

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

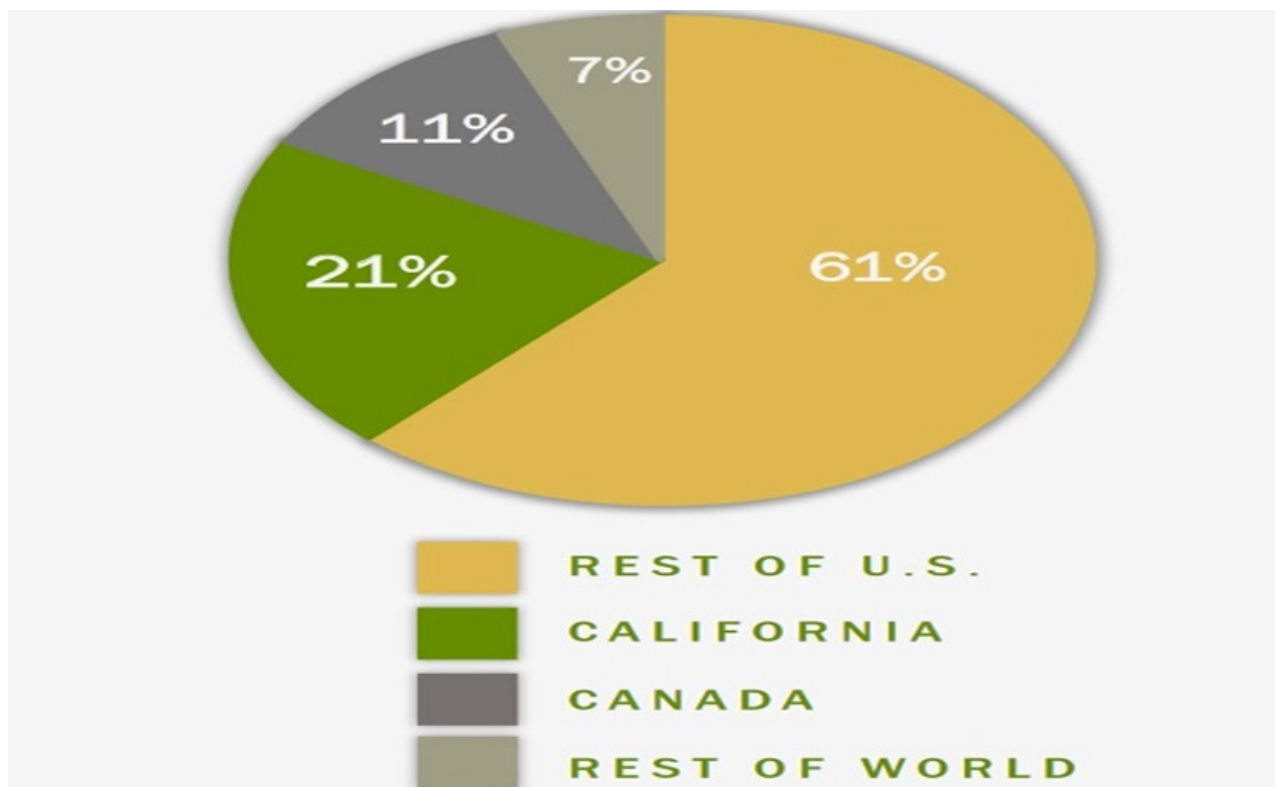
contract manufacturer in California, the largest single market in North America, and the revised royalty agreement creates a strong win-win for QVI and FinCanna.”

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

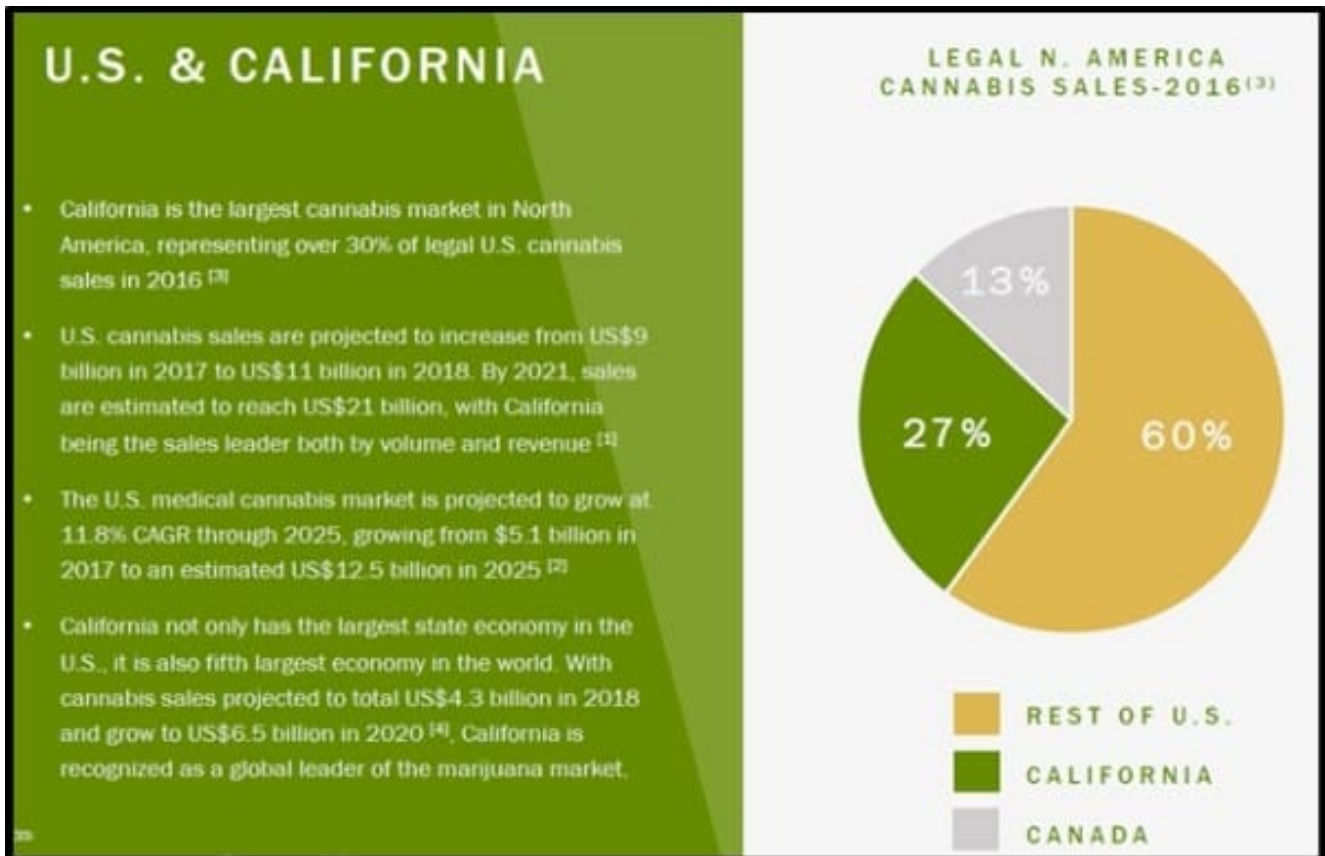
FinCanna Capital is basically a royalty play on the rapidly growing Californian cannabis market, plus some broader US potential exposure via ezGreen. Specific areas include cannabis-infused products (via QVI Inc.), cannabis extraction/production facility (via CTI), and point-of-sale software solutions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

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.

Investing in California's new (Green) Gold Rush

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. FinCanna's primary objective is to form part of a "whole capital" solution for businesses in the licensed medical cannabis sector by providing capital investment for a percentage of the future revenues. It seeks to invest in best-in-class businesses by aligning the business and financial interests of existing owners and operators with those of FinCanna.

According to Market Research, worldwide spending on legal cannabis is expected to hit \$57 billion by 2027. North America will continue to be the leader in legal buyers as the \$9.2 billion spent in 2017 is expected to grow to \$47.3 billion by 2027.

FinCanna has an agreement in place with Cultivation Technologies Inc. (CTI) under which the company will provide capital towards the development of CTI's fully entitled Coachella Campus. Home to this site is Coachella Premium, CTI's exclusive brand of premium medical cannabis. This

111,500 ft.² property will run the full wholesale supply chain for licensed medical cannabis, including a large-scale indoor medical cannabis facility on six acres of land.

In exchange for funding the development of the Coachella Campus, FinCanna will receive a royalty payment of 14 percent of CTI's Coachella Campus revenue. The Campus will also have on-site testing which will screen the product against industry standards and future-state compliance while also testing for pesticides. FinCanna has a secured loan to CTI of US\$6 million earning interest of 20% per annum.

On June 7, 2018 it was announced that Cultivation Technologies Inc. (CTI), with its first investment in California, has achieved US\$1 million in cumulative revenue since it commenced commercial operations in late January 2018. Andriyko Herchak, President, CEO and Director of FinCanna Capital said, "We are very pleased to see the sales performance of CTI which has translated into its first US\$1 million in revenue at only a fraction of its capacity. With its sales team in place building out an ever-expanding distribution footprint, and it's manufacturing ramping up we see a bright future as we move into the second half of 2018."

Miguel Motta, President & CEO of Cultivation Technologies, Inc. also added: "We are quite encouraged about the revenue growth CTI is experiencing in just a few short months since launching operations. We've learned a lot about the market and expect to build upon our initial success in 2018 and beyond." CTI is working to maximize the commercial potential of its extraction facility, which can process an estimated 6,000 pounds of biomass per month, which translates to approximately 3.7 million grams of raw cannabis oil annually. FinCanna is entitled to receive 50% of the profits from this extraction facility.

FinCanna's second royalty investment is with Green Compliance Inc., which offers a state-of-the-art enterprise compliance

and point-of-sale software solution (“ezGreen”) for licensed medical cannabis dispensaries and cultivators. On June 13 Fincanna announced that ezGreen Compliance has launched its advanced “ezGreen Compliance 2.0” software solution. EzGreen has executed a strategic partnership agreement with a major technology solution provider in the cannabis industry to offer the ezGreen Compliance solution to its customer base of 1,000+ dispensaries across the United States. It looks like another astute move by FinCanna.

FinCanna have a market cap of C\$ 24m.

With the every growing (no pun intended) market and future demand for medical cannabis, FinCanna may have found that next California (green) gold rush.