

**HEMPNOVA LIFETECH CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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 the National Instrument 51-102 ("NI 51-102"), and based on available information up to October 5, 2022, and should be read in conjunction with the accompanying audited consolidated financial statements and related notes prepared by management for the year ended June 30, 2022, and June 30, 2021. The Company's consolidated 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, and all references to "US\$" are United States dollars. Some dollar amounts are rounded to thousand ('000) for discussion purposes.

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, 2022, 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 company's head office, principal address and records office 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 USA"), has been engaging in industrial hemp-related services and products since 2019. HempNova USA was incorporated in Oregon, USA. On April 6, 2020, HempNova USA 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 USA	100% owned by HempNova Lifetech Corporation
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

Table of Contents

1.	CORE BUSINESSES AND STRATEGY	3
2.	BUSINESS ACTIVITIES.....	3
3.	SELECTED ANNUAL INFORMATION.....	5
4.	SUMMARY OF QUARTERLY RESULTS	5
5.	RESULTS OF OPERATIONS	6
6.	LIQUIDITY AND CAPITAL RESOURCES.....	9
7.	TRANSACTIONS WITH RELATED PARTIES	10
8.	OUTSTANDING SHARE DATA.....	12
9.	OFF-BALANCE SHEET ARRANGEMENTS.....	12
10.	INTERNAL CONTROLS OVER FINANCIAL REPORTING	13
11.	FINANCIAL INSTRUMENTS	13
12.	CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCY.....	15
13.	FORWARD-LOOKING STATEMENTS	15

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.

2. Business Activities

Oscar Facility

The Company leased and started building its Oscar Facility in June 2019 in Eugene, Oregon, USA. The Oscar Facility is a 1.7-acre commercial property with 23,000 square feet of factories and warehouses. The Company ended the lease, effective June 28, 2022.

During the year ended June 30, 2022, the Oscar facility produced hemp-derived distillates and gummies and provided tolling services, generating \$1,134,000 of gross revenue.

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 of EFU land with water rights and the best soil
- Excellent location, close to significant 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, water rights, natural gas and three-phase power supply

The Company plans to expand its 7Oaks Hemp Center into a significant regional hemp one-stop service center for Southern Oregon growers, including drying and processing facilities for smokable flowers, drying shops for biomass, and extraction facility for hemp crude oil production.

Phase I Construction

During Phase I 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 the 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

In 2021, the Company cultivated 65,000 hemp plants over 33 acres. Growing hemp has enabled us to understand farmers' needs and better serve our customers. 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 the time-consuming flower harvesting process.

During the year ended June 30, 2022, the Company cultivated 27,000 hemp plants over 10 acres.

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 can 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.

In 2021, the Company dried 63,860 pounds of untrimmed dried smokable flowers. 7Oaks Hemp Center has become one of the most significant premium flower-drying facilities in Southern Oregon.

During the year ended June 30, 2022, the Company dried 9,200 pounds of untrimmed dried smokable flowers.

Smokable Hemp Flowers Sales

In 2021, the Company trimmed approximately 10,981 pounds of smokable hemp flowers, of which 3,117 were sold for gross revenue of \$1,125,000.

During the year ended June 30, 2022, the Company trimmed approximately 2,460 pounds of smokable hemp flowers, and a total of 5,388 pounds was sold for gross revenue of \$1,031,000.

Pre-roll

During the year ended June 30, 2022, the Company started to produce pre-rolls at 7Oaks Hemp Center. The gross revenue from the pre-roll sale was \$985,000.

Financing Activities

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. It bears interest at 10% per annum to be paid annually in arrears on each of the closing date's first, second and third anniversaries. 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, after that, 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 before the maturity date.

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

The Company signed a loan agreement effective December 1, 2020, with MBM to borrow \$257,720 (the US \$200,000) (the "Loan"). The Loan was received on December 2, 2020. The Company has pledged its fixed assets as security for the Loan. The Loan was repayable on or before November 30, 2021, and bears interest at 10% per annum, calculated and compounded monthly. As of June 30, 2022, \$42,437 of interest was accrued and included in the carrying amount of the loan from the related party. In December 2021, the Loan was renewed and extended until December 31, 2022, with the same terms.

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 pledged its fixed assets as security for the 2nd Loan. The Loan was repayable on or before January 31, 2022, and bears interest at 10% per annum, calculated and compounded monthly. As of June 30, 2022, \$28,516 of interest was accrued and included in the carrying amount of the 2nd Loan from the related party. In January 2022, the Loan was renewed and extended until December 31, 2022, with the same terms.

Year ended June 30, 2022

The Company signed a loan agreement effective September 13, 2021, with MBM to borrow a total of \$153,920 (RMB 800,000) (the “3rd Loan”) and received the loan accordingly. The Company has pledged its fixed assets as security for the 3rd Loan. The Loan will be repayable on September 13, 2022, and bear interest at 10% per annum, calculated and compounded monthly. As of June 30, 2022, \$12,717 of interest was accrued and included in the carrying amount of the 3rd Loan from the related party.

The Company signed a loan agreement effective December 10, 2021, with MBM to borrow a total of \$115,440 (RMB 600,000) (the “4th Loan”). The Company has pledged its fixed assets as security for the 4th Loan. The Loan will be repayable on or before December 10, 2022, and bear interest at 10% per annum, calculated and compounded monthly. As of June 30, 2022, \$6,690 of interest was accrued and included in the carrying amount of the 4th Loan from the related party.

Subsequent to the year ended June 30, 2022

The Company signed a loan agreement effective July 16, 2022, with MBM to borrow a total of \$192,400 (RMB 1,000,000) (the “5th Loan”). The Company has pledged its fixed assets as security for the 5th Loan. The Loan will be repayable on or before July 16, 2023, and bear interest at 10% per annum, calculated and compounded monthly.

3. Selected Annual Information

Selected information for the fiscal year 2022, and 2021, is as follows:

	2022	2021
	\$	\$
Revenue, net of discounts and commission	3,150,167	1,560,898
Net loss after taxes	(7,010,445)	(1,670,988)
Total assets	8,357,260	16,305,393
Total long-term liabilities	4,518,813	6,754,702
Net loss per share – basic and diluted	(0.11)	(0.03)
Dividend	-	-

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

The Company started its industrial hemp-related business in 2019. The Company’s primary revenue is seasonal in nature. In 2021, the Company began its cultivation of smokable hemp flowers. In accordance with IAS41 – *Agriculture*, biological assets are valued and presented at their fair values subtracting costs to sell up to the point of harvest. As such, during the year ended June 30, 2022, the Company recorded \$2.8 million of an unrealized loss on biological assets at the point of harvest (2021 - \$2.5 million unrealized gain). The revenue of \$3.2 million (2021 - \$1.6 million) was mainly from the sales of smokable hemp flowers, pre-roll, gummy and Delta-8 oil and distillates, etc.

4. 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 significant revenue generated in the fourth calendar quarter; also, the variations were primarily due to variation in fair value adjustment on biological assets upon harvest, inventory write-off, change in the 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:

	6/30/2022	3/31/2022	12/31/2021	9/30/2021
	\$	\$	\$	\$
Revenue	1,103,330	767,566	671,533	607,738
Cost	(499,290)	(667,542)	(641,687)	(501,643)
Unrealized fair value adjustment and changes in inventory	(2,292,446)	(96,438)	438,986	(826,842)
Gross profit (loss)	(1,688,406)	3,586	468,832	(720,747)
Operating expenses	(116,059)	(875,626)	(933,351)	(1,131,915)
Net loss after taxes	(2,251,623)	(855,776)	(2,050,973)	(1,852,073)
Loss per share – Basic and diluted	(0.04)	(0.01)	(0.03)	(0.03)

	6/30/2021	3/31/2021	12/31/2020	9/30/2020
	\$	\$	\$	\$
Revenue	743,195	636,067	181,636	-
Cost	(595,068)	(513,156)	(49,336)	-
Unrealized fair value adjustment and changes in inventory	(3,417,016)	(229,671)	6,125,920	-
Gross profit (loss)	(3,268,889)	(106,760)	6,258,220	-
Operating expenses	(818,125)	(860,989)	(733,344)	(796,029)
Net income (loss) after taxes	(3,981,547)	(1,054,620)	4,149,280	(784,101)
Earnings (loss) per share – Basic	(0.06)	(0.02)	0.07	(0.01)
Earnings (loss) per share – Diluted	(0.06)	(0.02)	0.06	(0.01)

5. Results of Operations

5.1 Operating Result Comparison for the Quarters Ended (“Q4”) June 30, 2022, and 2021

The Company’s primary revenue is seasonal, with the significant revenue generated in the fourth calendar quarter. The Company started its cultivation of smokable hemp flowers in the 2020 season. In accordance with IAS41 – *Agriculture*, biological assets are valued and presented at their fair values subtracting costs to sell up to the point of harvest. As such, the Company recorded \$1.3 million of an unrealized fair value loss in Q4 2022 based on the expected smokable hemp flowers market price at the point of harvest (2021 - \$3.4 million). The revenue of \$1.1 million (2021 - \$0.8 million) was mainly from selling smokable hemp flowers, pre-roll, gummy and Delta-8 and distillates, etc.

Q4	2022	2021	Change
	\$	\$	\$
Revenue	1,103,330	743,195	360,135
Cost	(499,290)	(595,068)	95,778
Unrealized fair value adjustment and changes in inventory	(2,292,446)	(3,417,016)	1,124,570
Gross loss	(1,688,406)	(3,268,889)	1,580,483
Operating expenses	(116,059)	(818,125)	702,066
Other expenses	(447,158)	(1,484,390)	1,037,232
Loss before taxes	(2,251,623)	(5,571,404)	3,319,781
Deferred income tax recovery	-	1,589,857	(1,589,857)
Net loss	(2,251,623)	(3,981,547)	1,729,924

5.1.1 Operating expenses for Q4 2022, and 2021

The following table is a summary of the Company's operating expenses for Q4 2022 and 2021:

Q4		2022	2021	Change
		\$	\$	\$
Audit and accounting	(a)	30,094	11,601	18,493
Consulting and management fees	(b)	23,891	70,258	(46,367)
Directors' fee		-	2,000	(2,000)
Legal, filing and transfer fees	(c)	8,448	59,474	(51,026)
Office and miscellaneous		28,398	32,400	(4,002)
Rent	(d)	(28,158)	74,486	(102,644)
Salaries and benefit	(e)	75,935	(62,658)	138,593
Travel and others		14,844	14,306	538
Total general and administrative expenses		153,452	201,867	(48,415)
Amortization and depreciation	(f)	(299,024)	247,425	(546,449)
Interest expense	(g)	152,430	210,360	(57,930)
Research and development	(h)	43,769	64,922	(21,153)
Sales and marketing		61,408	67,556	(6,148)
Share-based compensation	(i)	4,024	25,995	(21,971)
Total		116,059	818,125	(702,066)

The operating expenses decreased by \$702,000 during Q4 2022 compared to Q4 2021. The significant changes are discussed as follows:

- (a) During Q4 2022, the Company recorded \$14,000 for a professional service fee for applying for agricultural employee retention credit from the government and a tax service fee.
- (b) During Q4 2022, the Company has fewer consultants for administrative services.
- (c) Legal, filing and transfer agent fees decreased by \$51,000 during Q4 2022 compared to Q4 2021. The Company required minimal legal services during Q4 2022.
- (d) Rent expenses decreased by \$103,000 during Q4 2022 compared to Q4 2021. The Company reversed the \$45,000 property tax payable upon ending the rental agreement for the Oscar facility in Q4 2022. In Q4 2021, rent expenses include property tax and temporary houses leased for staff accommodation.
- (e) The salary and benefits increased by \$139,000 during Q4 2022 compared to Q4 2021. During Q4 2021, the Company recorded a \$209,000 government grant from the U.S. Small Business Administration under the Paycheck Protection Program to offset the payroll expenses. Also, the Company has fewer employees during Q4 2022.
- (f) The amortization and depreciation expenses decreased by \$546,000 during Q4 2022 compared to Q4 2021, mainly due to an adjustment made in Q4 2022 to capitalize \$670,000 of amortization costs to inventory.
- (g) Interest expenses include the interest expenses on convertible debenture, loan from the related party, and the lease obligation. During Q4 2022, the Company's interest expenses decreased by \$58,000.
- (h) The Company had fewer research and development team employees during Q4 2022.
- (i) Share-based compensation fluctuates yearly depending on the timing and fair value of options granted and vested in each year. During Q4 2022, the Company recorded \$4,000 (June 30, 2021 - \$26,000) of the stock option component as the share-based compensation in connection with 3.7 million options granted to the Company's directors, employees and consultants during 2020.

5.1.2 Other income (expenses)

Q4	2022	2021	Change
	\$	\$	\$
Gain on termination of lease	207,554	-	207,554
Foreign exchange gain (loss)	(1,207)	15,368	(16,575)
Inventory write-down	-	(1,539,733)	1,539,733
Impairment of property, plant and equipment	(654,947)	-	(654,947)
Other income	1,442	39,975	(38,533)
Total	(447,158)	(1,484,390)	1,037,232

Gain on termination of lease

The lease located in Eugene, has an initial term of five years with the option to renew for two additional five-year terms (ending May 31, 2034) with a monthly rent of US \$13,738 and an annual increment of 1.5%. During the year ended June 30, 2022, the lease agreement was terminated. The effective date of the termination was on June 28, 2022. The Company recognized a gain of \$207,554 (US \$163,958) as a result of this earlier lease termination.

Foreign exchange gain (loss)

The Company's functional currency is the Canadian dollar, and the functional currency of its subsidiaries is the US dollar. The foreign exchange gain (loss) was mainly due to the exchange rate change between the US dollar and Canadian dollar on the US dollar denominated in cash and loan held by the Company's parent company.

Inventory write-down

Inventory was impaired by \$1.5 million during Q4 2021, mainly due to the impairment of hemp biomass inventory.

Impairment of property, plant and equipment

The Company further impaired \$655,000 in property, plant and equipment during Q4 2022, upon the close of the Oscar facility in Eugene.

5.2 Operating Result Comparison for the Year Ended June 30, 2022, and 2021

The following table is a summary of the Company's operating expenses for the year ended June 30, 2022, and 2021:

For the year ended,	2022	2021	Change
	\$	\$	\$
Revenue	3,150,167	1,560,898	1,589,269
Cost	(2,310,162)	(1,157,560)	(1,152,602)
Unrealized fair value adjustment and change of inventory	(2,776,740)	2,479,233	(5,255,973)
Operating income	(1,936,735)	2,882,571	(4,819,306)
Operating expenses	(3,056,951)	(3,208,487)	151,536
Other expenses	(2,016,759)	(1,478,340)	(538,419)
Loss before taxes	(7,010,445)	(1,804,256)	(5,206,189)
Deferred income tax recovery	-	133,268	(133,268)
Net loss	(7,010,445)	(1,670,988)	(5,339,457)

In 2021, the Company started its cultivation of smokable hemp flowers. The revenue was primarily generated from sales of smokable hemp flowers and produced CBD isolate, Delta-8 oil and distillates, and provided tolling etc. services. During the year ended 2022, the Company increased its sales in gummy and pre-roll. As a result, the sale increased by \$1.6 million in 2022. The Company also adjusted the inventory fair value according to IAS 41 discussed in Section 5.1.

5.2.1 Operating expenses for the year ended June 30, 2022, and 2021

The following table summarizes the Company's operating expenses for the years ended June 30, 2022, and 2021.

For the year ended June 30,	2022	2021	Change
	\$	\$	\$
Audit and accounting	63,276	55,317	7,959
Consulting and management fees	262,333	260,408	1,925
Directors' fee	3,000	7,000	(4,000)
Legal, filing and transfer fees	(a) 41,958	204,919	(162,961)
Office and miscellaneous	(b) 130,829	183,410	(52,581)
Rent	(a) 46,118	183,312	(137,194)
Salaries and benefits	(a) 277,586	184,869	92,717
Travel and transportation	40,737	37,589	3,148
General and administrative expenses	865,837	1,116,824	(250,987)
Amortization	(a) 957,745	762,953	194,792
Interest expense	(c) 771,705	657,302	114,403
Research and development	(a) 223,252	237,906	(14,654)
Sales and marketing	189,198	184,113	5,085
Share-based compensation	(a) 49,214	249,389	(200,175)
Total	3,056,951	3,208,487	(151,536)

The operating expenses decreased by \$359,000 during the year ended June 30, 2022, compared to 2021. The decrease was primarily due to the reduction in legal and filing fees, rent expenses, and share-based compensation during the year, offset by the increase in salaries and benefits, amortization and interest expense payments.

(a) The changes are discussed in section 5.1.1 above.

(b) The overall office expenses decreased by \$53,000 during the year ended June 30, 2022, compared to 2021, as the Company shared less percentage of office expenses with related companies.

(c) The interest expenses increased by \$114,000 as the Company received additional \$236,000 loans from a related party. The loans bear 10% interest annually.

5.2.2 Other income (expenses)

For the year ended June 30,	2022	2021	Change
	\$	\$	\$
Gain on termination of lease	207,554	-	207,554
Foreign exchange gain (loss)	(111)	45,565	(45,676)
Inventory write-down	-	(1,586,029)	1,586,029
Impairment of property, plant, and equipment	(2,240,762)	-	(2,240,762)
Other income	16,560	62,124	(45,564)
Total	(2,016,759)	(1,478,340)	(538,419)

The changes in connection with foreign exchange gain (loss), inventory impairment and property, plant and equipment impairment were discussed in section 5.1.2 above.

6. Liquidity and Capital Resources

6.1 Cash flow

For the year ended June 30,	2022	2021
	\$	\$
Operating activities, cash outflow	(48,951)	(2,643,129)
Financing activities, cash inflow (outflow)	(88,093)	4,452,104
Investing activities, cash outflow	(240,327)	(2,999,349)

Operating activities

During the year ended June 30, 2022, \$49,000 net cash was used in the operating activities, while \$2,643,000 net cash was used in 2021. The Company used cash of \$422,000 for the operational activities (2021 - \$1,283,000) and generated \$373,000 from the change of working capital (2021 – used \$1,361,000)

Financing activities

During the year ended June 30, 2022, the Company also received a \$269,000 loan from the related party (2021 - \$448,000). The Company received a \$Nil government forgiveness loan in 2022 (2021 - \$209,000). The Company paid \$357,000 in connection with the lease obligation (2021 - \$404,000). The Company received \$4,198,600 cash from the convertible debenture subscription in 2021.

Investing activities

During the year ended June 30, 2022, the Company used \$240,000 in plant, property and equipment (2021 - \$2,989,000). During the year ended June 30, 2022, the Company made a \$Nil deposit payment (2021 – \$10,000).

6.2 Liquidity and Capital Resources

As at June 30, 2022, the Company had current assets of \$2,326,000 (June 30, 2021 - \$4,769,000) and current liabilities of \$2,281,000 (June 30, 2021 - \$1,488,000) for a total of working capital of \$65,000 (June 30, 2021 - \$3,322,000). The Company uses the following key financial measurements to assess its financial condition and liquidity:

	As of June 30, 2022	As of June 30, 2021
	\$	\$
Working capital	45,631	3,321,562
Cash	92,418	579,831

The Company's primary revenue is seasonal in nature. During the year ended June 30, 2022, the Company generated \$3,150,000 of revenue (2021 - \$1,561,000). As of June 30, 2022, the Company had \$2,000,000 of inventory to be sold for cash inflow.

The Company has not generated sufficient cash to fund its expansion plan and operation activities. As such, to the extent that its 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.

Suppose additional funds are raised through the issuance of equity securities. In that case, the percentage ownership of current shareholders will be reduced, and such equity securities may have rights, preferences or privileges senior to the Company's existing common shares.

In October 2020, the Company closed a \$4,198,600 convertible note financing (the "Debenture"). The Debenture is unsecured debt obligations of the Company and bears interest at a rate of 10% per annum to be paid annually in arrears on each of the closing date's first, second and third anniversaries. Subject to conversion, the principal amount of the Debenture 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 \$257,720 (the US \$200,000) (the "Loan"). The Company has pledged its fixed assets as security for the Loan. The Loan will be repayable on or before November 30, 2021, and bear interest at the rate of 10% per annum, calculated and compounded monthly. In December 2021, the Loan was renewed and extended until December 31, 2022, with the same term.

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 pledged its fixed assets as security for the 2nd Loan. The Loan will be repayable on or before January 31, 2022, and bear interest at 10% per annum, calculated and compounded monthly. In January 2022, the Loan was renewed and extended until December 31, 2022, with the same term.

In September 2021, the Company signed a loan agreement with MBM to borrow a total of \$153,920 (RMB 800,000) (the "3rd Loan") and received the loan accordingly. The Company has pledged its fixed assets as security for the 3rd Loan. The Loan will be repayable on or before September 13, 2022, and bear interest at the rate of 10% per annum, calculated and compounded monthly. In September 2022, the Loan was renewed and extended until September 13, 2022, with the same term.

In December 2021, the Company signed a loan agreement with MBM to borrow a total of \$115,440 (RMB 600,000) (the "4th Loan"). The Company has pledged its fixed assets as security for the 4th Loan. The Loan will be repayable on or before December 10, 2022, and bear interest at the rate of 10% per annum, calculated and compounded monthly. As of June 30, 2022, \$6,690 of interest was accrued and included in the carrying amount of the 4th Loan from the related party.

In July 2022, the Company signed a loan agreement with MBM to borrow a total of \$192,400 (RMB 1,000,000) (the "5th Loan"). The Company has pledged its fixed assets as security for the 5th Loan. The Loan will be repayable on or before July 16, 2023, and bear interest at 10% per annum, calculated and compounded monthly.

No assurance can be given that the Company will generate sufficient cash from sales of its inventories, 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 unavailable, 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.

7. 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 controls Minco Base Metals Corporation ("MBM"). These four companies share certain offices and administrative expenses.

During the year ended June 30, 2022, the Company incurred \$125,849 (2021 - \$168,636) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarter in Vancouver and incurred \$ 20,413 (2021 - \$42,595) to Minco China for reimbursement of shared office rent in Beijing, China. During the year ended June 30, 2022, the Company incurred \$Nil (2021 - \$7,000) to Minco Base Metals for reimbursement of account service fees and other expenses.

Key management compensation

	2022	2021
	\$	\$
Senior management remuneration	380,831	436,897
Share base compensation	49,214	197,427
Total	430,045	634,324

(i) directors' fees were included in senior management remuneration. During the year ended June 30, 2022, the Company paid \$3,000 of directors' fees (2021 - \$7,000). During the year ended June 30, 2022, the Company also paid a director \$Nil of sales and commission fees (2021 - \$9,588), which were not included in the table above.

Due to related parties

Amounts due to related parties are unsecured, non-interest bearing, and without specific repayment terms as of June 30, 2022, and 2021.

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

	2022	2021
	\$	\$
MBM and its subsidiary, for service fees and expenses reimbursement	54,762	7,000
Minco Capital, for reimbursement of the shared expenses	167,008	114,290
Minco Silver and its subsidiary, for reimbursement of the shared expenses	151,674	25,565
Key management for service fees and expenses reimbursement	91,129	86,925
Total due to related parties	464,573	233,780

Participated in the Company's private placement

In 2021, MBM and a person related to the Company's President participated in the Company's convertible note financing closed on October 20, 2020. The Company received an aggregate of \$2,400,000 of convertible debt subscription.

Trust arrangements

The Company has been purchasing a substantial amount of machinery, equipment, and construction parts from suppliers in China for its facilities in Oregon, USA. To facilitate such purchases, the Company entered into trust agreements in May and September 2020, respectively, with Minco International Mining Consulting Co. Ltd. ("Minco International"), MBM's wholly owned subsidiary registered in China, for holding the Company's funds in an exclusive bank account in China.

Minco International processed all of the purchase orders, shipments, and payments in China and provided related labour on behalf of the Company. Minco International charges 15% service fees for these services on labour costs incurred. Minco International charged \$47,762 in service fees during the year ended June 30, 2022 (2021 - \$80,698). As of June 30, 2022, the amount held by Minco International is \$160 (June 30, 2021 - \$192,189).

Loan arrangement

Please refer to Financial Activities in Section 2 and Section 6.2 for details.

8. Outstanding Share Data

As of the date of this MD&A, the Company has 62,583,353 common shares and 2,720,000 stock options outstanding.

9. Off-Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements.

10. Internal Controls over Financial Reporting

The company's management is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally are 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 to certify 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 are reasonably likely to affect ICFR materially. No material changes were made to internal controls in the three months ended June 30, 2022.

11. Financial Instruments

The Company's activities are 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. Management carries out risk management activities, which identify and evaluate 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 \$92,418 as of June 30, 2022 (June 30, 2021 - \$579,831) and accounts receivable of \$175,430 as of June 30, 2021 (June 30, 2020 - \$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 customers are those that account for greater than 10% of the Company's revenues. The loss of any of the Company's significant customers could adversely affect our business, consolidated results of operations and financial conditions.

During the year ended June 30, 2022, and 2021, there were one and two customers generated sales, accounting for over 10% of total revenues generated for that year, respectively. During the year ended June 30, 2022, one major customer generated 62.60% of the total sales, whereas, in 2021, there were two customers who generated 34.68% and 16.69% of total sales.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's primary exposure to liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities obligations of \$936,856 as of June 30, 2022 (June 30, 2021 - \$570,595). The Company did not maintain sufficient cash balances to meet these needs as of June 30, 2022, and would rely on inventory sales.

Foreign exchange gain (loss)

The Company's functional currency is the Canadian dollar, and the functional currency of its subsidiaries is the US dollar. Most foreign currency risk is related to US dollar funds held by the Company and its subsidiaries. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar. The Company does not hedge its exposure to currency fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not carry debt at a variable rate and is exposed to interest rate risk on its cash which is not considered significant.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount due to its short-term nature. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

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

The following table summarizes the carrying value of financial instruments as of June 30, 2022, and 2021:

	June 30, 2022	June 30, 2021
Financial assets, amortized cost:	\$	\$
Cash	92,418	579,831
Account receivables	175,430	73,314
Other receivables excluding GST receivable	33,930	9,288
Financial liabilities, amortized cost:		
Accounts payable and accrued liabilities	936,856	570,595
Convertible debenture	4,017,467	3,878,865
Due to related parties	464,573	233,780
Loan from related party	817,439	470,903
Lease obligations, current	61,649	172,622
Lease obligations, non-current	501,346	2,875,837

12. Commitments and Contingency

(a) As at June 30, 2022, the Company has two leases commitment (see Note 7) with a breakdown as follows:

	<= one year	Two years	Three years	Four years	>=five years	Total
	\$	\$	\$	\$	\$	\$
Leases	103,595	77,316	77,316	77,316	470,339	805,882

(b) The Company has been notified of a third-party legal claim, relating to a contract with a customer. The Company has filed an arbitration claim against the customer to determine the Company's indemnity obligation. 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 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, changes 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.