

**HEMPNOVA LIFETECH CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

This Management’s Discussion and Analysis (“MD&A”) of HempNova Lifetech Corporation (“we”, “our”, “us”, “HempNova” or the “Company”) has been prepared by management, in accordance with the requirements of National Instrument 51-102 (“NI 51-102”), and on the basis of available information up to September 30, 2020, and should be read in conjunction with the accompanying audited consolidated financial statements and related notes prepared by management for the six months ended June 30, 2020 and the year ended December 31, 2019. The Company’s financial statements have been prepared in accordance with Financial Reporting of International Financial Reporting Standards (“IFRS”).

Except as noted, all financial amounts are expressed in Canadian dollars. All references to "\$" and "dollars" are to Canadian dollars, all references to “US\$” are United States dollars. Some dollar amounts are rounded to thousand (‘000) for discussion purpose.

Additional information regarding the Company, including our continuous disclosure materials, the audited consolidated financial statements and the MD&A is available under the Company's profile on SEDAR at www.sedar.com. The Company’s audit committee reviews the condensed consolidated interim financial statements and the MD&A, and recommends approval to the Company’s board of directors.

Refer to Note 3 of the audited consolidated financial statements for the six months ended June 30, 2020 for details of the Company’s significant accounting policies.

The Company was incorporated in British Columbia in October 1989. The Company changed its name from Pacific Link Mining Corp. to HempNova Lifetech Corporation on May 2, 2019. The head office, principal address and records office of the Company are 2060 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3. On May 1, 2019, the Company voluntarily delisted its shares from the TSX Venture Exchange.

The Company, through its wholly owned subsidiary HempNova Lifetech (USA) Corp. (“HempNova Oregon”), has been engaging in industrial hemp related services and products since 2019. HempNova Oregon was incorporated in Oregon, USA. On April 6, 2020, HempNova Oregon changed its name from HempNova Lifetech (Oregon) Corp. to HempNova Lifetech (USA) Corp. and its jurisdiction from the State of Oregon to the State of Delaware.

In April 2020, the Company also registered the following wholly owned subsidiaries in the USA:

HempNova Oregon LLC	100% owned by HempNova Lifetech (USA) Corp.
HempNova Asset Management LLC	100% owned by HempNova Lifetech (USA) Corp.
HNL2 Holdings LLC	100% owned by HempNova Asset Management LLC
HNL3 Holding LLC	100% owned by HempNova Asset Management LLC
HempNova Eugene LLC	100% owned by HempNova Oregon LLC
HempNova 238 LLC	100% owned by HempNova Oregon LLC

Change of fiscal year end

On April 28, 2020, the Company changed its fiscal year end from December 31 to June 30 effective immediately to better reflect the seasonality of its operations. The Company’s transition period is the six months ended June 30, 2020, and the comparative period is the twelve months ended December 31, 2019. The Notice of Change of Fiscal Year End was filed on April 28, 2020 by the Company on SEDAR pursuant to NI 51-102.

Audited financial statements for the six-month period ended June 30, 2020 (with comparative figures to its old financial year end, December 31, 2019). In addition, the Company will be filing, in respect of its new financial

year, the following financial statements:

1. Unaudited interim financial statements for the first quarter ending September 30, 2020 (with comparative figures to the period ending September 30, 2019);
2. Unaudited interim financial statements for the second quarter ending December 31, 2020 (with comparative figures to the period ending December 31, 2019);
3. Unaudited interim financial statements for the third quarter ending March 31, 2021 (with comparative figures to the period ending March 31, 2020); and
4. Audited financial statements for the twelve-month period ending June 30, 2021 (with comparative figures to its six-month transition year end June 30, 2020 and its twelve-month period ending December 31, 2019).

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1. Core Businesses and Strategy

The Company is engaging in industrial hemp related services and products. The Company's strategy is to become a leading vertical integrated one-stop service provider to hemp growers with services including germination, propagation, flower drying and processing, biomass drying and processing, marketing and sales of hemp related products to retailers, wholesalers, industrial users and consumers. The Company's goal is to continuously create healthy returns to stakeholders through efficient management, organic growth and meaningful acquisitions. During 2020, the Company operates two hemp centers – Oscar Facility in Eugene, Oregon, USA (“Oscar Facility”) and Seven Oaks Hemp Center (“7Oaks Hemp Center”) in Central Point, Oregon, USA. The Company continues to build up Oscar Facility as a Good Manufacturing Practice (“GMP”) certified hemp refinery facility and to expand 7Oaks Hemp Center focusing on cultivation and processing of hemp smokable flowers.

2. Business Activities

In June 2019, the Company leased and started building up its first hemp processing facility (the “Oscar Facility”) in Eugene, Oregon, USA. The Oscar Facility, a previous U.S. Department of Agriculture (“USDA”) certified food processing facility, is a 1.7-acre commercial property with 23,000 square feet factory and warehouses. At the Oscar Facility, outside the existing building, the Company built and fully permitted a 10,000 square feet hemp drying workshop and installed four commercial dryers therein.

During 2019 drying season, the Company provided drying and storage services to local hemp growers and dried 1.4 million pounds of died biomass in its 49 days drying operation and generated \$7 million revenue by providing drying and storage services. The Company also built up an analytical laboratory inside the Oscar Facility. The laboratory was extensively used during the drying season.

In addition, the Company has leased a 15,000 square feet warehouse located in Medford, Oregon, USA (the “Medford Facility”) in August 2019. An Industrial Hemp Handler License was granted to the Medford Facility by Oregon Department of Agriculture (“ODA”). The Company has converted this warehouse into a hemp storage facility. Two large commercial dryers are currently stored in Medford Facility.

During the six months ended June 30, 2020, the Company started its expansion plan for a strategic acquisition in Southern Oregon, USA. On May 8, 2020, the Company acquired all assets of 7Oaks, a fully functional turn-key hemp operation, located at 5130 Seven Oaks Road, Central Point, Oregon, USA for \$2.03 million. This acquisition included:

- 45 Acres EFU land with water rights and best soil
- Excellent location, close to major hemp growing areas in Southern Oregon
- Winner of 4 hemp cultivation awards in 2019
- Two existing warehouses for about 16,000 sq. ft.
- One 8,200 sq. ft. greenhouse
- State-of-art irrigation system

7Oaks Hemp Center obtained hemp grower license and permits for three 54,000 square feet greenhouses, 18,000 square feet warehouse, south entrance, increase power from 800 AMP to 2,800 AMP. The Company has also:

- grown 33 acres of hemp, mainly smokable flowers
- built a 54,000 square feet multi-purposes greenhouse
- built a 18,000 square feet warehouse with steel structure
- completed the foundation of a 8,500 square feet drying shop

During the six months ended June 30, 2020, HempNova has been building and permitting a 5,000 square feet refinery room at its Oscar Facility to produce hemp related products, such as various distillates, isolates and

other consumer products. The Company has applied its GMP certificate and ODA food safety certificate for its Oscar Facility.

In March 2020, The Company enhanced its management team with appointments of Dr. Ken Cai as Chairman & Chief Executive Officer, Ms. Maria Tang (former Chief Financial Officer) as the President, and Ms. Melinda Hsu as its Chief Financial Officer of the Company.

In February 2020, the Company approved \$347,545 of incentive payments to directors, officers, employees and consultants. The Company issued 1,115,000 common shares at \$0.2 per share for a total of \$223,000 and paid \$124,545 in cash for the settlement. Also, the Company granted 3,500,000 stock options to certain of its directors, employees and consultants at an exercise price of \$0.20 per common share in February 2020 and 200,000 stock options to a senior officer at an exercise price of \$0.40 per common share in March 2020. These options vest 1/3 each year over three years from the grant date and exercisable for a period of five years.

In May 2020, the Company closed a non-broker private placement of 16,167,500 common shares at a price of \$0.40 per share for gross proceeds of \$6,467,000. A finder's fee of \$129,550 was paid in connection with this financing. Proceeds from the private placement are to fund the Company's expansion in Southern Oregon and for general working capital.

Abeida Transaction

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

During the year ended December 31, 2018, the Company advanced a loan of \$200,000 (the "Loan") to Aibeida. The Loan was interest free and repayable on demand. Aibeida shareholders pledged all outstanding shares of Aibeida as security for repayment of the Loan. The Company also advanced \$38,497 to Aibeida and its subsidiary for Aibeida's expenses. This advance was non-interest bearing, unsecured and payable on demand. As at December 31, 2019, the Company provided a valuation allowance totaling \$238,497 for the recovery of the Loan and the advance. A notice of the Loan collection was sent to Aibeida on November 25, 2019. As at the date of this MD&A, the Company has not received the recovery of \$238,497 of the Loan and advance. The Company will continue its legal collateral action.

Since February 2020, the coronavirus ("COVID-19") has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company.

3. Selected Annual Information

The following table summarizes selected annual financial information for the six months ended June 30, 2020 and years ended December 31, 2019 and December 31, 2018:

	For the six months ended June 30, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	\$	\$	\$
Revenue	439,290	7,042,932	-
Cost	(146,767)	(1,205,940)	-
Operating expenses	(2,304,403)	(1,528,748)	(206,535)
Net (loss) / income after taxes	(3,588,235)	2,842,200	(203,623)
Total assets	14,686,960	12,036,582	631,188
Total long-term liabilities	3,134,058	3,963,368	-
Net (loss) / income per share – basic and diluted	(0.07)	0.08	(0.01)

The financial data presented above for the current and comparative periods was derived from the financial statements prepared in accordance with IFRS.

4. Summary of Quarterly Results

The following table sets forth selected unaudited quarterly financial information for each of the last eight recently completed quarters:

	6/30/2020	3/31/2020	12/31/2019	9/30/2019
	\$	\$	\$	\$
Revenue	237,307	201,983	7,042,932	-
Cost	(73,792)	(72,975)	(1,205,940)	-
Operating expenses	(1,290,867)	(1,013,536)	(690,349)	(438,030)
Net (loss) / income after taxes	(2,705,453)	(882,782)	3,676,074	(435,159)
(Loss) / income per share	(0.05)	(0.02)	0.08	(0.01)

	6/30/2019	3/31/2019	12/31/2018	9/30/2018
	\$	\$	\$	\$
Revenue	-	-	-	-
Operating expenses	(361,766)	(38,603)	(130,535)	(51,734)
Net loss	(360,112)	(38,603)	(128,969)	(51,261)
Loss per share	(0.01)	(0.00)	(0.00)	(0.00)

5. Results of Operations

5.1 Operating Result Comparison for the Quarters Ended June 30, 2020 and December 31, 2019

For the three months ended	June 30, 2020	December 31, 2019	Change
	\$	\$	\$
Revenue	237,307	7,042,932	(6,805,625)
Cost	(73,792)	(1,205,940)	1,132,148
Gross profit	163,515	5,836,992	(5,673,477)
Operating expenses	(1,290,867)	(690,349)	(600,518)
Other expenses	(2,787,676)	(239,994)	(2,547,682)
(Loss) / income before taxes	(3,915,028)	4,906,649	(8,821,677)
Deferred income tax recovery (expense)	1,209,575	(1,230,575)	2,440,150
Net (loss) / income	(2,705,453)	3,676,074	(6,381,527)

The Company's primary revenue is seasonal in nature with the major revenue generated in the fourth calendar quarter. The Company started generating revenue from drying and storage services during the fourth quarter of 2019. During the three months ended June 30, 2020, the Company's revenue was mainly from the storage income. As a result, the Company's revenue decreased significantly.

The operating expenses increased by \$601,000 during the fiscal quarter ended June 30, 2020 compared to the fiscal quarter ended December 31, 2019 mainly due to some operating expenses allocated to the direct costs of revenue produced in the fourth quarter of 2019.

Other expenses increased by \$2.5 million during the quarter ended June 30, 2020 compared to the fiscal quarter ended December 31, 2019 mainly due to \$2,755,393 of inventory write-down during the six months ended June 30, 2020 offset valuation allowance of \$238,497 related to doubtful Abeida Loan receivable during the year ended December 31, 2019.

The following table is a summary of the Company's operating expenses for the fiscal quarters ended June 30, 2020 and December 31, 2019.

For the three months ended,	June 30, 2020	December 31, 2019	Change
	\$	\$	\$
Audit, legal and regulatory	20,414	3,496	16,918
Amortization	255,608	133,997	121,611
Consulting and management fees	69,160	106,291	(37,131)
Directors' fee	2,000	1,000	1,000
Equipment rental	37,946	-	37,946
Farm expenses	197,166	-	197,166
Interest expense	66,350	100,152	(33,802)
Legal, filing and transfer fees	110,437	25,460	84,977
Lab supplies	22,633	-	22,633
Office and miscellaneous	84,423	70,062	14,361
Rent	33,833	34,675	(842)
Salaries and benefit	259,435	144,816	114,619
Share-based compensation	80,120	-	80,120
Travel and transportation	31,748	70,400	(38,652)
Utilities	19,594	-	19,594
Total	1,290,867	690,349	600,518

During the fiscal quarter ended June 30, 2020, the Company purchased 7Oaks facility, registered six fully owned subsidiaries, developed facilities, cultivated 33 acres of hemp, and hired more operation team in USA, which resulted in overall increases in operation expenses.

During the fiscal quarter ended June 30, 2020, the Company also recorded \$80,120 (2019 - \$Nil) of the stock option component as the share-based compensation as the Company granted 3.7 million options to its directors, employees and consultants during 2020.

5.2 Operating Result Comparison for the Six Months Ended June 30, 2020 and the Fiscal Year Ended December 31, 2019

The Company changed its fiscal year end from December 31 to June 30 in April 28, 2020 to better reflect the seasonality of its operations. The Company's transition period is six months ended June 30, 2020 and the comparative period is the twelve months ended December 31, 2019. As such, the operating result comparison did not provide typical year to year analyses.

More operation results discussed in the section 5.1, above and a summary is as follows:

	For the six months ended June 30, 2020	For the twelve months ended December 31, 2019	Change
	\$	\$	\$
Revenue	439,290	7,042,932	(6,603,642)
Cost of goods sold	(146,767)	(1,205,940)	1,059,173
Operating income	292,523	5,836,992	(5,544,469)
Operating expenses	(2,304,403)	(1,528,748)	(775,655)
Other expenses	(2,785,930)	(235,469)	(2,550,461)
(Loss) / income before taxes	(4,797,810)	4,072,775	(8,870,585)
Deferred income tax recovery (expense)	1,209,575	(1,230,575)	2,440,150
Net (loss) / income	(3,588,235)	2,842,200	(6,430,435)

The following table is a summary of the Company's operating expenses for the six months ended June 30, 2020 and the year ended December 31, 2019.

	For the six months ended June 30, 2020	For the twelve months ended December 31, 2019	Change
	\$	\$	\$
Audit, legal and regulatory	48,684	23,050	25,634
Amortization	455,825	227,449	228,376
Consulting and management fees	387,627	331,038	56,589
Directors' fee	4,000	5,500	(1,500)
Equipment rental	37,946	-	37,946
Farm expenses	197,166	-	197,166
Interest expense	132,093	130,263	1,830
Legal, filing and transfer fees	195,218	118,095	77,123
Lab supplies	41,238	-	41,238
Office and miscellaneous	111,214	189,729	(78,515)
Rent	55,533	77,452	(21,919)
Salaries and benefit	458,957	296,517	162,440
Share-based compensation	112,402	-	112,402
Travel and transportation	46,906	129,655	(82,749)
Utilities	19,594	-	19,594
Total	2,304,403	1,528,748	775,655

6. Liquidity and Capital Resources

6.1 Cash flows

	For the six months ended June 30, 2020	For the twelve months ended December 31, 2019
	\$	\$
Operating activities, cash (outflow) inflow	(846,218)	611,681
Financing activities, cash inflow	6,125,864	3,620,707
Investing activities, cash outflow	(4,709,203)	(3,140,832)

Operating activities

During the six months ended June 30, 2020, \$846,000 net cash used in the operating activities mainly due to \$1,088,000 of net operation expenditures offset \$242,000 of changes in working capital. During the year ended December 31, 2019, the Company generated cash of \$612,000 mainly from the net operating income earned from the drying services rendered in 2019.

Financing activities

During the six months ended June 30, 2020, the Company received \$6,337,000 cash from share issuance (2019 - \$3,795,000) and paid \$212,000 in connection with the lease obligation (for the year ended December 31, 2019 - \$174,000).

Investing activities

During the six months ended June 30, 2020, the Company used \$4,544,000 in purchase of new farm and new equipment as well as development of facilities in USA (for the year ended December 31, 2019 - \$3,101,000). The Company also paid \$136,000 for construction (for the year ended December 31, 2019 - \$Nil) and \$29,000 for rent (for the year ended December 31, 2019 - \$40,000) for a total of \$165,323 deposit during the six months ended June 30, 2020 (for the year ended December 31, 2019 - \$40,000).

6.2 Liquidity and Capital Resources

As at June 30, 2020, the Company had current assets of \$3,942,000 (December 31, 2019 - \$6,055,000) and current liabilities of \$1,168,000 (December 31, 2019 - \$1,020,000) for a total of working capital of \$2,890,087 (December 31, 2019 - \$5,034,872). The Company uses the following key financial measurements to assess its financial condition and liquidity:

	As at June 30, 2020	As at December 31, 2019
	\$	\$
Working capital	2,637,533	5,034,872
Cash	1,810,931	1,349,032

On May 12, 2020, the Company closed a non-broker private placement of 16,167,500 common shares at a price of \$0.40 per share for gross proceeds of \$6,467,000. A finder fee of \$129,550 was paid in connection with this financing. Proceeds from the private placement are to fund the Company's expansion in Southern Oregon and for general working capital.

The Company does not have unlimited resources and its future capital requirement will depend on many factors, including, among others, cash flows from operations. To the extent that is existing resource and the funds generated by future income are insufficient to fund the Company's acquisition and operations, the Company may need to raise additional funds through equity or debt financing. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced, and such equity securities may have rights, preferences or privileges senior to those of the Company's current common shares. No assurance can be given that additional financing will be available or that, if available, can be obtained on terms favorable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit or eliminate some or all of its proposed operations. The Company believes it has sufficient capital to meet its cash needs for the next twelve months.

7. Transactions with Related Parties

Shared office expenses

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

During the six months ended June 30, 2020, the Company incurred \$98,014 (twelve months ended December 31,

2019 - \$17,031) to Minco Capital for reimbursement of shared office expenses and rent for the head quarter in Vancouver.

During the six months ended June 30, 2020, the Company incurred \$24,658 (twelve months ended December 31, 2019 - \$Nil) to Minco China for reimbursement of shared office rent in Beijing, China.

During the six ended June 30, 2020, the Company incurred \$495,837 (twelve months ended December 31, 2019 - \$Nil) to Minco Base Metals for reimbursement of equipment purchase and other expenses in China.

Key management compensation

Key management includes the Company's directors and senior management. During the six months ended June 30, 2020 and the year ended December 31, 2019, the following compensation was charged by the key management.

	For the six months ended June 30, 2020	For the twelve months ended December 31, 2019
	\$	\$
Senior management remuneration	395,650	269,581
Directors' fees (i)	24,000	5,500
Share base compensation	84,630	-
Total	504,280	275,081

- (i) During the six months ended June 30, 2020, the Company paid \$4,000 of directors' fees and \$20,000 of incentive bonus. As at June 30, 2020, the Company also paid to a director \$20,767 for a recruiting service and \$3,000 for other services.

Due to related parties

As at June 30, 2020 and December 31, 2019, the Company's amount payable to related parties are as follow:

	As at June 30, 2020	As at December 31, 2019
	\$	\$
MBM, for labor and equipment purchase	495,837	303,938
Minco Capital, for reimbursement of the shared expenses	458	3,808
Minco Silver, for reimbursement of the shared expenses	125,805	-
A company owned by the CEO, for service fees	55,026	152,000
A company owned by the President (former CFO), for service fees	8,936	50,922
Total due to related parties	686,062	510,668

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

Minco Silver participated in the Company's private placement

During the period ended June 30, 2020, Minco Silver participated in the Company's private placement closed on May 12, 2020 by purchasing 7,950,000 common shares at the price of \$0.40 per share for a total investment amount of \$3,180,000, which represented approximately 12.7% of the issued and outstanding common shares of the Company after closing of the Company's private placement.

8. Outstanding Share Data

As at the date of this MD&A, the Company has 62,583,353 common shares and 3,520,000 stock options outstanding.

9. Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

10. Internal Controls over Financial Reporting

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements.

The management of the Company has filed the Venture Issuer Basic Certificate on SEDAR at www.sedar.com. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

10.1. Changes in Internal Controls over Financial Reporting

NI 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to internal controls in the six months ended June 30, 2020.

11. Financial Instruments

The Company's activities exposed to varying degrees of financial risks, including but not limited to market risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. Risk management activities are carried out by management, who identifies and evaluates the financial 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 \$1,810,931 at June 30, 2020 (December 31, 2019 - \$1,349,032) and accounts receivable of \$Nil at June 30, 2020 (December 31, 2019 - \$4,422,325). As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk related to cash is considered by management to be negligible.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come

due. The Company's primary exposure to liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities obligations of \$309,722 at June 30, 2020 (December 31, 2019 - \$164,517). The Company did maintain sufficient cash balances to meet these needs at June 30, 2020.

Foreign exchange gain (loss)

The functional currency of the Company is the Canadian dollar and the functional currency of its subsidiaries is US dollar. Most of the 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. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net gain or loss of the Company.

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 have liabilities exposed to variable interest rate. As such the interest rate risk is considered minimum.

Fair Value of Financial Instruments

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 Company's cash and cash equivalent are Level-1 financial assets and does not have Level 2 and Level 3 financial instruments.

The Company does not have instruments measured at fair value. Fair values of financial instruments not measured at fair value approximate their carrying value due to their short-term nature. The following table summarizes the carrying value of financial instruments as at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Financial assets, amortized cost:	\$	\$
Cash	1,810,931	1,349,032
Account receivables	-	4,422,325
Other receivables	276,016	13,913
Financial liabilities, amortized cost:		
Accounts payable and accrued liabilities	309,722	302,423
Customer advance	-	28,374
Due to related parties	686,062	803,054
Lease obligations, current	172,201	177,059
Lease obligations, non-current	3,113,058	3,292,923

12. Contractual Obligations, Commitments and Contingency

The Company's undiscounted contractual obligations as at June 30, 2020 are lease agreements in connection with shared offices and operation facilities and their approximate timing of payment are as follows:

	< 1 year	1-3 years	4-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Due to related parties	686,062	-	-	-	686,062
Leases	425,974	785,376	744,586	3,396,807	5,352,743
	1,112,036	785,376	744,586	3,396,807	6,038,805

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

13. Forward Looking Statements

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guaranteeing of future performance. Forward-looking statements in this MD&A include statements involving known and unknown risks and uncertainties such as general economic and business conditions, change in foreign currency exchange rates, and other factors, including but not limited to our evaluation of the impacts of the adoption of International Financial Reporting Standards. Since forward looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Therefore, actual results may be materially different from those expressed or implied in such statements. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. HempNova Lifetech Corp. has no intention and undertakes no obligation to update or revise any forward-looking statements to reflect new events or circumstances, whether written or oral that may be made by or on the Company's behalf.