



# **HempNova Lifetech Corporation**

## **Condensed Consolidated Interim Financial Statements**

**For the three months ended September 30, 2024, and 2023**

(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 13, 2024

# HempNova Lifetech Corporation

## Condensed Consolidated Interim Statements of Financial Position

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

|   | September 30, 2024 | June 30, 2024     |
|---|--------------------|-------------------|
|   | \$                 | \$                |
| <b>Assets</b>                                     |                    |                   |
| <b>Current assets</b>                             |                    |                   |
| Cash and cash equivalent                          | 3,841,105          | 6,126,954         |
| Short-term investment                             | 1,754,870          | 684,350           |
| Accounts receivable (note 4)                      | 4,307,118          | 3,828,794         |
| Inventories (note 5)                              | 298,355            | 533,369           |
| Income tax receivables                            | 105,766            | 107,239           |
| Other receivables (note 6)                        | 76,041             | 95,008            |
| Prepaid expenses and advance                      | 11,474             | 6,844             |
|   | 10,394,729         | 11,382,558        |
| <b>Non-current assets</b>                         |                    |                   |
| Long-term prepaid and deposits                    | –                  | 4,790             |
| Property, plant and equipment, net (note 8)       | 3,429,238          | 3,441,799         |
| Right-of-use assets (note 7a)                     | 151,484            | 107,800           |
| <b>Total assets</b>                               | <b>13,975,451</b>  | <b>14,936,947</b> |
| <b>Liabilities and shareholders' equity</b>       |                    |                   |
| <b>Current liabilities</b>                        |                    |                   |
| Accounts payable and accrued liabilities          | 242,138            | 675,391           |
| Convertible debenture (note 11)                   | –                  | 2,498,600         |
| Due to related parties (note 9c)                  | 1,086,011          | 1,305,532         |
| Lease obligations, current (note 7b)              | 38,651             | 27,905            |
| Loan from related party (note 9f)                 | –                  | 980,157           |
|   | 1,366,800          | 5,487,585         |
| Long-term deposits                                | 60,071             | 60,907            |
| Lease obligations, non-current (note 7b)          | 117,375            | 94,255            |
| <b>Total liabilities</b>                          | <b>1,544,246</b>   | <b>5,642,747</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              | (261,942)          | (209,905)         |
| Deficit   | (6,912,959)        | (10,102,001)      |
| <b>Total shareholders' equity</b>                 | <b>12,431,205</b>  | <b>9,294,200</b>  |
| <b>Total shareholders' equity and liabilities</b> | <b>13,975,451</b>  | <b>14,936,947</b> |

*Nature of operations and going concern (note 1)*

Approved by the Board of Directors:

*(Signed)* Shawn Dang Director

*(Signed)* Min Peng Director

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

## HempNova Lifetech Corporation

### Condensed Consolidated Interim Statements of Comprehensive Income

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

|  | <b>For three months ended September 30,</b> |             |
|--|---|-------------|
|  | 2024  | 2023        |
|  | \$  | \$          |
| Revenue, net of discounts and commission (note 13)                         | 9,575,743                                   | 3,231,344   |
| Inventory expensed to cost of sales, before fair value adjustment (note 5) | (3,994,350)                                 | (1,548,605) |
| Production costs (note 5)  | (1,645,776)                                 | (564,247)   |
| Gross profit before fair value adjustments                                 | 3,935,617                                   | 1,118,492   |
| Fair value adjustments of biological assets (note 5)                       | –   | 76,149      |
| Gross profit   | 3,935,617                                   | 1,194,641   |
| <b>Operating expenses</b>  |   |             |
| Amortization and depreciation (note 7&8)                                   | 232,653                                     | 278,967     |
| Bad debts  | 41,472                                      | –           |
| General and administrative expenses (note 13)                              | 578,098                                     | 156,502     |
| Interest expense   | 22,697                                      | 147,644     |
| Research   | –   | 11,432      |
| Sales and marketing  | 17,998                                      | 1,834       |
|  | 892,918                                     | 596,379     |
| <b>Operating income (loss) before the following items:</b>                 | 3,042,699                                   | 598,262     |
| Foreign exchange gain (loss)   | (17,393)                                    | 323         |
| Gain (loss) on disposal of property, plant and equipment                   | –   | 3,403       |
| Interest income and others   | 166,798                                     | 43,869      |
| Income before income taxes   | 3,192,204                                   | 645,857     |
| Income tax expenses, current   | (3,062)                                     | –           |
| Net income for the period  | 3,189,042                                   | 645,857     |
| <b>Other comprehensive income</b>  |   |             |
| Exchange gain (loss) on translating foreign operations                     | (52,037)                                    | 126,126     |
| <b>Comprehensive income</b>  | 3,137,005                                   | 771,983     |
| <b>Net income per share, basic</b>   | 0.05  | 0.01        |
| <b>Weighted average number of common shares outstanding</b>                |   |             |
| - 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<br>Outstanding<br>Shares | Share Capital | Reserves  | Equity portion<br>of convertible<br>debenture | Deficit      | Accumulated<br>comprehensive<br>income (loss) | Total      |
|------------------------------------|------------------------------------|---------------|-----------|---|--------------|---|------------|
|                                    | #                                  | \$            | \$        |   | \$           | \$  | \$         |
| <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         | -                                  | -             | -         | -   | 645,857      | -   | 645,857    |
| Net income for the period          | -                                  | -             | -         | -   | -            | 126,126                                       | 126,126    |
| <b>Balance, September 30, 2023</b> | 62,583,353                         | 17,109,312    | 2,193,255 | 303,539                                       | (17,533,496) | (312,455)                                     | 1,760,155  |
| <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  |
| Net income for the period          | -                                  | -             | -         | -   | 3,189,042    | -   | 3,189,042  |
| <b>Balance, September 30, 2024</b> | 62,583,353                         | 17,109,312    | 2,193,255 | 303,539                                       | (6,912,959)  | (261,942)                                     | 12,431,205 |

*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)

|  | For three months ended September 30, |             |
|--|--------------------------------------|-------------|
|  | 2024                                 | 2023        |
|  | \$                                   | \$          |
| <b>Operating activities</b>                                |                                      |             |
| Net income for the year                                    | 3,189,042                            | 645,857     |
| Adjustments for:   |                                      |             |
| Amortization   | 232,653                              | 278,967     |
| Fair value adjustments of biological assets                | -                                    | (76,149)    |
| Bad debts  | 41,472                               | -           |
| Foreign exchange gain                                      | -                                    | (323)       |
| Gain on disposal of property, plant and equipment          | -                                    | (3,403)     |
| Interest expense   | 22,697                               | 147,644     |
| Changes in items of working capital                        |                                      |             |
| Accounts payable and accrued liabilities                   | (163,885)                            | (37,761)    |
| Accounts receivable  | (577,972)                            | 1,788,141   |
| Due from (to) related parties                              | (219,981)                            | 301,695     |
| Inventory  | 230,083                              | 1,049       |
| Prepaid expenses and deposits                              | -                                    | (6,708)     |
| Other receivables  | 18,499                               | 4,859       |
| Short-term investment                                      | (1,070,520)                          | -           |
| Cash generated in operating activities                     | 1,702,088                            | 3,043,868   |
| <b>Financing activities</b>                                |                                      |             |
| Loan from a related party                                  | (985,911)                            | -           |
| Payment of lease obligation (note 7b)                      | (23,638)                             | (9,425)     |
| Convertible note repayment                                 | (2,658,100)                          | (1,000,000) |
| Cash used in financing activities                          | (3,667,649)                          | (1,009,425) |
| <b>Investing activities</b>                                |                                      |             |
| Purchase of Property, plant and equipment                  | (257,164)                            | (46,462)    |
| Disposition of Property, plant and equipment               | -                                    | 4,113       |
| Cash used in investing activities                          | (257,164)                            | (42,349)    |
| <b>Effect of exchange rate on cash and cash equivalent</b> | (63,124)                             | 365,698     |
| <b>Increase in cash</b>                                    | (2,285,849)                          | 2,357,792   |
| <b>Cash, beginning of the period</b>                       | 6,126,954                            | 1,578,917   |
| <b>Cash, end of the period</b>                             | 3,841,105                            | 3,936,709   |
| <b>Supplemental of cash transaction:</b>                   |                                      |             |
| Interest paid  | 217,411                              | -           |

*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, 2024 and 2023**

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

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## 1. Nature and continuance of operations

HempNova Lifetech Corporation (the “Company”) was incorporated in British Columbia in October 1989 and changed its name from Pacific Link Mining Corp. on May 2, 2019. The registered head office principal address and the records office of the Company are located at 2060 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 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 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, 2024, which were prepared in accordance with IFRS as issued by the IASB.

The board approved these condensed consolidated interim financial statements of directors for issue on November 14, 2024.

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

## 3. Material 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, 2024, and 2023.

# HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended September 30, 2024 and 2023**

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

## 3. Material accounting policies (continued)

### 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”).

Information of the Company’s subsidiaries as of September 30, 2024, is as follows:

| Name                      | Principal activities (ownership interest) | Country of formation |
|---------------------------|---|----------------------|
| HempNova USA              | Holding company (100%)                    | USA                  |
| HempNova Oregon           | Holding company (100%)                    | USA                  |
| HempNova Asset Management | 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.

## 4. Accounts receivable

As of September 30, 2024, the Company had \$4,307,118 (as of June 30, 2024 - \$3,828,794) in accounts receivable, mainly from the sales of gummies, prerolls and smokable flowers.

## 5. Inventory

The Company’s inventory comprises season-harvested and dried smokable hemp flowers, gummy, pre-roll, biomass and hemp-derived oil, etc. As of September 30, 2024 and June 30, 2024, the inventory was recorded at the lower of its cost and net realizable value and consists of the following:

|                                  | September 30, 2024 | June 30, 2024 |
|----------------------------------|--------------------|---------------|
|                                  | \$                 | \$            |
| Smokable flowers and others      | 201,160            | 479,316       |
| Biological assets before harvest | 97,195             | 54,053        |
|                                  | 298,355            | 533,369       |

## HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

### 5. Inventory (continued)

#### (a) Smokable flowers, isolate and others

|   | Smokable flowers  |                       |                     | Total        |
|---|-------------------|-----------------------|---------------------|--------------|
|   | Capitalized costs | Fair value adjustment | Other hemp products |              |
|   | \$                | \$                    | \$                  | \$           |
| 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      |
| Production costs capitalized to inventory     | -                 | -                     | 5,467,023           | 5,467,023    |
| Inventory write-down <sup>(i)</sup>           | (101,325)         | -                     | -                   | (101,325)    |
| Cost of sales                                 | (56,155)          | (116,948)             | (5,467,023)         | (5,640,126)  |
| Foreign exchange adjustment                   | (1,440)           | (2,288)               | -                   | (3,728)      |
| Carrying amount, September 30, 2024           | 65,258            | 135,902               | -                   | 201,160      |

(i) The inventory write-down is related to the impairment of the unrealized fair value component and write-down of 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 changes in the carrying value of biological assets are as follows:

|  | Biological assets |
|--|-------------------|
|  | \$                |
| 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            |
| Production costs capitalized   | 44,347            |
| Foreign exchange adjustment  | (1,205)           |
| Carrying amount, September 30, 2024  | 97,195            |

## HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

### 6. Other receivables

|                                | September 30, 2024 | June 30, 2024 |
|--------------------------------|--------------------|---------------|
|                                | \$                 | \$            |
| Interest receivable            | 45,137             | 30,453        |
| Rental income and others       | 26,936             | 61,213        |
| GST receivable                 | 3,968              | 3,342         |
| <b>Total other receivables</b> | <b>76,041</b>      | <b>95,008</b> |

### 7. Lease

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

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%.

#### 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.

#### a) Right-of-use assets

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

|  | Total          |
|--|----------------|
|  | \$             |
| Right-of-use assets, as of June 30, 2023             | 135,421        |
| Change to the lease term                             | 501            |
| Amortization   | (28,122)       |
| Right-of-use assets, as of June 30, 2024             | 107,800        |
| Change to the lease term                             | 54,252         |
| Amortization   | (10,568)       |
| <b>Right-of-use assets, as of September 30, 2024</b> | <b>151,484</b> |

## HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

### 7. Lease (continued)

#### b) Lease obligation

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

|                                       | Total    |
|---------------------------------------|----------|
|                                       | \$       |
| Lease obligation, as of June 30, 2023 | 146,886  |
| Change to the lease term              | 499      |
| Interest accretion                    | 10,596   |
| Lease payments                        | (35,821) |
| Lease obligation, June 30, 2024       | 122,160  |
| Change to the lease term              | 54,253   |
| Interest accretion                    | 3,251    |
| Lease payments                        | (23,638) |
| Lease obligation, September 30, 2024  | 156,026  |
| Lease obligation, current             | 38,651   |
| Lease obligation, non-current         | 117,375  |
| Total lease obligation                | 156,026  |

### 8. Property and equipment

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

| Cost               | Farmland | Machinery and equipment | Furniture and office equipment | Vehicle  | Green house and fixture | Construction in progress | Total       |
|--------------------|----------|-------------------------|--------------------------------|----------|-------------------------|--------------------------|-------------|
|                    | \$       | \$                      | \$                             | \$       | \$                      | \$                       | \$          |
| 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   |
| Additions          | -        | 163,107                 | -                              | -        | -                       | 94,057                   | 257,164     |
| Foreign exchange   | (13,160) | (26,073)                | (397)                          | (49,957) | (48,100)                | (1,369)                  | (139,056)   |
| September 30, 2024 | 944,930  | 1,911,629               | 28,517                         | 115,859  | 3,453,821               | 121,089                  | 6,575,846   |

## HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

### 8. Property and equipment (continued)

#### Accumulated amortization

|                    |   |           |          |          |           |   |           |
|--------------------|---|-----------|----------|----------|-----------|---|-----------|
| 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 |
| Depreciation       | - | 92,509    | 998      | 3,583    | 124,995   | - | 222,085   |
| Foreign exchange   | - | (16,631)  | (331)    | (49,135) | (25,319)  | - | (91,416)  |
| September 30, 2024 | - | 1,216,612 | 24,034   | 57,807   | 1,848,155 | - | 3,146,608 |

#### Net carrying value

|                    |         |         |       |        |           |         |           |
|--------------------|---------|---------|-------|--------|-----------|---------|-----------|
| June 30, 2024      | 958,090 | 633,861 | 5,547 | 62,457 | 1,753,443 | 28,401  | 3,441,799 |
| September 30, 2024 | 944,930 | 695,017 | 4,483 | 58,052 | 1,605,667 | 121,089 | 3,429,238 |

During the three months ending on September 30, 2024, the depreciation expense totaled \$222,085 (compared to \$271,963 in 2023), with no amount capitalized into the inventory during both periods.

No additional impairments were identified by management in the first quarter of 2025. The impairment assessment involved a comparison of the carrying amount with the recoverable amounts. The recoverable amount, determined to be \$Nil, is calculated as the higher value between fair value less costs of disposal ("FVLCD") and value in use.

### 9. Related party transactions

Parties are 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, 2024, the Company incurred \$16,169 (2023 - \$27,657) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarters in Vancouver. During the three months ended September 30, 2024, the Company also incurred \$15,773 (2023 - \$Nil) to MBM for reimbursement of account service fees and other expenses.

# HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

## 9. 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, 2024, and 2023, the following compensation was charged by the key management.

|                                | Three months ended September 30, |                |
|--------------------------------|----------------------------------|----------------|
|                                | 2024                             | 2023           |
|                                | \$                               | \$             |
| Senior management remuneration | 380,378                          | 247,387        |
| Sale commission                | 790,591                          | 230,221        |
| <b>Total</b>                   | <b>1,170,969</b>                 | <b>477,608</b> |

### (c) Due to (from) related parties

As of September 30, 2024, and June 30, 2024, the Company's amount payable to related parties are as follows:

|  | September 30, 2024 | June 30, 2024    |
|--|--------------------|------------------|
|  | \$                 | \$               |
| Key management, for service fees and expense reimbursement | 1,086,011          | 1,305,532        |
| <b>Total due to related parties</b>                        | <b>1,086,011</b>   | <b>1,305,532</b> |

### (d) Participation in the Company's private placement

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 9 below). On July 20, 2024, the Company paid entire convertible debenture balance plus accrued interest, totalling \$2,658,100, of which \$531,918 was to the President and \$1,063,836 was to MBM.

### (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 \$Nil in service fees during the three months ended September 30, 2024 (2023-\$Nil). As of September 30, 2024, the amount held by Minco International is \$94,667 (as of June 30, 2024 - \$84,225).

### (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 "2nd Loan").

## **HempNova Lifetech Corporation**

Notes to the Condensed Consolidated Interim Financial Statements

**For the three months ended September 30, 2024 and 2023**

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

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### **9. Related party transactions** (continued)

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 "3rd 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 "4th 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 "5th Loan").

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

During the three months ending on September 30, 2024, the Company incurred total interest expenses of \$5,755 (compared to \$21,057 in 2023).

On July 20, 2024, the Company paid entire loan balance plus accrued interest, totalling \$985,911.

### **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 the granting of options and vesting provisions.

The Company did not grant any stock options during the three months ended September 30, 2024, and 2023.

During the three months ended September 30, 2024, the Company recorded \$Nil (2023 - \$Nil) share-based compensation for stock options granted and vested.

## HempNova Lifetech Corporation

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### 10. Share capital (continued)

The continuity of the outstanding options is as follows:

|  | Number outstanding | Weighted average exercise price |
|--|--------------------|---------------------------------|
|  | #                  | \$                              |
| Balance, June 30, 2024, and September 30, 2024 | 2,420,000          | 0.20                            |

| exercise prices | Options outstanding |   |                                 | Options exercisable |                                 |
|-----------------|---------------------|---|---------------------------------|---------------------|---------------------------------|
|                 | Number outstanding  | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable  | Weighted average exercise price |
| \$              | #                   |   | \$                              | #                   | \$                              |
| 0.20            | 2,420,000           | 0.41  | 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 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.

### 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.

During the three months ending on September 30, 2024, the Company incurred total interest expenses of \$13,691 (compared to \$120,928 in 2023).

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

## HempNova Lifetech Corporation

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

### 12. General and administrative expenses

|                                       | Three months ended September 30, |         |
|---------------------------------------|----------------------------------|---------|
|                                       | 2024                             | 2023    |
|                                       | \$                               | \$      |
| Audit and accounting                  | 364                              | 1,952   |
| Consulting and management fees        | 368,291                          | 56,845  |
| Director's fee                        | 22,000                           | 2,000   |
| Legal, filing and transfer agent fees | -                                | 6,369   |
| Office and miscellaneous              | 44,173                           | 11,374  |
| Rent                                  | 4,958                            | (5,044) |
| Salaries and benefits                 | 124,708                          | 74,809  |
| Travel and others                     | 13,604                           | 8,197   |
|                                       | 578,098                          | 156,502 |

### 13. 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 of September 30, 2024 | Canada    | USA       | Total      |
|--------------------------|-----------|-----------|------------|
|                          | \$        | \$        | \$         |
| Current assets           | 2,957,188 | 7,437,541 | 10,394,729 |
| Non-current assets       | 151,484   | 3,429,238 | 3,580,722  |
| As of 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  |

# HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

## 13. Segment information (continued)

The following table summarizes the revenue and production in the USA during the three months ended September 30, 2024, and 2023:

|   | Three months ended September 30, |             |
|---|----------------------------------|-------------|
|   | 2024                             | 2023        |
|   | \$                               | \$          |
| Revenue   | 9,575,743                        | 3,231,344   |
| Cost of goods sold:   |                                  |             |
| Inventory expensed to cost of sales, before fair value adjustment | (3,994,350)                      | (1,548,605) |
| Production costs  | (1,645,776)                      | (564,247)   |
| Gross profit before fair value adjustments                        | 3,935,617                        | 1,118,492   |

## 14. 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 \$3,841,105 as of September 30, 2024 (June 30, 2024 - \$6,126,954), short-term investment of \$1,754,870 as of September 30, 2024 (June 30, 2024 - \$684,350) and accounts receivable of \$4,307,118 as of September 30, 2024 (June 30, 2024 - \$3,828,794). 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 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 three months ending on September 30, 2024, the Company recorded sales from two customers, each of whom individually contributed significantly to the total revenues generated throughout the period (45% and 43%, respectively). In the same period of 2023, the company recorded sales from two customers who accounted for a substantial (15% and 52%, respectively) of the total revenues for that period.

As of September 30, 2024, among all the customers in the accounts receivable, two customers individually represented significant portions of the total accounts receivable (35%, and 62%). As of June 30, 2024, among all the customers in the accounts receivable, two customers individually represent significant portions of the total accounts receivable (62%, and 29%).

### *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 \$242,138 as of September 30, 2024 (June 30, 2024 - \$675,391).

# HempNova Lifetech Corporation

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2024 and 2023

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

## 14. Financial instruments (continued)

### *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.

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

|   | September 30, 2024 | June 30, 2024 |
|---|--------------------|---------------|
| <b>Financial assets, amortized cost:</b>      | \$                 | \$            |
| Cash and cash equivalents                     | 3,841,105          | 6,126,954     |
| Short-term investment                         | 1,754,870          | 684,350       |
| Accounts receivables                          | 4,307,118          | 3,828,794     |
| Other receivables                             | 76,041             | 95,008        |
| <b>Financial liabilities, amortized cost:</b> |                    |               |
| Accounts payable and accrued liabilities      | 242,138            | 675,391       |
| Convertible debenture                         | -                  | 2,498,600     |
| Due to related parties                        | 1,086,011          | 1,305,532     |
| Lease obligations, current                    | 38,651             | 27,905        |
| Lease obligations, non-current                | 117,375            | 94,255        |
| Loan from related party                       | -                  | 980,157       |