period. If the collection of royalties or profit sharing are doubtful the income may not be recorded.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost, net of accumulated amortization and accumulated impairment losses, if any. Amortization for leasehold improvements is calculated using a straight-line basis over the term of the lease, which is five years.

Recent Accounting Pronouncements

New and Revised Standards and Interpretations

i. Revised accounting pronouncements adopted during the year ended April 30, 2019:

IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in November 2009 and replaced IAS 39, Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9 effective May 1, 2018.

The adoption of IFRS 9 has had no significant impact on the financial statements other than classification of financial instruments. The following table outlines the classification of IFRS under IAS 39 and IFRS 9:

	IFRS 9	IAS 39
Cash	Amortized cost	Loans and receivables
Loan, subscription receivable, and accounts receivable	Amortized cost	Loans and receivables
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

IFRS 15 Revenue from Contracts with Customers

The IASB issued 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 Company adopted this standard on May 1, 2018.

The adoption of this standard did not have a material effect on the Company’s financial statements.

ii. New accounting pronouncements not yet adopted during the year

IFRS 16 Leases

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

The Company is planning to adopt this standard as of its effective date using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the lease liability. Upon adoption of this standard the Company will record a right of use asset and a respective liability for the amount of $321,467. In addition, this will result in an increase in depreciation and interest expenses. The Company also expects cash used in financing activities to increase as the principal portion of lease payments will be recorded as financing outflows in the Company's consolidated statement of cash flow.

(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 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 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. ACCOUNTS RECEIVABLE

Receivables as at April 30, 2019 consist of a GST receivable balance from the Federal Government of Canada, profit sharing income and receivable from a former officer of the Company as follows:

		April 30, 2019		**April 30, 2018**
GST receivable	$	30,753	$	68,434
Profit sharing income		381,155		-
Due from third party		6,352		-
Ending balance	$	418,260	$	68,434

(Expressed in Canadian Dollars)

6. PREPAID EXPENSES

		April 30, 2019		April 30, 2018
Deposits	$	137,424	$	42,099
Financing & advisory fee		58,114		83,974
Insurance		79,444		62,296
Investor relations & marketing		310,492		317,849
Transfer agent		13,436		11,674
Ending balance	$	598,910	$	517,892

7. 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.

Terms of the Loan Agreement:

- Principal: Up to USD $5,959,251
- 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.

(Expressed in Canadian Dollars)

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

a) Loan (continued)

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

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

Subsequent to the signing of the RA, CTI entered into an agreement for USD $4,000,000 to sell its 6-acre property in Coachella California, subject to certain conditions. During the year ended April 30, 2019, the Company received $5,174,107 (USD $3,877,188) from CTI as partial repayment of its outstanding secured loan.

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

		April 30, 2019 (CAD)		April 30, 2019 (USD)		April 30, 2018 (CAD)		April 30, 2018 (USD)
Principal	$	5,534,050	$	4,122,812	$	7,636,012	$	5,948,903
Interests accrued		557,424		415,275		411,684		320,726
Penalty		268,460		200,000		-		-
Total	**$**	**6,359,934**	**$**	**4,738,087**	**$**	**8,047,696**	**$**	**6,269,629**

At April 30, 2019, the changes in the carrying value of the Loan is as follows:

	Note		April 30, 2019		April 30, 2018
Opening balance		$	8,047,696	$	1,140,300
Advances to CTI			-		6,878,701
Interest income			1,245,015		838,148
Modification of debt			1,619,006		-
Penalty			263,130		-
Foreign exchange			359,194		(50,975)
Investment in Profit Sharing Arrangement	7(b)		-		(758,478)
Partial repayment			(5,174,107)		-
Ending balance		**$**	**6,359,934**	**$**	**8,047,696**

(Expressed in Canadian Dollars)

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

b) Investment in Profit Sharing Arrangement

Effective January 12, 2018, the Company and CTI agreed to reclassify $758,478 (USD $617,000) 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.

During the year ended April 30, 2019, the Company accrued $374,542 (USD $283,956) in profit sharing income (April 30, 2018 - $nil).

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

		April 30, 2019		April 30, 2018
Opening	$	758,478	$	-
Reclassified from Loan		-		758,478
Ending balance	**$**	**758,478**	**$**	**758,478**

The Company's Investment in Profit Sharing Arrangement, and royalty investments (Note 8), 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 April 30, 2019, no impairment was recorded to investment in profit sharing arrangement.

8. ROYALTY INVESTMENTS

The Company's royalty investments, and the investment in profit sharing arrangement (Note 7(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 April 30, 2019, no impairment was recorded to the royalty investments.

		April 30, 2019		April 30, 2018
Green Compliance, Inc.	$	2,313,700	$	1,013,100
Refined Resin LLC		4,316,048		-
QVI, Inc.		1,696,624		-
Ending balance	**$**	**8,326,372**	**$**	**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 year ended April 30, 2019, 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% 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.

(Expressed in Canadian Dollars)

8. ROYALTY INVESTMENTS (continued)

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

During the year ended April 30, 2019, the Company advanced $3,945,620 (USD $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.

c) QVI, Inc.

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

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

During the year ended April 30, 2019, the Company advanced $1,650,245 (USD $ 1,250,000) to QVI completing its “Initial Payment” pursuant to the Royalty Agreement. In addition, the Company capitalized acquisition costs of $46,379.

Subsequent to the year ended April 30, 2019, FinCanna advanced $1,145,113 (USD $875,000) to QVI.

9. CONVERTIBLE DEBENTURE

On January 10, 2019, FinCanna closed its first tranche of Secured Convertible Debentures financing in the amount of $2,375,000. The Debentures are secured by a general security interest, mature two years from closing and will bear interest at 12% per annum, payable in cash or, at the option of the subscriber, in common shares of FinCanna ("common shares") subject to certain conditions. The Debenture is convertible into Common Shares at $0.20 per share. Subscribers for Debentures will receive one common share purchase warrant (“warrant”) for each $0.20 of principal amount of Debenture. Each warrant will entitle 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 of its Debentures financing of $2,410,000. The terms of the second tranche are the same as from the first tranche.

Details of the convertible debenture are as follows:

		April 30, 2019
Proceeds from the issue of convertible debentures (4,785 units @ $1,000)	$	4,785,000
Transaction costs		(380,333)
Equity component		(167,893)
Accretion		36,500
Ending balance	**$**	**4,273,274**
Current portion		**(526,573)**
Non-current	**$**	**3,746,701**

10. PROPERTY AND EQUIPMENT

		April 30, 2019		April 30, 2018
Leasehold improvements, cost	$	77,093	$	-
Less: Amortization		(15,419)		-
Ending balance	**$**	**61,674**	**$**	**-**

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at April 30, 2019, the authorized share capital of the Company is an unlimited number of shares, without par value.

Escrow Shares:

As at April 30, 2019, there were 2,134,980 common shares held in escrow (2018 – 3,202,470).

b) Issued share capital

Issued during the year ended April 30, 2019:

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 12 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 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 11 (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 11 (c) for fair value information.

The subscription receivable balance of $11,100, in connection with the private placement held in April 2018, was received during the year ended April 30, 2019.

During the year ended April 30, 2019, 140,000 warrants were exercised for gross proceeds of $42,000.

On September 26, 2018, the Company issued 400,000 shares with a fair value of $120,000 for finders' fees in connection with one of its royalty investments.

On January 10, 2019, the Company issued 11,875,000 warrants in connection with its first tranche of Secured Convertible Debentures. Subscribers for Debentures will receive one common share purchase warrant ("warrant") for each $0.20 of principal amount of Debenture. Each warrant will entitle 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 also issued 12,050,000 warrants upon closing of its second tranche of its Convertible debentures, these warrants have the same terms as the ones issued on the first tranche.

In connection with the financings completed during the year ended April 30, 2019, the Company incurred cash share issue costs including finders' fees, legal, and other fees of $483,328 in aggregate, and non-cash share issue costs relating to the fair value of finders' warrants issued of $173,711.

11. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital (continued)

Issued during the year ended April 30, 2018:

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.

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 12 for vesting terms.

- 800,000 common shares were issued to the CEO of the Company, 640,000 common shares have vested.
- 700,000 common shares were issued to the CFO of the Company, 560,000 common shares have vested.

In accordance with *IAS 33, Earnings per share,* although eligible for voting, the unvested 300,000 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 December 2017, the Company and Astar completed the Transaction (Note 1 and Note 4).

In December 2017, the Company completed brokered and non-brokered private placements whereby it issued at total of 14,264,466 units with one-half of one share purchase warrants at $0.50 per share for gross proceeds of $7,132,233. Each warrant shall be exercisable into one common share of the Company at an exercise price of $0.75 for a period of two years.

In connection with the December 2017 private placements, the Company incurred the following share issuance costs:

- issued 420,000 finders' warrants with each warrant exercisable into one common share of the Company at an exercise price of $0.50 until December 22, 2018;
- issued 412,000 finders' warrants with each warrant exercisable into one common share of the Company at an exercise price of $0.75 until either November 21, 2019, or December 22, 2019; and

In April 2018, the Company closed a private placement whereby it issued 4,532,669 units at a price of $0.70 per unit for gross proceeds of $3,172,868, with each unit comprising one common share and one half of one common share purchase warrant exercisable at $1.05 per share until April 5, 2020. $720,037 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 the April 2018 private placement, the Company incurred the following share issue costs:

- issued 285,343 finders' warrants with each warrant exercisable for into one common share at an exercise price of $1.05 until April 10, 2020. Refer to note 11(c) for fair value information.

In connection with the financings completed during the year ended April 30, 2018, the Company incurred cash share issue costs including finders' fees, legal, and other fees of $1,674,015 in aggregate, and non-cash share issue costs relating to the fair value of finders' warrants issued (described above) of $366,000, and the fair value of an additional 1,350,000 finders' shares issued of $915,000.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

c) Reserves

In connection with the private placements completed in July 2018, the Company issued 1,426,607 (2018 – 2,158,490) finders' warrants recorded at a fair value of $173,711 (2018 – $366,000).

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

	For the Year Ended April 30, 2019	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%
Exercise price	$0.45	$0.52
Stock price	$0.29	$0.37
Call option value	$0.12	$0.17

The following is a summary of changes in reserves:

	Stock Options	Warrants	Convertible debenture	Total
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	123,249	-	-	123,249
Warrants – residual value on private placements	-	272,078	-	272,078
Finders' warrants – fair value	-	173,711	-	173,711
Convertible debenture – equity component	-	-	167,893	167,893
Balance, April 30, 2019	$ 1,346,127	$ 2,132,668	$ 167,893	$ 3,646,688

Share purchase warrants activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
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
Expired	(420,000)	$ 0.50
Issued – finders' warrants	1,426,607	$ 0.45
Issued – unit warrants	46,591,957	$ 0.37
Outstanding as at April 30, 2019	73,305,471	$ 0.42

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

d) Warrants

As at April 30, 2019, the outstanding share purchase warrants were as follows:

Number of Warrants	Exercise Price	Expiry Date
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
2,266,332	$ 1.05	April 5, 2020
285,343	$ 1.05	April 10, 2020
21,703,802	$ 0.45	June 29, 2020
2,389,762	$ 0.45	July 5, 2020
11,875,000	$ 0.30	January 10, 2021
12,050,000	$ 0.30	February 8, 2021
73,305,471		

The weighted average remaining contractual life for the warrants at April 30, 2019, is 1.19 years (2018 – 2.67 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.

The fair value of options fully vested during the year ended April 30, 2019, was $123,249 (2018 - $441,710). The fair value was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Year Ended April 30, 2019	For the Year Ended April 30, 2018
Risk-free interest rate	1.98%	1.44%
Expected life	5 years	3 years
Annualized volatility *	75%	75%
Dividend rate	0%	0%
Exercise price	$0.28	$0.40
Stock price	$0.22	$0.40
Call option value	$0.12	$0.20

* The volatility was calculated using the Company's historical information and industry benchmarks.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

e) Stock Options (continued)

There have been the following changes in stock options during the year ended April 30, 2019:

	Number of Options	Weighted Average Exercise Price
Balance as at April 30, 2017	-	-
Granted	6,000,000	$ 0.41
Balance as at April 30, 2018	6,000,000	$ 0.41
Granted	1,000,000	$ 0.28
Expired	(400,000)	$ 0.30
Balance as at April 30, 2019	6,600,000	$ 0.40

As at April 30, 2019, the outstanding stock options were as follows:

Number of Options Outstanding and Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining life (in years)
2,250,000	$ 0.30	July 6, 2022	3.19
3,350,000	$ 0.50	December 27, 2022	3.66
450,000	$ 0.30	August 29, 2023	4.33
150,000	$ 0.30	September 21, 2023	4.40
400,000	$ 0.25	April 30, 2024	5.00
6,600,000			3.64

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 years ended April 30, can be summarized as follows:

	Year ended April 30, 2019	Year ended April 30, 2018
Management fees	$ 450,000	$ 456,667
Consulting fees	-	65,000
Consulting fees – common shares issued	-	21,000
Director fees	108,603	120,000
Share-based payments – stock options	40,471	953,053
Share-based payments – limited recourse loans (1)	511,000	237,000
	$ 1,110,074	$ 1,852,720

(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 11). The common shares vested 20% immediately, with the remainder vesting evenly on January 5, 2018, July 5, 2018, January 5, 2019, and July 5, 2019. On November 23, 2017, the VP Corporate Development left the Company and the 400,000 common shares issued to him (of which 80,000 had vested) under the limited recourse shareholder loan were returned to treasury and cancelled. The shareholder loan relating to those shares was also extinguished. In June 2018, the Company issued 1,500,000 common shares at $0.30 per share for a total fair value of $450,000, to certain officers of the Company pursuant to limited recourse shareholder loans (Note 11). The common shares vested 40% immediately, with the remainder vesting evenly on December 29, 2018, June 29, 2019, December 29, 2019. $511,000 represents the total amount of share-based payments vested during the year ended April 30, 2019.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

Due to/from related parties

As at April 30, 2019, $68,438 (April 30, 2018 - $29,722) was owed to various officers and director of the Company for director fees and travel expenses. This amount is included in accounts payable and accrued liabilities. Amounts due to related parties are unsecured, have no fixed repayments and are non-interest bearing. During the year ended April 30, 2019, there were $550,000 face value of convertible debentures held by key management.

13. COMMITMENT

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

2020	$	106,510
2021		108,375
2022		110,240
2023		112,105
Total	$	437,230

14. 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, and convertible debt approximate their carrying values. The carrying value of the loan, loan receivable, and convertible debt also approximates its fair value as these instruments bear a market rate of interest.

Financial risk factors

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

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, subscriptions receivable, accounts receivable, loans receivable, and loan. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The Company believes its credit risk with respect to the GST receivable portion of its accounts receivable is minimal. However, there is a greater risk that the recoverable portions of the Company’s profit-sharing income and its loan to CTI may be different from that of their carrying values (Note 5 and 7). The Company’s credit risk exposure, with respect to the profit-sharing income and the loan, are equal to their carrying value. Repayments of the loan is dependent on CTI reaching targeted revenue generating activities, and the ability of the Company to receive funds from such activities in the United States which is currently limited due to Federal Banking restrictions in the United States.

14. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

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 April 30, 2019, the Company had a working capital balance of $8,011,701. Refer to discussion of going concern in Note 1.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, loan, accounts receivable and accounts payable and accrued liabilities, denominated in United States dollars. A 10% fluctuation between the Canadian dollar and the United States dollar would impact profit or loss by approximately $1,179,000.

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.

15. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. As at April 30, 2019, the Company's shareholders' equity was $19,771,458 and there were convertible debentures outstanding (Note 9). 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 year ended April 30, 2019.

16. 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 7), a company located in the United States. The Company's royalty investments also involve third-party companies operating in the United States. The Company's revenues were earned from its loan and profit-sharing interests in the United States.

(Expressed in Canadian Dollars)

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes are as follows:

	2019	2018
Income (loss) for the year	$ 210,179	$ (12,695,539)
Expected income tax expense (recovery)	$ 57,000	$ (3,343,000)
Change in statutory rates and other	(37,000)	(21,000)
Permanent differences	(32,000)	2,471,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	779,000	24,000
Share issue costs	(163,000)	(682,000)
Change in unrecognized deductible temporary differences	(604,000)	1,551,000
Total	$ -	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2019	2018
Deferred tax assets (liabilities)		
Convertible debenture	$ (69,000)	-
Non-capital losses	69,000	-
Net deferred tax asset (liability)	$ -	$ -

Significant components of deductible temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	2019	Expiry	2018	Expiry
Property and equipment	$ 269,000	No expiry	$ -	No expiry
Share issue costs	1,913,000	No expiry	2,229,000	No expiry
Non-capital losses available for future periods	$ 3,701,000	2032 to 2039	$ 5,636,000	2032 to 2038

18. SUBSEQUENT EVENTS

Subsequent to year ended April 30, 2019, FinCanna acquired all of the rights and interests of CTI in substantially all of the existing property of CTI, including but not limited to all accounts, contract rights, general intangibles including trademarks, service marks and trade names, furniture, fixtures and equipment and the economic benefits of CTI's membership interests in its subsidiaries.

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