



# **HempNova Lifetech Corporation**

## **Consolidated Financial Statements**

**For the three months ended September 30, 2020 and 2019**

(Expressed in Canadian dollars)

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of HempNova Lifetech Corporation have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

HempNova Lifetech Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai  
Chief Executive Officer

Melinda Hsu, CPA, CGA  
Chief Financial Officer

Vancouver, Canada  
November 23, 2020

# HempNova Lifetech Corporation

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	September 30, 2020	June 30, 2020
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,743,730	1,810,931
Inventories (note 3)	2,184,232	1,705,835
Other receivables (note 4)	1,978	276,016
Prepaid expenses and deposits	40,644	12,736
	4,970,584	3,805,518
<b>Non-current assets</b>		
Deposits	71,090	206,970
Property and equipment, net (note 6)	8,965,872	7,530,801
Right-of-use assets (note 5a)	3,007,482	3,143,671
<b>Total assets</b>	<b>17,015,028</b>	<b>14,686,960</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	166,257	309,722
Customer advance	-	-
Due to related parties (note 7)	9,766	686,062
Lease obligations, current (note 5b)	171,589	172,201
	347,612	1,167,985
<b>Non-current liabilities</b>		
Deferred tax liabilities	21,000	21,000
Convertible debt subscription received in advance	4,198,600	-
Lease obligations, non-current (note 5b)	3,006,352	3,113,058
<b>Total liabilities</b>	<b>7,573,564</b>	<b>4,302,043</b>
<b>Shareholders' equity</b>		
Share capital (note 8a)	17,109,312	17,109,312
Reserves	1,960,382	1,880,856
Accumulated other comprehensive income (loss)	(156,224)	82,654
Deficit	(9,472,006)	(8,687,905)
<b>Total shareholders' equity</b>	<b>9,441,464</b>	<b>10,384,917</b>
<b>Total shareholders' equity and liabilities</b>	<b>17,015,028</b>	<b>14,686,960</b>

*Nature and continuance of operations (note 1)*

*Commitments and contingency (note 10)*

**Approved by the Board of Directors:**

*(Signed)* Shawn Dang Director

*(Signed)* Michael Doggett Director

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

## HempNova Lifetech Corporation

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss  
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three Months Ended September 30,	
	2020	2019
	\$	\$
<b>Operation expenses</b>		
Audit and accounting	9,098	9,131
Amortization (note 5,6)	189,040	77,519
Consulting and management fees	84,783	85,125
Directors' fees	3,000	1,500
Interest expense (note 5)	63,313	24,297
Legal, filing and transfer agent fees	16,603	21,972
Office and miscellaneous	71,008	73,685
Rent	25,752	21,967
Research and development	116,033	-
Salaries and benefits	117,006	101,666
Share-based compensation (note 8b)	79,526	-
Travel, marketing and others	20,867	21,168
	<u>796,029</u>	<u>438,030</u>
<b>Operation loss before the following items:</b>	(796,029)	(438,030)
Foreign exchange gain (loss)	14,340	(2,360)
Other (expenses) / income	(2,412)	5,231
	<u>(784,101)</u>	<u>(435,159)</u>
<b>Net loss</b>		
<b>Other comprehensive income (loss):</b>		
Exchange (loss) / gain on translating foreign operations	(238,878)	22,782
	<u>(1,022,979)</u>	<u>(412,377)</u>
<b>Comprehensive loss</b>		
<b>Loss per share - basic and diluted</b>	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>		
- basic and diluted	62,583,353	40,200,853

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

## HempNova Lifetech Corporation

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

	Number of outstanding shares	Share capital	Subscription received in advance	Reserve	Deficit	Accumulated comprehensive (loss) / income	Total
	#	\$	\$	\$	\$	\$	\$
<b>Balance, June 30, 2019</b>	36,800,853	8,872,150	1,500,000	1,768,454	(8,340,585)	(23,388)	3,776,631
Issuance of shares	8,500,000	1,676,712	(1,500,000)	-	-	-	176,712
Net loss for the period	-	-	-	-	(435,159)	-	(435,159)
Other comprehensive income	-	-	-	-	-	22,782	22,782
<b>Balance, September 30, 2019</b>	45,300,853	10,548,862	-	1,768,454	(8,775,744)	(606)	3,540,966
<b>Balance, June 30, 2020</b>	62,583,353	17,109,312	-	1,880,856	(8,687,905)	82,654	10,384,917
Share-based compensation	-	-	-	79,526	-	-	79,526
Net loss for the period	-	-	-	-	(784,101)	-	(784,101)
Other comprehensive loss	-	-	-	-	-	(238,878)	(238,878)
<b>Balance, September 30, 2020</b>	62,583,353	17,109,312	-	1,960,382	(9,472,006)	(156,224)	9,441,464

*The accompany notes are an integral part of these consolidated financial statements*

# HempNova Lifetech Corporation

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three Months ended September 30,	
	2020	2019
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(784,101)	(435,159)
Adjustments for:		
Amortization	189,040	77,519
Foreign exchange (gain) / loss	(14,340)	2,360
Interest expense (note 5)	63,313	24,297
Share-based compensation	79,526	-
Changes in items of working capital		
Accounts payable and accrued liabilities	23,725	60,109
Customer advance	-	54,292
Due from (to) related parties	(676,310)	112,084
Inventory	(396,563)	(15,742)
Prepaid expenses and deposits	(28,139)	(48,313)
Other receivables	268,258	28,750
Cash used in operating activities	(1,275,591)	(139,803)
<b>Financing activities</b>		
Issuance of common shares, net	-	176,712
Convertible debt subscription received in advance	4,198,600	-
Payment of lease obligations (note 5)	(104,407)	(82,328)
Cash generated from financing activities	4,094,193	94,384
<b>Investing activities</b>		
Purchase of property and equipment	(1,850,003)	(1,604,868)
Payment of deposit	(1,897)	(20,799)
Cash used in investing activities	(1,851,900)	(1,625,667)
<b>Effect of exchange rate on cash</b>	(33,903)	16,599
<b>Increase (decrease) in cash</b>	932,799	(1,654,487)
<b>Cash, beginning of the period</b>	1,810,931	2,915,626
<b>Cash, end of the period</b>	2,743,730	1,261,139
<b>Supplemental disclosures of cash flows:</b>		
Cash received from interest	335	-
Cash paid for tax instalment payment	2,747	-
Change in deposit with respect to property and equipment	133,206	644,853
Change in accounts payable with respect to property and equipment	(157,144)	-
Amortization capitalized in inventories	117,298	-

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

# **Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)**

## **Condensed Consolidated Interim Statements of Financial Position**

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### **1. Nature and continuance of operations**

HempNova Lifetech Corporation (the “Company”) was incorporated in British Columbia in October 1989 and changed its name from Pacific Link Mining Corp. on May 2, 2019. The registered head office principal address and the records office of the Company are located at 2060 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3.

The Company, through its wholly owned subsidiary HempNova Lifetech (USA) Corp. (“HempNova (USA)”) and HempNova (USA) wholly owned subsidiaries, is engaged in industrial hemp related products and services. HempNova (USA) was incorporated in Delaware, USA and its wholly owned subsidiaries operate in Oregon, USA.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has started its industrial hemp business since 2019. The Company believes the financial resource on hand is adequate to support the Company’s operation in the next twelve months.

These condensed consolidated interim financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

Since February 2020, the coronavirus (“COVID-19”) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s financial position, results of operations and cash flows in future periods.

### **2. Basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the six months ended June 30, 2020 and the year ended December 31, 2019, which were prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim financial statements were approved by the board of directors for issue on November 23, 2020.

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

#### **Significant accounting policies**

The Company’s accounting policies and significant judgements and estimates applied in these condensed interim financial statements are consistent with those of the audited consolidated financial statements for the six months ended June 30, 2020 and the year ended December 31, 2019.

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 2. Basis of presentation (continued)

#### Change in year end

On April 28, 2020, the Company changed its fiscal year end from December 31 to June 30 effective immediately to better reflect the seasonality of its operations. In respect of its new financial year, the Company has filed its transition period audited financial statements for the six months ended June 30, 2020 with the comparative period for the twelve months ended December 31, 2019. The unaudited interim financial statements for the first quarter ended September 30, 2020 with comparative figures to the same period ended September 30, 2019.

#### Consolidation and subsidiaries

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, HempNova USA, HempNova Oregon LLC (“HempNova Oregon”), HempNova Asset Management LLC (“HempNova Asset”), HNL2 Holding LLC (“HNL2”), HNL3 Holding LLC (“HNL3”), HempNova Eugene LLC (“HempNova Eugene”), and HempNova 238 LLC (“HempNova 238”).

Information of the Company’s subsidiaries as at September 30, 2020 is as follows:

Name	Principal activities (ownership interest)	Country of Incorporation
HempNova USA	Holding company (100%)	USA
HempNova Oregon	Holding company (100%)	USA
HempNova Asset	Holding company (100%)	USA
HNL2	Asset holding company (100%)	USA
HNL3	Asset holding company (100%)	USA
HempNova Eugene	Industrial hemp business (100%)	USA
HempNova 238	Industrial hemp business (100%)	USA

### 3. Inventory

The Company’s inventory is comprised of 2019 hemp biomasses split from its customers and taken over through foreclosure liens on certain customers against their outstanding account receivables, as well as packing material and biological assets. As at September 30 and June 30, 2020, the biomass inventory was recorded at the lower of its cost and net realisable value and consist of the following:

	September 30, 2020	June 30, 2020
	\$	\$
Hemp biomass	1,623,356	1,658,527
Biological assets	518,572	-
Packing material and others	42,304	47,308
	2,184,232	1,705,835

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 3. Inventory (continued)

#### Biological assets

The Company has grown its industrial hemp on its farm operated by the Company's personnel since June 2020 and harvesting of plants starts early October 2020.

The Company capitalizes the direct and indirect costs associated with the production of its biological assets as incurred, less estimated yield losses and fair value adjustments. Any adjustments to capitalized biological asset costs are expensed to cost of sales.

As little biological transformation has taken place since the beginning of the cultivation process, the carrying value approximates the fair value of the biological assets as of September 30, 2020. Measurement of the hemp at fair value less costs to sell begins in the point of harvest.

	Biological assets
	\$
Carrying amount, June 30, 2020 and December 31, 2019	-
Production costs	518,572
Changes in fair value less costs to sell due to biological transformation	-
Carrying amount, September 30, 2020	518,572

### 4. Other receivables

Other receivables consist of the following:

	September 30, 2020	June 30, 2020
	\$	\$
Deposit receivable	-	272,560
GST receivable	1,978	3,456
	1,978	276,016

During the six months ended June 30, 2020, the Company entered into various agreements (the "Agreements") with Creekside Hemp Inc. and NV Farms LLC (collectively the "Sellers") to acquire a 90% interest in all the assets related to an integrated hemp operation located in Oregon, USA. The Company paid \$408,840 (US\$300,000) as a refundable deposit to the Sellers. In April 2020, upon the completion of extensive due diligence, the Company decided to terminate the Agreements. As at June 30, 2020, the Company received \$136,280 (US \$100,000) from the Sellers. The balance of \$272,560 (US \$200,000) was included in other receivable as at June 30, 2020 and received during the three months ended September 30, 2020.

### 5. Lease

The Company's recognized right-of-use assets and liabilities were comprised of the present values of all future lease payments of four leases located in Vancouver Canada, Beijing China, and Eugene and Medford in Oregon, USA.

The right-of-use assets and lease obligations were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8%.

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 5. Lease (continued)

#### Facility lease in Eugene, USA

This lease, located in Eugene, has an initial term of five years with the option to renew for two additional five-year terms (ending May 31, 2034) with monthly rent of US\$13,738 and annual increment of 1.5%. A deposit of \$24,995 (US\$18,738) has been placed in connection with this lease, which will be refundable within 30 days after expiration of the lease term.

#### Facility lease in Medford, USA

This lease, located in Medford, has an initial term of three years with the option to renew for two additional five-year terms (ending August 14, 2032) with monthly rent of US\$7,500 and an annual increment of 3% at the extension of the term. A deposit of \$20,618 (US\$15,457) has been placed in connection with this lease, which will be refundable within 30 days after expiration of the lease term.

#### Shared office lease in Vancouver, Canada

This lease is for a shared office with other companies related by virtue of certain directors and management in common. Such office lease will expire on April 30, 2023. The Company started sharing this lease from January 1, 2020.

#### Shared office lease in Beijing, China

This lease is for a shared office with Minco China Corporation (“Minco China”), a wholly owned subsidiary of Minco Silver Corporation (“Minco Silver”). The Company and Minco Silver are related by virtue of certain directors and management in common. Minco China entered into a lease agreement with its CEO who is also the Company’s CEO for the use of an office in Beijing, China with an expiry date on August 31, 2021. The Company started to share 20% of this lease on January 1, 2020.

### a) Right-of-use assets

The continuity of the right-of-use assets as at September 30, 2020 and June 30, 2020 is as follows:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Right-of-use assets, as at December 31, 2019	-	-	1,951,392	1,031,283	2,982,675
Addition	99,030	67,713	-	-	166,743
Amortization	(14,855)	(19,680)	(71,665)	(42,382)	(148,582)
Foreign exchange and others	-	(2,386)	111,601	33,620	142,835
Right-of-use assets, as at June 30, 2020	84,175	45,647	1,991,328	1,022,521	3,143,671
Amortization	(7,427)	(9,772)	(34,965)	(20,678)	(72,842)
Foreign exchange and others	-	644	(42,278)	(21,713)	(63,347)
Right-of-use assets, as at September 30, 2020	76,748	36,519	1,914,085	980,130	3,007,482

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 5. Lease (continued)

#### b) Lease obligation

The continuity of the lease obligation as at September 30, 2020 and June 30, 2020 is as follows:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Lease obligation recognized, as at December 31, 2019		-	-	1,999,910	1,052,129
Addition	99,030	67,713	-	-	166,743
Interest accretion	3,642	2,174	83,455	42,822	132,093
Lease payments	(16,408)	(20,946)	(112,803)	(61,429)	(211,586)
Foreign exchange and others	-	(2,392)	113,805	34,557	145,970
Lease obligation, June 30, 2020	86,264	46,549	2,084,367	1,068,079	3,285,259
Interest accretion	1,625	797	40,273	20,618	63,313
Lease payments	(8,312)	(10,401)	(55,723)	(29,971)	(104,407)
Foreign exchange and others	-	661	(44,222)	(22,663)	(66,224)
Lease obligation, September 30, 2020	79,577	37,606	2,024,695	1,036,063	3,177,941
Lease obligation, current	28,395	37,606	66,198	39,390	171,589
Lease obligation, non-current	51,182	-	1,958,497	996,673	3,006,352

The maturity analysis of the Company's contractual undiscounted lease liabilities as at June 30, 2020 is as follows:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Less than one year	33,518	38,868	224,315	120,051	416,752
One to three years	54,316	-	458,776	244,923	758,015
Four to five years	-	-	472,643	259,838	732,481
Beyond five years	-	-	2,218,389	1,012,820	3,231,209
	87,834	49,468	3,374,123	1,637,632	5,138,457

#### c) Amounts recognized in Statement of Loss

Short-term leases represented staff dormitory and low-value leases represented parking and storage.

For the three months ended September 30, 2020:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Interest on lease obligation	1,625	797	40,273	20,618	63,313
Rent related to low-value, short-term and variable leases	3,679	1,868	20,205	-	25,752
Amortization	7,427	9,772	34,965	20,678	72,842

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 5. Lease (continued)

#### c) Amounts recognized in Statement of Loss (continued)

For the three months ended September 30, 2019:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Interest on lease obligation	-	-	17,704	6,593	24,297
Rent related to low-value, short-term and variable leases	2,400	-	19,567	-	21,967
Amortization	-	-	42,892	16,483	59,375

### 6. Property and equipment

As at September 30, 2020 and June 30, 2020, the Company had the following property and equipment.

Cost	Farmland	Machinery and equipment	Furniture and office equipment	Vehicle	Barn, green house and fixture	Leasehold improvement	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
December 31, 2019	-	1,988,972	74,228	94,852	-	981,974	-	3,140,026
Additions	953,960	1,221,604	18,057	15,874	913,076	283,970	1,333,582	4,740,123
Foreign exchange	-	93,218	3,479	4,445	-	46,024	-	147,166
June 30, 2020	953,960	3,303,794	95,764	115,171	913,076	1,311,968	1,333,582	8,027,315
Additions	-	645,235	-	54,529	2,311,337	-	(1,182,368)	1,828,733
Foreign exchange	(20,230)	(70,175)	(2,031)	(2,499)	(19,815)	(27,475)	(28,280)	(170,505)
September 30, 2020	933,730	3,878,854	93,733	167,201	3,204,598	1,284,493	122,934	9,685,543

#### Accumulated amortization

December 31, 2019	-	149,171	5,567	7,114	-	19,434	-	181,286
Amortization	-	228,540	7,803	9,465	15,243	46,192	-	307,243
Foreign exchange	-	6,611	248	318	(25)	833	-	7,985
June 30, 2020	-	384,322	13,618	16,897	15,218	66,459	-	496,514
Amortization	-	157,695	4,015	7,260	22,700	41,826	-	233,496
Foreign exchange	-	(8,003)	(284)	(352)	(316)	(1,384)	-	(10,339)
September 30, 2020	-	534,014	17,349	23,805	37,602	106,901	-	719,671

#### Net carrying value

September 30, 2020	933,730	3,344,840	76,384	143,396	3,166,996	1,177,592	122,934	8,965,872
June 30, 2020	953,960	2,919,472	82,146	98,274	897,858	1,245,509	1,333,582	7,530,801

During the three months ended September 30, 2020, the amortization expense was \$233,496 (2019 - \$18,144), of which \$117,298 (2019 - \$Nil) was capitalized into biological assets.

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 7. Related party transactions

#### (a) Shared office expenses

The Company, Minco Silver, Minco Capital Corp. (“Minco Capital”), and Minco Base Metals Corporation (“MBM”) have certain directors and management in common. These four companies share certain offices and administrative expenses.

During the three months ended September 30, 2020, the Company incurred \$49,842 (2019 - \$2,400) to Minco Capital for reimbursement of shared office expenses and rent for the head quarter in Vancouver and incurred \$12,270 (2019 - \$Nil) to Minco China for reimbursement of shared office rent in Beijing, China. During the three months ended September 30, 2020, the Company also incurred \$114,142 (2019 - \$Nil) to MBM for reimbursement of labour, travel and other expenses in China.

#### (b) Key management compensation

Key management includes the Company’s directors and senior management. During the three months ended September 30, 2020 and 2019, the following compensation was charged by the key management.

	Three months ended September 30,	
	2020	2019
	\$	\$
Senior management remuneration	105,335	93,804
Directors’ fees	3,000	1,500
Share base compensation	61,200	-
<b>Total</b>	<b>169,535</b>	<b>95,304</b>

#### (c) Due to related parties

As at September 30, 2020 and June 30, 2020, the Company’s amount payable to related parties are as follow:

	As at September 30,	As at June 30,
	2020	2020
	\$	\$
MBM, for labor and equipment purchase	-	495,837
Minco Capital, for reimbursement of the shared expenses	-	458
Minco Silver, for reimbursement of the shared expenses	-	125,805
A company owned by the CEO, for service fees	-	55,026
Due to the president for expenses reimbursement	9,766	8,936
<b>Total due to related parties</b>	<b>9,766</b>	<b>686,062</b>

Amounts due to related parties are unsecured, non-interest bearing and without specific terms of repayment.

#### (d) Participated in the Company’s private placement

MBM and a person related to the Company’s President participated in the Company’s convertible note financing closed on October 20, 2020 and the Company received an aggregate of \$2,400,000 of convertible debt subscription received in advance during the three months ended September 30, 2020. (see note 13)

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### 7. Related party transactions (continued)

#### (e) Trust arrangements

The Company has been purchasing substantial amount of machinery, equipment, and construction parts from suppliers in China for its facilities in Oregon, USA. In order to facilitate such purchases, the Company entered into a trust agreement with Minco International Mining Consulting Co. Ltd. (“Minco International”), MBM’s wholly owned subsidiary registered in China, for holding the Company’s \$1,000,000 in an exclusive bank account in China. Minco International processed all of the purchase orders, shipment, payments in China and provided related labours on behalf of the Company. During the three months ended September 30, 2020, Minco International charged service fees of \$16,154. As at September 30, 2020, the amount held by Minco International is \$874,331.

In 2019, the Company entered into a trust agreement with Beijing Zhongjia Kailong Technology Development Co. Ltd. (“Zhongjia”), a Chinese registered entity controlled by a brother of the Company’s CEO, for holding the Company’s \$1,500,000 in Zhongjia bank account. Zhongjia processed the Company’s equipment purchases in China on behalf of the Company. As at September 30, 2019, the amount held by Zhongjia on behalf of the Company was \$260,171. Such fund was fully used subsequent to September 30, 2019.

### 8. Share capital

#### (a) Share capital

Authorized share capital - unlimited number of common shares without par value.

#### Three months ended September 30, 2020

The Company did not issue any common shares during the three months ended September 30, 2020.

#### Six months ended June 30, 2020

In February 2020, the Company approved \$347,545 of incentive payments to directors, officers, employees and consultants. The Company issued 1,115,000 common shares at \$0.20 per share for a total of \$223,000 and paid \$124,545 in cash for the settlement.

In May 2020, the Company closed a non-broker private placement of 16,167,500 common shares at a price of \$0.40 per share for gross proceeds of \$6,467,000. A finder’s fee of \$129,550 was paid in connection with this financing.

#### (b) Options

The Company has an incentive stock option plan (the “Plan”) whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue less any discount allowed by the stock exchange upon which the common shares are listed. The Plan provides for the issuance of up to 10% of the Company’s issued common shares as at the date of grant with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

The Company did not grant any stock options during the three months ended September 30, 2020. During the six months ended June 30, 2020, the Company granted 3,500,000 stock options to certain of its directors, employees and consultants at an exercise price of \$0.20 per common share and 200,000 stock options to a senior officer at an exercise price of \$0.40 per common share. These options vest 1/3 each year over three years from the grant date and exercisable for a period of five years.

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 8. Share capital (continued)

#### (b) Options (continued)

During the three months ended September 30, 2020, the Company recorded \$79,526 (2019 - \$Nil) share-based compensation for stock options granted and vested. A continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
	#	\$
Balance, December 31, 2019	-	-
Grant	3,700,000	0.21
Forfeited	(130,000)	0.20
Balance, June 30, 2020	3,570,000	0.21
Forfeited	(50,000)	0.20
Balance, September 30, 2020	3,520,000	0.21

Options outstanding			Options exercisable		
exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$	#		\$	#	\$
0.20	3,350,000	4.41	0.20	-	-
0.40	200,000	4.48	0.40	-	-
	3,520,000	4.41	0.21	-	-

As at September 30, 2020, there was \$334,870 (June 30, 2020 - \$421,400) of total unrecognized compensation cost relating to unvested options.

The Company uses the Black-Scholes option pricing model to determine the fair value of the options. Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. In the absence of a volatility of the Company's share price, the Company has used the annual volatility of the share prices of three Canadian comparable companies to estimate the Company's share price volatility for use in the Black-Scholes option pricing model. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

### 9. Aibeida transaction

In 2019, the Company terminated the Share Exchange Agreement dated September 18, 2018 (the "Aibeida Agreement") made among the Company, Aibeida Lifetech Ltd. ("Aibeida"), Hang Zhou Aibeida Technologies Co. Ltd., Clever Splendor Limited ("Clever Splendor") and H.K. Gimaras Industrial Co. Ltd. ("Gimaras"), pursuant to which the Company would acquire all of the issued and outstanding shares of Aibeida from Clever Splendor and Gimaras. The termination was the result of material breaches by Aibeida, Clever Splendor and Gimaras of their obligations under the Aibeida Agreement.

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 9. Aibeida Transaction (continued)

During the year ended December 31, 2018, the Company advanced a loan of \$200,000 (the “Loan”) and advanced \$38,497 to Aibeida and its subsidiary for Aibeida’s expenses for a total of \$238,497 with non-interest bearing and repayable on demand. Aibeida shareholders had pledged all outstanding shares of Aibeida as security for repayment of the Loan.

As at December 31, 2019, the Company provided a valuation allowance totalling \$238,497 for the doubt of the recovery of the Loan and the advance. A notice of the Loan collection was sent to Aibeida on November 25, 2019. As at September 30 and June 30, 2020, the Company has not received the recovery of the Loan and the advance. The Company will continue its legal collateral action to recover the Loan.

### 10. Commitments and contingency

(a) As at September 30, 2020, the Company has four leases commitment (see note 5) with a breakdown as follows

Fiscal year ended June 30,	\$
2021	314,562
2022	387,953
2023	382,372
2024	360,740
2025 – 2034	3,692,830
	<u>5,138,457</u>

(b) The Company has been notified of a third-party legal claim, relating to a contract with a customer. However, in the opinion of the management, this claim is without merit and no provision has been made for it in the accounts.

### 11. Segment information

The Company defines its major operating segment as its industrial hemp processing in Oregon, USA and all of the Company’s property, plant and equipment are located in Oregon, USA. The geographical division of the Company’s assets is as follows:

As at September 30, 2020	Canada	USA	Total
	\$	\$	\$
Current assets	1,486,443	3,484,141	4,970,584
Non-current assets	113,266	11,931,178	12,044,444

  

As at June 30, 2020	Canada	USA	Total
	\$	\$	\$
Current assets	594,129	3,211,389	3,805,518
Non-current assets	129,821	10,751,621	10,881,442

During the three months ended September 30, 2020 and 2019, there were no revenue generated.

# **Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)**

## Condensed Consolidated Interim Statements of Financial Position

*(Unaudited, expressed in Canadian dollars, unless otherwise stated)*

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### **12. Financial instruments**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is the risk of liquidity of cash of \$2,743,730 as at September 30, 2020 (June 30, 2020 - \$1,810,931). As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk related to cash is considered by management to be negligible.

Significant management estimates are used to determine the allowance for doubtful accounts. The Company considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor's ability to pay based on information that is available each reporting period, monitoring past due accounts and other external factors. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. The Company monitors the credit quality of the customers it deals with on an ongoing basis.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's primary exposure to liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities obligations of \$166,257 at September 30, 2020 (June 30, 2020 - \$309,722). The Company did maintain sufficient cash balances to meet these needs at September 30, 2020.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash which is not considered to be significant.

#### *Fair Value of Financial Instruments*

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to the short-term nature.

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.

# Hempnova Lifetech Corporation (formerly Pacific Link Mining Corp.)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

### 12. Financial instruments (continued)

The following table summarizes the carrying value of financial instruments as at September 30, 2020 and June 30, 2020:

	September 30, 2020	June 30, 2020
<b>Financial assets, amortized cost:</b>	\$	\$
Cash	2,743,730	1,810,931
Other receivables	1,978	276,016
<b>Financial liabilities, amortized cost:</b>		
	166,257	309,722
Customer advance	-	-
Due to related parties	9,766	686,062
Lease obligations, current	171,589	172,201
Lease obligations, non-current	3,006,352	3,113,058
Convertible debt subscription received in advance	4,198,600	-

### 13. Subsequent Events

#### (a) Convertible note financing

On October 20, 2020, the Company closed a \$4,198,600 convertible note financing (the "Notes"). The Notes are unsecured debt obligations of the Company and bear interest at a rate of 10% per annum to be paid annually in arrears on each of the first, second and third anniversary of the closing date. Subject to conversion, the principal amount of the Notes will mature and be repayable in full on the third anniversary of the closing date (the "Maturity Date").

The principal amount of the Notes may be converted, in whole or in part, into common shares of the Company at a conversion price of \$0.50 per common share until the second anniversary of the closing date and, thereafter, at a conversion price of \$0.60 per common share until the Maturity Date. The Company may redeem the Notes upon 30 days' notice to the purchaser at any time prior to the maturity date.

The net proceeds from the private placement will be used to fund the Company's expansion plans in 2020 and general working capital.

The Notes will be subject to resale restrictions prohibiting resale for a period of 4 months and a day from their date of issue.