

**HEMPNOVA LIFETECH CORPORATION  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 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 based on available information up to November 25, 2022, 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, 2022. 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, 2022.*

*Except as noted, all financial amounts are expressed in Canadian dollars. All references to "\$" and "dollars" are 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](http://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

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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 for stakeholders through efficient management, organic growth and meaningful acquisitions. The Company operates at 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 premium hemp flowers, pre-roll & vapes, gummies, crude oil etc. The Company also provides services such as flower drying, biomass drying, nursery service etc.

## **2. Business Activities**

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.

The 7Oaks Hemp Center is a 45-acre hemp facility located on the 42-degree latitude line. Situated in the Rogue Valley, this area is one of the ideal places to grow hemp in the world. With a Mediterranean climate, the Rogue Valley area offers a perfect combination of sunshine, rainfall, and temperature variation during the growing season. The 7Oaks Hemp Center also won 4 hemp cultivation awards in 2019.

The 7Oaks Hemp Center includes a brand-new 54,000 square feet, multi-purpose greenhouse with an automated temperature and humidity control system. The Company also built another two greenhouses, which will total 162,000 square feet.

### *Cultivation and harvest*

In the 2020 season, the Company cultivated 65,000 hemp plants over 33 acres. In-house hemp growing has enabled the Company 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 the time-consuming flower harvesting process.

During the 2021-2022 season, the Company cultivated 27,000 hemp plants over 10 acres.

During the three months ended September 30, 2022, the Company has cultivated 1,600 high-quality premium in-door hemp plants.

### *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.

7Oaks Hemp Center is one of the most significant premium flower-drying facilities in Southern Oregon.

During the 2021-2022 season, the Company dried 73,000 pounds of untrimmed smokable flowers.

### Smokable Hemp Flowers Sales

During the three months ended September 30, 2022, smokable hemp flowers were trimmed for approximately 720 pounds (2021 – 550 pounds) and sold 950 pounds (2021- 1,991 pounds) of trimmed smokable hemp flowers for a gross revenue of \$373,000 (2021- \$309,000)

### Pre-roll

In 2022, the Company started to produce and sells pre-rolls. During the three months ended September 30, 2022, the gross revenue from the pre-roll sales was \$ 142,000 (2021- \$6,000).

### Gummies

In 2022, the Company started to produce and sells gummies. During the three months ended September 30, 2022, the gross revenue from the gummies sales was \$ 419,000 (2021- \$21,000).

### Biomass and others

The Company dries and sells biomass, CBD isolates, and Delta-8 oil and provides other services, such as nursery, white labelling, etc., to its customers. During the three months ended September 30, 2022, the gross revenue from such services was \$ 338,600 (2021- \$272,000).

## **Financing Activities**

### 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. It bears interest at a rate of 10% per annum to be paid annually in arrears on each of the first, second and third anniversaries 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 before 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 \$274,140 (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 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 terms.

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 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. In January 2022, the loan was renewed and extended until December 31, 2022, with the same terms.

### The year ended June 30, 2022

The Company signed a loan agreement effective September 13, 2021, with MBM to borrow a total of \$153,840 (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. In September 2022, the loan was renewed and extended until September 30, 2023, with the same terms.

The Company signed a loan agreement effective December 10, 2021, with MBM to borrow a total of \$115,380 (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.

#### Three months ended September 30, 2022

The Company signed a loan agreement effective July 16, 2022, with MBM to borrow a total of \$192,300 (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. Summary of Quarterly Results

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

	9/30/2022	6/30/2022	3/31/2022	12/31/2021
	\$	\$	\$	\$
Revenue	1,661,467	1,103,330	767,566	671,533
Cost	(1,024,972)	(499,290)	(667,542)	(641,687)
Unrealized fair value adjustment and changes in inventory	46,752	(2,292,446)	(96,438)	438,986
Gross profit (loss)	683,247	(1,688,406)	3,586	468,832
Operating expenses	(768,943)	(116,059)	(875,626)	(933,351)
Net loss after taxes	(288,566)	(2,251,623)	(855,776)	(2,050,973)
Loss per share – basic and diluted	(0.00)	(0.04)	(0.01)	(0.03)

	9/30/2021	6/30/2021	3/31/2021	12/31/2020
	\$	\$	\$	\$
Revenue	607,738	743,195	636,067	181,636
Cost	(501,643)	(595,068)	(513,156)	(49,336)
Unrealized fair value adjustment and changes in inventory	(826,842)	(3,417,016)	(229,671)	6,125,920
Gross profit (loss)	(720,747)	(3,268,889)	(106,760)	6,258,220
Operating expenses	(1,131,915)	(818,125)	(860,989)	(733,344)
Net income (loss) after taxes	(1,852,073)	(3,981,547)	(1,054,620)	4,149,280
Earnings (loss) per share – basic	(0.03)	(0.06)	(0.02)	0.07
Earnings (loss) per share – diluted	(0.03)	(0.06)	(0.02)	0.06

### 4. Results of Operations

#### 4.1 Operating Result Comparison for the Quarters Ended September 30, 2022 (“Q1 2023”) and 2021 (“Q1 2022”)

The Company’s primary revenue is seasonal, with 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 an unrealized fair value gain of \$47,000 during Q1 2022 based on the expected smokable hemp flowers market price at the point of harvest (2021 – unrealized loss of \$827,000). The revenue of \$1,661,000 million (2021 - \$608,000 million) was mainly from selling smokable hemp flowers, pre-roll, gummy, biomass and providing other services, etc.

The following table is a summary of the Company’s operating expenses for the fiscal quarters ended September 30, 2022, and 2021.

For the three months ended September 30,	2022	2021	Change
	\$	\$	\$
Audit and accounting	7,000	8,499	(1,499)
Consulting and management fees (a)	57,373	71,214	(13,841)
Legal, filing and transfer agent fees	18,406	16,951	1,455
Office and miscellaneous	37,985	43,557	(5,572)
Rent	15,268	13,029	2,239
Salaries and benefits (b)	70,970	134,371	(63,401)
Travel and others	5,503	5,907	(404)
<b>Total general and administrative expenses</b>	<b>212,505</b>	<b>280,499</b>	<b>(67,994)</b>
Amortization and depreciation (c)	306,493	445,196	(138,703)
Interest expense (d)	175,797	215,100	(39,303)
Research and development (e)	31,785	108,618	(76,833)
Sales and marketing	31,316	34,586	(3,270)
Share-based compensation (f)	11,047	34,887	(23,840)
<b>Total operation expenses</b>	<b>768,943</b>	<b>1,131,915</b>	<b>(362,968)</b>

The operating expenses decreased by \$363,000 during Q1 2023 compared to Q1 2022, mainly due to the decrease in amortization and labour expenses.

- (a) Consulting and management fees decreased by \$14,000, mainly due to the downsizing of management during Q1 2023.
- (b) Salaries and benefits expenses decreased by \$63,000 due to personnel reduction during Q1 2023.
- (c) The amortization and depreciation decreased by \$139,000 due to writing off some of the property, plant and equipment during Q1 2023.
- (d) Interest expenses decreased by \$39,000 due to the earlier termination of the lease started in June 2022.
- (e) Research and development expenses decreased by \$77,000, mainly due to minimal lab expenses during Q1 2023 compared to Q1 2022.
- (f) Share-based compensation fluctuates yearly depending on the timing and fair value of options granted and vested in each year. During Q1 2023, the share-based compensation was \$11,000 (Q1 2022 - \$35,000).

## 5. Liquidity and Capital Resources

### 5.1 Cash flows

For the three months ended September 30,	2022	2021
	\$	\$
Operating activities, cash inflow (outflow)	504,031	(131,331)
Financing activities, cash inflow	171,360	52,512
Investing activities, cash outflow	(123,241)	(80,853)

#### Operating activities

During Q1 2023, net cash of \$504,000 was generated from the operating activities (Q1 2022- used cash of \$131,000) mainly due to \$380,000 of cash generated from operating activities (Q1 2022 – used cash of \$324,000) and \$124,000 cash was generated from working capital (Q1 2022 - \$193,000).

#### Financing activities

During Q1 2023, the Company received \$192,000 in loan from the related party (Q1 2022 - \$158,000) and paid \$21,000 (Q1 2022 - \$105,000) in connection with the lease obligation.

#### Investing activities

During Q1 2023, the Company used \$123,000 (Q1 2022 - \$91,000) to purchase property, plant and equipment. During Q1 2023, the Company received \$Nil from the deposit refund (Q1 2022 - \$10,000).

### 5.2 Liquidity and Capital Resources

As of September 30, 2022, the Company had current assets of \$2,914,000 (June 30, 2022 - \$2,326,000,000) and current liabilities of \$2,540,000 (June 30, 2022 - \$2,2818,000) for a total of working capital of \$374,000 (June 30, 2021 - \$46,000). The Company uses the following key financial measurements to assess its financial condition and liquidity:

	As at September 30, 2022	As at June 30, 2022
	\$	\$
Working capital	374,214	45,631
Cash	640,199	92,418

During the three months ended September 30, 2022, the Company generated \$1,661,000 of revenue (2021 - \$608,000). As of September 30, 2022, the Company had \$2,125,000 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 diluted, and such equity securities may have rights, preferences or privileges senior to those of the Company's existing 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 closing date's first, second and third anniversaries. Subject to conversion, the principal amount of the Notes will mature and be repayable in full on the third anniversary of the closing date.

On December 1, 2020, the Company signed a loan agreement with MBM to borrow \$274,140 (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 September 30, 2022, \$49,672 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.

On February 1, 2020, the Company signed a loan agreement 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, \$33,794 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.

On September 13, 2021, the Company signed a loan agreement with MBM to borrow a total of \$153,840 (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 was repayable on or before September 13, 2022, and bears interest at 10% per annum, calculated and compounded monthly. As of September 30, 2022, \$16,778 of interest was accrued and included in the carrying amount of the 3rd Loan from the related party. In September 2022, the Loan was renewed and extended until September 30, 2023, with the same terms.

On December 10, 2021, the Company signed a loan agreement with MBM to borrow a total of \$115,380 (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 September 30, 2022, \$9,735 of interest was accrued and included in the carrying amount of the 4th Loan from the related party.

On July 16, 2022, the Company signed a loan agreement with MBM to borrow a total of \$192,300 (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, 2022, and bear interest at 10% per annum, calculated and compounded monthly. Refer to Note 9. As of September 30, 2022, \$4,193 of interest was accrued and included in the carrying amount of the 4th Loan from the related party.

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 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 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 controlling interest in Minco Base Metals Corporation (“MBM”). These four companies share certain offices and administrative expenses.

During the three months ended September 30, 2022, the Company incurred \$17,785 (2021 - \$62,429) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarter in Vancouver and incurred \$Nil (2021 - \$10,515) to Minco China for reimbursement of shared office rent in Beijing, China. During the three months ended September 30, 2022, the Company also incurred \$75,809 (2021 - \$114,012) to MBM for reimbursement of account service fees and other expenses.

### Key management compensation

Key management includes the Company’s directors and senior management. During the three months ended September 30, 2022, and 2021, the key management charged the following compensation.

	Three months ended September 30,	
	2022	2021
	\$	\$
Senior management remuneration	91,714	103,995
Share base compensation	9,401	27,838
<b>Total</b>	<b>101,115</b>	<b>131,833</b>

#### Due to related parties

As at September 30, 2022, and June 30, 2022, the Company's amount payable to related parties are as follows:

	As at September 30, 2022	As at June 30, 2022
	\$	\$
MBM, for reimbursement of the shared expenses	64,356	54,762
Minco Capital, for reimbursement of the shared expenses	115,456	167,008
Minco Silver, for reimbursement of the shared expenses	159,215	151,674
Key management, for service fees and expenses reimbursement	43,865	91,129
<b>Total due to related parties</b>	<b>382,892</b>	<b>464,573</b>

#### Participation 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 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 \$9,595 in service fees during the three months ended September 30, 2022 (2021 - \$18,672). As of September 30, 2022, the Company owes \$16,541 (June 30, 2022 - \$160) to Minco International.

#### Loan arrangement

Please refer to Section 2 and Section 5.2 for details.

### **7. 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.

### **8. Off-Balance Sheet Arrangements**

The Company does not have off-balance sheet arrangements.

## **9. 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](http://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.

### **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 have materially affected or are reasonably likely to affect ICFR expected. No material changes were made to internal controls in the three months ended September 30, 2021.10.

#### 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. 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 \$640,199 as of September 30, 2022 (June 30, 2022 - \$92,418) and accounts receivable of \$134,556 as of September 30, 2022 (June 30, 2022 - \$175,430). 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 three months ended September 30, 2022, and 2021, one and two customers generated sales that accounted for over 10% of total revenues generated for that period, respectively.

Significant management estimates are used to determine the allowance for doubtful accounts. The Company considers the probability of default based on a specific account, 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 \$1,089,281 as of September 30, 2022 (June 30, 2022 - \$936,856). The Company did not maintain sufficient cash balances to meet these needs as of September 30, 2022, and would rely on inventory sales.

### Foreign currency risk

The Company's functional currency is the Canadian dollar, and the functional currency of its subsidiaries is the US dollar. Most foreign currency risk is related to US dollar funds held by the Company and its subsidiaries. Therefore, the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar.

The Company does not hedge its exposure to currency fluctuations. 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 a variable rate and is exposed to interest rate risk on its cash which is not considered 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 do 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 of September 30, 2022, and June 30, 2022:

	September 30, 2022	June 30, 2022
<b>Financial assets, amortized cost:</b>	\$	\$
Cash	640,199	92,418
Accounts receivable	134,556	175,430
Other receivables	8,815	40,169
<b>Financial liabilities, amortized cost:</b>		
Accounts payable and accrued liabilities	1,089,281	936,856
Convertible debenture	4,052,403	4,017,467
Due to related parties	382,892	464,573
Lease obligations, current	18,034	61,649
Lease obligations, non-current	-	501,346
Loan from related party	1,049,833	817,439

## **11. 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.