

FinCanna Capital looks set to benefit from their cannabis royalty portfolio after a win-win deal with QVI Inc.

The latest good news announced this month is that FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) (“FinCanna”) has restructured its royalty agreement with QVI Inc. The new deal sees FinCanna commit a further US\$1.5 million in financial support and in return receive a boosted royalty of a flat 20% (it was a tiered 15% to 6%) of QVI’s revenues, an increased annual supplemental payment of a minimum of 70% of QVI’s after-tax income, and finally 70% of sales proceeds if QVI is sold.

The royalty business can be extremely profitable. Just look at Franco-Nevada the gold royalty company with a market cap of US\$25.85 billion. The trick is for the royalty company to invest early and to select growing companies that end up producing lots of revenue. The same principles can be applied to the cannabis industry, especially given it is in the very early stages of growth as legalization spreads globally.

FinCanna is a royalty company for the licensed US cannabis industry, with a focus on the emerging California cannabis market. The Company earns its revenue from royalties paid by its investee companies that are calculated based on a percentage of their total revenues.

FinCanna Capital highlights for investors

FinCanna Highlights



U.S. Focused with Emphasis on California



Royalty Model is Very Attractive for Operators and FinCanna



Diversified Investment Portfolio over Multiple Sectors



Early Entrant in U.S. with Extensive Network for New Projects



Invest in Private Companies Not Available to Individual Investors

Source: FinCanna company presentation

FinCanna currently has a portfolio of three active and operating royalty businesses in their portfolio advancing in California – QVI Inc., Cultivation Technologies Inc., and ezGreen Compliance. The good news is that the Californian cannabis market is growing rapidly and royalty revenues for FinCanna are just beginning now.

FinCanna's three royalty companies all show great potential for near term revenues.

- **QVI Inc.** has recently acquired its Californian licenses and begun production on a wide range of cannabis infused products such as chocolates, hard candies, gummies, beverages, vapes, pre-rolls and flower packaging. They also produce other edibles, topicals, and tinctures.
- **Cultivation Technologies Inc. (CTI)** has a new cannabis extraction and manufacturing facility at New Palm Desert which has also recently commenced production. CTI provides high quality legal Butane Hash Oil (BHO) concentrates for white label manufacturing, toll processing and packaging to hand-selected brands and

cultivators in California.

- **ezGreen Compliance** has completed an installation of its Point-of-Sale (POS) software with a leading Los Angeles based cannabis dispensary. This is the flagship store of a multi site operator so there is potential for this deal to grow across to a broad network of recreational and medical dispensaries in California. The total addressable market for ezGreen in the U.S. is 13,800+ licensed dispensaries and retailers.

FinCanna royalty company QVI Inc. owns the Galley which is an automated contract manufacturing facility of cannabis infused products in Sonoma, California

Annie Holman CEO and Founder of QVI stated: “We are thrilled to be up and running. Although it has taken longer than anticipated, those hurdles are now behind us. The word is clearly out in the industry about our state-of-the-art facility and our outstanding production team. Our sales funnel is building rapidly from a growing influx of inquiries from interested brands as we continue to move quickly to onboard new customers. We also couldn’t be happier with the ongoing support and commitment from the FinCanna team who continue to be excellent partners.”

Closing remarks

FinCanna continues to go from strength to strength. They are set to benefit from a trifecta of tail winds including California’s rapid legal cannabis industry growth, near term revenue growth from their royalty portfolio, and in the case of QVI an even higher royalty for FinCanna.

It is little wonder FinCanna CEO Andriyko Herchak recently said: “We are very pleased QVI is fully operational, and we continue to see sizeable escalating demand for QVI’s manufacturing services....The additional funds we’re providing will enable QVI to meet its goal of becoming the premier

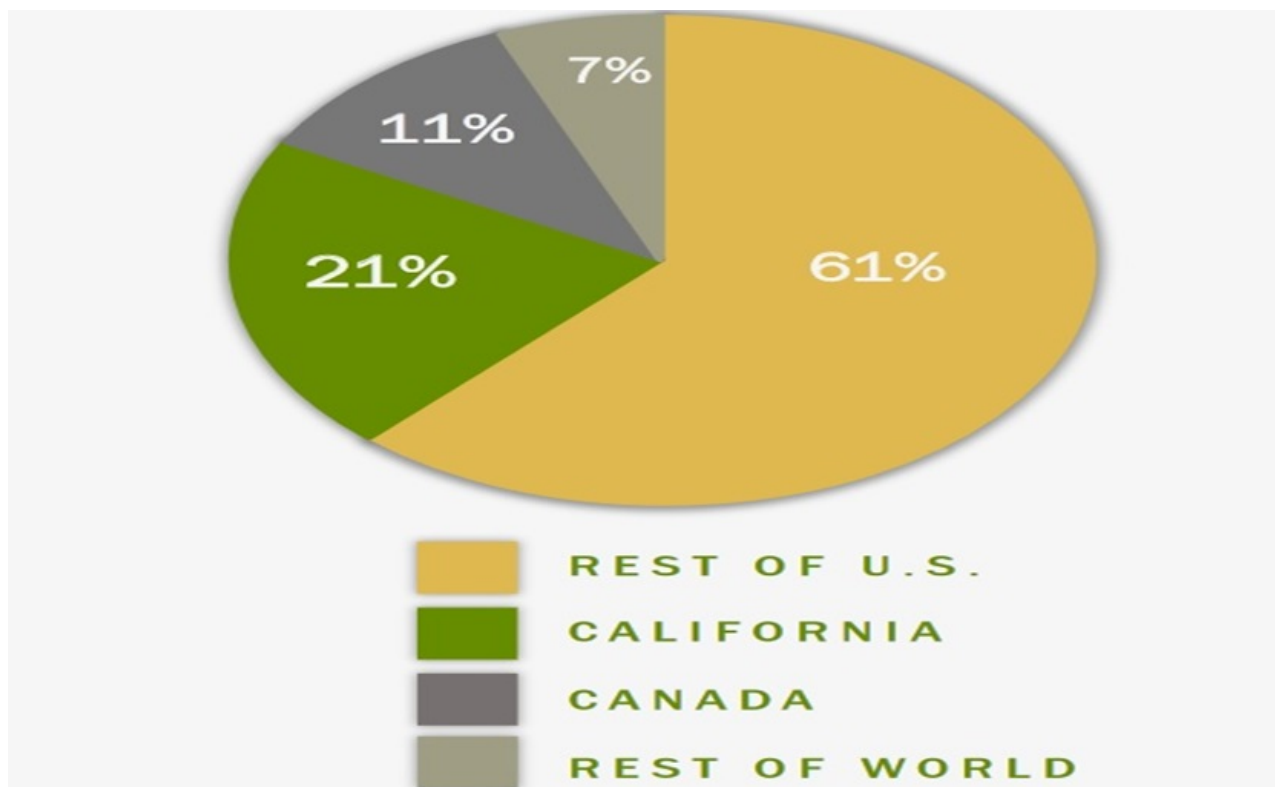
contract manufacturer in California, the largest single market in North America, and the revised royalty agreement creates a strong win-win for QVI and FinCanna.”

I think FinCanna Capital can be a win-win for shareholders if they get in early. FinCanna Capital’s market cap is currently only C\$7 million, so investors should not wait too long.

Royalty driven FinCanna on course to capitalize off of their investees in the rapidly growing Californian cannabis market

California is a global leader in the cannabis market. It is rapidly growing and in need of capital to meet surging demand from consumers. California is the largest cannabis market in North America, representing \$3.1 billion in licensed cannabis sales in 2019, projected to reach US\$7.2 billion by 2024. Cannabis in California has been legal for medical use since 1996 and for recreational use since late 2016.

California accounts for 21% of all global legal cannabis sales



Source

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QVI Inc. receives Californian manufacturing & distribution licences

QVI is a cannabis infused product manufacturer with a state of the art 8,300 square foot facility operating under the name “**The Galley**”, located in Sonoma, California. Cannabis infused products include edibles, topicals, tinctures, chocolates, hard candies, gummies, beverages, vapes, pre-rolls and flower packaging. Cannabis-infused products are a huge growth area. The U.S. market for cannabis-infused products in 2020 is projected to reach nearly \$3 billion, up ~40% over 2019.

The Galley's immediate goal is to be the premier contract manufacturer in California, the largest single market in North America. The facility is differentiated from other cannabis manufacturers by its automated capabilities to produce virtually all high-value cannabis products under one roof. Its growing customer base will include legacy companies already on dispensary shelves, new entrepreneurs with creative IP, and out-of-state brands looking to enter the California market.

FinCanna receives a tiered corporate royalty, adjusted based on revenues, ranging from 15% to 6% of QVI's total revenues, with the top royalty rate of 15% on the first US\$20 million of annual sales until cumulative royalties to FinCanna of US\$10 million are achieved. Additionally, FinCanna will receive a Supplemental Payment, that when coupled with the royalty, will ensure FinCanna receives a minimum of 35% of the annual after-tax net income from QVI.

In April 2020 FinCanna made two significant QVI related announcements:

- QVI Inc. receives California manufacturing license for production of cannabis infused products.
- QVI Inc. receives California cannabis distribution license.

With these two licences in place QVI stated that "the Galley team expects to be shipping finished products to the market within the next four to six weeks." This is excellent progress for QVI, and ultimately for FinCanna, as QVI revenues will be ramping up soon.

Cultivation Technologies Inc. (CTI) expands with a new facility

Cultivation Technologies, operating as Coachella Manufacturing is a multifaceted cannabis manufacturing and distribution company. CTI provides high quality legal Butane Hash Oil (BHO) concentrates for white label manufacturing, toll

processing and packaging to hand-selected brands and cultivators in California.

Butane Hash Oil is a cannabis concentrate



Source

Medicinal cannabis use is popular due to its relief of pain and inflammation. Cannabis can also act to relax muscles and is helpful in various muscular disorders. It is often prescribed to cancer patients undergoing chemotherapy, as it can help not just with pain but the nausea that comes with treatment.

Under the fully funded royalty agreement, FinCanna earns a perpetual royalty of 10% of CTI's consolidated revenues, of which 5% is paid in cash monthly and 5% deferred until certain triggering events, subject to certain buyback options. Additionally, FinCanna will be entitled to 25% to 50% of the sale proceeds of any change of control.

In a March 2020 announcement FinCanna reported:

"CTI commences cannabis extraction and manufacturing at New Palm Desert facility....The new 5,200 sq. ft. state-of-the-art

facility is purposefully designed to maximize workflow efficiencies, optimize productivity and reduce operating costs. Engineered for industrial scale, the facility has approximately over three-times the capacity of CTI's previous interim facility in Coachella, California, with a new estimated annual capacity of approximately US\$35 million."

ezGreen Compliance

ezGreen offers a state-of-the-art enterprise compliance and point-of-sale software solution (ezGreen) for licensed medical cannabis dispensaries and cultivators. Their target market consists of the 11 states plus Washington DC where cannabis is fully legal, and the 23 additional states where medicinal cannabis is legalized. Upon completion of funding, FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject to certain buy-back options.

Last year it was announced that ezGreen had completed an installation of its Point-of-Sale (POS) software with a leading Los Angeles based cannabis dispensary. It is a flagship store of a multi site operator that has a broad network of recreational and medical dispensaries located across California in its portfolio.

Note regarding the Refined Resin royalty: The Refined Resin business was not able to raise the additional capital it needed to become operational so FinCanna has written down its investment and is endeavoring to recover their investment from the sale of Refined Resin's assets.

Closing remarks

FinCanna Capital is basically a royalty play on the rapidly growing Californian cannabis market, plus some broader US potential exposure via ezGreen. Specific areas include cannabis-infused products (via QVI Inc.), cannabis extraction/production facility (via CTI), and point-of-sale software solutions (ezGreen).

FinCanna's strategy makes a lot of sense as they are targeting the established and high growth cannabis markets in California. FinCanna's success will ultimately depend on their portfolio company's performance. Judging by the excellent progress the past three months from QVI (licences achieved, production starting) and CTI (new facility and production commenced) it looks like royalty revenues for FinCanna are now just ramping up.

Given the surging demand within the cannabis sector especially in California, FinCanna stock looks very appealing on a market cap of just C\$8.4 million. Marketscreener.com places a Buy Recommendation at C\$0.29, representing a 241% upside.

The sweetening of FinCanna's cannabis royalty streams through baked goods (and chocolate) in California

As we progress into 2020 and a new decade, the biggest question in the cannabis world is – Will the US legalize cannabis at the Federal level in 2020?

In mid-November 2019, the US House Committee approved the new Cannabis bill. If passed in 2020, it would lead to the decriminalization of cannabis use in the USA. Cannabis is already legal for recreational use in 11 US states, and for medical use in 33 states. President Trump was quoted: "I probably will end up supporting that, yes."

If the US decriminalizes cannabis in 2020 then 2020 will be a

breakout year for US related cannabis stocks; similar to what happened in Canada in 2018 in the run up to cannabis legalization in October 2018.

The cannabis market is forecast to grow very strongly, especially in California USA

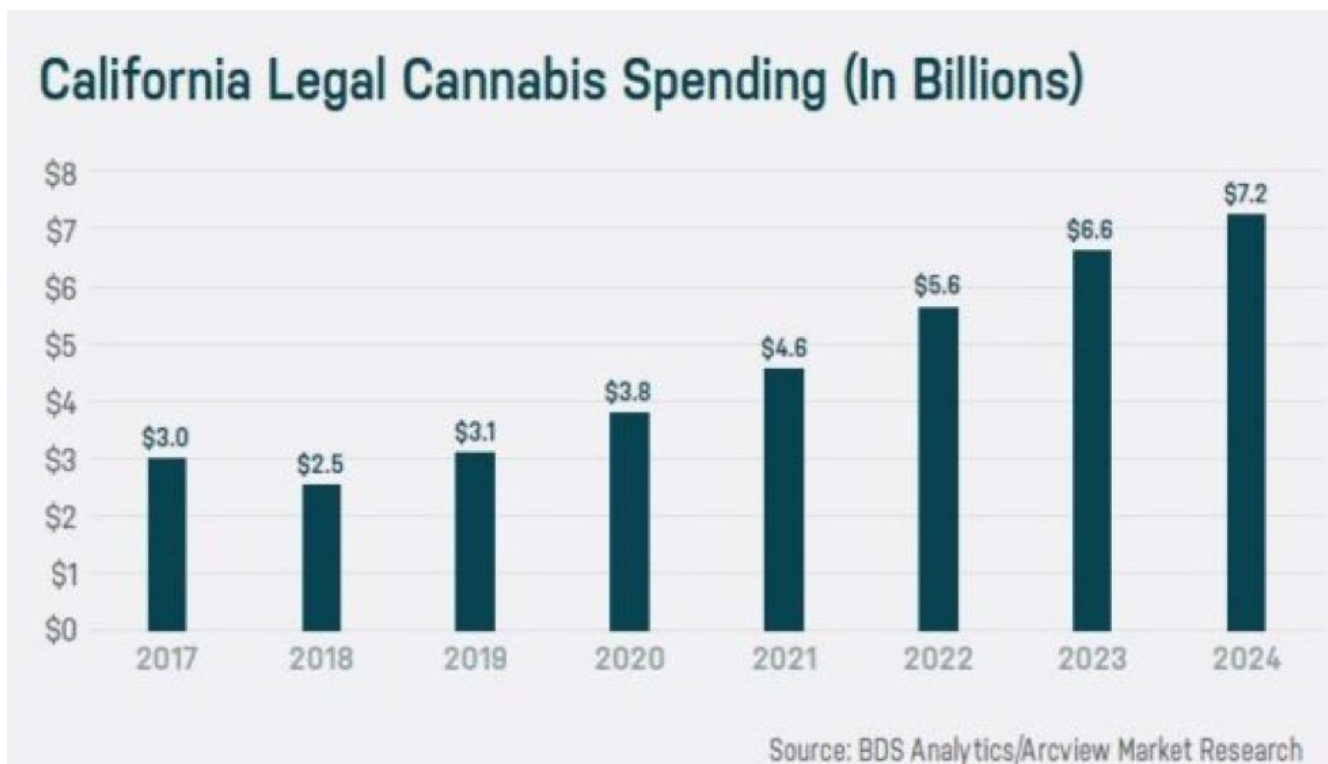
A New Frontier Data report states:

“Overall sales within the legalized U.S. cannabis industry are expected to reach \$13.6 billion throughout 2019, for a 32% increase over 2018 totals worth \$10.3 billion.”

A 2018 report by Arcview Market Research and BDS Analytics states:

“The (global) cannabis market could triple in size in the next four years....with the U.S. expected to fuel much of that growth....Much of the current growth we’re seeing comes from California’s cannabis market.”

California legal cannabis spending forecast to 2024



Source

A Canadian company is ideally positioned to benefit should the cannabis sector get further support in the US. And if not, by focusing on California, where marijuana is already legal for both medicinal and recreational use, this Company should still do very well.

FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) is a royalty company for the licensed US cannabis industry. FinCanna's focus is on the rapidly emerging California cannabis market.

FinCanna's scalable royalty model provides an attractive alternative or complement to debt or equity financing for its investee companies. The Company earns its revenue from royalties paid by its investee companies that are calculated based on a percentage of their total revenues.

FinCanna's royalty and other portfolios

- QVI Inc. is a cannabis infused product manufacturer with a 8,300 square foot facility operating under the name "The Galley", located in Sonoma, California. Products include baked goods, chocolate products and a hard candy and gummy line. FinCanna will earn a perpetual royalty ranging from 15% to 6% of QVI's annual revenues, subject to certain buy-back options.
- Cultivation Technologies Inc. (CTI) has extraction/testing/educational facilities and planned to build a large-scale indoor medical cannabis facility in Southern California. FinCanna has acquired all of the rights and interests in substantially all of the existing property of Cultivation Technologies Inc, obtained via a liquidation sale in May 2019.
- ezGreen Compliance offers a state-of-the-art enterprise compliance and point-of-sale software solution ("ezGreen") for licensed medical cannabis dispensaries and cultivators. FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject to certain buy-back options.

- Refined Resin Technologies Inc. is a cannabinoid research and refinery company based in Oakland California, that will provide B2B and B2C products and services to licensed dispensaries and distributors in the medical cannabis supply chain. FinCanna will earn a perpetual royalty ranging from 16% to 7% of Refined Resin's consolidated annual revenues, subject to certain buy-back options. The effective royalty rate is 11.75% on the first US\$160 million of Refined Resin's consolidated annual revenues.

Latest news (QVI and "The Galley")



The GALLEY
CANNABIS CO-MANUFACTURING & DISTRIBUTION

In late September 2019 it was reported that QVI Inc. "is experiencing greater than initially anticipated demand for its manufacturing services.....Based on this demand, revenue from the first 12-months, upon commencement of commercial production, originally projected to meet or exceed US\$7 million has now increased to over US\$10 million with significant remaining capacity. Furthermore, revenue is expected to continue to escalate as marketing efforts utilizing the founders'

wide network of industry participants gains additional momentum.....

"The Galley", is built to FDA and CDPH standards and is focused on high demand areas of production – Edibles, Topicals, Tinctures, Chocolate, Hard Candies and Gummies. "The Galley" will be differentiated from its peers by its automated capabilities to produce virtually all high-value cannabis products under one roof. This one-stop production expertise is attractive to top tier in-state and out-of-state brands. The premium equipment and operational design will allow "The Galley" to rapidly scale production as demand escalates."

Closing remarks

FinCanna has a very smart and strategic royalties portfolio over three expanding Californian cannabis companies, and 100% of the rights and interests in Cultivation Technologies, also in California, USA. Cannabis is legal for recreational and medicinal use in California, meaning FinCanna should do well regardless of whether cannabis is legalized at the Federal level.

EzGreen covers the POS software side used to sell cannabis products, Refined Resin covers research and medical cannabis dispensaries, QVI Inc. covers an expanding cannabis edibles business and manufacturing facility, and Cultivation Technologies covers a growing/extraction/testing/educational medicinal cannabis business.

Investors can buy stock in FinCanna Capital and get exposure to all of the above for a market cap of just C\$9 million. If FinCanna's portfolio starts to produce revenues on the back of cannabis growth in California, then FinCanna should be a significant winner.

FinCanna CEO on the largest cannabis market opportunity in North America

"We are a royalty financing company focused on the US, particularly California. We finance companies in exchange for a royalty which is a percentage of their topline revenue and in perpetuity...Our royalties average about 10% of topline revenue. As the companies grow and they scale, our revenue

scales with them.” States Andriyko Herchak, CEO and Director of FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF), in an interview with InvestorIntel’s Tracy Weslosky.

Andriyko went on to discuss that California is the largest cannabis market in North America and is about twice the size of all of the Canadian cannabis market put together. The California market is still in its early days and presents a good opportunity for investors who have missed the Canadian cannabis market boom.

To access the complete interview, [click here](#)

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How to Lose Money in Cannabis.

“Some of the massive cannabis stocks will die and disappear. The global market simply is not large enough to justify the combined market caps of these stocks. Why? It’s a risk-return scenario and a lot of cannabis investors happily sit back chewing on a bag a Doritos instead of looking at the risks underlying the market and police involvement in Canada is a massive risk.” States Peter Clausi in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: Today I have the pleasure of speaking with Peter Clausi about Canada’s legalization of marijuana. How are you today Peter?

Peter Clausi: Overall I am very pretty good but I am still

confused about the process.

Tracy Weslosky: Are you confused about the legalization process or what exactly are we talking about here?

Peter Clausi: I have been calling for decriminalization for years. You knew it was coming. No reason why it shouldn't have come but the Liberals have done a terrible job in managing this process and as a result municipalities are unprepared, provinces are unprepared and most importantly police departments are unprepared. There is going to be a terrible social cost to the Liberals mishandling of this process.

Tracy Weslosky: I am going to ask you to dumb that down for some of us that are involved more specifically in investing in the cannabis sector. How is this going to impact cannabis stocks?

Peter Clausi: You remember WorldCom? Too big to fail? It failed. How about Global Crossing? Too big to fail? It failed. Enron, the list goes on and on. Some of the massive cannabis stocks will die and disappear. The global market simply is not large enough to justify the combined market caps of these stocks. Why? It's a risk-return scenario and a lot of cannabis investors happily sit back chewing on a bag of Doritos instead of looking at the risks underlying the market and police involvement in Canada is a massive risk...to access the complete interview, [click here](#)

Will Canada become the new

powerhouse for cannabis investment after October 17?

In a few days Canadians will be able to purchase recreational cannabis from a government approved or owned and operated dispensary or store. This takes the so called illicit drug from back alley deals and busts to a Government collecting taxes on every cannabis product sold. You could argue this is the biggest policy change in generations. The cannabis recreational use legalization will bring significant cultural, social, and workplace changes and it will create economic opportunities for all those associated with the sector. Until now Cannabis was only legal for medicinal use in Canada since 2001, but despite all this it is still the most commonly used illegal drug both in the world and the United States.

Canada will legalize recreational cannabis use from October 17, 2018

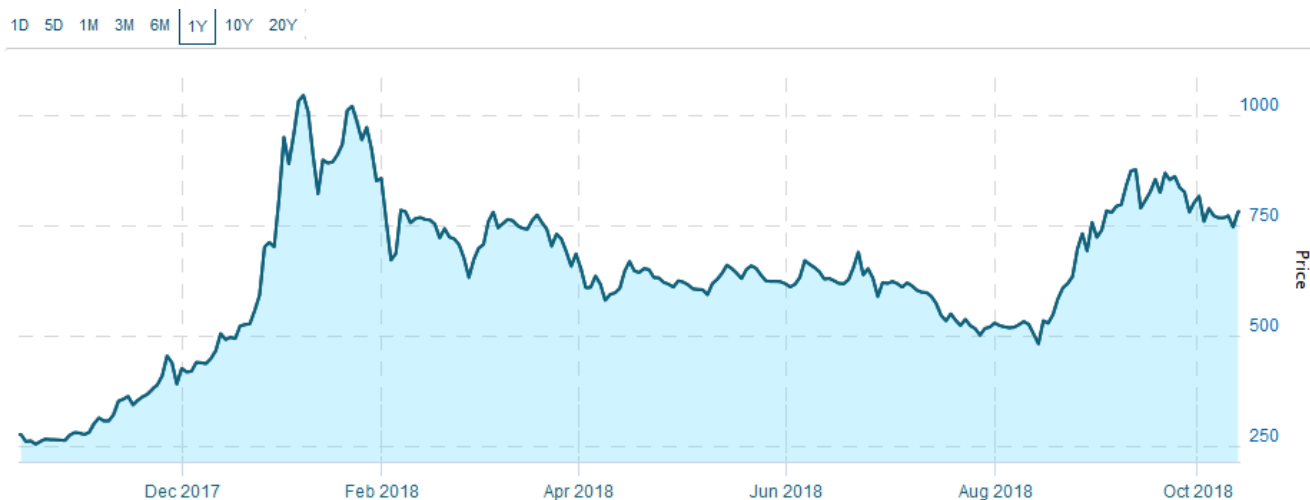
Canada will become the second country in the world behind Uruguay to allow adults to legally purchase marijuana for recreational use. Canada will be able to use its cannabis head start to become a global powerhouse in the sector, with investors looking to Canadian marijuana stocks to boost their portfolios.

Canopy Growth Corp. CEO Bruce Linton said: "The last time we had this much of a lead on anything it involved a guy named Bell making a phone call."

Cannabis stocks have been among Canada's best performing stocks in 2017-18, as many US companies have rushed to list in Canada. Two major publicly traded marijuana companies, Canopy Growth and Aurora Cannabis, are now valued at C\$15 b and C\$13 b respectively. Taken together, they're worth more than Canadian Tire. Canadian marijuana companies are already

exporting their marijuana, technology, and expertise all around the world. This puts them ahead of the competition including the US cannabis industry.

The Canadian Marijuana Index



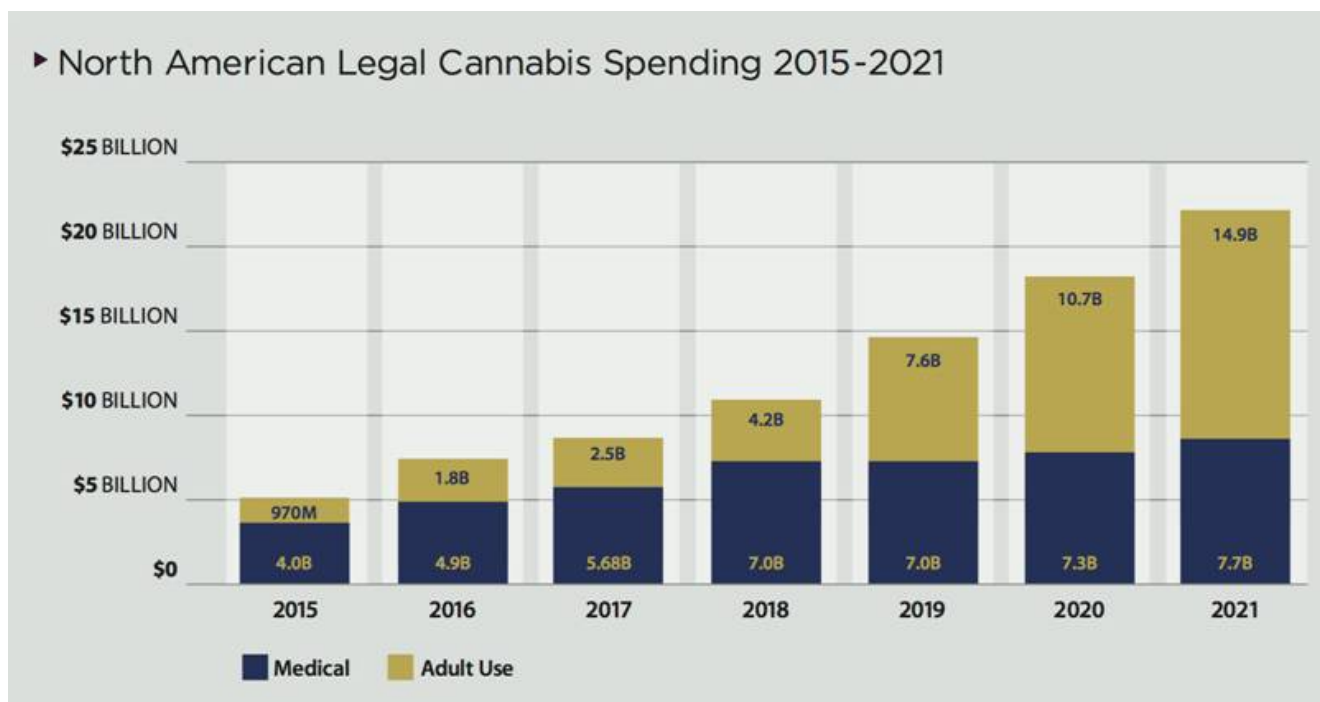
The Canadian Marijuana Index

What happened in Uruguay after recreational use cannabis was legalized?

The Canadian cannabis industry may become an international social and economical test case for legalized pot. But what has happened in Uruguay? Many people arrived there with huge expectations thinking they could easily buy high quality cannabis. But that was not the case at all as less than two dozen pharmacies signed up to sell marijuana and the quality was very poor. To purchase marijuana in Uruguay you also have to be a citizen and go into the government's system to buy cannabis. Uruguayans must provide personal information and even their fingerprints to buy cannabis. This has created a black market as many are not comfortable with this. In Canada tourists and visitors are allowed to purchase cannabis. For these reasons Uruguay's legal marijuana industry hasn't been the massive success that some people thought.

Cannabis industry growth forecasts

Deloitte estimates that the Canadian marijuana market could become a \$4 billion to \$9 billion market once recreational use is legalized. The Canadian marijuana market is currently estimated to be worth around \$400 million. That means Canada's legal marijuana economy is set to grow at least tenfold in size. This alone is reason enough to invest in Canada's marijuana economy.



What's next with the cannabis sector after October 17?

Looking at the chart above the North America cannabis sector is set to almost double in the next 2 years. Of course Canada may see many multiples of this if Deloitte estimates prove correct. I suspect the Canadian cannabis stocks may fall back in the shorter term after a record run; however moving into 2019 and 2020 the fundamentals look very good.

Each year everyday people are getting more familiar with the cannabis industry, which leads to greater investor interest. On October 17 2018 history will be made in Canada and I expect some very large pot parties will be going on. It will be most interesting to look back and reassess in a year from now.

Focusing on the largest cannabis market in the world

California is the largest cannabis market in North America, representing 27-30% of legal U.S. cannabis sales in 2016. US cannabis sales are forecast to surge from US\$9 billion in 2017 to US\$21 billion by 2021, with California being the sales leader both by volume and revenue. California is recognized as a global leader of the marijuana market. Medical cannabis is becoming legalized rapidly on a global scale, which in turn has driven research initiatives to further discover medicinal benefits.



FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF) is a royalty finance company uniquely focused on investing in licensed medical cannabis businesses with a focus on California. The

Company's vision is to be the capital partner of choice for high growth, best-in-class businesses focused on the licensed U.S. medical cannabis industry. FinCanna has invested in 3 top tier businesses so far.

Cultivation Technologies

FinCanna's first royalty investment is with Cultivation Technologies Inc. (CTI), a company which intends to produce licensed, medical, ultra-premium indoor cannabis. FinCanna is entitled to complete its funding to CTI of US\$8.1 million in exchange for a royalty of 14% of CTI's revenues from its planned Coachella Campus Project. This planned 111,500 ft.² facility is to be developed in phases on six acres. FinCanna also has the right to finance CTI's next 2 licensed cannabis facility projects on the same terms as the Coachella Project.

Green Compliance

Green Compliance offers a state-of-the-art enterprise compliance and point-of-sale software solution ("ezGreen") for licensed medical cannabis dispensaries and cultivators. Upon completion of funding, FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject to certain buy-back options.

Refined Resin Technologies

Refined Resin Technologies is a cannabinoid research and refinery company that provides business to business (and business to consumer) products and services to licensed dispensaries and distributors in the medical cannabis supply chain. Upon completion of funding, FinCanna earns a perpetual royalty ranging from 16% to 7.0% of Refined Resin's consolidated annual revenues, subject to certain buy-back options, with an effective royalty rate of 11.75% on the first US\$160 million of Refined Resin's consolidated annual revenues.

In a September 12, 2018 letter to investors the Company commented: "It's been an exciting year for FinCanna. We started trading just over nine months ago, have raised C\$24 million and invested in three top-tier businesses. I believe we've reached an inflection point in our development as our investee companies move toward commercialization. The U.S. market place is approximately 10 times that of Canada. As we've seen in Canada, the market has been primarily driven by a move towards full legalization, and a multi-billion-dollar cannabis industry has been created in a matter of a few years. We believe that the same forces that drove Canadian valuations to unprecedented highs are at play in the U.S., and it is just beginning as evidenced by the 30 states that have legalized medical cannabis. As an early entrant into the U.S. cannabis space we also believe that FinCanna is very well positioned to participate in any large-scale market appreciation that may occur."

Canadians can legally buy and consume cannabis as of October 17. The US is sure to follow having recreational marijuana legal in nine states and medical marijuana legal in 30 states. California alone gives FinCanna the largest cannabis market in the world, where they can finance and grow a portfolio of cannabis related royalty investments.