

**HEMPNOVA LIFETECH CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023**

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 24, 2023, 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, 2023. 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, 2023.

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.sedarplus.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, 2023, 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 3R5. 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.

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
MTANG LLC	100% owned by HempNova Asset Management LLC
KCAI 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 a vertically integrated one-stop service provider in the industrial hemp sector, offering a comprehensive range of services and products. Our services cover the entire hemp production process, including germination, propagation, flower drying and processing, biomass drying and processing, and marketing and sales of hemp-related products. Our primary focus is on cultivating, processing, and selling a diverse product line, which includes premium hemp flowers, pre-rolls, vapes, gummies, biomass, and more. Additionally, we provide valuable services such as flower and biomass drying and nursery services. Through efficient management, organic growth, and strategic acquisitions, we aim to generate favorable returns for our stakeholders. Operating from our Seven Oaks Hemp Center in Oregon, USA, our commitment to excellence, customer satisfaction, and continuous innovation positions us as a trusted and preferred partner in the industrial hemp industry.

2. Business Activities

In early 2020, the Company embarked on its strategic expansion plan with the aim of acquiring key assets in Southern Oregon, USA. On May 8, 2020, this endeavor culminated in the successful acquisition of 7Oaks Hemp Center, a fully operational turn-key hemp facility nestled at 5130 Seven Oaks Road, Central Point, Oregon, USA, for a transaction valued at \$2.03 million.

The 7Oaks Hemp Center sprawls across 45 acres along the 42-degree latitude line. Nestled in the Rogue Valley, it holds a place among the world's premier hemp cultivation locales. This region's Mediterranean climate offers an exceptional fusion of sunlight, precipitation, and temperature fluctuations, making it an ideal hub for hemp cultivation. This was further underscored by the 7Oaks Hemp Center's receipt of four hemp cultivation awards in 2019.

At the heart of the 7Oaks Hemp Center is a state-of-the-art 54,000-square-foot greenhouse boasting advanced automated systems for temperature and humidity control. Additionally, the Company has constructed two expansive warehouses spanning 26,500 square feet. These facilities serve as integral components of the Company's comprehensive hemp services, encompassing germination, premium flower harvesting, meticulous drying, trimming, and soon-to-be-introduced biomass extraction capabilities. Notably, the premium flower drying service boasts an impressive weekly capacity of 300,000 wet pounds.

The Company has dedicated its focus to the cultivation and sale of hemp-related products in recent times. In 2023, the Company recognized the necessity of broadening its product offerings to cater to a wider clientele and seize emerging market trends. As a result, alongside smokable flowers, the Company successfully introduced an array of new product lines, encompassing pre-rolls, gummies, moon rocks, and oil.

The year 2023 stands as a remarkable milestone for the Company, marked by significant growth in both sales revenue and the diversified product portfolio. The Company's strategic choice to venture into fresh product categories has proven fruitful, with sales continuously growing, evident in the escalation of total sales from \$1.7 million during the first quarter of 2023 to an impressive \$3.2 million in the same period in 2024.

Pre-roll sales generated a remarkable \$984,000 in revenue during the first quarter ending September 30, 2024, compared to \$486,000 in the same period in 2023. The inherent convenience and "ready-to-use" nature of pre-rolls have resonated profoundly with the Company's customer base. Management anticipates continued growth in this sector as the market expands.

The gummy line achieved a notable revenue of \$572,000 during the first quarter of 2024, demonstrating a commendable increase from the \$547,000 recorded in the corresponding period of 2023. This positive growth underscores the product's popularity and market acceptance. However, in light of the dynamic nature of consumer preferences, the company is mindful of the evolving landscape and recognizes the importance of proactively adapting its strategies. In response to changing customer tastes, the company is actively exploring innovative approaches to boost gummy sales further. This may involve refining existing formulations, introducing new flavor profiles, or implementing targeted marketing initiatives to enhance the product's appeal and capture a larger share of the market. By staying attuned to consumer preferences and continuously refining its offerings, the company aims to solidify and expand its position in the competitive landscape of gummy products within the industry.

The inclusion of biomass in the Company's product lineup also proved triumphant, amassing \$506,000 in sales revenue during the first quarter ending September 30, 2023. Biomass, the raw material of cannabis, serves multiple purposes, including extraction for oils and concentrates, and further processing into diverse product forms. The robust demand for biomass underscores the potential for revenue diversification via the sale of intermediate cannabis materials.

Smokable flowers, a cornerstone of the Company's business, remained pivotal, generating \$241,000 in revenue for the first quarter ending September 30, 2023. The Company maintains an unwavering commitment to upholding stringent quality standards for its flower products while simultaneously exploring avenues to expand its customer base. Notably, the Company has enlisted seasoned consultants and farmers to cultivate a 10-acre expanse of high-quality hemp flowers in 2023, alongside a 6-acre leased farming-out deal with a 15% profit share. The hemp flower market outlook is positive, with low cultivation costs. These flowers are in the process of harvest, and management holds confidence that they will yield substantial profits for the Company in the forthcoming year.

Lastly, the "others" category, encompassing diverse ancillary products and services, also includes significant oil sales, some of which the company purchased from the market and sold to its VIP customers without profit. This other category is also net of the commission payment to the sales team.

In sum, the Company takes immense pride in the significant strides in 2024, exemplified by the substantial upsurge in sales revenue. This growth can be attributed to the Company's calculated expansion into fresh product categories, the successful establishment of the Company's brand identity, and the unwavering dedication of our team in upholding exceptional quality standards across all facets of its operations.

Looking forward, our management remains steadfast in seizing expanding market opportunities and harnessing the Company's potential for sustainable growth. The Company's strategy entails ongoing innovation of its product range, robust investments in research and development, and exploration of novel market segments to firmly position the Company as a pioneering force in the cannabis industry.

Below is a table to break down the sales for the three months ended September 30, 2023 and 2022:

	2023	2022
	\$	\$
Pre-roll	984,000	486,000
Gummy	572,000	547,000
Biomass	506,000	-
Smokable flowers	241,000	185,000
Others	928,000	443,000
Total revenue	3,231,000	1,661,000

Financing Activities

In 2021, the Company achieved a notable milestone by concluding a successful convertible note financing round, securing a substantial \$4.2 million capital. This infusion of funds served as a catalyst for advancing the Company's expansion initiatives and enhancing its hemp cultivation operations.

As subsequent years unfolded, the Company further diversified its financial strategies by obtaining loans from a related party, facilitating continued growth and progression in its business ventures.

On December 1, 2020, the Company entered into a loan agreement with MBM, securing a loan of \$270,400 (US \$200,000) (referred to as the "1st Loan"). This loan was received on December 2, 2020, with the Company providing its fixed assets as collateral. The Loan carried an annual interest rate of 10%, compounded monthly, and had an initial repayment deadline of November 30, 2021. As of September 30, 2023, the accrued interest on the related-party loan amounted to \$77,224, which was included in the overall carrying amount of the 1st loan from the related party. In December 2021, the Loan was renewed and extended, maintaining the original terms, until December 31, 2024.

On February 1, 2021, the Company entered into another loan agreement with MBM, obtaining a loan of \$200,000 (referred to as the "2nd Loan"). The Company used its fixed assets as collateral for this loan, which bore an annual interest rate of 10%, compounded monthly. The loan's original repayment deadline was January 31, 2022. By September 30, 2023, the accrued interest on this related-party loan reached \$54,680, and it was included in the overall carrying amount of the 2nd loan from the related party. The loan was renewed and extended in January 2022, maintaining the same terms, until December 31, 2024.

On September 13, 2021, the Company entered into yet another loan agreement with MBM, securing a loan of \$148,160 (RMB 800,000) (referred to as the "3rd Loan"). The Company provided its fixed assets as collateral for this loan, which carried an annual interest rate of 10%, compounded monthly. By September 30, 2023, the accrued interest on the 3rd Loan amounted to \$31,873 and was included in the overall carrying amount of the 3rd loan from the related party. The loan was renewed and extended in September 2022, maintaining the original terms, until December 31, 2024.

On December 10, 2021, the Company entered into an additional loan agreement with MBM, obtaining a loan of \$111,120 (RMB 600,000) (referred to as the "4th Loan"). The Company used its fixed assets as collateral, and the loan was initially scheduled for repayment on or before December 10, 2022. The loan carried an annual interest rate of 10%, compounded monthly. As of September 30, 2023, \$21,057 in interest had accrued and was included in the overall carrying amount of the 4th loan from the related party. The loan was renewed and extended in December 2022, maintaining the original terms, until December 31, 2024.

On July 16, 2022, the Company entered into a loan agreement with MBM, borrowing a total of \$185,200 (RMB 1,000,000) (the "5th Loan"). The Company provided its fixed assets as collateral for this loan. The loan is scheduled to be repaid on or before July 16, 2023, and carries an annual interest rate of 10%, compounded monthly. As of September 30, 2023, \$23,107 in interest had accrued and was included in the carrying amount of the 5th Loan from the related party. The loan was renewed and extended in July 2023, maintaining the original terms, until December 31, 2024.

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 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:

	9/30/2023	6/30/2023	03/31/2023	12/31/2022
	\$	\$	\$	\$
Revenue	3,231,344	1,791,681	2,410,995	2,395,139
Cost	(2,112,852)	(1,785,885)	(1,314,218)	(1,490,964)
Fair value adjustment and changes in inventory	76,149	(64,268)	(479,046)	(473,701)
Gross profit (loss)	1,194,641	(58,472)	617,731	430,474
Operating expenses	(596,379)	(159,813)	(697,556)	(696,611)
Net income (loss) after taxes	645,857	(232,392)	(53,457)	(235,598)
Income (loss) per share – basic and diluted	0.01	(0.00)	(0.00)	(0.00)

	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)
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	(768,945)	(116,059)	(875,626)	(933,351)
Net income after taxes	(288,568)	(2,251,623)	(855,776)	(2,050,973)
Loss per share – basic and diluted	(0.00)	(0.04)	(0.01)	(0.03)

4. Results of Operations

4.1 Operating Result Comparison for the Quarters Ended September 30, 2023 (“Q1 2024”) and 2022 (“Q1 2023”)

For the three months ended September 30,		2023	2022	Change
		\$	\$	\$
Revenue, net of discounts and commission	(a)	3,231,344	1,661,467	1,569,877
Inventory expensed to cost of sales, before fair value adjustment		(1,548,605)	(580,763)	(967,842)
Production costs		(564,247)	(444,209)	(120,038)
Gross profit before fair value adjustments	(b)	1,118,492	636,495	481,997
Fair value adjustment of biological assets		76,149	46,752	29,397
Gross profit	(b)	1,194,641	683,247	511,394

- (a) The company experienced a substantial increase in sales, rising from \$1.7 million in Q1 2023 to \$3.2 million in Q1 2024. For a detailed discussion, please refer to Section 2.
- (b) Gross profit over sales before fair value adjustment decreased from 0.38 in Q1 2023 to 0.35 in Q1 2024, while overall gross profit over sales declined from 0.41 in Q1 2023 to 0.37 in Q1 2024, wherein the sales team began receiving a 10% commission on sales to incentivize and boost overall sales performance.

For the three months ended September 30,	2023	2022	Change
	\$	\$	\$
Audit and accounting	1,952	7,000	(5,048)
Consulting and management fees	56,845	57,373	(528)
Director's fee	2,000	-	2,000
Legal, filing and transfer agent fees	(a) 6,369	18,406	(12,037)
Office and miscellaneous	(b) 11,374	37,985	(26,611)
Rent	(c) (5,044)	15,268	(20,312)
Salaries and benefits	74,809	70,970	3,839
Travel and others	8,197	5,503	2,694
Total general and administrative expenses	156,502	212,505	(56,003)
Amortization and depreciation	(d) 278,967	306,493	(27,526)
Interest expense	(e) 147,644	175,797	(28,153)
Research and development	(f) 11,432	31,785	(20,353)
Sales and marketing	(g) 1,834	31,316	(29,482)
Share-based compensation	(h) -	11,047	(11,047)
Total operation expenses	596,379	768,943	(172,564)

The operating expenses recorded a decrease of \$173,000 in Q1 2024 compared to Q1 2023, attributable to the following factors:

- (a) Legal and filing fees decreased by \$12,000 as the Company required fewer legal services during Q1 2024.
- (b) Office and miscellaneous decreased by \$27,000, reflecting improved control of the office expenditure during Q1 2024.
- (c) Rent decreased by \$20,000 as the Company terminated the rental agreement in late 2023.
- (d) The amortization and depreciation decreased by \$28,000 due to the write-off of certain property, plant and equipment during 2023.
- (e) Interest expenses decreased by \$28,000 due to the earlier termination of the lease initiated in 2023.
- (f) Research and development expenses decreased by \$20,000, primarily attributed to minimal lab expenses during Q1 2024.
- (g) Sales and marketing decreased by \$29,000 as the Company did not initiate this program in Q1 2024.
- (h) Share-based compensation fluctuates yearly depending on the timing and fair value of options granted and vested in each year. In Q1 2024, the share-based compensation was \$Nil (Q1 2023 - \$11,000).

4.1.2 Other income (expenses)

For the three months ended September 30,	2023	2022	Change
	\$	\$	\$
Gain on termination of lease	-	102,426	(102,426)
Foreign exchange gain (loss)	323	(12,820)	13,143
Gain on disposal of property, plant and equipment	3,403	-	3,403
Impairment of property, plant and equipment	-	(311,950)	311,950
Other income	43,869	19,474	24,395
Total	47,595	(202,870)	250,465

Gain on termination of lease

In Q1 2023, This lease, situated in Medford, was initiated for a three-year term, accompanied by the option to extend for two additional five-year periods, concluding on August 14, 2032. In July 2022, the Company opted not to renew the lease agreement, resulting in a gain of \$105,015 (US\$78,451) recognized from this early lease termination in Q1 2023.

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.

Impairment of property, plant and equipment

As a consequence of terminating the lease in Medford in Q1 2023, the Company impaired certain plant and equipment. No impairment was required in Q1 2024.

Other income

Other income recorded in Q1 2024 is primarily attributable to rental income generated in Medford.

5. Liquidity and Capital Resources

5.1 Cash flows

For the three months ending September 30,	2023	2033
	\$	\$
Operating activities, cash inflow	3,044,000	504,000
Financing activities, cash inflow (outflow)	(1,009,000)	171,000
Investing activities, cash outflow	(42,000)	(123,000)

Operating activities

During Q1 2023, net cash of \$3 million was generated from the operating activities (Q1 2023 - \$504,000) mainly due to \$993,000 of cash generated from operating activities (Q1 2023 -\$380,000) and \$2 million cash was generated from working capital (Q1 2023 - \$124,000).

Financing activities

During Q1 2024, the Company made a \$1.0 million repayment to the convertible note debtors and paid \$9,400 (Q1 2023 - \$21,000) in connection with the lease obligation. The Company received \$192,000 in loan from the related party in Q1 2023. No similar transaction was incurred in Q1 2024.

Investing activities

During Q1 2024, the Company used \$46,000 (Q1 2023 - \$123,000) to purchase property, plant and equipment. During the same period, the Company received \$4,000 from the disposition of property, plant and equipment (2023 - \$Nil)

5.2 Liquidity and Capital Resources

As of September 30, 2023, the Company had current assets of \$4,876,000 (June 30, 2023 - \$2,602,000) and current liabilities of \$7,464,000 (June 30, 2023 - \$6,097,000), resulting in a working capital deficiency of \$2,588,000 compared to a \$3,495,000 on June 30, 2023. The Company uses the following key financial measurements to assess its financial condition and liquidity:

	As of September 30, 2023	As of June 30, 2023
	\$	\$
Working capital	(2,588,000)	(3,495,000)
Cash	3,937,000	1,579,000

During the three months ending September 30, 2023, the Company generated \$3.2 million of revenue (2022 - \$1.7 million). As of June 30, 2023, the Company had \$458,000 of inventory to be sold for cash inflow (June 30, 2023 - \$373,000).

To support its expansion plans and ongoing operational activities, the Company recognizes the need to generate additional cash. While the existing resources and future income may contribute, they may not be sufficient to fund the Company's acquisition and operations. As a result, the Company may need to explore alternative options, such as raising additional funds through equity or debt financing.

In the event that the Company decides to raise funds through the issuance of equity securities, it is important to note that this may lead to a dilution of ownership for current shareholders. Furthermore, these equity securities may carry rights, preferences, or privileges that are senior to those of the Company's existing common shares.

Since 2021, the Company has been financing its working capital through convertible note financing and a loan from a related party. The convertible note amounted to \$4.2 million, while the loan from the related party amounted to \$1.1 million. For a detailed discussion, please refer to section 2 of this report.

Recognizing the challenges associated with generating sufficient cash flow from inventory sales and securing additional financing, the Company remains optimistic about its growth prospects within the global industrial hemp market. Despite the relatively modest working capital, it is worth highlighting that the current liabilities include a \$1.1 million loan and a \$0.6 million interest payable, both connected to a related party, namely the company's CEO and senior management. Additionally, current liabilities include \$2.5 million in convertible debentures that matured in October 2023, of which \$2.0 million was owed to its CEO and senior management. This unique situation provides a level of flexibility in addressing this obligation. Consequently, the Company is confident in its ability to meet its cash requirements for the next twelve months.

Nevertheless, it's essential to recognize that while the Company is optimistic, no certainties can be provided. The availability and terms of future financing remain contingent upon market dynamics and other variables.

In the event that adequate funds are unavailable, the Company may need to make strategic adjustments, such as delaying, limiting, or eliminating some or all of its proposed operations. The Company remains committed to closely monitoring its financial position and exploring viable options to ensure its long-term success.

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, 2023, the Company incurred \$27,657 (2022 - \$17,785) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarters in Vancouver. During the three months ended September 30, 2023, the Company also incurred \$Nil (2022 - \$75,809) 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, 2023, and 2022, the key management charged the following compensation.

	Three months ended September 30,	
	2023	2022
	\$	\$
Senior management remuneration*	477,608	91,714
Share base compensation	-	9,401
Total	477,608	101,115

*Including \$181,000 2023 bonus and \$230,221 first quarter sale commission.

Due to related parties

As at September 30, 2023, and June 30, 2023, the Company's amount payable to related parties are as follows:

	As at September 30, 2023	As at June 30, 2023
	\$	\$
MBM, for reimbursement of the shared expenses	83,146	83,146
Minco Capital, for reimbursement of the shared expenses	(1,508)	-
Minco Silver, for reimbursement of the shared expenses	20,001	19,710
Key management, for service fees and expenses reimbursement	536,319	36,396
Total due to related parties	637,958	139,255

Participation in the Company's private placement

In 2021, MBM, in conjunction with an individual associated with the Company's President, took part in the Company's convertible note financing, which concluded on October 20, 2020. As a component of this financing arrangement, the Company secured \$2,400,000 in convertible debt subscriptions (Refer to note 9 below). Over the fiscal year ending on June 30, 2023, the Company repaid \$300,000 to the President. Subsequently, during the three months ended September 30, 2023, the Company reimbursed an additional \$200,000 to the President, and \$400,000 to MBM.

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 \$Nil in service fees during the three months ended September 30, 2023 (2022 - \$9,595). As of September 30, 2023, the amount held by Minco International was \$23,194 (June 30, 2023 - \$56,354).

Loan arrangement

Please refer to Section 2 for details.

7. Outstanding Share Data

As of the date of this MD&A, the Company has 62,583,353 common shares and 2,420,000 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.sedarplus.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 materially. No material changes were made to internal controls in the three months ended September 30, 2023.

10. Financial Instruments

The Company's activities are exposed to varying 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 \$3,936,709 as of September 30, 2022 (June 30, 2023 - \$1,578,917) and accounts receivable of \$416,250 as of September 30, 2023 (June 30, 2023 - \$477,855). 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 have a material adverse effect on our business, consolidated results of operations and financial conditions.

In the three months ending September 30, 2023, the Company reported sales attributed to a single customer, significantly impacting the total revenues for the year, constituting 70%. In the previous year, 2022, sales were derived from two customers, with proportions of 59% and 18% respectively, collectively representing a substantial 77% of the total revenues for that period.

During the three months ended September 30, 2023, among all the customers in the accounts receivable, three customers individually represented significant portions of the total accounts receivable (16%, 16.4%, and 50.7%). In the fiscal year ending on June 30, 2023, among all the customers in the accounts receivable, four customers individually represent significant portions of the total accounts receivable (10%, 12.8%, 16%, and 50.7%).

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 \$1,392,701 as of September 30, 2023 (June 30, 2023 - \$727,463).

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, 2023, and June 30, 2023:

	September 30, 2023	June 30, 2023
Financial assets, amortized cost:	\$	\$
Cash	3,936,709	1,578,917
Accounts receivable	416,250	477,855
Other receivables	58,667	165,734
Financial liabilities, amortized cost:		
Accounts payable and accrued liabilities	1,392,701	727,463
Customer deposit	1,730,560	-
Convertible debenture	2,491,005	4,055,796
Current tax liability	63,544	62,228
Due to related parties	637,958	139,255
Lease obligations, current	25,646	24,990
Lease obligations, non-current	114,646	121,896
Loan from related party	1,122,821	1,086,861

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.