

**HEMPNOVA LIFETECH CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021**

This Management’s Discussion and Analysis (“MD&A”) of HempNova Lifetech Corporation (“we”, “our”, “us”, “HempNova” or the “Company”) has been prepared by management on the basis of available information up to November 24, 2021, and should be read in conjunction with the Company’s condensed consolidated interim financial statements and related notes thereto prepared by management for the three months ended September 30, 2021. The Company’s condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Certain information and notes usually provided in the annual financial statements have been omitted or condensed. Therefore, this MD&A should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended June 30, 2021, the six months ended June 30, 2020 and the year ended December 31, 2019.

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 year ended June 30, 2021 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

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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 create healthy returns to stakeholders through efficient management, organic growth and meaningful acquisitions. The Company currently operates two hemp centers – Oscar Facility in Eugene, Oregon, USA (the "Oscar Facility") and Seven Oaks Hemp Center ("7Oaks Hemp Center") in Central Point, Oregon, USA. The Company has built up its Oscar Facility as a Good Manufacturing Practice ("GMP") certified hemp refinery facility and expanded its 7Oaks Hemp Center focusing on cultivation, processing and sales of hemp smokable flowers.

2. Business Activities

Oscar Facility

The Company has leased and started building up its Oscar Facility since June 2019 in Eugene, Oregon, USA. The Oscar Facility, a 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 of the existing building, the Company built and fully permitted a 10,000 square feet hemp drying workshop and installed four commercial dryers therein. The Company also built up a laboratory inside the Oscar Facility for analyses, research, and development.

In 2020, the Company built a 10,000 square feet refinery to convert hemp crude oil into distillates, isolate and other hemp-derived products. In October 2020, the Company obtained a cGMP certificate for the Oscar Facility, which is a key qualification for safety, quality control and marketing the Company's products to large customers. The Company has completed product development on CBD isolate and full spectrum distillate with the capability of producing 200 kilograms of high-purity CBD isolate and 100 liters of full spectrum distillate per week.

During the three months ended September 30, 2021, Oscar facility produced CBD isolate, Delta-8 oil, distillates, gummy, vape and also provided tolling etc. services, which generated \$299,000 of gross revenue.

The Company has also leased a 15,000 square feet warehouse located in Medford, Oregon, USA (the "Medford Facility") since 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.

7Oaks Hemp Center

In early 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 Hemp Center, 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 square feet
- One 8,200 square feet greenhouse
- State-of-art irrigation system

The Company plans to expand its 7Oaks Hemp Center into a major regional hemp one-stop service center for Southern Oregon growers.

Phase I Construction

During Phase I construction in 2020, the Company designed and constructed a 54,000 square feet state-of-the-art multipurpose greenhouse with an automatic climate control system. A new 18,000 square feet steel-structured warehouse was also built for flower drying, curing, and storage.

The Company substantially upgraded 7Oaks infrastructure by increasing the natural gas supply from 8 million to 50 million BTU, expanding power supply from 800 amp to 2,800 amp, building underground gas-power-water-sewage systems and opening a new southern entrance with connecting road access.

Cultivation and harvest

During the 2020 season, the Company cultivated 65,000 hemp plants over 33 acres. Growing hemp on our own has enabled us to understand farmers' needs and serve our customers better. During this productive growing season, the Company harvested 36,000 pounds of untrimmed dried smokable flowers. The Company also extracted high-quality terpenes from six different hemp strains. Two in-house designed and custom-made flower harvesting tractors dramatically increased the efficiency of time-consuming flower harvesting process.

During the three months ended September 30, 2021, the Company has cultivated 27,000 hemp plants over 10 acres. Subsequent to September 30, 2021, the Company harvested cultivated smokable flowers.

Flower Drying and Processing

The Company custom-designed a 17-level movable rack and plastic tray system for premium flower drying inside the Company's specially-engineered, state-of-the-art greenhouse. This greenhouse has the capacity to dry 300,000 pounds of fresh hemp flowers per week. The Company utilized large industrial dehumidifiers, heaters, ventilation fans, and an automatic climate control system to provide the best flower drying environment.

During the 2020 season, the Company produced 120,000 pounds of dried hemp flowers for ourselves and customers. 7Oaks Hemp Center has become one of the largest premium flower-drying facilities in Southern Oregon.

Smokable Hemp Flowers Sales

During the year ended June 30, 2021, smokable hemp flowers were trimmed for an approximate 10,981 pounds, of which 3,117 pounds were sold for a gross revenue of \$1,125,000.

During the three months ended September 30, 2021, smokable hemp flowers were trimmed for an approximate 550 pounds and sold 1,991 pounds of trimmed smokable hemp flowers for a gross revenue of \$309,000.

Financing Activities

Three months ended September 30, 2021

The Company signed a loan agreement effective September 13, 2021 with Minco Base Metals Corporation ("MBM"), a company controlled by the Company's CEO, to borrow a total of \$157,601 (RMB 800,000) and received the loan accordingly. The Company has agreed to pledge its fixed assets as security for this loan. The loan will be repayable in full on or before September 13, 2022 and bear interest at the rate of 10% per annum, calculated and compounded monthly. The Company received the fund on September 15, 2021 in connection with the Loan.

The year ended June 30, 2021

In October 2020, the Company closed a \$4,198,600 convertible note financing (the "Debenture"). The Debenture is an unsecured debt obligation of the Company and bears interest at a rate of 10% per annum to be paid annually in arrears on each of the first, second and third anniversary of the closing date. Subject to conversion, the principal amount of the Debenture will mature and be repayable in full on the third anniversary of the closing date (the "Maturity Date").

The principal amount of the Debenture may be converted, in whole or in part, into common shares of the Company at a conversion price of \$0.50 per common share until the second anniversary of the closing date and, thereafter, at a conversion price of \$0.60 per common share until the Maturity Date. The Company may redeem

the Debenture upon 30 days' notice to the purchaser at any time prior to the maturity date.

The net proceeds from the Debenture funded the Company's expansion plans and general working capital.

The Company signed a loan agreement effective December 1, 2020 with MBM to borrow \$247,880 (US \$200,000) (the "Loan"). The Loan was received on December 2, 2020. The Company has agreed to pledge its fixed assets as security for the Loan. The Loan will be repayable in full on or before November 30, 2021 and bear interest at the rate of 10% per annum, calculated and compounded monthly.

The Company signed a loan agreement effective February 1, 2021 with MBM to borrow a total of \$200,000 (the "2nd Loan"). The Company has agreed to pledge its fixed assets as security for the 2nd Loan. The 2nd Loan will be repayable in full on or before January 31, 2022 and bear interest at the rate of 10% per annum, calculated and compounded monthly. The Company received the loan in connection with the 2nd Loan.

3. Summary of Quarterly Results

Variations in quarterly performance over the eight quarters were primarily because the Company's primary revenue is seasonal in nature with the major revenue generated during the quarter; also, the variations were primarily due to variation in inventory write-off, change in foreign exchange rate, share-based compensation. The following table sets forth selected unaudited quarterly financial information for each of the last eight recently completed quarters:

	9/30/2021	6/30/2021	3/31/2021	12/31/2020
	\$	\$	\$	\$
Revenue, net of discounts and commission	607,738	743,195	636,067	181,636
Cost	(501,643)	(595,068)	(479,172)	(49,336)
Unrealized fair value adjustment and changes in inventory	(826,842)	(3,417,016)	(229,671)	6,125,920
Gross (loss) / profit	(720,747)	(3,268,889)	(72,776)	6,258,220
Operating expenses	(1,131,915)	(818,125)	(941,269)	(733,344)
Net (loss) / income after taxes	(1,852,073)	(3,981,547)	(1,054,620)	4,149,280
(Loss) / Earnings per share – Basic	(0.03)	(0.06)	(0.02)	0.07
(Loss) / Earnings per share – Diluted	(0.03)	(0.06)	(0.02)	0.06

	9/30/2020	6/30/2020	3/31/2020	12/31/2019
	\$	\$	\$	\$
Revenue	-	237,307	201,983	7,042,932
Cost	-	(73,792)	(72,975)	(1,205,940)
Gross profit	-	163,515	129,008	5,836,992
Operating expenses	(796,029)	(1,290,867)	(1,013,536)	(690,349)
Net (loss) / income after taxes	(784,101)	(2,705,453)	(882,782)	3,676,074
(Loss) / income per share – basic and diluted	(0.01)	(0.05)	(0.02)	0.08

4. Results of Operations

4.1 Operating Result Comparison for the Quarters Ended September 30, 2021 and 2020

The Company's primary revenue is seasonal in nature and mainly from the sales of smokable hemp flowers, CBD isolate, Delta-8 oil and distillates, as well as tolling service, etc. since 2020 season.

During the year ended June 30, 2021, the Company started its own cultivation of smokable hemp flowers. In accordance with IAS41 – Agriculture, biological assets are valued and presented at their fair values less costs to sell up to the point of harvest. As such, during the year ended June 30, 2021, the Company recorded \$2.5 million of an unrealized fair value adjustment on biological assets.

During the fiscal quarter ended September 30, 2021, the Company recorded \$608,000 of revenue, net of discounts and commission (2020 - \$Nil) with the cost of \$502,000 (2020 - \$Nil). During the fiscal quarter ended September 30, 2020, the Company also adjusted down \$827,000 of the unrealized fair value on biological assets due to sales and the impairment of 2020 smokable flowers, offset by the fair value adjustment on the newly cultivated 2021 smokable flowers.

The following table is a summary of the Company's operating expenses for the fiscal quarters ended September 30, 2021 and 2020.

For the three months ended September 30,		2021	2020	Change
			\$	\$
Audit and accounting		8,499	9,098	(599)
Consulting and management fees	(a)	71,214	87,783	(16,569)
Legal, filing and transfer agent fees		16,951	16,603	348
Office and miscellaneous	(b)	43,557	71,008	(27,451)
Salaries and benefits	(c)	134,371	117,006	17,365
Travel and others	(d)	5,907	20,867	(14,960)
Total general and administrative expenses		280,499	322,365	(41,866)
Amortization and depreciation	(e)	445,196	189,040	256,156
Interest expense	(f)	215,100	63,313	151,787
Rent	(g)	13,029	25,752	(12,723)
Research and development		108,618	116,033	(7,415)
Sales and marketing	(h)	34,586	-	34,586
Share-based compensation	(i)	34,887	79,526	(44,639)
Total operation expenses		1,131,915	796,029	335,886

The operation expenses increased by \$336,000 during the fiscal quarter ended September 30, 2021 compared to the prior year same period mainly due to increased \$256,000 of the amortization and \$152,000 of the interest expenses.

- (a) Consulting and management fees decreased by \$17,000 mainly due to some management time allocated to the research and development.
- (b) Office and miscellaneous expenses decreased by \$17,000 mainly due to the management cost control.
- (c) The Company added more administration staff after September 30, 2020 resulting in increases of salary and benefits in general and administration.
- (d) Travel expenses decreased by \$15,000 was mainly due to less activities during the quarter ended September 30, 2021 compared to the prior year same period.
- (e) The amortization and depreciation increased by \$256,000 mainly due to more equipment and greenhouse, etc. put into use and started recording the depreciation after September 30, 2020. Also, during the quarter ended September 30, 2021, the Company capitalized \$13,000 of depreciation expenses into inventory (2020 - \$117,000).
- (f) During the fiscal quarter ended September 30, 2021, the Company accrued \$140,764 of expenses on convertible debenture (September 30, 2020 - \$Nil), \$12,682 of interest expenses on the loans from the related party (September 30, 2020 - \$Nil), and \$61,654 of interest expenses accretion on the lease obligation (September 30, 2020 - \$63,313).
- (g) Rent expenses decreased by \$13,000 was mainly due to less staff accommodation house leased during the quarter ended September 30, 2021 compared to the prior year same period.
- (h) Sales and marketing expenses were mainly related to the Company's sales of smokable hemp flowers and related products after 2020 harvest season.

- (i) Share-based compensation fluctuates from year to year depending on the timing and fair value of options granted and vested in each year. During the three months ended September 30, 2021, the share-based compensation was \$35,000 (September 30, 2020 - \$80,000).

5. Liquidity and Capital Resources

5.1 Cash flows

For the three months ended September 30,	2021	2020
	\$	\$
Operating activities, cash outflow	(131,331)	(1,275,591)
Financing activities, cash inflow	52,512	4,094,193
Investing activities, cash outflow	(80,853)	(1,851,900)

Operating activities

During the three months ended September 30, 2021, \$131,000 of net cash (September 30, 2020 - \$1,275,000) used in the operating activities mainly due to \$324,000 (September 30, 2020 - \$466,000) of net operation expenditures offset by \$193,000 of changes in working capital. During the quarter ended September 30, 2020, the Company also spent \$397,000 on inventory and paid \$676,000 due to related parties.

Financing activities

During the three months ended September 30, 2021, the Company received \$158,000 of loan from the related party (2020 - \$Nil) and paid \$105,000 (September 30, 2020 - \$104,000) in connection with the lease obligation. In addition, the Company received \$Nil (September 30, 2020 - \$4,198,600) cash from the convertible debenture subscription.

Investing activities

During the three months ended September 30, 2021, the Company used \$91,000 (2020 - \$1,850,000) in purchase of equipment and greenhouse, barn and fixtures built in facilities in USA.

5.2 Liquidity and Capital Resources

As at September 30, 2021, the Company had current assets of \$3,776,000 (June 30, 2021 - \$4,769,000) and current liabilities of \$1,804,000 (June 30, 2021 - \$1,448,000) for a total of working capital of \$1,972,000 (June 30, 2021 - \$3,322,000). The Company uses the following key financial measurements to assess its financial condition and liquidity:

	As at September 30, 2021	As at June 30, 2021
	\$	\$
Working capital	1,972,107	3,321,562
Cash	450,912	579,831

During the three months ended September 30, 2021, the Company generated \$608,000 of revenue (2020 - \$Nil). As at September 30, 2021, the Company had \$3,209,000 of inventory to be sold for cash inflow. Included in the inventory, there was \$1.3 million of fair value adjustments presented smokable flowers fair market values less costs to sell.

The Company has not generated sufficient cash to fund its expansion plan and operation activities. As such, to the extent that is existing resources and the funds generated by future income may not be sufficient 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.

In October 2020, the Company closed a \$4,198,600 convertible note financing (the "Notes"). The Notes are unsecured debt obligations of the Company and bear interest at a rate of 10% per annum to be paid annually in arrears on each of the first, second and third anniversary of the closing date. Subject to conversion, the principal amount of the Notes will mature and be repayable in full on the third anniversary of the closing date.

In December 2020, the Company signed a loan agreement with a company controlled by the Company's CEO and borrowed \$254,640 (US \$200,000) (the "Loan"). The Company has agreed to pledge its fixed assets as security for the Loan. The Loan will be repayable in full on or before November 30, 2021 and bear interest at the rate of 10% per annum, calculated and compounded monthly.

In February 2021, the Company signed an additional loan agreement with the company controlled by the Company's CEO and borrowed \$200,000 (the "2nd Loan"). The Company has agreed to pledge its fixed assets as security for the 2nd Loan. The Loan will be repayable in full on or before January 31, 2022 and bear interest at the rate of 10% per annum, calculated and compounded monthly.

In September 2021, the Company signed a loan agreement with MBM to borrow a total of \$153,521 (RMB 800,000) (the "3rd Loan") and received the loan accordingly. The Company has agreed to pledge its fixed assets as security for the 3rd Loan. The Loan will be repayable in full on or before September 13, 2022 and bear interest at the rate of 10% per annum, calculated and compounded monthly.

No assurance can be given that the Company will generate sufficient cash from sales of its inventories, or 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 the global industrial hemp market is expected to grow and believes it has sufficient capital to meet its cash needs for the next twelve months.

6. Transactions with Related Parties

Shared office expenses

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

During the three months ended September 30, 2021, the Company incurred \$62,429 (2020 - \$49,842) to Minco Capital for reimbursement of shared office expenses and rent for the head quarter in Vancouver and incurred \$10,515 (2020 - \$12,270) to Minco China for reimbursement of shared office rent in Beijing, China. During the three months ended September 30, 2021, the Company also incurred \$114,012 (2020 - \$114,142) to MBM for reimbursement of labour, travel and other expenses in China.

Key management compensation

Key management includes the Company's directors and senior management. During the three months ended September 30, 2021 and 2020, the following compensation was charged by the key management.

	Three months ended September 30,	
	2021	2020
	\$	\$
Senior management remuneration	103,995	105,335
Directors' fees	-	3,000
Share base compensation	27,838	61,200
Total	131,833	169,535

Due to related parties

As at September 30, 2021 and June 30, 2020, the Company's amount payable to related parties are as follow:

	As at September 30, 2021	As at June 30, 2021
	\$	\$
MBM, for reimbursement of the shared expenses	14,588	7,000
Minco Capital, for reimbursement of the shared expenses	172,232	114,290
Minco Silver, for reimbursement of the shared expenses	56,132	25,565
Key management, for service fees and expenses reimbursement	130,753	86,925
Total due to related parties	373,705	233,780

Participated in the Company's private placement

MBM and a person related to the Company's President participated in the Company's convertible note financing closed on October 20, 2020 and the Company received an aggregate of \$2,400,000 of convertible debt subscription.

Trust arrangements

The Company has been purchasing substantial amount of machinery, equipment, and construction parts from suppliers in China for its facilities in Oregon, USA. In order 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, shipment, and payments in China and provided related labour on behalf of the Company. For these services, Minco International charges 15% service fees on labour costs incurred. A total of \$18,672 in service fees were charged by Minco International during the three months ended September 30, 2021 (2020 - \$16,154). As at September 30, 2021, the amount held by Minco International is \$157,390 (June 30, 2021 - \$192,189).

Loan arrangement

The Company signed a loan agreement effective December 1, 2020 with MBM to borrow \$254,820 (US \$200,000) (the "Loan"). The Loan was received on December 2, 2020. The Company has agreed to pledge its fixed assets as security for the Loan. The Loan will be repayable in full on or before November 30, 2021 and bear interest at the rate of 10% per annum, calculated and compounded monthly. As at September 30, 2021, \$22,176 of interest was accrued and included in the carrying amount of the loan from related party.

The Company signed a loan agreement effective February 1, 2020 with MBM to borrow a total of \$200,000 (the "2nd Loan"). The Company has agreed to pledge its fixed assets as security for the 2nd Loan. The Loan will be repayable in full on or before January 31, 2022 and bear interest at the rate of 10% per annum, calculated and compounded monthly. As at September 30, 2021, \$12,852 of interest was accrued and included in the carrying amount of the 2nd Loan from related party.

The Company signed a loan agreement effective September 13, 2021 with MBM to borrow a total of \$157,601 (RMB 800,000) (the "3rd Loan") and received the loan accordingly. The Company has agreed to pledge its fixed assets as security for the 3rd Loan. The Loan will be repayable in full on or before September 13, 2022 and bear interest at the rate of 10% per annum, calculated and compounded monthly. As at September 30, 2021, \$678 of interest was accrued and included in the carrying amount of the 3rd Loan from related party.

7. Outstanding Share Data

As at the date of this MD&A, the Company has 62,583,353 common shares and 3,320,000 stock options outstanding.

8. Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

9. 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.

9.1. 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 three months ended September 30, 2021.

10. 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 \$450,912 as at September 30, 2021 (June 30, 2021 - \$579,831) and accounts receivable of \$109,729 as at September 30, 2021 (June 30, 2021 - \$73,314). 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 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 \$594,610 at September 30, 2021 (June 30, 2021 - \$570,595). The Company did not maintain sufficient cash balances to meet these needs at September 30, 2021 and would rely on the sales of inventory.

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

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 September 30, 2021 and June 30, 2021:

	September 30, 2021	June 30, 2021
Financial assets, amortized cost:	\$	\$
Cash	450,912	579,831
Accounts receivable	109,729	73,314
Other receivables	649	9,288
Financial liabilities, amortized cost:		
Accounts payable and accrued liabilities	594,610	570,595
Convertible debenture	3,913,800	3,878,865
Due to related parties	373,705	233,780
Lease obligations, current	187,589	172,622
Lease obligations, non-current	2,934,941	2,875,837
Loan from related party	648,127	470,903

11. Contractual Obligations, Commitments and Contingency

The Company's undiscounted contractual obligations as at September 30, 2021 are lease agreements in connection with shared offices and operation facilities and their approximate timing of payment are as follows:

	<=1 year	2 years	3 years	4 years	>=5 years	Total
	\$	\$	\$	\$	\$	\$
Due to related parties	373,705	-	-	-	-	373,705
Loan from related party	648,127	-	-	-	-	648,127
Leases	427,816	416,073	396,305	403,557	3,184,272	4,828,023
	1,449,648	416,073	396,305	403,557	3,184,272	5,849,855

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.

12. 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.