



# **HempNova Lifetech Corporation**

## **Consolidated Financial Statements**

**For the year ended June 30, 2024, and 2023**

(Expressed in Canadian dollars, unless otherwise stated)

## **Management's Responsibility for Financial Reporting**

The consolidated financial statements are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best judgments on information currently available. In the opinion of management, the accounting policies utilized are appropriate in the circumstances, and the consolidated financial statements fairly reflect the financial position and results of operations of HempNova Lifetech Corporation within reasonable limits of materiality.

The Audit Committee of the Board of Directors is composed of two Directors and meets with management to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by MSSL CPA LLP, Chartered Professional Accounts, and appointed by the Board of Directors. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

Dr. Ken Cai  
Chief Executive Officer

Meng Tang, CPA, CA  
Chief Financial Officer

Vancouver, Canada  
September 26, 2024

# MSLL CPA LLP

2110 - 1177 West Hastings Street  
Vancouver, B.C. Canada  
V6E 2K3

Tel: 604 688 5671  
Fax: 604 688 8479  
msllcpa.com

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of HempNova Lifetech Corporation  
Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the consolidated statements of HempNova Lifetech Corporation (the "Company") which comprise the consolidated statements of financial position as at June 30, 2024 and 2023 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

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

### *Other Information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## *Auditor's Responsibilities for the audit of the Consolidated Financial Statements*

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ying Xu, CPA, CA.

**/s/ MSLC CPA LLP**

**Chartered Professional Accountants**

Vancouver, Canada

September 26, 2024

# HempNova Lifetech Corporation

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	June 30, 2024	June 30, 2023
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	6,126,954	1,578,917
Shore-term investment	684,350	-
Accounts receivables (note 4)	3,864,380	477,855
Inventories (note 5)	533,369	372,796
Income tax receivable (note 14)	107,239	-
Other receivables (note 6)	59,422	172,298
Prepaid expenses and advance	6,844	-
	11,382,558	2,601,866
<b>Non-current assets</b>		
Long-term prepaids and deposits	4,790	-
Property, plant and equipment, net (note 8)	3,441,799	4,469,374
Right-of-use assets (note 7a)	107,800	135,421
<b>Total assets</b>	<b>14,936,947</b>	<b>7,206,661</b>
<b>Liabilities and Shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	675,391	727,463
Current tax liability	-	62,228
Convertible debenture (note 11)	2,498,600	4,055,796
Due to related parties (note 9c)	1,305,532	139,255
Lease obligations, current (note 7b)	27,905	24,990
Loan from a related party (note 9f)	980,157	1,086,861
	5,487,585	6,096,593
Long-term deposits	60,907	-
Lease obligations, non-current (note 7b)	94,255	121,896
<b>Total Liabilities</b>	<b>5,642,747</b>	<b>6,218,489</b>
<b>Shareholders' equity</b>		
Share capital	17,109,312	17,109,312
Reserves	2,193,255	2,193,255
Equity portion of convertible debenture	303,539	303,539
Accumulated other comprehensive loss	(209,905)	(438,581)
Deficit	(10,102,001)	(18,179,353)
<b>Total Shareholders' equity</b>	<b>9,294,200</b>	<b>988,172</b>
<b>Total shareholders' equity and liabilities</b>	<b>14,936,947</b>	<b>7,206,661</b>

*Nature and continuance of operations (note 1)*

*Commitments and contingency (note 12)*

**Approved by the Board of Directors:**

(Signed) Shawn Dang, Director

(Signed) Min Peng, Director

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

## HempNova Lifetech Corporation

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

	2024	2023
	\$	\$
Revenue, net of discounts and commission (note 15)	21,944,164	8,259,282
Inventory expensed to cost of sales, before fair value adjustment (note 5)	(8,907,416)	(3,916,641)
Production costs	(2,919,996)	(1,699,398)
Gross profit before fair value adjustments	10,116,752	2,643,243
Fair value adjustments of biological assets (note 5)	253,968	(970,263)
Gross profit	10,370,720	1,672,980
<b>Operating expenses</b>		
Amortization and depreciation (note 7&8)	580,666	603,493
Bad debts	98,068	–
General and administrative expenses (note 13)	1,229,498	810,557
Interest expense	423,428	661,785
Research	–	117,109
Sales and marketing	64,863	116,185
Share-based compensation (note 10c)	–	13,796
	2,396,523	2,322,925
<b>Operating income (loss) before the following items:</b>	7,974,197	(649,945)
Foreign exchange gain	624	15,094
Gain on termination of lease	–	105,101
Gain (loss) on disposal of property, plant and equipment	(227,163)	49,295
Impairment of property, plant and equipment (note 8)	–	(320,097)
Interest, rental and other incomes	360,863	53,503
Income (loss) before income taxes	8,108,521	(747,049)
Income tax expenses, current (note 14)	31,169	(89,760)
Income tax expenses, deferred (note 14)	–	26,794
Net income (loss) for the year	8,077,352	(810,015)
<b>Other comprehensive income</b>		
Exchange gain on translating foreign operations	228,676	377,028
<b>Comprehensive income (loss)</b>	8,306,028	(432,987)
<b>Income (loss) per share, basic</b>	0.13	(0.01)
<b>Income (loss) per share, diluted</b>	0.12	(0.01)
<b>Weighted average number of common shares outstanding</b>		
- basic	62,583,353	62,583,353
- diluted	65,003,353	62,583,353

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

## HempNova Lifetech Corporation

Consolidated Statements of Changes in Shareholders' Equity

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

	Number of Outstanding Shares	Share Capital	Reserves	Equity portion of convertible debenture	Deficit	Accumulated comprehensive loss	Total
	#	\$	\$	\$	\$	\$	\$
<b>Balance, June 30, 2022</b>	62,583,353	17,109,312	2,179,459	303,539	(17,369,338)	(665,042)	1,557,930
Share-based compensation	–	–	13,796	–	–	–	13,796
Other comprehensive income	–	–	–	–	–	226,461	226,461
Net loss for the year	–	–	–	–	(810,015)	–	(810,015)
<b>Balance, June 30, 2023</b>	62,583,353	17,109,312	2,193,255	303,539	(18,179,353)	(438,581)	988,172
Other comprehensive income	–	–	–	–	–	228,676	228,676
Net income for the year	–	–	–	–	8,077,352	–	8,077,352
<b>Balance, June 30, 2024</b>	62,583,353	17,109,312	2,193,255	303,539	(10,102,001)	(209,905)	9,294,200

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

# HempNova Lifetech Corporation

## Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

	2024	2023
	\$	\$
<b>Operating activities</b>		
Net income (loss) for the year	8,077,352	(810,015)
Adjustments for:		
Amortization	1,133,210	603,493
Bad debts	98,068	-
Foreign exchange loss (gain)	21,091	(15,094)
Gain on termination of lease	-	(105,101)
Gain (loss) on disposal of property, plant and equipment	227,163	(49,295)
Interest expense	423,428	661,785
Unrealized fair value adjustment on biological assets	(253,968)	970,263
Income tax expenses	31,169	62,966
Income tax paid	(201,045)	-
Share-based compensation	-	13,796
Impairment of property, plant, and equipment	-	320,097
Changes in items of working capital		
Accounts payable and accrued liabilities	451,823	(20,979)
Accounts receivable	(3,399,630)	(301,135)
Due from (to) related parties	1,126,663	(176,404)
Inventory	107,438	1,414,997
Prepaid expenses and deposits	48,787	49,922
Other receivables	(59,935)	(3,207)
Cash generated in operating activities	7,831,615	2,616,089
<b>Financing activities</b>		
Loan from (paid to) a related party	(224,540)	182,502
Payment of lease obligation (note 2)	(35,821)	(45,959)
Convertible note repayment	(2,244,688)	(700,000)
Cash used in financing activities	(2,505,049)	(563,457)
<b>Investing activities</b>		
Purchase of short-term investment	(684,350)	-
Purchase of Property, plant and equipment	(235,352)	(376,308)
Disposition of Property, plant and equipment	67,584	89,620
Cash used in investing activities	(852,118)	(286,688)
<b>Effect of exchange rate on cash and cash equivalent</b>	73,589	(279,445)
<b>Increase in cash</b>	4,548,037	1,486,499
<b>Cash, beginning of the year</b>	1,578,917	92,418
<b>Cash, end of the year</b>	6,126,954	1,578,917
<b>Supplemental of cash from operating activities:</b>		
Interest paid	1,244,688	599,726
Interest received	56,763	3,763

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

# HempNova Lifetech Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2024 and 2023

*(Expressed in Canadian dollars, unless otherwise stated)*

---

## 1. Nature of operations and going concerned

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 3R5.

The Company, operating through its wholly-owned subsidiary HempNova Lifetech (USA) Corp. (“HempNova (USA)”), is actively involved in the industrial hemp sector, offering a range of 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 that the Company will continue its operations for the foreseeable future, realize its assets, and meet its liabilities and commitments in the normal course of business.

The Company's ability to continue as a going concern is contingent upon various factors, including the hemp sales market, the Company’s ongoing profitability, and financial support from shareholders. The outcome of these factors is uncertain at present, and they raise doubts about the Company's ability to continue as a going concern.

These consolidated financial statements do not account for any adjustments that may be necessary if the Company is unable to continue as a going concern. In such a scenario, the Company would need to realize its assets and settle its liabilities in a manner differing from the normal course of business, potentially impacting the reported amounts in the financial statements.

## 2. Basis of presentation

These consolidated 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”).

The board approved these consolidated financial statements of directors for issue on September 26, 2024.

## 3. Material accounting policies

The significant accounting policies in preparing these consolidated financial statements are described below.

### Consolidation and subsidiaries

These consolidated 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”), MTANG LLC, KCAI LLC, HempNova Eugene LLC (“HempNova Eugene”), and HempNova 238 LLC (“HempNova 238”).

# HempNova Lifetech Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

### 3. Significant accounting policies (continued)

Information of the Company's subsidiaries as of June 30, 2024, 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
MTANG LLC	Asset holding company (100%)	USA
KCAI LLC	Asset holding company (100%)	USA
HempNova Eugene	Industrial hemp business (100%)	USA
HempNova 238	Industrial hemp business (100%)	USA

Subsidiaries encompass all entities (including structured entities) over which the group exercises control. Control is deemed to exist when the group is both exposed to, or possesses rights to, fluctuating returns through its engagement with the entity and retains the capability to influence these returns via its authority over the entity. Subsidiaries are subjected to full consolidation starting from the point of control transfer to the group. Conversely, they undergo deconsolidation from the moment control discontinues.

#### Foreign currency

##### (i) Functional and presentation currency

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars.

The functional currency determinations were conducted by analyzing the consideration factors identified in International Accounting Standard ("IAS") 21, *the effect of changes in foreign exchange rates*.

The functional currency of the Company is the Canadian dollar. The functional currency of its wholly-owned subsidiaries is the U.S. Dollar.

##### (ii) Transactions and balances

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of operations.

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of the statement of financial position; (ii) income and expense items for each statement of operations are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

**HempNova Lifetech Corporation**  
Notes to Consolidated Financial Statements  
**Years ended June 30, 2024 and 2023**  
*(Expressed in Canadian dollars, unless otherwise stated)*

---

**3. Material accounting policies (continued)**

**Financial instruments**

Following is the accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”), or at amortized cost. The Company determines the classification at initial recognition.

Financial liabilities of the Company are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL. The Company’s cash, accounts receivable, other receivables excluding GST receivable, accounts payable, due to related parties, loans from a related party, convertible debenture, and lease obligations are classified as amortized cost financial instruments.

The Company has no financial assets or liabilities classified as FVTPL or FVTOCI.

Measurement

The Company’s financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently measured at amortized cost using the effective interest rate less any impairment.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company recognizes in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) required to adjust the loss allowance at the reporting date to the amount needed to be recognized.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The carrying amount of a replaced asset is derecognized when replaced. Since January 1, 2021, the Company has changed certain depreciation methods and the useful life of property and equipment. Management has assessed the impact of changes in accounting policy and concluded that the net impact of those changes was immaterial. The major changes are as follows:

Categories	Effective on January 1, 2021	Prior to January 1, 2021
Machinery and equipment	5 years straight line	5 years declining balance
Office equipment and furniture	5 years straight line	5 years declining balance
Vehicles	5 years straight line	5 years declining balance
Greenhouse and barn	10 years straight line	10 years straight line
Leasehold improvement	Shorter of lease term and useful life	10 years straight line

### **3. Material accounting policies (continued)**

#### **Revenue recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company, and the revenue can be reliably measured. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns and discounts.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. If the customers arrange the pickup at the Company's premise, the sales of hemp-related products are recognized when the products leave the Company's premise. For other sales including online sales, the sales is recognized upon goods delivered to customers and accepted by customers.

#### **Impairment of long-lived assets**

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater value-in-use and fair value less disposal costs. Determining the value-in-use requires the Company to estimate expected future cash flows associated with the assets and a reasonable discount rate to calculate the present value. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

#### **Deferred revenue**

Payments received for future delivery of goods and services are recognized as deferred revenue.

#### **Earnings (loss) per share**

Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated, giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method.

#### **Share-based payments**

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital, and the fair value of the options is reclassified from reserves to share capital. The fair value is measured at the grant date, and each tranche is recognized over the period during which the options vest.

The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

---

## 3. Material accounting policies (continued)

### Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value when the agreement to issue shares was concluded.

### Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fees or other transaction costs are assigned a value based on the Black-Scholes pricing model and included in reserves. When warrants are exercised, any reserves related to those warrants are reclassified from reserves to share capital.

### Biological assets

The Company's biological assets are primarily smokable hemp flowers and are presented at their fair values less costs to sell in accordance with IAS 41 – Agriculture ("IAS 41"). Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. While the Company's biological assets are within the scope of IAS 41, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include direct labor costs, the cost of seeds and growing materials, and indirect costs such as utilities, supplies and equipment used in the growing and harvesting process. All production costs are capitalized as they are incurred and subsequently recorded within cost of goods sold on the consolidated statements of loss and comprehensive loss in the period the related product is sold. Because there is no actively traded commodity market for plants or dried products, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3). For the plant where little biological transformation has taken place, cost less impairment losses is used as an approximation for fair value.

### Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes all expenses related to purchasing and transferring the finished goods and is determined by using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions.

Smokable hemp flowers farmed by the Company are included in inventory subsequent to the date of harvest. Such smokable hemp flowers are recognized in inventory at fair value less costs to sell at the time of harvest, which becomes the basis for the cost of biomass inventories after harvest.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

---

## 3. Material accounting policies (continued)

### Income taxes

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Leases

The Company assesses whether a contract is or contains a lease at the inception of the contract. A lease is recognized as a right-of-use (“ROU”) asset and corresponding lease liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and an interest expense in profit or loss. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

A lease with a term of 12 months or less as of the commencement date, without a purchase option, is recorded as a short-term lease.

### Convertible Debenture

A convertible debenture is a compound financial instrument that is accounted for based on its components of financial liability and equity. The financial liability component represents the Company’s future obligation to pay coupon interest and principal. The liability component is initially measured at its net present value and subsequently measured at its amortized cost. After the net present value of the financial liability is determined, any residual amount is reported as an equity instrument at the convertible debentures’ issuance date.

When valuing the financial liability component of the convertible notes, the Company used specific interest rates, assuming no conversion features existed. The resulting liability component is accreted to its face value over the convertible debenture’s term until its maturity date.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

*(Expressed in Canadian dollars, unless otherwise stated)*

---

## 3. Material accounting policies (continued)

### Material accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

### Key Sources of estimation uncertainty

#### *Valuation of biological assets and inventory*

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the industrial hemp plants to the point of harvest, harvesting costs, and selling costs. In calculating final inventory values, management is required to determine an estimate of obsolete inventory and an estimate for any inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends.

#### *Useful lives of property, plant and equipment*

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets. In addition, the assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

---

## 3. Material accounting policies (continued)

### *Impairment of non-financial assets*

Non-financial assets include property, plant, equipment and right-of-use assets. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation are based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model.

### **Material judgment in applying accounting policies**

#### *Going concerned*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1, above.

#### *Provisions for taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

### **Accounting standards issued but not yet effective**

The following amendments of accounting standard are effective for the Company's annual periods beginning January 1, 2024:

#### *Non-current liabilities with covenants*

In October 2022, the IASB published a narrow scope amendment to IAS 1 Presentation of financial statements. After reconsidering certain aspects of the 2020 amendments, noted above in 'Classification of liabilities as current or non-current', the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. The amendment is effective for annual periods beginning on or after January 1, 2024, and applied retrospectively. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

#### *Leases on sale and leaseback*

In September 2022, the IASB published this amendment including requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The amendment is effective for annual periods beginning on or after January 1, 2024. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 3. Material accounting policies (continued)

### *Lack of exchangeability*

In August 2023, the IASB published the amendments to IAS 21, whereas an entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendment is effective for annual periods beginning on or after January 1, 2025. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

## 4. Accounts receivable

As of June 30, 2024, the Company had \$3,828,794 (as of June 30, 2023 - \$477,855) in accounts receivable, mainly from the sales of gummies, prerolls and smokable flowers. The Company has collected payment of \$3,779,840 subsequently.

## 5. Inventory

The Company's inventory comprises of season-harvested and dried smokable hemp flowers and hemp biological assets before harvest. As of June 30, 2024, and 2023, the inventory was recorded at the lower of its cost and net realizable value and consists of the following:

	June 30, 2024	June 30, 2023
	\$	\$
Smokable flowers	479,316	311,765
Biological assets before harvest	54,053	61,031
	533,369	372,796

### a) Smokable flowers

	Smokable flowers			
	Capitalized costs	Fair value adjustment	Other hemp products	Total
	\$	\$	\$	\$
Carrying amount, June 30, 2022	740,013	1,192,846	-	1,932,859
Production costs capitalized to inventory	72,423	-	2,939,055	3,011,478
Fair value transferred from biological assets	152,401	193,834	-	346,235
Inventory write-down <sup>(i)</sup>	(210,726)	(1,166,395)	-	(1,377,121)
Cost of sales	(570,728)	-	(2,939,055)	(3,509,783)
Foreign exchange adjustment	(138,341)	46,438	-	(91,903)
Carrying amount, June 30, 2023	45,042	266,723	-	311,765
Production costs capitalized to inventory	234,506	-	10,961,305	11,195,811
Fair value transferred from biological assets	166,963	1,085,207	-	1,252,170
Inventory write-down <sup>(i)</sup>	(46,339)	(592,448)	-	(638,787)
Cost of sales	(179,256)	(511,163)	(10,961,305)	(11,651,724)
Foreign exchange adjustment	(3,273)	6,809	-	10,081
Carrying amount, June 30, 2024	224,178	255,138	-	479,316

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

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 5. Inventory (continued)

### 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 changes in the carrying value of biological assets are as follows:

	Biological assets
	\$
Carrying amount, June 30, 2022	79,948
Production costs capitalized	61,755
New production costs	71,090
Net change in fair value less costs of sale due to biological transformation	196,132
Transferred to inventory upon harvest	(346,235)
Foreign exchange adjustment	(1,659)
Carrying amount, June 30, 2023	61,031
Production costs capitalized	53,520
New production costs	104,484
Net change in fair value less costs of sale due to biological transformation	1,085,214
Transferred to inventory upon harvest	(1,252,170)
Foreign exchange adjustment	1,971
Carrying amount, June 30, 2024	54,053

As of June 30, 2024 and 2023, the Company's biological assets before harvest comprised seeds purchased, land preparation costs, labours and cultivation consultant.

## 6. Other receivables

	June 30, 2024	June 30, 2023
	\$	\$
Interest receivable	30,453	-
Rental income and others	61,213	169,416
GST receivable	3,342	2,882
	95,008	172,298

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

---

## 7. Leases

### Facility lease in Medford, USA

This lease, situated in Medford, was initiated for a three-year term, accompanied by the option to extend for two additional five-year periods, ultimately concluding on August 14, 2032. The original monthly rent was set at US\$7,500, with an annual incremental increase of 3% applicable upon term extension. A deposit totalling \$19,918 (US\$15,457) was submitted for this lease arrangement, with provisions for a refund within a 30-day window post the lease term's expiration.

In February 2022, a retroactive adjustment to the monthly rent was agreed upon by the landlord, transitioning it from US\$7,500 to US\$5,000, with effectiveness spanning from September 2021 until the lease term's culmination. Subsequently, in July 2022, the Company opted not to renew the lease agreement. This decision culminated in the Company recognizing a gain of \$105,015 (US\$78,451) stemming from this early lease termination, during the year ended June 30, 2023.

### Shared office lease in Vancouver, Canada

This lease involves a shared office space, accommodating multiple companies linked by shared directors and management personnel. The current term of this office lease is set to conclude on April 30, 2028. Commencing on January 1, 2020, the Company became a participant in this shared lease, with its sharing ratio initially set at 27%. This percentage was subsequently adjusted to 36.5% effective January 1, 2021 and to 25% effectively January 1, 2022. On January 1, 2024, the Company's involvement in the Vancouver office lease was further refined to encompass 30% of the space.

### Shared office lease in Beijing, China

This lease pertains to a collaborative office space with Minco China Corporation ("Minco China"), a wholly-owned subsidiary of Minco Silver Corporation ("Minco Silver"). Notably, the Company and Minco Silver share certain directors and managerial personnel. Minco China had initially entered into a lease agreement with its CEO, who also holds the position of CEO within the Company, to utilize an office in Beijing, China.

Effectively starting from January 1, 2020, the Company embarked on a shared arrangement for 20% of this lease. The original lease period, which was slated to conclude on August 31, 2021, underwent an extension, prolonging it until August 31, 2026. However, as of January 1, 2022, the Company discontinued its involvement in the shared office lease situated in Beijing, China.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 7. Leases (continued)

### a) Right-of-use assets

The continuity of the right-of-use assets as of June 30, 2024, and 2023 is as follows:

	Vancouver	Medford	Total
	\$	\$	\$
Right-of-use assets, as at June 30, 2022	21,951	445,105	467,056
Change to the lease term	141,488	-	141,448
Termination of lease term	-	(539,054)	(539,054)
Amortization	(28,018)	(11,473)	(39,491)
Foreign exchange and others	-	105,422	105,422
Right-of-use assets, as at June 30, 2023	135,421	-	135,421
Change to the lease term	501	-	501
Amortization	(28,122)	-	(28,122)
Right-of-use assets, as at June 30, 2024	107,800	-	107,800

### b) Lease obligations

The continuity of the lease obligation as of June 30, 2024, and 2023 is as follows:

	Vancouver	Medford	Total
	\$	\$	\$
Lease obligation, June 30, 2022	25,510	537,485	562,995
Change to the lease term	141,488	-	141,488
Termination of lease term	-	(539,054)	(539,054)
Interest accretion	12,450	10,983	23,433
Lease payments	(32,562)	(13,397)	(45,959)
Foreign exchange and others	-	3,983	3,983
Lease obligation, June 30, 2023	146,886	-	146,886
Change to the lease term	499	-	499
Interest accretion	10,596	-	10,596
Lease payments	(35,821)	-	(35,821)
Lease obligation, June 30, 2024	122,160	-	122,160
Lease obligation, current	27,905	-	27,905
Lease obligation, non-current	94,255	-	94,255
Total lease obligation	122,160	-	122,160

## HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

### 7. Leases (continued)

The maturity analysis of the Company's contractual undiscounted lease liabilities as of June 30, 2024, is as follows:

	Total
	\$
Less than one year	36,371
One to two years	36,651
Two to three years	37,201
Three to four years	30,966
Minus: imputed interest	(19,029)
	122,160

#### c) Amounts recognized in profit or loss

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

For the year ended June 30, 2023:

	Vancouver	Medford	Total
	\$	\$	\$
Interest on lease obligations	12,450	10,983	23,424
Rent related to low-value, short-term and variable leases	6,826	18,888	25,714
Amortization	28,018	11,473	39,491

For the year ended June 30, 2024:

	Vancouver	Medford	Total
	\$	\$	\$
Interest on lease obligations	10,596	-	10,596
Rent related to low-value, short-term and variable leases	7,650	26,426	34,076
Amortization	28,122	-	28,122

## HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

### 8. Property, plant, and equipment

As of June 30, 2024, and 2023, the Company had the following property, plant and equipment.

<b>Cost</b>	Farmland	Machinery and equipment	Furniture and office equipment	Vehicle	Green house and fixture	Leasehold improvement	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
June 30, 2022	902,020	2,861,821	84,905	112,602	3,040,042	263,115	128,860	7,393,365
Additions	-	90,607	18,573	-	267,128	-	-	376,308
Disposition	-	(40,327)	-	-	-	(270,343)	(133,970)	(444,640)
Impairment	-	(320,097)	-	-	-	-	-	(320,097)
Foreign exchange	24,780	110,298	2,518	3,708	80,384	7,228	5,110	234,026
June 30, 2023	926,800	2,702,302	105,996	116,310	3,387,554	-	-	7,238,962
Additions	-	153,302	8,802	45,128	-	-	28,120	235,352
Disposition	-	(1,159,819)	(88,667)	-	-	-	-	(1,248,486)
Foreign exchange	31,290	78,810	2,783	4,378	114,368	-	281	231,910
June 30, 2024	958,090	1,774,595	28,914	165,816	3,501,922	-	28,401	6,457,738
<b>Accumulated amortization</b>			Furniture and office equipment		green house and fixture	Leasehold improvement	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
June 30, 2022	-	798,415	48,730	47,357	714,388	263,115	-	1,872,005
Depreciation	-	576,539	22,126	23,538	477,679	(270,343)	-	829,539
Foreign exchange	-	44,040	1,111	1,638	14,027	7,228	-	68,044
June 30, 2023	-	1,418,994	71,967	72,533	1,206,094	-	-	2,769,588
Depreciation	-	557,686	22,579	28,097	496,716	-	-	1,105,078
Disposition	-	(880,636)	(73,105)	-	-	-	-	(953,741)
Foreign exchange	-	44,690	1,926	2,729	45,669	-	-	95,014
June 30, 2024	-	1,140,734	23,367	103,359	1,748,479	-	-	3,015,939
<b>Net carrying value</b>								
June 30, 2023	926,800	1,283,308	34,029	43,777	2,181,460	-	-	4,469,374
June 30, 2024	958,090	633,861	5,547	62,457	1,753,443	-	28,401	3,441,799

For the year ended June 30, 2024, depreciation expenses totaling \$552,544 (compared to \$535,880 in 2023) were capitalized into the inventory, while \$552,544 (versus \$564,002 in 2023) were recognized as operating expenses.

For the year ended June 30, 2024, the Company disposed equipment no longer operatable for production needs for cash proceeds of \$67,584. This results in a loss of \$227,163 recognized in the statement of income (loss) and comprehensive income (loss).

For the year ended June 30, 2023, an indication of impairment emerged due to the termination of a lease agreement in Medford. This led to the write-off of \$320,097 associated with the dryers installed within the leased unit. No such write off for the year ended June 30, 2024.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 9. 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 year ended June 30, 2024, the Company incurred \$87,796 (2023 - \$79,784) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarters in Vancouver.

### (b) Key management compensation

Key management includes the Company’s directors and senior management. During the year ended June 30, 2024, and 2023, the key management charged the following compensation:

	2024	2023
	\$	\$
Senior management remuneration*	442,920	410,915
Share base compensation	-	10,526
Sales commission to management	2,159,844	-
<b>Total</b>	<b>2,604,764</b>	<b>421,441</b>

\*Directors’ fees were included in senior management remuneration. During the year ended June 30, 2024, the Company paid \$2,000 of directors’ fees (June 30, 2023 - \$2,000).

### (c) Due to related parties

Amounts due to related parties are unsecured, non-interest bearing, and without specific repayment terms as of June 30, 2024 and 2023.

The Company’s amount payable to related parties is as follows:

	2024	2023
	\$	\$
MBM and its subsidiary, for service fees and expense reimbursement	-	83,146
Minco Silver and its subsidiary, for reimbursement of the shared expenses	-	19,710
Key management, for service fees and expense reimbursement	1,305,532	36,399
<b>Total due to related parties</b>	<b>1,305,532</b>	<b>139,255</b>

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

---

## 9. Related party transactions (continued)

### (d) Participated in the Company's private placements

In 2021, MBM, along with an individual associated with the Company's President, paid \$2,400,000 to participate the Company's convertible note financing (Refer to note 11 below). During the year ended June 30, 2024, the Company repaid \$828,164 to MBM and \$488,959 to the President (June 30, 2023 - \$300,000 to the President).

### (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 \$25,676 in service fees during the year ended June 30, 2024 (June 30, 2023 - \$38,383). As of June 30, 2024, the amount held by Minco International is \$84,225 (as of June 30, 2023 - \$56,354).

### (f) Loan arrangement

On December 1, 2020, the Company entered into a loan agreement with MBM, securing a loan of \$271,740 (US \$200,000) (referred to as the "1<sup>st</sup> Loan").

On February 1, 2021, the Company entered into another loan agreement with MBM, obtaining a loan of \$200,000 (referred to as the "2<sup>nd</sup> Loan").

On September 13, 2021, the Company entered into yet another loan agreement with MBM, securing a loan of \$150,718 (RMB 800,000) (referred to as the "3<sup>rd</sup> Loan").

On December 10, 2021, the Company entered into an additional loan agreement with MBM, obtaining a loan of \$113,039 (RMB 600,000) (referred to as the "4<sup>th</sup> Loan").

On July 16, 2022, the Company entered into a loan agreement with MBM, borrowing a total of \$188,398 (RMB 1,000,000) (the "5<sup>th</sup> Loan").

The Company used its fixed assets as collateral for above loans, and incurred an annual interest rate of 10%, compounded monthly.

During the year ended June 30, 2024, the Company paid accrued interest for above loans of \$224,540 (June 30, 2023 - \$ Nil) to MBM. As of June 30, 2024, the accrued interest on above loans amounted to \$56,261 (as of June 30, 2023 - \$184,058), which was included in the overall carrying amount of loan from a related party.

Subsequently, on July 20, 2024, the Company paid entire loan balance plus accrued interest, totalling \$990,016.

## HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

### 9. Related party transactions (continued)

The following table provides a summary of these loans and accrued interest as of June 30, 2024:

Name	Agreement date	Principle	Accrued interest	Total	
		\$	\$	\$	
1 <sup>st</sup> Loan	December 1, 2020	271,740	USD 200,000	19,759	291,499
2 <sup>nd</sup> Loan	February 1, 2021	200,000	CAD 200,000	14,106	214,106
3 <sup>rd</sup> Loan	September 13, 2021	150,719	RMB 800,000	8,773	159,492
4 <sup>th</sup> Loan	December 10, 2021	113,039	RMB 600,000	6,009	119,048
5 <sup>th</sup> Loan	July 16, 2022	188,398	RMB 1,000,000	7,614	196,012
		923,896		56,261	980,157

### 10. 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 of the date of grant, with each stock option having a maximum term of five years. The board of directors has exclusive power over granting options and vesting provisions.

During the years ending June 30, 2024, and 2023, the Company did not grant any stock options to its directors, employees and consultants. The options granted in 2020 vest 1/3 each year over three years from the grant date and are exercisable for five years.

During the year ended June 30, 2024, the Company recorded \$Nil (June 30, 2023 - \$13,796) share-based compensation for stock options granted and vested.

## HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

### 10. Share capital (continued)

Continuity of the options outstanding is as follows:

	Number outstanding	Weighted average exercise price
	#	\$
Balance, June 30, 2022	2,720,000	0.20
Forfeited	(300,000)	0.20
Balance, June 30, 2023, and 2024	2,420,000	0.20

As of June 30, 2024, there was \$Nil (as of June 30, 2023 - \$Nil) of total unrecognized compensation cost relating to unvested options.

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	2,420,000	0.66	0.20	2,420,000	0.20

The Company uses the Black-Scholes option pricing model to determine the fair value of the options.

Option pricing models require subjective estimates and assumptions, including the expected stock price volatility. In the absence of volatility in 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.

### 11. Convertible debenture

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.

The principal amount of the Notes is set to mature and become fully repayable on the third anniversary of the closing date, referred to as the "Maturity Date," provided no conversion has taken place. If conversion does occur, the conversion rate is established at \$0.50 per common share until the second anniversary of the closing date. Subsequently, the conversion rate will adjust to \$0.60 per common share, remaining in effect until the Maturity Date. The Company retains the option to redeem the Notes. Should this option be exercised, a 30-day notice will be issued to the purchaser prior to the Maturity Date.

For the year ended June 30, 2024, the Company fulfilled debt payments amounting to \$2,244,688 (June 30, 2023 - \$700,000) to its creditors, of which \$1,599,726 (June 30, 2023 - \$100,274) was principal payments and \$644,962 (June 30, 2023 - \$599,726) was interest payments.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 11. Convertible debenture (continued)

For the year ended June 30, 2024, the Company incurred total interest expenses of \$316,088 (June 30, 2023 - \$544,654).

As of June 30, 2024, interest payable was \$145,809 (as of June 30, 2023 - \$544,654), which included in accounts payable and accrued liabilities.

Subsequently, on July 20, 2024, the Company paid entire convertible debenture balance plus accrued interest, totalling \$2,658,100.

## 12. Commitments and contingency

(a) As of June 30, 2024, the Company has one lease commitment (see Note 7) with a breakdown as follows:

	<= one year	Two years	Three years	Four years	Total
	\$	\$	\$	\$	\$
Leases	36,371	36,651	37,201	30,966	141,189

(b) As of June 30, 2023, the Company had an outstanding liability of \$69,393 (US\$52,412) owed to the Department of Environmental Quality in the State of Oregon. During the fiscal year ending June 30, 2024, the Company settled this liability.

## 13. General and administrative expenses

	Year ended June 30, 2024	Year ended June 30, 2023
	\$	\$
Audit and accounting	65,372	50,388
Consulting and management fees	500,400	280,740
Legal, filing and transfer agent fees	17,679	45,808
Office and miscellaneous	139,633	121,833
Rent	34,076	25,714
Salaries and benefits <sup>(i)</sup>	371,798	230,954
Travel and others	100,540	55,120
Total general administrative expenses	1,229,498	810,557

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 14. Income tax

A reconciliation of income tax at statutory rates with the report taxes is as follows:

	As of June 30, 2024	As of June 30, 2023
	\$	\$
Income (loss) before taxes	8,068,802	(747,049)
Statutory tax rate	27%	27%
Expected income tax (recovery) / expense	2,179,000	(202,000)
Permanent differences	8,000	26,000
Adjustment to prior years' provision versus statutory tax returns	61,000	(6,000)
Change in unrecognized deductible temporary differences	(2,214,000)	275,000
Changes in statutory, foreign tax, foreign exchange rates and other	(2,000)	(5,000)
Total income tax (recovery) / expense	32,000	88,000

Deferred taxes arising from temporary differences in recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred tax assets and liabilities as of June 30, 2024, and 2023 are as follows

Deferred tax assets (liabilities)	2024	2023
	\$	\$
Inventory	108,000	352,000
Start-up costs and others	70,000	74,000
Exploration and evaluation of assets	36,000	36,000
Allowable capital losses	46,000	46,000
Property and equipment	(139,000)	(343,000)
Convertible debentures	(82,000)	(11,000)
Share issuance costs	3,000	10,000
Non-capital losses	1,929,000	3,155,000
	1,971,000	3,319,000
Deferred tax assets not recognized	(1,971,000)	(3,292,000)
Net deferred tax assets	-	27,000

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 14. Income tax (continued)

As of June 30, 2024, the Company has non-capital losses available for deduction against future taxable income amounting to approximately \$6,792,000 (June 30, 2023 - \$11,765,000). These losses, if not utilized, will expire between 2025 and 2044. Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$135,000 and capital losses of approximately \$170,000 available to reduce taxable income in future years. The Company has not recognized any future benefit from these tax losses and resource deductions as they are not considered likely to be utilized.

## 15. Segment information

The Company defines its significant 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 the in the USA. The geographical division of the Company's assets is as follows:

As at June 30, 2024	Canada	USA	Total
	\$	\$	\$
Current assets	1,751,790	9,630,768	11,382,558
Non-current assets	107,800	3,446,589	3,554,389

  

As at June 30, 2023	Canada	USA	Total
	\$	\$	\$
Current assets	635,682	1,966,261	2,601,866
Non-current assets	137,739	4,467,056	4,604,795

The following table summarizes the revenue and production in the USA during the year ended June 30, 2024, and 2023:

	2024	2023
	\$	\$
Revenue	21,944,164	8,259,282
Cost of goods sold:		
Inventory expensed to cost of sales, before fair value adjustment	(8,907,416)	(3,916,641)
Production costs	(2,919,996)	(1,699,398)
Gross profit	10,116,752	2,643,243

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

---

## 16. Financial instruments

The Company is exposed to various financial instrument-related risks in varying degrees.

### *Credit risk and economic dependence*

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 \$6,126,954 as of June 30, 2024 (as of June 30, 2023 - \$1,578,917), short-term investment of \$684,350 as of June 30, 2024 (as of June 30, 2023 - \$Nil) and accounts receivable of \$3,828,794 as of June 30, 2024 (as of June 30, 2023 - \$477,855). 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.

In the fiscal year ending on June 30, 2024, the Company recorded sales from two customers, each of whom individually contributed significantly to the total revenues generated throughout the year (58.4% and 22.9%, respectively). In 2023, the company recorded sales from two customers who accounted for a substantial (14.2% and 50.2%, respectively) of the total revenues for that year.

In the fiscal year ending on June 30, 2024, among all the customers in the accounts receivable, two customers individually represent significant portions of the total accounts receivable (61.7%, and 29.3%). In 2023, four customers accounted for a substantial portion of the accounts receivable (89.5%).

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 \$675,391 as of June 30, 2024 (2023 - \$727,463).

### *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.

# HempNova Lifetech Corporation

Notes to the Consolidated Financial Statements

Years ended June 30, 2024 and 2023

(Expressed in Canadian dollars, unless otherwise stated)

## 16. Financial instruments (continued)

### *Fair Value of Financial Instruments*

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The following table summarizes the carrying value of financial instruments as of June 30, 2024, and 2023:

	June 30, 2024	June 30, 2023
<b>Financial assets, amortized cost:</b>	\$	\$
Cash	6,126,954	1,578,917
Short-term investment	684,350	-
Accounts receivable	3,828,794	477,855
Other receivables excluding GST receivable	91,689	172,298
<b>Financial liabilities, amortized cost:</b>		
Accounts payable and accrued liabilities	675,391	727,463
Convertible debenture	2,498,600	4,055,796
Current tax liability	-	62,228
Due to related parties	1,305,532	139,255
Lease obligations, current	27,905	24,990
Lease obligations, non-current	94,255	121,896
Loan from related party	980,157	1,086,861

## 17. Capital management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders through expansion correspondingly to the level of risk.

The Company defines its shareholders' equity as capital and sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, sell assets, and reduce or increase its debt.

## 18. Subsequent event

On July 20, 2024, the Company disbursed \$2,658,100 to settle its convertible debenture obligations in full.