



HempNova Lifetech Corporation

Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022, and 2021

(Unaudited, expressed in Canadian dollars unless otherwise stated)

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 Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Dr. Ken Cai
Chief Executive Officer

Meng Tang, CPA, CA
Chief Financial Officer

Vancouver, Canada
November 25, 2022

HempNova Lifetech Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	September 30, 2022	June 30, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalent	640,199	92,418
Accounts receivable (note 3)	134,556	175,430
Inventory (note 4)	2,125,021	2,012,807
Other receivables	8,815	40,169
Prepaid expenses and advance	5,663	5,324
	2,914,254	2,326,148
Non-current assets		
Deposits	24,229	42,695
Property, plant and equipment, net (note 6)	5,371,899	5,521,361
Right-of-use assets (note 5a)	15,365	467,056
Total assets	8,325,747	8,357,260
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	1,089,281	936,856
Due to related parties (note 7)	382,892	464,573
Lease obligations, current (note 5b)	18,034	61,649
Loan from related party (note 7f)	1,049,833	817,439
	2,540,040	2,280,517
Non-current liabilities		
Convertible debenture (note 9)	4,052,403	4,017,467
Lease obligations, non-current (note 5b)	-	501,346
Total liabilities	6,592,443	6,799,330
Shareholders' equity		
Share capital (note 8a)	17,109,312	17,109,312
Reserves	2,190,506	2,179,459
Equity portion of convertible debenture (note 9)	303,539	303,539
Accumulated other comprehensive loss	(212,149)	(665,042)
Deficit	(17,657,904)	(17,369,338)
Total shareholders' equity	1,733,304	1,557,930
Total shareholders' equity and liabilities	8,325,747	8,357,260

Nature and continuance of operations (note 1)

Approved by the Board of Directors:

(Signed) Shawn Dang Director

(Signed) Michael Doggett Director

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

HempNova Lifetech Corporation

Condensed Consolidated Interim Statements of Operations Loss and Comprehensive Income

(Loss)

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

	Three months ended September 30,	
	2022	2021
	\$	\$
Revenue, net of discounts and commission (note 12)	1,661,467	607,738
Inventory expensed to cost of sales, before fair value adjustment (note 4)	(580,763)	(352,315)
Production costs (note 12)	(444,209)	(149,328)
Gross profit before fair value adjustments	636,495	106,095
Unrealized fair value adjustment of biological assets (note 4)	46,752	(826,842)
	683,247	(720,747)
Operating expenses		
Amortization and depreciation (note 5 & 6)	306,493	445,196
General and administrative expenses (note 10)	212,505	293,528
Interest expense (note 5, 7 & 9)	175,797	215,100
Research and development	31,785	108,618
Sales and marketing	31,316	34,586
Share-based compensation	11,047	34,887
	768,943	1,131,915
Operating loss before the following items:	(85,698)	(1,852,662)
Foreign exchange loss	(12,820)	(5,980)
Gain on termination of lease (note 5)	102,426	-
Impairment of property, plant and equipment (note 6)	(311,950)	-
Interest and other income	19,474	6,569
Net loss	(288,566)	(1,852,073)
Other comprehensive income (loss):		
Exchange gain on translating foreign operations	452,893	346,938
Comprehensive income (loss)	164,327	(1,505,135)
Loss per share - basic and diluted	(0.00)	(0.03)
Weighted average number of common shares outstanding		
- basic and diluted	62,583,353	62,583,353

The accompanying notes are an integral part of these condensed consolidated interim 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
	#	\$	\$	\$	\$	\$	\$
Balance, June 30, 2021	62,583,353	17,109,312	2,130,245	303,539	(10,358,893)	(1,081,412)	8,102,791
Share-based compensation	-	-	34,887	-	-	-	34,887
Net loss for the period	-	-	-	-	(1,852,073)	-	(1,852,073)
Other comprehensive income	-	-	-	-	-	346,938	346,938
Balance, September 30, 2021	62,583,353	17,109,312	2,165,132	303,539	(12,210,966)	(734,474)	6,632,543
Balance, June 30, 2022	62,583,353	17,109,312	2,179,459	303,539	(17,369,338)	(665,042)	8,102,791
Share-based compensation	-	-	11,047	-	-	-	11,047
Net loss for the period	-	-	-	-	(288,566)	-	(288,566)
Other comprehensive income	-	-	-	-	-	452,893	452,893
Balance, September 30, 2022	62,583,353	17,109,312	2,190,506	303,539	(17,657,904)	(212,149)	1,733,304

The accompanying notes are an integral part of these condensed consolidated interim 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,	
	2022	2021
	\$	\$
Operating activities		
Net loss for the period	(288,566)	(1,852,073)
Adjustments for:		
Amortization and depreciation	306,495	445,196
Unrealized fair value adjustment on biological assets	(46,752)	826,842
Foreign exchange loss	12,820	5,980
Gain on termination of lease	(102,426)	
Interest expense (note 5, 6 &9)	175,797	215,100
Share-based compensation	11,047	34,887
Impairment of property, plant, and equipment	311,950	
Changes in items of working capital		
Accounts payable and accrued liabilities	33,067	(56,582)
Account receivable	(2,686)	(33,982)
Due from (to) related parties	(38,492)	100,891
Inventory	62,018	182,405
Prepaid expenses and advance	20,180	654
Other receivables	49,579	(649)
Cash generated from (used in) operating activities	504,031	(131,331)
Financing activities		
Loan from related party	192,300	157,601
Payment of lease obligations (note 5)	(20,940)	(105,089)
Cash generated from financing activities	171,360	52,512
Investing activities		
Purchase of property and equipment	(123,241)	(90,556)
Refund of deposit	-	9,703
Cash used in investing activities	(123,241)	(80,853)
Effect of exchange rate on cash	(4,369)	30,753
Increase (decrease) in cash	547,781	(128,919)
Cash, beginning of the period	92,418	579,831
Cash, end of the period	640,199	450,912
Supplemental disclosures of cash flows:		
Cash paid for tax instalment payment	-	1,684
Interest paid	-	-

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

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022 and 2021

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

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 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 consolidated financial statements have been prepared on a going concern basis, assuming the Company will continue operation for the foreseeable future, realize its assets, and discharge its liabilities and commitments in the normal course of business. The Company started its industrial hemp business in 2019 and continues to incur losses. The continuation of the Company as a going concern is dependent upon the hemp sale market, the continued financial support from its shareholders, and the ability of the Company to obtain necessary equity financing to fund ongoing operating expenditures. The outcome of these matters cannot be predicted at this time. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These consolidated 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.

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 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 year ended June 30, 2022, 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 25, 2022.

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 expenses. 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 consolidated interim financial statements are consistent with those of the audited consolidated financial statements for the year ended June 30, 2022, and 2021.

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022 and 2021

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

2. Basis of presentation (continued)

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 Holdings LLC (“HNL2”), HNL3 Holdings LLC (“HNL3”), HempNova Eugene LLC (“HempNova Eugene”), and HempNova 238 LLC (“HempNova 238”).

Information of the Company’s subsidiaries as of September 30, 2022, 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

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the group. They are deconsolidated from the date that control ceases.

3. Accounts receivable

The Company’s business is seasonal in nature. As of September 30, 2022, the Company had \$134,556 (June 30, 2022 - \$175,430) in accounts receivable, mainly from selling hemp flowers.

4. Inventory

The Company’s inventory comprises season-harvested and dried smokable hemp flowers, crude oil and hemp-derived oil, etc. As of September 30, 2022, the inventory was recorded at the lower of its cost and net realizable value and consists of the following:

	September 30, 2022	June 30, 2022
	\$	\$
Smokable flowers and others	2,001,686	1,932,859
Biological assets before harvest	123,335	79,948
	2,125,021	2,012,807

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022 and 2021

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

4. Inventory (continued)

(a) Smokable flowers, isolate and others

	Smokable flowers			Total
	Capitalized costs	Fair value adjustment	Isolate and others	
	\$	\$	\$	\$
Carrying amount, June 30, 2021	1,552,449	2,396,299	122,081	4,070,829
Production costs capitalized to inventory	89,421	-	712,406	801,827
Fair value transferred from biological assets	155,183	572,810	-	727,993
Inventory write-down ⁽ⁱ⁾	(179,869)	(1,295,532)	-	(1,475,401)
Cost of sales	(923,401)	(552,981)	(837,097)	(2,313,479)
Foreign exchange adjustment	46,230	72,250	2,610	121,090
Carrying amount, June 30, 2022	740,013	1,192,846	-	1,932,859
Production costs capitalized to inventory	25,721	-	399,866	425,587
Cost of sales	(129,124)	49,083	(380,875)	(460,916)
Foreign exchange adjustment	47,147	76,000	(18,991)	104,156
Carrying amount, September 30, 2022	683,757	1,317,929	-	2,001,686

(i) The inventory write-down is related to the impairment of the unrealized fair value component and write-down t capitalized cost of lost, sample given away and damaged smokable flowers.

b) Biological assets before harvest

The valuation of biological assets is based on a market approach where the fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. Such fair value then becomes the basis for the cost of finished goods inventories after harvest. Subsequent expenditures incurred on these biological assets after harvest are capitalized in accordance with IAS 2 *Inventories*. The Company started its cultivation in 2021, and the changes in the carrying value of biological assets are as follows:

	Biological assets
	\$
Carrying amount, June 30, 2021	30,130
Production costs capitalized	124,409
New production costs	78,541
Net change in fair value less costs of sale due to biological transformation	572,810
Transferred to inventory upon harvest	(727,993)
Foreign exchange adjustment	2,051
Carrying amount, June 30, 2022	79,948
Production costs capitalized	36,473
Foreign exchange adjustment	6,914
Carrying amount, September 30, 2022	123,335

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022 and 2021

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

5. Lease

The Company's recognized right-of-use assets and liabilities comprised the present values of all future lease payments of four leases 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%.

Facility lease in Eugene, USA

This lease, located in Eugene, had an initial term of five years with the option to renew for two additional five-year terms (ending May 31, 2034) with a monthly rent of US \$13,738 and an annual increment of 1.5%. A deposit of \$24,146 (US \$18,738) was placed in connection with this lease, which would be refundable within 30 days after the expiration of the lease term. On May 25, 2022, the lease agreement was terminated. The effective date of the termination was on June 28, 2022. The deposit was used to pay the June 2022 rental fee and cleaning expenses. The Company recognized a gain of \$207,554 (US \$163,958) due to this earlier lease termination.

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 a monthly rent of US\$7,500 and an annual increment of 3% at the extension of the term. A deposit of \$19,918 (US\$15,457) has been placed in connection with this lease, which will be refundable within 30 days after the expiration of the lease term. In February 2022, the landlord agreed to change the monthly rent from US\$7,500 to US\$5,000 retroactively from September 2021 to the end of the lease term. In July 2022, the Company decided not to renew the lease agreement. As a result, the Company recognized a gain of \$102,426 (US \$78,451) from this earlier lease termination.

Shared office lease in Vancouver, Canada

This lease is for a shared office with other companies related by certain directors and management in common. Such office lease will expire on April 30, 2023. The Company started sharing this lease on January 1, 2020, and the sharing percentage was changed to 36.5% from 27% effective on January 1, 2021. Starting from January 1, 2022, the Company shares 20% of the Vancouver office lease.

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 certain directors and management in common. Minco China entered into a lease agreement with its CEO, who is also the Company's CEO, to use an office in Beijing, China. The Company started to share 20% of this lease on January 1, 2020. The expiration date of the original lease period was August 31, 2021, which has been extended for a term until August 31, 2026. Starting on January 1, 2022, the Company ended the sharing of an office lease in Beijing, China.

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022 and 2021

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

5. Lease (continued)

a) Right-of-use assets

The continuity of the right-of-use assets as of September 30, 2022, and June 20, 202,2 is as follows:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Right-of-use assets, as at June 30, 2021	73,479	138,725	1,680,883	906,665	2,799,752
Change to the lease term	(18,319)	(155,703)	-	(453,409)	(627,431)
Amortization	(33,209)	(16,986)	(172,009)	(43,363)	(265,567)
Foreign exchange and others	-	33,964	(1,508,874)	35,212	(1,439,698)
Right-of-use assets, as at June 30, 2022	21,951	-	-	445,105	467,056
Amortization	(6,586)	-	-	(11,181)	(17,767)
Foreign exchange and others	-	-	-	(433,924)	(433,924)
Right-of-use assets, as at September 30, 2022	15,365	-	-	-	15,365

b) Lease obligation

The continuity of the lease obligation as of September 30, 2022, and June 30, 2022, is as follows:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Lease obligation, as at June 30, 2021	78,082	142,095	1,836,109	992,173	3,048,459
Change to the lease term	(18,319)	(155,703)	-	(453,409)	(627,431)
Interest accretion	3,897	6,813	92,000	43,196	145,906
Lease payments	(38,150)	(21,158)	(214,999)	(83,143)	(357,450)
Foreign exchange and others	-	27,953	(1,713,110)	38,668	(1,646,489)
Lease obligation, June 30, 2022	25,510	-	-	537,485	562,995
Interest accretion	408	-	-	10,703	11,111
Lease payments	(7,884)	-	-	(13,056)	(20,940)
Foreign exchange and others	-	-	-	(535,132)	(535,132)
Lease obligation, September 30, 2022	18,034	-	-	-	18,034
Lease obligation, current	18,034	-	-	-	18,034
Lease obligation, non-current	-	-	-	-	-
	18,034	-	-	-	18,034

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2022 and 2021

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

5. Lease (continued)

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, 2022:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Interest on lease obligation	408	-	-	10,703	11,111
Rent related to low-value, short-term and variable leases	1,054	-	-	14,214	15,268
Amortization	6,586	-	-	11,181	17,767

c) Amounts recognized in Statement of Loss (continued)

For the three months ended September 30, 2021:

	Vancouver	Beijing	Eugene	Medford	Total
	\$	\$	\$	\$	\$
Interest on lease obligation	1,421	3,457	36,865	19,911	61,654
Rent related to low-value, short-term and variable leases	3,953	-	9,076	-	13,029
Amortization	10,019	8,442	33,074	20,791	72,326

6. Property and equipment

As of September 30, 2022, and June 30, 2022, the Company had the following property and equipment.

Cost	Farmland	Machinery and equipment	Furniture and office equipment	Vehicle	green house and fixture	Leasehold improvement	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
June 30, 2021	867,580	4,530,111	94,830	155,409	2,923,970	1,563,492	-	10,135,392
Additions	-	113,737	-	-	-	-	126,590	240,327
Impairment	-	(909,513)	-	(26,139)	-	(1,338,442)	-	(2,274,094)
Foreign exchange	34,440	165,558	3,764	5,700	116,072	38,065	2,270	365,869
June 30, 2022	902,020	3,899,893	98,594	134,970	3,040,042	263,115	128,860	8,467,494
Additions	-	-	-	-	253,801	-	(130,560)	123,241
Impairment	-	(311,949)	-	-	-	-	-	(311,949)
Foreign exchange	57,470	(159,316)	6,282	8,600	206,343	16,764	1,700	137,843
September 30, 2022	959,490	3,428,628	104,876	143,570	3,500,186	279,879	-	8,416,629

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

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

6. Property and equipment (continued)

Accumulated amortization								
June 30, 2021	-	992,087	28,997	38,306	257,552	156,103	-	1,473,045
Depreciation	-	803,167	19,371	29,370	438,744	99,039	-	1,389,691
Foreign exchange	-	53,785	1,499	2,048	18,092	7,973	-	83,397
June 30, 2022	-	1,849,039	49,867	69,724	714,388	263,115	-	2,946,133
Depreciation	-	164,872	4,995	5,735	113,126	-	-	288,728
Foreign exchange	-	(266,205)	3,426	4,728	51,156	16,764	-	(190,131)
September 30, 2022	-	1,747,706	58,288	80,187	878,670	279,879	-	3,044,730
Net carrying value								
September 30, 2022	959,490	1,680,921	46,588	63,383	2,621,516	-	-	5,371,899
June 30, 2022	902,020	2,050,854	48,727	65,246	2,325,654	-	128,860	5,521,361

During the three months ended September 30, 2022, the depreciation expense was \$288,728 (2021 - \$385,985), of which \$Nil (2021 - \$13,115) was capitalized into the inventory.

In 2022, an indicator of impairment was identified based on the recent closing of the Eugene facilities. Leasehold improvement in Eugene was written off. The equipment in Eugene was written down. The impairment test compared the carrying amount to their recoverable amounts. The recoverable amount is the higher of the fair value less the costs of disposal (“FVLCD”) and value in use, which is determined at \$Nil.

During the three months ended September 30, 2022, the Company further wrote off \$311,949 equipment in Eugene.

7. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

(a) Shared office expenses

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

During the three months ended September 30, 2022, the Company incurred \$17,785 (2021 - \$62,429) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarter in Vancouver and incurred \$Nil (2021 - \$10,515) to Minco China for reimbursement of shared office rent in Beijing, China. During the three months ended September 30, 2022, the Company also incurred \$75,809 (2021 - \$114,012) to MBM for reimbursement of account service fees and other expenses.

HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

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

7. Related party transactions (continued)

(b) Key management compensation

Key management includes the Company's directors and senior management. During the three months ended September 30, 2022, and 2021, the following compensation was charged by the key management.

	Three months ended September 30,	
	2022	2021
	\$	\$
Senior management remuneration	91,714	103,995
Share base compensation	9,401	27,838
Total	101,115	131,833

(c) Due to related parties

As of September 30, 2022, and June 30, 2022, the Company's amount payable to related parties are as follows:

	As at September 30,	As at June 30,
	2022	2022
	\$	\$
MBM	64,356	54,762
Minco Capital, for reimbursement of the shared expenses	115,456	167,008
Minco Silver, for reimbursement of the shared expenses	159,215	151,674
Key management, for service fees and expenses reimbursement	43,865	91,129
Total due to related parties	382,892	464,573

(d) Participation in the Company's private placement

In 2021, MBM and a person related to the Company's President participated in the Company's convertible note financing closed on October 20, 2020. The Company received \$2,400,000 of convertible debt subscription (See note 9 below).

(e) Trust arrangements

The Company has been purchasing a substantial amount of machinery, equipment, and construction parts from suppliers in China for its facilities in Oregon, USA. To facilitate such purchases, the Company entered into trust agreements in May and September 2020, respectively, with Minco International Mining Consulting Co. Ltd. ("Minco International"), MBM's wholly-owned subsidiary registered in China, for holding the Company's funds in an exclusive bank account in China.

Minco International processed all of the purchase orders, shipments, and payments in China and provided related labour on behalf of the Company. Minco International charges 15% service fees for these services on labour costs incurred. Minco International charged \$9,595 in service fees during the three months ended September 30, 2022 (2021 - \$18,672). As of September 30, 2022, the Company owes \$16,541 (June 30, 2022 - \$160) to Minco International.

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7. Related party transactions (continued)

(f) Loan arrangement

The Company signed a loan agreement effective December 1, 2020, with MBM to borrow \$274,140 (US \$200,000) (the “Loan”). The Loan was received on December 2, 2020. The Company has pledged its fixed assets as security for the Loan. The Loan was repayable on or before November 30, 2021, and bears interest at 10% per annum, calculated and compounded monthly. As of September 30, 2022, \$49,672 of interest was accrued and included in the carrying amount of the loan from the related party. In December 2021, the Loan was renewed and extended until December 31, 2022, with the same terms.

The Company signed a loan agreement effective February 1, 2020, with MBM to borrow a total of \$200,000 (the “2nd Loan”). The Company has pledged its fixed assets as security for the 2nd Loan. The Loan was repayable on or before January 31, 2022, and bears interest at 10% per annum, calculated and compounded monthly. As of June 30, 2022, \$33,794 of interest was accrued and included in the carrying amount of the 2nd Loan from the related party. In January 2022, the Loan was renewed and extended until December 31, 2022, with the same terms.

The Company signed a loan agreement effective September 13, 2021, with MBM to borrow a total of \$153,840 (RMB 800,000) (the “3rd Loan”) and received the loan accordingly. The Company has pledged its fixed assets as security for the 3rd Loan. The Loan was repayable on or before September 13, 2022, and bears interest at 10% per annum, calculated and compounded monthly. As of September 30, 2022, \$16,778 of interest was accrued and included in the carrying amount of the 3rd Loan from the related party. In September 2022, the Loan was renewed and extended until September 30, 2023, with the same terms.

The Company signed a loan agreement effective December 10, 2021, with MBM to borrow a total of \$115,380 (RMB 600,000) (the “4th Loan”). The Company has pledged its fixed assets as security for the 4th Loan. The Loan will be repayable on or before December 10, 2022, and bear interest at the rate of 10% per annum, calculated and compounded monthly. As of September 30, 2022, \$9,735 of interest was accrued and included in the carrying amount of the 4th Loan from the related party.

The Company signed a loan agreement effective July 16, 2022, with MBM to borrow a total of \$192,300 (RMB 1,000,000) (the “5th Loan”). The Company has pledged its fixed assets as security for the 5th Loan. The Loan will be repayable on or before July 16, 2022, and bear interest at 10% per annum, calculated and compounded monthly. Refer to Note 9. As of September 30, 2022, \$4,193 of interest was accrued and included in the carrying amount of the 4th Loan from the related party.

8. Share capital

(a) Share capital

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

(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 the 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 exclusive power over the granting of options and vesting provisions.

The Company did not grant any stock options during the three months ended September 30, 2022, and 2021.

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8. Share capital (continued)

During the three months ended September 30, 2022, the Company recorded \$11,047 (2021 - \$34,887) share-based compensation for stock options granted and vested.

The continuity of the outstanding options is as follows:

	Number outstanding	Weighted average exercise price
	#	\$
Balance, June 30, 2021	3,320,000	0.21
Forfeited	(600,000)	0.27
Balance, June 30, 2022, and September 30, 2022	2,720,000	0.20

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	2,720,000	2.41	0.20	1,813,333	0.20
	2,720,000	2.41	0.20	1,813,333	0.20

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 volatility of the Company's share price, the Company has used the annual volatility of the share prices of three comparable Canadian 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. 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. Convertible debenture

In 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 anniversaries 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 before the maturity date.

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9. Convertible debenture (continued)

The continuity of the Company's convertible debentures is summarized as follows:

	Convertible debenture liability
	\$
Carrying amount, June 30, 2021	3,878,865
Accretion expense	138,601
Carrying amount, June 30, 2022	4,017,467
Accretion expense	34,936
Carrying amount, September 30, 2022	4,052,403
Interest payable, as of September 30, 2022	816,714
Total interest expense, for the year ended September 30, 2022	105,828

10. General and administrative expenses

	Three months ended September 30,	
	2022	2021
	\$	\$
Audit and accounting	7,000	8,499
Consulting and management fees	57,373	71,214
Legal, filing and transfer agent fees	18,406	16,951
Office and miscellaneous	37,985	43,557
Rent	15,268	13,029
Salaries and benefits ⁽ⁱ⁾	70,970	134,371
Travel and others	5,503	5,907
	212,505	293,528

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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. All of the Company's customers are located in the USA. The geographical division of the Company's assets is as follows:

As at September 30, 2022	Canada	USA	Total
	\$	\$	\$
Current assets	36,717	2,877,537	2,914,254
Non-current assets	15,365	5,396,128	5,411,493
As at June 30, 2022	Canada	USA	Total
	\$	\$	\$
Current assets	37,131	2,289,017	2,326,148
Non-current assets	21,951	6,009,161	6,031,112

The following table summarizes the revenue and production in the USA during the three months ended September 30, 2022, and 2021:

	Three months ended September 30,	
	2022	2021
	\$	\$
Revenue	1,661,467	607,738
Cost of goods sold:		
Inventory expensed to cost of sales, before fair value adjustment	(580,763)	(352,315)
Production costs	(444,209)	(149,328)
Gross profit before fair value adjustments	636,495	106,095

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 \$640,199 as at September 30, 2022 (June 30, 2022 - \$92,418) and accounts receivable of \$134,556 as of September 30, 2022 (June 30, 2022 - \$175,430). As the Company's policy is to limit cash holdings to instruments issued by major banks, or investments of equivalent or better quality, the credit risk related to cash is considered by management to be negligible.

Significant customers are those that account for greater than 10% of the Company's revenues. The loss of any of the Company's significant customers could have a material adverse effect on our business, consolidated results of operations and financial conditions.

HempNova Lifetech Corporation

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For the three months ended September 30, 2022 and 2021

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12. Financial instruments (continued)

During the three months ended September 30, 2022, and 2021, one and two customers generated sales that accounted for over 10% of total revenues generated for that year, respectively.

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 available information 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 \$1,089,281 as of September 30, 2022 (June 30, 2022 - \$936,856). The Company did not maintain sufficient cash balances to meet these needs as of September 30, 2022, and would rely on inventory sales.

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 does not carry debt at a variable rate and is exposed to interest rate risk on its cash which is not considered significant.

Foreign currency risk

The Company's functional currency is the Canadian dollar, and the functional currency of its subsidiaries is the US dollar. Most foreign currency risk is related to US dollar funds held by the Company and its subsidiaries. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar. The Company does not hedge its exposure to currency fluctuations.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to its 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.

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Notes to the Condensed Consolidated Interim Financial Statements

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12. Financial instruments (continued)

The following table summarizes the carrying value of financial instruments as of September 30, 2022, and June 30, 2022:

	September 30, 2022	June 30, 2022
Financial assets, amortized cost:	\$	\$
Cash	640,199	92,418
Accounts receivable	134,556	175,430
Other receivables	8,815	40,169
Financial liabilities, amortized cost:		
Accounts payable and accrued liabilities	1,089,281	936,856
Convertible debenture	4,052,403	4,017,467
Due to related parties	382,892	464,573
Lease obligations, current	18,034	61,649
Lease obligations, non-current	-	501,346
Loan from related party	1,049,833	817,439