

**HEMPNOVA LIFETECH CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 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, in accordance with the requirements of the National Instrument 51-102 (“NI 51-102”), and based on available information up to September 28, 2023, 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, 2023, and June 30, 2022. The Company’s consolidated financial statements have been prepared in accordance with the 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 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, 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 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.

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 been dedicating its focus to the cultivation and sale of hemp-related products in recent times. In the year 2022, the Company engaged intensively in cultivation and harvesting operations, predominantly centred on the production of smokable flowers.

Throughout 2022, the Company's primary source of revenue was derived from the sale of smokable flowers. However, the Company recognized the necessity of broadening our product offerings to cater to a wider clientele and seize emerging market trends. As a result, alongside smokable flowers, we 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 our Company, marked by significant growth in both sale revenue and the diversified product portfolio. The Company's strategic choice to venture into fresh product categories has proven fruitful, evident in the escalation of total sales from \$3.2 million in 2022 to an impressive \$8.3 million in 2023.

In terms of product performance, the standout performer of 2023 was the gummy line, generating a remarkable \$2.7 million in revenue during the fiscal year ending June 30, 2023. This stellar performance underscores the burgeoning demand for consumable cannabis products and our adeptness in securing a substantial market share. The appeal of our gummies lies in their distinctive flavors, consistent quality, and convenient dosage options.

Following closely, pre-roll sales contributed a substantial \$2.3 million in revenue. 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 continues to expand.

The inclusion of biomass in the Company's product lineup also proved triumphant, amassing \$2.2 million in sales revenue. 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 \$1.0 million in revenue for the fiscal year ending June 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. Although these flowers have yet to be harvested, 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, contributed an additional \$0.2 million to the overall revenue for the fiscal year ending June 30, 2023. This segment represents a platform for innovation and diversification as the Company explores supplementary offerings that cater to evolving customer needs.

In sum, the Company takes immense pride in the significant strides achieved in 2023, 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 year ended June 30, 2023, and 2022:

	2023	2022
	\$	\$
Gummy	2,600,000	600,000
Pre-roll	2,200,000	1,000,000
Biomass	2,300,000	-
Smokable flowers	1,000,000	1,000,000
Oil	-	450,000
Vape and others	200,000	150,000
Total revenue	8,300,000	3,200,000

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 \$264,800 (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 June 30, 2023, the accrued interest on the related-party loan amounted to \$70,165, 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 June 30, 2023, the accrued interest on this related-party loan reached \$49,458, 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 \$146,001 (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 June 30, 2023, the accrued interest on the 3rd Loan amounted to \$28,006 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 \$109,501 (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 June 30, 2023, \$18,156 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 \$182,502 (RMB 1,000,000) (referred to as 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 June 30, 2023, \$18,273 in interest had accrued and was included in the carrying amount of the 5th Loan from the related party. Following the year ending on June 30, 2023, the 5th loan was renewed and extended until December 31, 2024, with the original terms remaining unchanged.

3. Selected Annual Information

Selected information for the fiscal year 2023, and 2022, is as follows:

	2023	2022
	\$	\$
Revenue, net of discounts and commission	8,259,282	3,150,167
Net loss after taxes	(810,015)	(7,010,445)
Total assets	7,206,661	8,357,260
Total long-term liabilities	121,896	4,518,813
Net loss per share – basic and diluted	(0.01)	(0.11)
Dividend	-	-

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

In 2021, the Company embarked on its cultivation journey, focusing on the growth of premium smokable hemp flowers. Adhering to the principles outlined in IAS 41 – Agriculture, biological assets are valued and presented at their fair values, subtracting costs to sell up to the point of harvest. Throughout the subsequent year, 2022, the Company's primary revenue source emanated from the successful sale of these exquisite smokable flowers.

However, as a forward-looking enterprise, the Company acknowledged the imperative to broaden its product portfolio, aligning with the principles of innovation and market dynamics. This realization led the Company to diversify its offerings, encompassing a wider spectrum of customer preferences and tapping into emerging industry trends. Alongside signature smokable flowers, the Company proudly introduced an array of novel product lines, including pre-rolls, enticing gummies, captivating moon rocks, and versatile oils. The Company's revenue surged from \$3.2 million in 2022 to an impressive \$8.3 million in 2023.

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:

	6/30/2023	03/31/2023	12/31/2022	9/30/2022
	\$	\$	\$	\$
Revenue	1,791,681	2,410,995	2,395,139	1,661,467
Cost	(1,785,885)	(1,314,218)	(1,490,964)	(1,024,972)
Unrealized fair value adjustment and changes in inventory	(64,268)	(479,046)	(473,701)	46,752
Gross profit (loss)	(58,472)	617,731	430,474	683,247
Operating expenses	(159,813)	(697,556)	(696,611)	(768,945)
Net loss after taxes	(232,392)	(53,457)	(235,598)	(288,568)
Loss per share – Basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

	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)

5. Results of Operations

5.1 Operating Result Comparison for the Quarters Ended (“Q4”) June 30, 2023, and 2022

Q4	2023	2022	Change
	\$	\$	\$
Revenue	1,791,681	1,103,330	688,351
Cost of goods sold	(1,785,885)	(499,290)	(1,286,595)
Unrealized fair value adjustment and changes in inventory	(64,268)	(2,292,446)	2,228,178
Gross loss	(58,472)	(1,688,406)	1,629,934
Operating expenses	(159,813)	(116,059)	(43,754)
Other income (expenses)	48,859	(447,158)	496,017
Loss before taxes	(169,426)	(2,251,623)	2,082,197
Income tax expense, current	(89,760)	-	(89,760)
Income tax expense, non-current	26,794	-	26,794
Net loss	(232,392)	(2,251,623)	2,019,231

In Q4 2023, the Company witnessed a notable reduction in net loss, amounting to a decrease of \$2.0 million compared to the corresponding period in 2022. This improvement was fueled by a corresponding increase in revenue, which climbed by \$0.7 million, propelled by the diverse sales achieved throughout 2023.

However, this growth in revenue was met by an elevated cost of goods sold, which escalated by \$1.3 million. This increase was attributed to the Company's strategic cost adjustments implemented during Q4 2023.

Additionally, the Company experienced a decrease of \$2.2 million in unrealized fair value adjustments. This was primarily due to the relatively modest portion of flower inventory that required adjustments to align with prevailing fair market values.

On the other income front, there was an upward surge of \$0.5 million. This positive shift can be attributed to a significant contrast with Q4 2022 when the Company incurred a substantial impairment in relation to a greater volume of fixed assets.

Overall, the fourth quarter of 2023 showcased a remarkable transformation in the Company's financial landscape, marked by a reduced net loss, augmented revenue, tactical cost adjustments, fair value recalibrations, and more favorable other income dynamics.

5.1.1 Operating expenses for Q4 2023, and 2022

The following table is a summary of the Company's operating expenses for Q4 2023 and 2022:

Q4		2023	2022	Change
		\$	\$	\$
Audit and accounting	(a)	11,652	30,094	(18,442)
Consulting and management fees	(b)	123,796	23,891	99,905
Legal, filing and transfer fees		699	8,448	(7,749)
Office and miscellaneous	(c)	6,239	28,398	(22,159)
Rent	(d)	7,286	(28,158)	35,444
Salaries and benefit	(e)	20,202	75,935	(55,733)
Travel and others		29,935	14,844	15,091
Total general and administrative expenses		199,809	153,452	46,357
Amortization and depreciation	(f)	(214,976)	(299,024)	84,048
Interest expense		148,835	152,430	(3,595)
Research and development	(g)	26,092	43,769	(17,677)
Sales and marketing	(h)	14,836	61,408	(46,572)
Share-based compensation	(i)	(14,783)	4,024	(18,807)
Total		159,813	116,059	43,754

The operating expenses increased by \$44,000 in Q4 2023 compared to Q4 2022. The significant changes are discussed as follows:

- (a) In Q4 2023, the audit and accounting fees displayed a decrease of \$18,000 in comparison to Q4 2022. In 2022, the Company accounted for a professional service fee of \$14,000 for the application of agricultural employee retention credit from the government, alongside a tax service fee.
- (b) Q4 2023 witnessed a notable increase of \$100,000 in consulting fees as compared to the corresponding period in 2022. This elevation stemmed from the reallocation of costs for consultants. In Q4 2022, the Company attributed the work of consultants to research or sales activities. However, in Q4 2023, the need for such research or sales work was diminished, leading to a change in the allocation of consultant-related expenses.
- (c) Over the course of Q4 2023, the Company's management of Office and Miscellaneous expenses yielded a reduction of \$22,000. This improvement was achieved through the implementation of an enhanced cost-control system.

- (d) Within Q4 2023, rent expenses pertained to the final payment made to the landlord. The corresponding period in 2022 exhibited a credit amount as a result of the Company's reversal of the \$45,000 property tax payable associated with concluding the rental agreement for the Oscar facility in Q4 2022.
- (e) Comparing Q4 2023 to Q4 2022, the category of Salary and Benefits experienced a decrease of \$56,000. This reduction can be attributed to a lower number of employees present on the payroll during Q4 2023.
- (f) Adjustments to amortization expenses were executed during Q4. The adjustment made in Q4 2023 was of a smaller magnitude than that undertaken in 2022, primarily due to the overall diminished net book value of property, plant, and equipment. Consequently, the Company recorded a correspondingly reduced adjustment during Q4 2023.
- (g) Q4 2023 saw a decrease of \$18,000 in research and development expenses in comparison to Q4 2022. This reduction was attributable to the Company's reduced number of research and development team employees during the period.
- (h) During Q4 2023, sales and marketing expenses demonstrated a reduction of \$47,000 when contrasted with Q4 2022. This decrease was attributed to a diminished demand for marketing activities in the corresponding period of 2023.
- (i) Share-based compensation displays annual fluctuations, contingent upon the timing and fair value of granted and vested options within each year. In Q4 2022, the Company accounted for a stock option component credit of \$14,783 (June 30, 2022 - \$4,000), primarily arising from the reversal of share-based compensation expense due to the forfeiture of unvested portions of stock options held by certain employees.

5.1.2 Other income (expenses)

Q4	2023	2022	Change
	\$	\$	\$
Gain on termination of lease	-	207,554	(207,554)
Foreign exchange gain (loss)	12,808	(1,207)	14,015
Gain on disposal of property, plant and equipment	49,295	-	49,295
Impairment of property, plant and equipment	(35,244)	(654,947)	619,703
Other income	22,000	1,442	20,558
Total	48,859	(447,158)	496,017

Gain on termination of lease

In Q4 2022, 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.

Gain on disposal of property, plant and equipment

The Company disposed of a few equipment during Q4 2023, resulting in a gain of \$49,000 from such disposition.

Impairment of property, plant and equipment

The Company impaired some plant and equipment, upon the termination of lease in Medford and Eugene.

Other income

Other income recorded in Q4 2023 mainly counts for the rental income in Medford.

5.2 Operating Result Comparison for the Year Ended June 30, 2023, and 2022

The following table is a summary of the Company's operating expenses for the year ended June 30, 2023, and 2022:

For the year ended,	2023	2022	Change
	\$	\$	\$
Revenue	8,259,282	3,150,167	5,109,115
Cost	(5,616,039)	(2,310,162)	(3,305,877)
Unrealized fair value adjustment and change of inventory	(970,263)	(2,776,740)	1,806,477
Operating income	1,672,980	(1,936,735)	3,609,715
Operating expenses	(2,322,925)	(3,056,951)	(734,026)
Other expenses	(97,104)	(2,016,759)	1,919,655
Loss before taxes	(747,049)	(7,010,445)	6,263,396
Income tax expense, current	(89,760)	-	(89,760)
Income tax expense, non-current	26,794	-	26,794
Net loss	(810,015)	(7,010,445)	6,200,430

The net loss for the fiscal year ending on June 30, 2023, experienced a notable reduction of \$6.2 million compared to 2022. This positive shift can be attributed to a \$5.1 million increase in sales during 2023. Consequently, the cost of goods sold also escalated by \$3.3 million. Additionally, there was a decrease of \$1.8 million in unrealized losses, as the remaining inventory amount was smaller than that in 2022. Notably, operational costs were successfully lowered by \$0.7 million, indicative of improved cost control measures. It's worth mentioning that the Company capitalized on rental income by renting out the extra warehouse space on the farm.

5.2.1 Operating expenses for the year ended June 30, 2023, and 2022

The following table summarizes the Company's operating expenses for the years ended June 30, 2023, and 2022.

For the year ended June 30,		2023	2022	Change
		\$	\$	\$
Audit and accounting	(a)	50,388	63,276	(12,888)
Consulting and management fees	(a)	278,740	262,333	16,407
Directors' fee		2,000	3,000	(1,000)
Legal, filing and transfer fees		45,808	41,958	3,850
Office and miscellaneous		121,833	130,829	(8,996)
Rent	(a)	25,714	46,118	(20,404)
Salaries and benefits	(a)	230,954	277,586	(46,632)
Travel and transportation		55,120	40,737	14,383
General and administrative expenses		810,557	865,837	(55,280)
Amortization	(a)	603,493	957,745	(354,252)
Interest expense	(b)	661,785	771,705	(109,920)
Research and development	(a)	117,109	223,252	(106,143)
Sales and marketing		116,185	189,198	(73,013)
Share-based compensation	(a)	13,796	49,214	(35,418)
Total		2,322,925	3,056,951	(734,026)

Operating expenses saw a decrease of \$734,000 in the fiscal year ending on June 30, 2023, as compared to 2022. This reduction was attributed to the successful implementation of an enhanced cost control system in 2023.

(a) Please consult the discourse in section 5.1.1.

(b) Interest expenses experienced a decline of \$110,000, resulting from the Company's termination of certain leases in 2023 and the conclusion of 2022, subsequently leading to reduced interest costs associated with those leases.

5.2.2 Other income (expenses)

For the year ended June 30,	2023	2022	Change
	\$	\$	\$
Gain on termination of lease	105,101	207,554	(102,453)
Foreign exchange gain (loss)	15,094	(111)	15,205
Gain on disposal of property, plant, and equipment	49,295	-	49,295
Impairment of property, plant, and equipment	(320,097)	(2,240,762)	1,920,665
Other income	53,503	16,560	36,943
Total	(97,104)	(2,016,759)	1,919,655

The alterations pertaining to foreign exchange gains (losses), inventory impairment, gain on termination of lease and property, plant, and equipment impairment were addressed in the preceding section, 5.1.2.

6. Liquidity and Capital Resources

6.1 Cash flow

For the year ended June 30,	2023	2022
	\$	\$
Operating activities, cash inflow (outflow)	2,616,000	(49,000)
Financing activities, cash inflow (outflow)	137,000	(88,000)
Investing activities, cash outflow	(987,000)	(240,000)

Operating activities

In the fiscal year ending on June 30, 2023, operating activities utilized \$1,700,000 in net cash, while \$422,000 in net cash was consumed in 2022. The Company generated \$916,000 in cash from the alteration in working capital (2022 – \$373,000).

Financing activities

During the fiscal year concluding on June 30, 2023, the Company received a \$183,000 loan from a related party (2022 - \$269,000). The Company disbursed \$46,000 in relation to lease obligations (2022 - \$357,000).

Investing activities

In the fiscal year ending on June 30, 2023, the Company allocated \$700,000 towards the repayment of convertible note debtors and utilized \$376,000 in plant, property, and equipment (2022 - \$240,000). Furthermore, the Company divested certain property, plant, and equipment, leading to a cash inflow of \$90,000.

6.2 Liquidity and Capital Resources

As of June 30, 2023, the Company had current assets of \$2,602,000 (June 30, 2022 - \$2,326,000) and current liabilities of \$6,097,000 (June 30, 2022 - \$2,281,000), resulting in a working capital deficiency of \$3,495,000 compared to a positive working capital of \$46,000 on June 30, 2022. The Company uses the following key financial measurements to assess its financial condition and liquidity:

	As of June 30, 2023	As of June 30, 2022
	\$	\$
Working capital	(3,495,000)	46,000
Cash	1,579,000	92,000

During the year ended June 30, 2023, the Company generated \$8.3 million of revenue (2022 - \$3.2 million). As of June 30, 2023, the Company had \$373,000 of inventory to be sold for cash inflow (June 30, 2022 - \$2,013,000).

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 on this matter, 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 \$0.5 million interest payable, both connected to a related party, namely the company's CEO and senior management. Additionally, current liabilities include \$4.1 million in convertible debentures that matured in October 2023, of which \$3.1 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.

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, 2023, the Company incurred \$79,784 (2022 - \$125,949) to Minco Capital and Minco Silver for reimbursement of shared office expenses and rent for the headquarters in Vancouver and incurred \$ Nil (2022 - \$20,413) to Minco China for reimbursement of shared office rent in Beijing, China.

Key management compensation

	2023	2022
	\$	\$
Senior management remuneration*	410,915	380,831
Share base compensation	10,526	49,214
Total	421,441	430,045

*Directors' fees were included in senior management remuneration. During the year ended June 30, 2023, the Company paid \$2,000 of directors' fees (2022- \$3,000).

Due to related parties

Amounts due to related parties are unsecured, non-interest bearing, and without specific repayment terms as of June 30, 2023, and 2022.

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

	2023	2022
	\$	\$
MBM and its subsidiary, for service fees and expenses reimbursement	83,146	54,762
Minco Capital, for reimbursement of the shared expenses	-	167,008
Minco Silver and its subsidiary, for reimbursement of the shared expenses	19,710	151,674
Key management for service fees and expenses reimbursement	36,396	91,129
Total due to related parties	139,255	464,573

Participated in the Company's private placement

In 2021, MBM, along 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 part of this financing, the Company secured \$2,400,000 in convertible debt subscriptions (Refer to note 11 below). Over the fiscal year ending on June 30, 2023, the Company reimbursed \$300,000 to the President.

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 \$38,384 in service fees during the year ended June 30, 2023 (2022 - \$47,762). As of June 30, 2023, the amount held by Minco International is \$56,354 (June 30, 2022 - \$160).

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 2,420,000 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 have 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, 2023.

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 \$1,578,917 as of June 30, 2023 (June 30, 2022 - \$92,418) and accounts receivable of \$477,855 as of June 30, 2023 (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 have a material adverse effect on our business, consolidated results of operations and financial conditions.

In the fiscal year ending on June 30, 2023, the Company recorded sales from two customers, each of whom individually contributed significantly to the total revenues generated throughout the year (14.23% and 50.18%, respectively). In 2022, the company recorded sales from a single customer who accounted for a substantial 62.6% of the total revenues for that year.

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%). In 2022, a single customer accounted for a substantial portion of the accounts receivable (87.9%).

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 \$727,463 as of June 30, 2023 (June 30, 2022 - \$936,856).

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, 2023, and 2022:

Financial liabilities, amortized cost:

	June 30, 2023	June 30, 2022
Financial assets, amortized cost:	\$	\$
Cash	1,578,917	92,418
Accounts receivable	477,855	175,430
Other receivables excluding GST receivable	165,734	33,930
Financial liabilities, amortized cost:		
Accounts payable and accrued liabilities	727,463	936,856
Convertible debenture	4,055,796	4,017,467
Current tax liability	62,228	-
Due to related parties	139,255	464,573
Lease obligations, current	24,990	61,649
Lease obligations, non-current	121,896	501,346
Loan from related party	1,086,861	817,439

12. Commitments and Contingency

(a). As of June 30, 2023, the Company has one lease commitment (see Note 7) with a breakdown as follows:

	<= one year	Two years	Three years	Four years	>=five years	Total
Leases	\$ 35,551	\$ 36,101	\$ 36,651	\$ 37,201	\$ 30,967	\$ 176,471

(b). As of June 30, 2023, the Company had an outstanding liability of \$69,393 (US\$52,412) owed to the Department of Environmental Quality in the State of Oregon. In July 2023, the Company settled this liability.

(c). Back in 2022, the Company received notification of a legal claim from a third-party, pertaining to a contractual agreement with a customer. To address this situation, the Company initiated an arbitration claim against the customer to ascertain the extent of the Company's indemnity responsibility. During the fiscal year 2023, the Company successfully addressed the legal matters that arose in the prior year with its customer.

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.