Hempsana Holdings Ltd.
(formerly known as Stralak Resources Inc.)

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022
(Unaudited)
(Expressed in Canadian Dollars)

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Notes	March 31, 2022	December 31, 2021 (Audited)
ASSETS			
Current assets			
Cash		**$ 86,883**	$ 46,189
Trade and other receivables		**26,069**	25,040
Inventory	3	**180,051**	118,108
Prepaids, deposits and other receivables	4	**193,484**	304,414
Total current assets		**486,487**	493,751
Non-current assets			
Intangible assets	5	**23,742**	27,269
Property, plant and equipment	6	**3,437,629**	3,496,955
Total non-current assets		**3,461,371**	3,524,224
Total assets		**$ 3,947,858**	$ 4,017,975
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 938,657**	$ 893,206
Accounts payable to related parties	7	**458,826**	302,686
Current portion of long-term debt	8	**340,061**	298,373
Total current liabilities		**1,737,544**	1,494,265
Non-current liabilities			
Long-term debt	8	**463,730**	534,751
Total non-current liabilities		**463,730**	534,751
Total liabilities		**$ 2,201,274**	$ 2,029,016
Shareholders' equity			
Share capital	10	**8,367,973**	8,367,973
Other reserves	10	**553,508**	553,508
Deficit		**(7,174,897)**	(6,932,522)
Total shareholders' equity		**1,746,584**	1,988,959
Total liabilities and equity		**$ 3,947,858**	$ 4,017,975
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors:

/s/ "Randy Ko"
Randy Ko
Director
President and CEO

/s/ "Sohil Mana"
Sohil Mana
Director

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

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

		For the three months ended	
	Notes	**March 31, 2022**	March 31, 2021
Sales		**$ 354,855**	$ -
Cost of sales		**179,017**	-
Gross Profit		**175,838**	-
Expenses			
Auto expenses		**4,675**	11,426
Conference fees		**-**	1,283
Consulting fees	7	**72,309**	78,075
Depreciation and amortization	6	**30,433**	53,932
Facility supplies		**21,787**	4,053
License fees		**8,750**	5,919
Insurance		**18,812**	12,402
Investor relations and marketing		**4,439**	247,862
Legal and professional fees		**16,288**	15,674
Management fees	7	**112,558**	99,558
Office expenses		**36,077**	29,457
Other operating expenses		**2,422**	21,486
Other selling, general and administrative expenses		**6,328**	4,557
Share-based payments	7	**-**	32,345
Utilities		**-**	9,157
Wages		**58,381**	75,079
Total expenses		**393,259**	702,265
Other income		**(4,253)**	-
Loss on revaluation of derivative liability	9	**-**	251
Interest expense	8	**29,207**	43,980
Net loss and comprehensive loss		**$ (242,375)**	$ (746,496)
Loss per share			
Weighted average number of common shares outstanding			
Basic #	11	**24,129,323**	18,733,682
Diluted #	11	**24,129,323**	18,733,682
Basic loss per share $	11	**$ (0.01)**	$ (0.04)
Diluted loss per share $	11	**$ (0.01)**	$ (0.04)

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

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(Expressed in Canadian dollars)

	Notes	**Number of shares**	**Share capital**	**Other reserves**	**Retained earnings**	**Total shareholders' equity**
Balance at January 1, 2021		17,534,480	$ 2,904,877	$ 521,163	$ (2,694,052)	$ 731,988
Shares issued	10	6,594,843	5,463,096	-	-	5,463,096
Share-based payments	10	-	-	32,345	-	32,345
Net loss		-	-	-	(4,238,470)	(4,238,470)
Balance at December 31, 2021		24,129,323	$ 8,367,973	$ 553,508	$ (6,932,522)	$ 1,988,959
Net loss		-	-	-	(242,375)	(242,375)
Balance at March 31, 2022		**24,129,323**	**$ 8,367,973**	**$ 553,508**	**$ (7,174,897)**	**$ 1,746,584**

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

Hempsana Holdings Ltd.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Notes	For the three months ended March 31, 2022	March 31, 2021
Operating activities			
Net loss		**$ (242,375)**	$ (746,496)
Adjustments for non-cash items:			
Interest expense	8	**11,111**	13,246
Depreciation and amortization	6	**30,433**	53,932
Share-based payments		**-**	32,345
Change in fair value of convertible debentures – derivative liability	9	**-**	251
Changes in non-cash working capital items:			
Prepaids, deposits and other receivables	4	**110,930**	(47,772)
Accounts payable, accrued liabilities and accounts payable to related parties	7	**200,562**	(886,900)
Inventory	3	**(29,523)**	(10,897)
Net cash flows from (used in) operating activities		**81,138**	(1,592,291)
Investing activities			
Purchase of property, plant and equipment	6	**-**	(12,322)
Additions to intangible assets	5	**-**	(27,375)
Net cash flows used in investing activities		**-**	(39,697)
Financing activities			
Payments of private loan	8	**(40,444)**	(35,892)
Proceeds from issuance of common shares	10	**-**	2,451,147
Issuance of convertible debentures	9	**-**	250,000
Share issuance costs	10	**-**	(102,285)
Net cash flows (used in) from financing activities		**(40,444)**	2,562,970
Net increase in cash		**40,694**	930,982
Cash, beginning of period		**46,189**	80,516
Cash, end of period		**$ 86,883**	$ 1,011,498

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

1. Nature of operations and going concern

Hempsana Inc. was incorporated under the laws of Canada on October 15, 2018. Stralak Resources Inc. (the "Company") was incorporated on January 31, 1980 under the laws of the Province of British Columbia.

On June 25, 2021, the Company was renamed to Hempsana Holdings Ltd., as part of the reverse takeover transaction ("RTO" or the "Transaction") announced with Hempsana Inc. On July 12, 2021 the announced RTO was completed and Hempsana Inc. became a wholly-owned subsidiary of Hempsana Holdings Ltd. Pursuant to RTO accounting standards, these consolidated financial statements reflect the continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, Hempsana Inc. (see note 13). The Company specializes in cannabis derivatives and is focused on extraction and purification, and end-product manufacturing. The Company has approval for Cannabidiol ("CBD") oil extraction in the European Union ("EU") and has been granted Health Canada's Standard Processing and Industrial Hemp Licenses. The Company's head office is located at 3080 Yonge Street, Suite 6060, Toronto, Ontario, Canada, M4N 3N1. The registered address is located at 148 Cranbrooke Avenue, Toronto, Ontario, Canada, M5M 1M5.

These unaudited interim condensed financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. Management believes it will be successful in raising the necessary funds to continue in the normal course of operations through external financing until revenues are sufficient to cover the operating requirements of the business. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flows from operations, complete additional financings, and/or extend or modify its loan payable (note 8).

As at March 31, 2022, the Company had deficit working capital of $1,251,057 (December 31, 2021 – deficit of $1,000,514) and has incurred losses since inception. These events and conditions indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

In March 2020, the World Health Organization declared coronavirus COVID – 19 a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended December 31, 2021

These unaudited interim condensed financial statements do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. These financial statements be read in conjunction with the annual audited financial statements. These FS were authorized for issue by the Board of Directors on May 25, 2022.

Revenue recognition

The Company earns revenue from product sales, toll processing services and contract manufacturing services.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

- Identify the contract with a customer;
- Identify the performance obligation(s) in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from product sales, such as cannabis and hemp derived oils, vapes pens, tinctures, etc. and the related cost of sales are recognized on delivery of goods to the customer. Toll processing services are provided to other licensed companies who engage the Company to extract and refine their direct materials. Toll processing services revenue are recognized upon completion of services. Contract manufacturing services involve label manufacturing for third parties. Revenues for contract manufacturing services are recognized based upon the five-step process and can vary depending on the terms of each contract.

(b) Basis of presentation

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Presentation currency

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

(d) Use of estimates and judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the financial statements are described in the Company's annual audited financial statements for the year ended December 31, 2021, in addition to estimates relating to the fair value of the convertible debentures conversion feature which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.

3. Inventory

Inventories consist of the following:

		March 31, 2022		December 31, 2021
Extracted hemp and cannabis oil	**$**	**131,609**	$	82,493
Packaging and supplies		**48,442**		35,615
	$	**180,051**	$	118,108

During the three months ended March 31, 2022, the Company expensed $46,582 of inventories to cost of sales (March 31, 2021 - $nil).

4. Prepaids, deposits and other receivables

Prepaids, deposits and other receivables consist of the following:

		March 31, 2022		December 31, 2021
Sales tax recoverable	**$**	**134,276**	$	286,823
Prepaids and deposits		**59,208**		17,591
	$	**193,484**	$	304,414

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

5. Intangible assets

A continuity of the intangible assets balance is provided below:

	Intangible assets
Cost	
December 31, 2020	$ 16,010
Additions	27,375
December 31, 2021	43,385
Accumulated depreciation	
December 31, 2020	(3,113)
Depreciation	(13,003)
December 31, 2021	(16,116)
Net book value	
December 31, 2021	$ 27,269
Cost	
December 31, 2021	$ 43,385
Additions	-
March 31, 2022	43,385
Accumulated depreciation	
December 31, 2021	(16,116)
Depreciation	(3,527)
March 31, 2022	(19,643)
Net book value	
March 31, 2022	$ 23,742

6. Property, plant and equipment

	Land	Building	Machinery and equipment	Security equipment	Total
Cost					
December 31, 2020	$ 70,000	$ 2,256,434	$ 976,312	$ 220,195	$ 3,522,941
Other adjustments	-	-	(950)	(5,477)	(6,427)
Additions	-	95,607	283,031	5,052	383,690
December 31, 2021	70,000	2,352,041	1,258,393	219,770	3,900,204
Accumulated depreciation					
December 31, 2020	-	(100,374)	(40,905)	(38,491)	(179,770)
Depreciation		(82,945)	(109,455)	(31,079)	(223,479)
December 31, 2021	-	(183,319)	(150,360)	(69,570)	(403,249)
Net book value					
December 31, 2021	$ 70,000	$ 2,168,722	$ 1,108,033	$ 150,200	$ 3,496,955
Cost					
December 31, 2021	$ 70,000	$ 2,352,041	$ 1,258,393	$ 219,770	$ 3,900,204
Additions	-	-	-	-	-
March 31, 2022	70,000	2,352,041	1,258,393	219,770	3,900,204
Accumulated depreciation					
December 31, 2021	-	(183,319)	(150,360)	(69,570)	(403,249)
Depreciation	-	(21,137)	(30,534)	(7,655)	(59,326)
March 31, 2022	-	(204,456)	(180,894)	(77,225)	(462,575)
Net book value					
March 31, 2022	$ 70,000	$ 2,147,585	$ 1,077,499	$ 142,545	$ 3,437,629

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

As at March 31, 2022, the Company recognized $59,326 of depreciation (March 31, 2021 - $30,433). Of this amount, $32,420 was applied to inventory during the three months ended March 31, 2022 (March 31, 2021 - $nil).

7. Related party payables and transactions

Several key management personnel and Directors hold position in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The following related parties transacted with the Company during the three months ended March 31, 2022 and 2021:

(a) 12813521 CANADA INC
(b) 2822477 Ontario Inc.
(c) rk3 Global Services Incorporated
(d) The CFO Centre Limited
(e) Eurofins Experchem Laboratories Inc.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	For the three months ended		**Balances outstanding**	
	March 31, 2022	March 31, 2021	**March 31, 2022**	December 31, 2021
12813521 CANADA INC	**$ 24,900**	$ 25,000	**$ 74,700**	$ 49,800
2822477 Ontario Inc.	**24,900**	25,000	**74,700**	49,800
rk3 Global Services Incorporated	**75,000**	37,500	**187,500**	112,500
The CFO Centre Limited	**46,800**	-	**112,300**	77,405
Eurofins Experchem Laboratories Inc.	**4,487**	16,945	**9,626**	13,181
	$ 176,087	$ 104,445	**$ 458,826**	$ 302,686

All related party balances are unsecured and are due without interest. The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Management fees
- Includes the management consulting services charged to the Company by the Directors, Sohil Mana and Randy Ko, and by shareholder, Woo Kim.

(b) Consulting fees
- Includes the services of Eurofins, of which Director, Sohil Mana is President.
- Includes the consulting services of The CFO Centre, in which David Chan, CFO, serves as an independent contractor.

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

The remuneration of key management for the three months ended March 31, 2022 and March 31, 2021 are as follows:

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

	March 31, 2022 $	March 31, 2021 $
Share-based payments	**-**	16,173
	-	16,173

Share-based payments

- Includes options granted in prior years as a bonus to Director Randy Ko as incentive to service the company for 2 years from grant date.

In 2021 and 2022, all of the compensation to management was through Management and Consulting fees.

8. Long term debt

	March 31, 2022			
	Private loan	Government loan	Promissory note	Total long-term debt
Maturity	November 1, 2024	December 31, 2022	August 25, 2023	
Principal outstanding	515,607	40,000	273,098	**828,705**
Deferred financing costs	(15,356)	(3,441)	(6,117)	**(24,914)**
Total	500,251	36,559	266,981	**803,791**
Less: Current portion	**174,406**	**36,559**	**129,096**	**340,061**
Non-current portion	**325,845**	**-**	**137,885**	**463,730**

	December 31, 2021			
	Private loan	Government loan	Promissory note	Total long-term debt
Maturity	November 1, 2024	December 31, 2022	August 25, 2023	
Principal outstanding	556,051	40,000	266,685	862,736
Deferred financing costs	(17,660)	(4,502)	(7,450)	(29,612)
Total	538,391	35,498	259,235	833,124
Less: Current portion	169,277	-	129,096	298,373
Non-current portion	369,114	35,498	130,139	534,751

On October 18, 2019, the Company entered into a private loan with a related party for $850,000 which bears interest at the rate of 12% per annum, calculated monthly. As at March 31, 2022, the Company did not capitalize any financing costs to machinery and equipment (December 31, 2021 - $nil). The private loan matures on November 1, 2024 and can be repaid before maturity without penalty and is secured by the Company's land and building. The private loan matures on November 1, 2024 and can be repaid before maturity without penalty and is secured by the Company's land and building.

The private loan is recorded at amortized cost, which was initially measured at fair value less transaction costs. Loan issuance costs were capitalized when incurred and are being amortized over the term of the loan using the effective interest rate method. The private loan is repayable in monthly installments, with a combined principal and interest payment of $18,908 per month.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

On October 1, 2021 a Director of the Company agreed to finance the Company's private loan payments for three months. The total commitment is $56,723 and would cover the loan payments for October, November and December 2021. This Director is related to the holder of the existing private loan. Prior to this additional financing, the Company had owed $196,363 which comprised of the $189,108 previous loan payments made on the Company's behalf, as well as purchases for various equipment and services. As part of this additional financing, the Company restructured the entire amount owing as a new Promissory note which bears a 10.0% interest rate. Half of the total amount owing must be repaid on August 25, 2022 and the remaining half is due by August 25, 2023. The Company can repay the Promissory note early without penalty and it is secured by a second mortgage on the Company's Goderich property. As at March 31, 2022, the principal value of the Promissory note was $273,098 (December 31, 2021 - $266,685) and the fair value of the loan was $266,981 (December 31, 2021 - $259,235).

In response to COVID-19, many governments around the world have provided various subsidy programs to assist companies during the pandemic. The Company participated in the Canada Emergency Business Account ("CEBA") program in Canada, which was announced in March 2020. CEBA provides interest-free loans up to $60,000 to small businesses. On April 28, 2020, the Company received a $40,000 interest-free government loan from the CEBA program. The interest-free benefit has been recorded in the statement of comprehensive loss as other income. The loan bears no interest until December 31, 2022, and $10,000 loan forgiveness will be granted if repaid before this date. The principal value of the government loan was $40,000 as at March 31, 2022 (March 31, 2021 - $40,000) and the fair value of the loan was $36,559 (December 31, 2021 - $35,498).

Payments:		
Within one year	$	356,099
1 – 3 years		497,064
	$	853,163

The following table provides a continuity of the long-term debt balances:

		Long-term debt
December 31, 2020	$	705,604
Amortization of deferred financing costs		14,515
Repayments of private loan		(150,225)
Promissory note		266,685
Fair market value gain on Promissory note		(7,450)
Government grant		3,995
December 31, 2021	$	833,124
Amortization of deferred financing costs		2,304
Principal repayments on private loan		(40,445)
Amortization of fair market value gain on promissory note		1,334
Accrued interest on Promissory note		6,413
Amortization of Government grant on loan		1,061
March 31, 2022	$	803,791

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

9. Convertible debentures and derivative liability

On January 21, 2021 the Company issued convertible debentures for the aggregate amount of $250,000 to settle amounts owing to a vendor. The convertible debentures were non-interest bearing and were secured against certain equipment owned by the Company. The convertible debentures were to be automatically converted into shares of the Company upon the completion of certain events by the Company, including raising additional financing at specific thresholds. The conversion price was equal to the price that is a 20% discount to the additional financing raised. If these events did not occur by the maturity date of July 20, 2022, the Company would issue an additional 10% of convertible debentures in lieu of interest. At the measurement date, the Company assessed that these events as highly probable to occur.

The Company accounted for the convertible debentures as hybrid contracts where the initial carrying value of the host debt was the residual amount after separating the embedded derivatives. The host debt was carried at amortized cost and the embedded derivatives were accounted for as financial liabilities measured at fair value through profit or loss.

As the convertible debentures did not have a fixed conversion price, it did not meet the fixed-for-fixed criteria, therefore the fair value of the conversion feature was classified as a derivative liability. The residual debt host portion was accreted using an effective interest rate ("EIR") of 17.83%. Accretion expense has been included in interest expense line in the statements of loss and comprehensive loss. On July 12, 2021, the convertible debentures were converted into equity. No convertible debentures were issued during the three months ended March 31, 2022. A summary of the convertible debt liability and conversion feature is as follows:

	Convertible debentures	Derivative liability	Total
December 31, 2020	**$ -**	**$ -**	**$ -**
Initial recognition	191,859	58,141	250,000
Accretion of conversion and penalty feature	15,468	-	15,468
Change in fair value	-	345	345
Conversion of units into equity	(191,859)	(58,141)	(250,000)
Gain on conversion of units	(15,468)	(345)	(15,813)
December 31, 2021	**$ -**	**$ -**	**$ -**

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

10. Share capital

There were no transactions in share capital during the three months ended March 31, 2022 and transactions for the issuance of share capital during the year ended December 31, 2021 are shown as follows:

	Common shares #	Per share $	Amount $
December 31, 2020	17,534,480		2,904,877
Issuance:			
Private Placement March 2021	3,268,195	0.75	2,451,147
Shares for debt issuance	1,068,992	0.75	801,745
Conversion of convertible debt	297,619	0.84	250,000
Private Placement July 2021	296,000	1.05	310,800
Issued for the Transaction	1,500,000	1.05	1,575,000
Finder's fee for the Transaction	164,037	1.05	172,239
Costs			(97,835)
December 31, 2021	24,129,323		8,367,973
March 31, 2022	**24,129,323**		**$ 8,367,973**

As at December 31, 2021, there were 2,888,698 shares held in escrow.

Private Placement

During the fiscal year of 2020, $735,767 was received in advance from investors and recorded in equity as shares to be issued as at December 31, 2020. In March 2021, the private placement closed with additional proceeds of $2,451,147, and the shares to be issued were converted to common shares. In connection with the private placement, the Company issued 4,249,218 units comprised of one common share of the Company and one purchase warrant. Each purchase warrant entitles its holder to acquire one common share of the Company at an exercise price of $1.50 any time up to 18 months from the distribution date.

In July 2021, the Company successfully closed a private placement for gross proceeds of $310,800. In connection with the private placement, the Company issued 296,000 units comprised of one common share of the Company and one-half purchase warrant, for a total of 148,000 warrants. The Company intends to use the net proceeds for general operational and working capital purposes. Each purchase warrant entitles its holder to acquire one common share of the Company at an exercise price of $1.50 any time up to 24 months from the distribution date.

Shares for Debt Issuance

On March 19, 2021, the Company issued 1,068,992 common shares for the aggregate amount of $801,745 to settle amounts owing to multiple vendors and related parties.

Business Combination

On April 23, 2021, the Company and Hempsana Inc. executed a definitive business combination agreement whereby Hempsana Inc. subject to certain conditions and applicable shareholder and regulatory approvals, will affect a reverse takeover of the Company by way of a three-cornered amalgamation with Hempsana Inc.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

On July 12, 2021, the Company and Hempsana Inc. closed the transaction which was completed by way of a three-cornered amalgamation (the "Amalgamation"). Pursuant to the terms of the Amalgamation, Hempsana Inc. amalgamated with a wholly owned subsidiary of the Company, and the Company acquired all the issued and outstanding common shares of Hempsana Inc. in exchange for its common shares ("HHL Shares") on the basis of one HHL Share for each Hempsana Inc. Share issued and outstanding, as a result of which Hempsana Inc. has now become a wholly owned subsidiary of the Company. The Amalgamation also provides that all outstanding warrants and options to purchase Hempsana Inc. Shares remain outstanding and now entitle the holders thereof to acquire equivalent securities of HHL in lieu of Hempsana Inc. on the same terms and conditions. The continuing company trading symbol is (CSE: HMPS).

Upon completion of the Transaction, Hempsana had 24,129,323 HHL Shares issued and outstanding (non-diluted), of which the former shareholders of Stralak hold 1,500,000 Hempsana Shares representing approximately 6.2%, the former shareholders of Hempsana Inc. hold 22,629,323 Hempsana Shares representing approximately 93.8% (see note 13). In addition, Hempsana had 1,655,345 stock options and 4,397,218 warrants (each exercisable to acquire one Hempsana Share) outstanding.

Upon completion of the Transaction, the convertible debentures (see note 9) automatically converted into 297,619 shares of the Company at a 20% discount of the issue price of $1.05, for a total contributed capital of $250,000.

Warrants

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. The company closed a private placement in March 2021 which issued units which comprise of one (1) common share and one share purchase warrant exercisable at $1.50, at a price of $0.75 per unit. No value was allocated to the warrants under the residual value method.

A summary of the status of the Company's warrants as at March 31, 2022 and December 31, 2021 and changes during the years then ended is as follows:

	March 31, 2022		December 31, 2021	
	Warrants #	**Weighted average exercise price $**	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of year	**4,397,218**	**-**	981,023	-
Warrants issued	**-**	**-**	3,416,195	1.50
Warrants outstanding, end of year	**4,397,218**	**1.50**	4,397,218	1.50

11. Loss per share

The calculation of basic loss per share for the three months ended March 31, 2022 was based on the loss attributable to common shareholders of $242,375 (2021 - $746,496), and a weighted average number of common shares outstanding of 24,129,323 (March 31, 2021 – 18,733,682).

All options and warrants outstanding as at March 31, 2022 and 2021, were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

12. Capital management, financial instruments and financial risk

Capital management

The Company defines capital as the aggregate of its shareholders' equity and debt. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility and will make adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

Financial instruments - fair value

The Company's financial instruments consist of cash, trade receivables, accounts payable and accrued liabilities, and debt which are all carried at amortized cost.

The carrying value of cash, trade receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Debt value approximates its fair value due to the market rates of interest charged.

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk and liquidity risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash in financial institutions. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal receivable exposure, and its various refundable credits are due from Canadian governments.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. Considering the available liquidity as at March 31, 2022, the expected burn rates from operations and future commitments, the Company's exposure to liquidity risk as at March 31, 2022 is considered high. The Company expects to address this risk by raising funds through external financing as needed until revenues are sufficient to cover the operating requirements of the business.

The undiscounted cash flow requirements for financial liabilities as at March 31, 2022 are as follows:

	Carrying value	Total	Less than 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	$ 938,657	$ 938,657	$ 938,657	$ -	$ -
Accounts payable to related parties	458,826	458,826	458,826	-	-
Long term debt	803,791	853,163	356,099	497,064	-
Interest on long-term debt	-	-	52,487	30,368	6,586
Total	$ 2,201,274	$ 2,250,646	$ 1,806,069	$ 527,432	$ 6,586

(Expressed in Canadian dollars, except per share amounts or when otherwise indicated)

13. Other events – reverse takeover transaction

As part of the Transaction previously mentioned (see note 10) the Company consolidated its Common Shares on the basis of 1 HHL Share for every 253.7067059 pre-consolidation Common Shares (the "Consolidation"). Prior to the Consolidation, Stralak had 269,563,375 Common Shares issued and outstanding. As a result of the Consolidation, the Company had 1,062,501 HHL Shares issued and outstanding. Following the Consolidation, the Company issued 437,499 HHL Shares to certain arm's-length finders, resulting in the former shareholders of Stralak holding 1,500,000 HHL shares. Hempsana Inc. also issued 164,037 Hempsana Inc. Shares to certain finders at a deemed price of $1.05 per share in connection with the Transaction. Upon closing of the RTO Transaction, the Company has 24,129,323 Common Shares issued and outstanding, as shown in the table below:

	Number outstanding	**Percentage**
Hempsana Inc. – opening	22,167,667	
Hempsana – adjusted	22,629,323	93.8%
Issued for consideration to Stralak	1,500,000	6.2%
Hempsana Holdings Ltd. – ending	24,129,323	100%

As a result of the share exchange between Stralak and the Hempsana Inc., described above, the former shareholders of Hempsana Inc. acquired control of Stralak. Accordingly, the acquisition is accounted for as a reverse takeover of Stralak, and therefore Stralak does not constitute a business as defined under IFRS 3 Business Combination. The business combination is accounted for under IFRS 2 Share-Based Transaction. As Hempsana Inc. is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value. As a result of this asset acquisition, a listing expense of $1,949,739 has been recorded on the statement of loss and comprehensive loss. This reflects the difference between estimated fair value of consideration given as follows:

Net assets acquired:		
Net asset value	$	-
Deemed consideration		1,949,739
Listing expense (the Transaction cost)	$	1,949,739
Consideration:		
Cash paid	$	202,500
Shares issued for the Transaction		1,747,239
	$	1,949,739