

HEMPALTA™

HEMPALTA CORP.
(formerly Trail Blazing Ventures Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

INTRODUCTION

This management discussion and analysis (“**MD&A**”) should be read in conjunction with the consolidated financial statements for the years ended September 30, 2024 and 2023 for Hempalta Corp., which can be found on www.sedarplus.ca.

The financial statements, including the comparative figures, were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Unless otherwise noted, all dollar amounts are in Canadian dollars.

The information in this MD&A is current as of December 18, 2024, unless otherwise noted.

The financial statements together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of Hempalta Corp. (the “Company”). Management of the Company is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, are complete and reliable.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A may constitute forward-looking information under applicable securities laws. Such forward-looking information is used in this MD&A for the purpose of providing information about management’s current expectations and plans relating to the future development of the Company’s business. All statements and information other than statements of historical fact or historical information may be forward-looking information. Readers are cautioned that reliance on such forward-looking information may not be appropriate for other purposes, such as making investment decisions. Forward-looking information typically contains statements with words such as “expect”, “intend”, “estimate”, “will”, “anticipated”, “possible”, “potential” or similar words, including negatives thereof, suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements or information with respect to: the Company’s strategies and objectives, both generally and in respect of its existing business and planned businesses; the increase in the planting of hemp by farmers in North America due to new processing capabilities and greater regulatory certainty in the United States; the anticipation that the Company will open a number of accounts with local independent garden centers; the expectation that the Company will have sufficient capital resources for the 2025 financial year; and certain other statements herein with respect to other expectations, beliefs, plans, objectives, assumptions and intentions, or statements about future events or performance.

The forward-looking information is based on a number of factors, expectations and assumptions which have been used to develop such information, and which may prove to be incorrect. Such material factors, expectations and assumptions include, but are not limited to: the ability of the Company to successfully implement its strategic plans and initiatives and whether such strategic plans and initiatives will yield the expected benefits; applicable tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; assumptions of costs associated with business plans; consistency of laws and regulation relating to the hemp industry; the timely receipt of any required regulatory approvals for the business plans of the Company; the ability of the Company to obtain qualified staff and necessary products in a timely and cost efficient manner; the general stability of the economic and political environment in which the Company operates; and the ability of the Company to obtain financing on acceptable terms when and if needed. Although the Company believes that the factors, expectations, and assumptions on which the forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurances that they will prove to be correct.

Since forward-looking information addresses future events and conditions, by its very nature it involves inherent known and unknown risks and uncertainties which are beyond the control of the Company. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These factors and risks include, without limitation: the risks related to the seasonality of the Company’s business; the ability of management to execute its business strategy, objectives and plans; the risks related to uninsured or uninsurable risks; disruptions in the Company’s activities due to acts of God; changes to contracts; the risks relating to attracting and retaining qualified management and technical personnel; environmental risks; the ability of the Company to effectively manage its growth and operations; dependence on equipment, materials and skilled technical workers; the risks related to human error, and the factors and risks identified under the “Risk Factors” section of this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. The Company’s actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom.

The forward-looking information included in this MD&A is made as of the date hereof and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise, except as required by applicable law.

Additional information related to the Company is available by requesting further information from the Company’s head office in Calgary.



CONTENTS

COMPANY OVERVIEW4

HIGHLIGHTS9

FINANCIAL PERFORMANCE10

OUTSTANDING SHARE DATA.....13

FINANCIAL RISK MANAGEMENT15

ADDITIONAL INFORMATION16

COMPANY OVERVIEW

OUR HISTORY

The processing business was purchased from Canadian Greenfield Technologies on December 24, 2021. It was purchased under 2387761 Alberta Ltd which later became Hempalta Inc. in 2022.

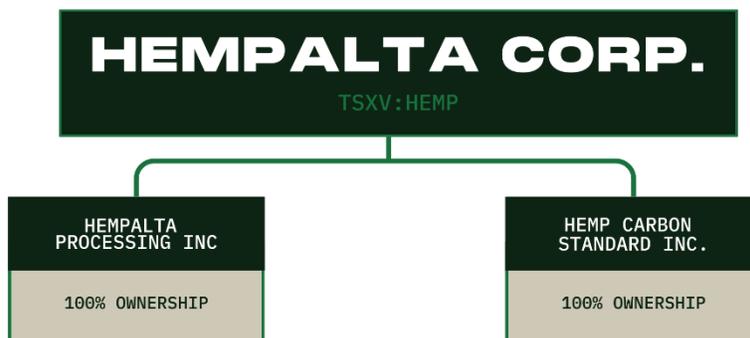
On March 19, 2024, Hempalta Corp. (formerly capital pool company Trail Blazing Ventures Ltd. (“TBV”)) acquired Hempalta Inc. by way of a reverse takeover. Prior to this transaction, TBV changed its name from Trail Blazing Ventures Ltd. to Hempalta Corp. In conjunction with these name changes came the name change of Hempalta Inc. to Hempalta Processing Inc. (“Hempalta”) and was done in an effort to distinguish the processing business from the parent company.

On April 30, 2024, Hempalta Corp. acquired 50.1% of Hemp Carbon Standard Inc. (“HCS”), an Alberta based company in the business of carbon sequestration and carbon credit generation. Subsequent to the year ended September 30, 2024, Hempalta Corp. acquired the remaining 49.9% of HCS.

Further details to each of the above transactions can be found in the notes to the financial statements for year ended September 30, 2024.

OUR CORPORATE STRUCTURE

As of the date of this MD&A, the Company, trading on the TSX Venture Exchange under the symbol HEMP, has 2 operating subsidiaries: (i) Hempalta Processing Inc., which is wholly owned by the Company, and (ii) Hemp Carbon Standard Inc. of which the Company owns 100% of the voting shares. The subsidiaries were incorporated under the laws of the Province of Alberta and are headquartered in Calgary, Alberta.



MANAGEMENT

Our Management Team are passionate advocates for industrial hemp who bring together decades of experience and expertise in operations, manufacturing, marketing, consumer packaged goods and retail sales.

- Darren Bondar, President & Chief Executive Officer
- Candace Ryan, Chief Financial Officer
- Cecil Horwitz, Chief Commercial Officer
- Brittany McKell, General Manager
- Samantha Down, Marketing Manager

COMPANY OPERATIONS

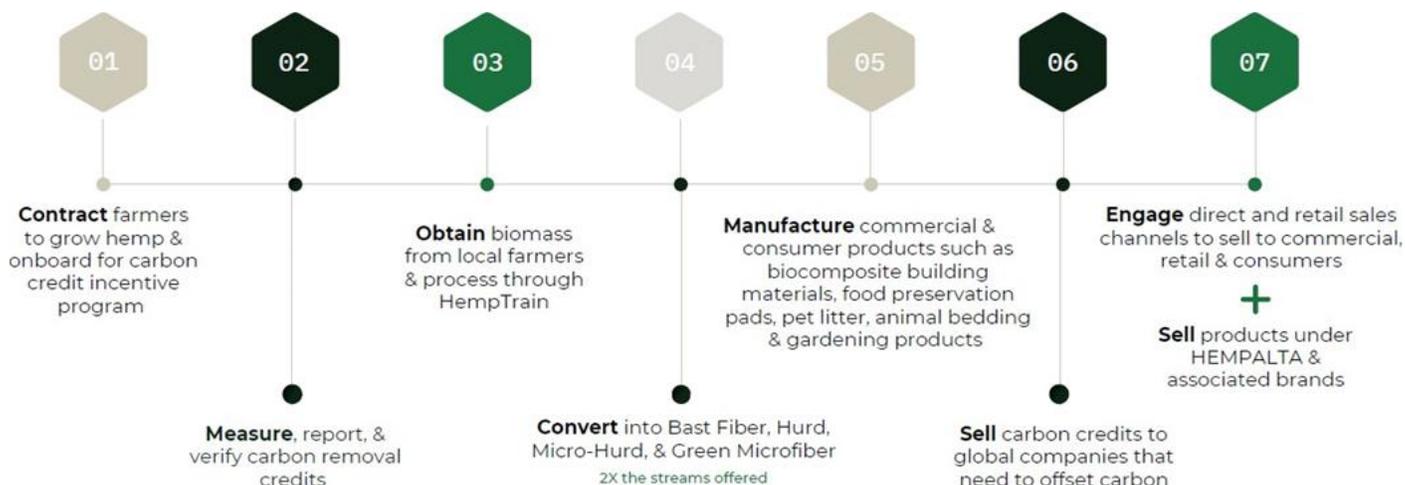
Hempalta is an agricultural technology company focused on innovative hemp processing, using hemp fiber to extract processed hemp output streams. Hempalta Processing adds value to these streams by creating consumer products aimed at addressing consumer demand for sustainable environmentally friendly quality products across multiple industry sectors. Hempalta Processing's products are made from industrial hemp grown sustainably in Southern Alberta and processed using a state-of-the-art HempTrain™ Advanced Processing Plant at their production facility in the heart of Calgary, Alberta, Canada.

Hempalta concentrates on the processing of the hemp biomass (the non-flower parts of the hemp plant). This has frequently been discarded as waste by producers focused on the CBD-rich flowers or food, but through effective industrial hemp processing, this biomass can be converted into strong bast fiber, green microfiber, micro-hurd and hurd. These four output streams are sold to commercial customers and are also utilized to create value-add products.

HCS is leading the charge in environmental innovation by harnessing the natural carbon sequestration properties of industrial hemp to address climate change. HCS creates and distributes HCS Carbon Certificates across various categories, including regenerative practices, biochar, and biomass burial, certifying the capture and long-term storage of carbon dioxide—from a decade up to centuries—through sustainable hemp farming practices. These practices are designed not just to mitigate carbon emissions but also to enhance soil health and biodiversity. Through partnerships with farmers and other participants and corporate buyers, HCS is dedicated to advancing a more sustainable economy and shifting agricultural methods towards greater sustainability, demonstrating that environmental stewardship can align seamlessly with economic growth.

HOW IT WORKS

We contract farmers to grow industrial hemp and join our carbon credit program. We then obtain the biomass and convert it to environmentally sustainable hemp products for b2b and b2c customers. For those farmers who voluntarily join our carbon credit program, for their acreage, we simultaneously measure, report, verify, and sell carbon removal credits to global companies that need to offset their emissions.



INNOVATIVE PRODUCTS

Products

Hempalta currently operates a HempTrain that was purchased by it from Canadian Greenfield Technologies Corp. (“CGT”) pursuant to the CGT Asset Acquisition. This system processes baled hemp straw, round or square, fresh/green or dry, into high-volume, high-value products and uses a decortication mechanism to separate out long, intact structural bast fiber, clean, size-specified hurd, micro-hurd, and a rich bio-nutrient microfiber stream that is a concentrate of all leaf and flower material.

Once the product is decorticated, it moves to Hempalta's packaging systems where the products are semiautomatically packaged into its various final consumer packaged goods packaging or left in bulk bags for commercial sale.

Hempalta produces and distributes the following products:



HEMP-FRESCO

Food preservation pads keep fruit and vegetables fresh for extended periods, preventing undesirable bacteria from spoiling food and keeping food smelling and tasting fresh for longer.



HEMPALTA GARDEN MULCH

Use in all types of gardens, landscapes, pathways, around trees, shrubs, flowers and vegetables. Conserves water, stabilizes soil, compostable & non-toxic.



HEMPYCAT

Organic hemp pet litter is five times more absorbent and seven times lighter than clay. It is 99% percent dust-free, fragrance-free, environmentally friendly, and compostable.



HEMP-PAK

Premium, organic soil enrichment made from hemp. It provides natural aeration to plants, decreasing compaction and providing plants with the nutrients they need to thrive. Rich in natural bio-nutrients including terpenes, lignin, hemicellulose, and pectin, it reduces the frequency of watering and combats evaporation in dry conditions.



HEMPZORB

All natural 100% premium hemp spill absorbent quickly contains spilled liquids. Hempzorb's unique, ultra-lightweight, ultra-absorbent formula is non-abrasive and will not scratch floors. No chemicals, sustainable and eco-friendly.



BIOCHAR+

Made from 100% organic materials, our biochar is an eco-friendly soil enhancer that boosts plant growth and improves soil health. Biochar's unique structure increases water retention, enhances nutrient availability, and supports beneficial microbial activity.



HEMP ANIMAL BEDDING

Animal bedding is ultra-absorbent (three times more so than wood shavings), 99% dust free, and its natural deodorizer ensures natural odor control.



HURD FOR HEMPCRETE

Hempcrete is a product that can substantially reduce greenhouse gas emissions associated with home building and renovations by creating more energy-efficient, nontoxic, and carbon-sequestering homes. Our premium hurd is clean, dust free, naturally antibacterial, and size specified for high-performance hempcrete.

Customers

The principal markets for Hempalta's products are gardening, animal/pet care and food preservation. Hempalta's target customers, whether commercial or consumer-based, want to make a positive impact on the environment and look for products and technologies that empower them to do that.

Target customers comprise three broad categories:

- commercial customers who will be purchasing Hempalta's four output stream products for application or further processing in their environments;
- businesses purchasing Hempalta's consumer products for resale; and
- end consumers purchasing directly from Hempalta's indirect and direct sales channels.

At the individual level, Hempalta targets end consumer customers that exhibit one or more of the following characteristics:

- health-conscious;
- aware of the need to reduce food waste;
- aware of the need to use non-toxic products and technologies in their homes including for their pets; and
- embrace and act to secure environmental sustainability.

Distribution

Hempalta's products are distributed direct to consumer through their own website(s) and their farm-gate store. The products are also sold online via Amazon.ca, Amazon.com, Rona.ca, Walmart.ca/Walmart.com, Chewy.com and UFA.ca, as well as at national retail stores including Peavey Mart (100+ stores), UFA (40+ stores) and select independent retailers across Canada.

INNOVATIVE SERVICES

Industrial Hemp Carbon Credits

As companies seek to reduce their carbon footprint and mitigate climate change, the demand for Carbon Credits is increasing. A carbon credit is a permit or certificate representing the right to emit one metric ton of carbon dioxide into the atmosphere. Industrial hemp possesses the unique capacity to absorb substantial amounts of carbon dioxide ("CO₂") during its rapid growth cycle. HCS has been an early pioneer in generating carbon credits derived from the industrial hemp crop's life cycle.

HCS's quantification methodology leverages cutting-edge remote sensing technology, ensuring the precise measurement of CO₂ sequestration within the biomass of the industrial hemp crop and associated topsoil at a farm. The approach guarantees transparency, accuracy, and integrity in carbon accounting so corporate buyers can achieve their sustainability goals. By participating in the carbon markets, industrial hemp farmers can not only diversify their revenue streams but also make meaningful contributions to climate change mitigation.

The carbon credits are science-based carbon removal credits that are derived using a precision quantification methodology which include the following aspects:

- Ground Truth:** Ground truth data is collected to enable accurate models for remote measurement at scale and to collect a sparse array of crop samples for verification at the end of each growing cycle.
- Sentinel-2 Satellite Data:** We can detect cover crops from satellite, enabling stakeholders to monitor and verify the prevalence of cover crops over large areas.
- Flux Towers:** We use data from the global flux tower network to measure the flux of CO₂ between the surface of fields and the atmosphere.
- Crop Rotation:** Applying our crop type models to analyze geospatial and temporal trends enables us to identify crop rotations and diversity. This allows users to monitor management practices at scale, as a component of sustainable agriculture verification or supply chain vision.
- Field & Boundary Detection:** We focus on what is relevant: detecting areas where crops grow. Field boundaries are the geometric borders or cropped areas, which are not necessarily exact cadastral reference locations.
- CO₂ Calculation:** To avoid extensive and expensive crop sampling, CO₂ absorption of hemp crops is measured via satellite data, at scale, with the use of AI and innovative machine learning approaches. The subsequent generation and sale of carbon credits for the voluntary carbon market (VCM) is a prime example of a regenerative agricultural incentive system.

HCS established its platform in 2023 by monitoring 15 farms, 45 sites, and 1,380 hectares (3,410 acres) in Canada, the United States, Ukraine, and Spain that resulted in sequestering 15,325 tonnes of CO₂. In 2024, HCS further built its platform and resulted in monitoring 41 farms, 186 sites, and approximately 5,690 hectares (approximately 14,075 acres), resulting in sequestering approximately 51,600 tonnes of CO₂. In addition, in 2024, HCS introduced fields in Australia, Germany, Sweden, the UK and Zimbabwe to their portfolio of sites. To date, Hempalta Inc. has successfully sold 976 credits.

COMPETITIVE CONDITIONS

While there is consumer demand in North America for industrial hemp products including building materials, animal feed, textiles, protein, paper, plastics, and biofuels, supply chains are still in their infancy with much of the processed hemp products required for manufacturing being imported.

Based on Hempalta's experience, the heart of the problem is the lack of industrial hemp processing plants, so while some farmers are interested in growing the crop, they have no industrial hemp processing plants in close enough proximity to take their hemp. As new processing capabilities come on stream in North America, encouraged by greater regulatory certainty in the United States, Hempalta expects that farmers will increase their planting of hemp.

The HempTrain owned by Hempalta processes fibers so that they are long and intact, creates no appreciable dust, and in a single process separates the hemp plant into the four output streams: long strong bast fiber, a nutrient-rich green microfiber, micro-hurd and clean size-specified hurd. Hempalta not only sells these output stream products to commercial buyers, but it also produces its own branded consumer product range. A third party that owns or purchases a HempTrain would be able to produce the same output streams that Hempalta produces using the HempTrain that it owns.

Hempalta's major competitors fall into three different categories:

- 1) those that process the raw hemp into output streams and then further manufacture these output streams to create a range of consumer products;
- 2) those that process the raw hemp into the output streams only; and
- 3) those that do not process but purchase the output streams from processing plants to manufacture a range of consumer products or outsource the manufacture of their consumer product range entirely.

With HCS providing nature-based carbon credits on the voluntary market, our competitors include a number of players in the carbon credit and environmental impact sector. Key competitors fall into 4 categories:

- 1) Carbon credit developers, both nature-based and technology based,
- 2) Brokers connecting buyers and sellers of carbon credits,
- 3) Aggregators pooling carbon credits and selling in bulk,
- 4) Registries and their sales platforms.



HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- The first two years of Hempalta's operations were focused on rebranding Hempalta and its products, including the Hemp Fresco and Hempy Cat litter brands. Additional focus was spent on opening distribution channels and optimizing its operations. All of Hempalta's consumer packaged products have reached commercial production stage.
- Hempalta has introduced a new product to its garden product line, namely Biochar+, which is derived from industrial hemp through a process called pyrolysis which entails heating organic material at high temperatures and low oxygen levels. The biochar produced boosts soil organic carbon and supports plant growth while sequestering carbon, in turn generating high-value carbon credits.
- During the year ended September 30, 2024 Hempalta continued to expand its online presence, most notably United Farmers of Alberta (UFA) online and instore as well in store at select Alberta Home Hardware locations and select British Columbia Canada Garden Works.
- Hempalta changed its name from Hempalta Inc. to Hempalta Processing Inc. on June 24, 2024. The new name better reflects the subsidiary's core business activity which is processing industrial hemp into consumer and commercial products at the Calgary production facility.
- In June 2024, preliminary required approvals were achieved to commence the production facility expansion. The expansion will add approximately 6,500 square feet to the facility and will enable Hempalta Processing Inc. to increase processing capacity. Although the expansion project has been halted due to the seasonality of the construction season at our facility, it is anticipated the project will resume once weather conditions permit.
- The Company completed the acquisition (the "HCS Transaction") of a controlling interest of 50.1% of Hemp Carbon Standard Inc in April 2024 and has subsequently acquired the remaining 49.9% subsequent to the year ended September 30, 2024. HCS is leading the charge in environmental innovation by harnessing the natural nature-based carbon sequestration properties of industrial hemp to address climate change. HCS creates and distributes HCS Carbon Certificates through sustainable hemp farming practices across the world.
- The first sale of 514 carbon removal units was completed on June 12, 2024. To date, a total of 976 2023 vintage carbon credits 15,325 carbon credits have been sold. 514 were sold in Q3 2024, 450 in Q4 2024 and 12 in Q1 2025. The 2024 credits are in the final stages of being calculated and independently audited by Control Union to make them available for sale. This will result in approximately 51,600 2024 carbon credits available for sale on the voluntary carbon credit market.

ANNUAL HIGHLIGHTS

	Year ended		Year ended		Period from
	September 30, 2024		September 30, 2023		Incorporation to
					September 30, 2022
Revenue	\$	539,727	\$	436,083	\$ 277,189
Net loss and comprehensive loss	\$	(6,497,058)	\$	(1,842,734)	\$ (1,541,396)
Basic and diluted loss per share		(\$0.09)		(\$0.04)	(\$0.04)
Total assets	\$	5,188,978	\$	4,641,971	\$ 3,542,107
Total long-term liabilities	\$	1,318,750	\$	2,107,372	\$ 1,302,714
Dividends	\$	-	\$	-	\$ -

- Product Sales for the year ended September 30, 2024 increased 24% over 2023 versus the prior year's growth of 57%
- Total assets increased 12% from 2023 versus 31% from 2022. The increase in assets was due to the capital expenditures for the plant expansion project to be completed in Q4 2025.
- Long term debt decreased by 37% in 2024 from the conversion of convertible debentures into equity and the repayment of other long-term debt after the reverse takeover of TBV. This compared to an increase in long term debt in 2023 of 62% due to the Company requiring long term debt financing as the Company was growing.

FINANCIAL PERFORMANCE

SELECTED FINANCIAL RESULTS

	September 30, 2024		September 30, 2023	
Product sales	\$	539,727	\$	436,083
Net loss for the year	\$	(6,497,058)	\$	(1,842,734)
Net loss per share-basic		(\$0.09)		(\$0.04)
Cash	\$	726,514	\$	560,681
Working capital	\$	712,072	\$	304,972
Capital expenditures	\$	2,791,657	\$	115,978
Total assets	\$	5,188,978	\$	4,641,971
Total liabilities	\$	2,000,135	\$	2,965,649
Total shareholders' equity	\$	3,188,843	\$	1,676,322

RESULTS OF OPERATIONS

<i>Years ended</i>	September 30, 2024		September 30, 2023	
PRODUCT SALES	\$	539,727	\$	436,083
COST OF SALES		885,204		615,488
GROSS LOSS		(345,477)		(179,405)
EXPENSES				
Amortization		430,797		457,438
Financing costs		139,986		91,332
General and administrative costs		1,674,761		990,016
Share based compensation		142,061		224,520
		2,387,605		1,763,306
OTHER INCOME (EXPENSES)				
Other income		70,441		-
Government grant		13,634		99,977
Goodwill impairment		(2,044,062)		-
Listing costs		(1,803,989)		-
NET LOSS AND COMPREHENSIVE LOSS	\$	(6,497,058)	\$	(1,842,734)
Net loss and comprehensive loss attributed to:				
Owners of the Company		(6,442,477)		(1,842,734)
Non-controlling interest		(54,581)		-
NET LOSS PER SHARE				
Basic and diluted		(\$0.09)		(\$0.04)

The following paragraphs provide information about the results of the Company's operations for the year ended September 30, 2024.

Product sales

Revenues for the year ended September 30, 2024, increased 24% as compared to 2023. The increases are a result of the Company increasing its production and expanding its distribution channels.

Cost of sales

For the year ended September 30, 2024, the Company's cost of sales increased by 44% compared to 2023. Contributing factors for the increased cost of sales are increases in costs for scaling up operations for increased sales including increases in cost of freight to retailers, costs of online sales platform fees, production supply costs, and maintenance and repair costs. To add to the costs of sales, there was a year-end write down of inventory, amounting to approximately \$136,000, due to stale and damaged inventory.

Net loss

Net loss increased 253% from 2023 versus a 20% increase from 2022. The contributing factors to this increase in net loss is attributed to:

- IFRS treatment of accounting for the reverse takeover by TBV resulting in listing costs of \$1.8 million,
- Increased general and administration costs, and
- Goodwill impairment recorded of \$2.0 million related to HCS. Though the initial acquisition price was supported by an independent valuation, impairment testing under IFRS, resulted in the write-down, due to lower than anticipated revenue in the current year, and subsequent to year end the remaining 49.9% was acquired by Hempalta for approximately \$90,000 (plus certain earnout provisions).

General and administrative expenses

The following table provides a breakdown of general and administrative expense:

Years ended,	September 30, 2024	September 30, 2023
Accounting and legal	\$ 420,169	\$ 89,323
Advertising and marketing	222,448	182,824
Bank service charges	1,433	7,197
Office and sundry	191,927	119,936
Salaries and benefits	1,317,398	983,732
Travel and business development	28,244	19,897
Gross general and administrative costs	\$ 2,181,619	\$ 1,402,909
Costs transferred to cost of goods sold and inventory	(506,858)	(412,893)
Net general and administrative costs	\$ 1,674,761	\$ 990,016

Net general and administrative expenses increased 69% for the year ended September 30, 2024 compared to 2023. This was mostly due to an increase in:

- Filing and listing fees and accounting and legal costs related to the going public process and acquisition of HCS, and
- Labour costs due to long term employee retention and addition of key employees.

Included in salaries and wages is the management fee charged by the non-controlling interest of HCS in the amount of \$120,136 for the year ended September 30, 2024 (2023 - \$nil).

Capital Expenditures

The following table shows the Company's capital additions for the year ended September 30, 2024:

	Capital expenditures
Furniture and fixtures	\$ 3,012
Plant and Buildings	584,583
Total Property and equipment additions	\$ 587,595
Licences	\$ 70,000
Goodwill	2,134,062
Total Intangible assets additions	\$ 2,204,062
Total capital expenditures	\$ 2,791,657

The Company's major capital expenditure in the year ended September 30, 2024 was the building expansion and the acquisition of HCS (licenses and goodwill). Goodwill was impaired by \$2,044,062 during the year ended September 30, 2024.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of selected financial information compiled from the quarterly financial statements for the last eight quarters.

Quarter Ended	Revenue	Net loss	Loss per Share
			(Basic and Diluted)
September 30, 2024	\$ 103,399	\$ (4,629,001)	(\$0.07)
June 30, 2024	\$ 185,021	\$ (858,647)	(\$0.01)
March 31, 2024	\$ 131,486	\$ (512,461)	(\$0.01)
December 31, 2023	\$ 119,821	\$ (496,949)	(\$0.01)
September 30, 2023	\$ 96,481	\$ (659,066)	(\$0.01)
June 30, 2023	\$ 140,357	\$ (301,054)	(\$0.01)
March 31, 2023	\$ 100,877	\$ (485,874)	(\$0.01)
December 31, 2022	\$ 98,368	\$ (396,740)	(\$0.01)

The Company's revenues are seasonal but they have an overall upward trend over the last 8 quarters as the Company expands its production and distribution markets.

Net loss increased significantly in Q4 due to:

- Lower sales revenue due to lower sales volumes by our biggest customers and seasonality of products,
- IFRS treatment of accounting for the reverse takeover by TBV resulting in listing costs of \$1.8 million,
- Increased general and administration costs, and
- Goodwill impairment recorded of \$2.0 million related to HCS.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

	September 30, 2024		September 30, 2023	
Cash	\$	726,514	\$	560,681
Working capital	\$	712,072	\$	304,972

Total cash increased 30% and total working capital increased 133% in 2024 as compared to 2023, mostly due to the reverse takeover of TBV and from funds from financing activities.

The Company believes it has sufficient liquidity to support continued operations and meet its short-term liabilities and commitments as they become due. Liquidity is primarily influenced by the operational performance of product sales, the level of capital expenditures, and the ability to obtain external sources of financing. The Company's objectives when managing its liquidity and capital resources are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

The Company monitors its liquidity on a continuous basis to ensure there is sufficient capital to meet business requirements and to provide shareholder value. As at September 30, 2024, the Company had sufficient cash on hand to meet its short-term liabilities and commitments as they become due. In the longer term, the Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flow and generate net income or raise additional capital and then continue generating positive cash flow and generate net income. If the Company requires additional capital, there can be no assurance that equity or debt financings will be available to it in the future on terms satisfactory to the Company or at all. Circumstances that could impair the Company's ability to raise additional funds include general economic conditions.

The table below summarizes the Company's contractual obligations as at September 30, 2024.

September 30, 2024	Recognized in Financial Statements	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities (1)	Yes-Liability	142,910	142,910	-	-	-
Long-term debt	Yes-Liability	678,106	197,473	480,633	-	-
Minimum lease payments	Yes-Liability	1,135,856	192,000	340,528	350,799	252,529
Interest payable on long term debt	No	46,891	26,553	20,338	-	-

1) Excludes interest payable on long-term debt

2) Excludes interest payable on lease liabilities

Capital Resources

The Company does not currently have any commitments for capital expenditures.

With over \$0.7 million in working capital and no current commitments for capital expenditures, the Company is expected to have adequate capital resources for the 2025 financial year.

Financial Condition Compared to Recently Completed Financial Year

As at September 30, 2024, the Company has \$726,514 (2023 - \$560,681) of cash and working capital of \$712,072 (2023 - \$304,972). The increase in cash and working capital is a result of the reverse takeover of TBV as outlined in the Company Overview section.

Cash Flows

Years ended	September 30, 2024		September 30, 2023	
Cash used in operating activities	\$	(2,069,811)	\$	(1,284,077)
Cash flows from financing activities		480,035		1,831,470
Cash from (used in) investing activities		1,755,609		(115,978)
Increase/(decrease) in cash and cash equivalents	\$	165,833	\$	431,415

Cash used in operating activities in the year ended September 30, 2024, increased 61% from 2023 mostly as a result of the increased net loss from operations.

Cash flow from financing activities in the year ended September 30, 2024, was as a result of proceeds from issuance of shares, partially offset by the repayment of long-term debt, repayment of promissory notes, and settlement of lease liabilities.

Cash from investing activities was from the cash acquired in the reverse takeover of TBV less additions to property, plant, and equipment, and intangibles assets. Cash used in investing activities for 2023 was a result of additions to property, plant and equipment and intangible assets.

OUTSTANDING SHARE DATA

ISSUED AND OUTSTANDING COMMON SHARES

As at September 30, 2024 the Company has 94,944,176 shares issued and outstanding (September 30, 2023 – 47,176,627). During the year ended, September 30, 2024, the Company completed the acquisition for the controlling interest of 50.1% of Hemp Carbon Standard Inc. ("HCS"). The transaction was completed by way of share purchase agreement among HCS, Climafi Limited ("Climafi"), and the Company (the "SPA"). Pursuant to the terms of the SPA, Climafi received an aggregate of 12,500,000 common shares of the Company, issued at a deemed price of \$0.16 per Share.

As at the date of this MD&A the Company had 94,944,176 shares issued and outstanding.

SHARE PURCHASE WARRANTS

As of September 30, 2024 and as at the date of this MD&A, the number of warrants issued and outstanding is 2,784,823.

A continuity of the share purchase warrants is summarized as follows:

	September 30, 2024		September 30, 2023	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Warrants outstanding, beginning balance	2,629,964	\$0.13	548,000	\$0.11
Issued November 9, 2022	-	-	206,964	\$0.15
Issued January 25, 2023	-	-	150,000	\$0.15
Issued June 27, 2023	-	-	1,000,000	\$0.10
Issued July 31, 2023	-	-	625,000	\$0.20
Issued September 30, 2023	-	-	100,000	\$0.16
Issued January 24, 2024	154,859	\$0.17	-	-
Warrants outstanding, ending balance	2,784,823	\$0.14	2,629,964	\$0.13

As at September 30, 2024, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding	Number of warrants exercisable
February 7, 2025	\$0.10	0.36	468,000	468,000
July 31, 2025	\$0.20	0.83	625,000	625,000
August 8, 2025	\$0.15	0.85	80,000	80,000
September 30, 2025	\$0.16	1.00	100,000	100,000
January 19, 2026	\$0.17	1.30	154,859	154,859
January 25, 2026	\$0.15	1.32	150,000	150,000
June 27, 2027	\$0.10	2.74	1,000,000	1,000,000
November 9, 2027	\$0.15	3.11	206,964	206,964
	\$0.14	1.67	2,784,823	2,784,823

STOCK OPTIONS

On June 24, 2024, the Company granted 1,825,000 stock options to its directors, officers, and employees pursuant to the Company's stock option plan. The options have an exercise price of \$0.17 per share, exercisable on or before June 24, 2029. The options will vest over a 36-month period, in 12-month increments with ¼ vesting upon issuance.

On October 3, 2023, the Company granted 325,000 stock options to an employee pursuant to the Company's stock option plan. The options have an exercise price of \$0.16 per share, exercisable on or before October 3, 2028. The options will vest over a 36-month period, in 12-month increments with ¼ vesting upon issuance.

A summary of the Company's stock option transactions is presented below:

	September 30, 2024		September 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning balance	4,375,000	\$0.13	2,900,000	\$0.10
Granted	2,150,000	\$0.17	2,175,000	\$0.15
Options from Trail Blazing Ventures Ltd.	2,352,941	\$0.13	-	\$0.00
Exercised	-	\$0.00	(50,000)	\$0.10
Cancelled/Expired	(950,000)	\$0.13	(650,000)	\$0.12
Options outstanding, ending balance	7,927,941	\$0.14	4,375,000	\$0.13
Number of options exercisable	5,052,941	\$0.13	1,643,750	\$0.12

The share options outstanding as at September 30, 2024 are as follows:

Grant date	Number of options outstanding	Exercise price	Expiry date	Number of options exercisable	Remaining life (years)
October 1, 2021	1,176,471	\$0.09	October 1, 2031	1,176,471	7.01
January 21, 2022	1,176,470	\$0.17	January 21, 2032	1,176,470	7.31
February 7, 2022	1,550,000	\$0.10	February 7, 2027	1,162,500	2.36
March 9, 2022	250,000	\$0.10	March 9, 2027	187,500	2.44
January 25, 2023	1,525,000	\$0.15	January 25, 2028	762,500	3.32
August 2, 2023	100,000	\$0.16	August 2, 2028	50,000	3.84
October 3, 2023	325,000	\$0.16	October 3, 2028	81,250	4.01
June 24, 2024	1,825,000	\$0.17	June 24, 2029	456,250	4.73
	7,927,941	\$0.14		5,052,941	4.60

CONTRIBUTED SURPLUS

The Contributed Surplus account records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. The Company recognized \$142,061 in share-based compensation on options and warrants during the year ended September 30, 2024 (2023 - \$224,520).



FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Company's activities expose it to a variety of market risks, including foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management has overall responsibility for the establishment of risk management strategies and objectives. The Company's risk management policies are established to identify the risks faced, to set appropriate risk limits, and to monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

Investment Risks

- Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has limited foreign currency transactions and management is of the opinion that the foreign currency risk is low and is not material.
- Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk, as the Company's long-term debt has a fixed interest rate.

Industry Risks

The North American commercial industrial hemp market is relatively young; before the enactment of the United States Agriculture Improvement Act of 2018, the last commercial crop of industrial hemp was produced in the United States in the 1950s. With demand for processed industrial hemp increasing rapidly, there is an enormous opportunity at every level for market participants who can deliver value. By establishing a commercial processing plant and value-added manufacturing operation in Canada, Hempalta delivers numerous benefits to the market and its customers. While the Hempalta brand name and products are relatively new, the company has invested in the overall branding hierarchy including the Hempalta brand and associated products.

Company Risks

- The Company is exposed to credit risk if a customer or counterparty fails to meet its contractual obligations. The maximum credit risk that the Company is exposed to is the carrying value of cash and accounts receivable. At September 30, 2024, two customers accounted for 83% of accounts receivable (September 30, 2023 - 69%).
- Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity risk is managed through cash, debt, and equity management strategies, when available.
- The business does have some seasonality with respect to the sale of its gardening products, which is more weighted in Hempalta's 2nd and 3rd quarters.
- In the course of our activities, several risks and, in particular, risks that could result in damage to, or destruction of our assets, personal injury or death of our key personnel, monetary losses and possible legal liability, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company. The Company cannot be certain that insurance will be available on acceptable terms or conditions. In some cases, coverage may not be acceptable or may be considered too expensive relative to the perceived risk.
- Disruptions in the activities of Hempalta may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other form of economic, health, or political disruptions. Hempalta's financial condition is reliant on continued operations, and in circumstances where continued operations are not possible, Hempalta is likely to experience a decline in its revenue and may suffer additional disruptions such as lack of access to its workforce, customers, technology, or other assets. Any impact on Hempalta will vary to the extent of the disruption and cannot be adequately predicted.
- The Company is dependent on the availability of affordable and accessible equipment, replacement parts, and repair services and the absence or disrepair of such equipment, parts and services could affect or halt activities of the Company. There can be no guarantee that such equipment, parts, or repair services will be available to the Company, or that such equipment, replacement parts or repair work will be available on commercially reasonable terms.
- The Company relies heavily on its key management personnel, whose commitment and availability are crucial to the organization. Losing such individuals could harm business performance. The Company, in order to efficiently operate, may also need to recruit additional skilled and specialized personnel, and may hire third parties for expertise in some instances. Conflicts of interest or delays with these third parties could affect operations. Recruiting and retaining qualified personnel is vital for success, and failure to do so could negatively impact the Company's growth strategy, profitability, operations, financial condition, and trading price of securities.
- Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage Hempalta's interests, and even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to Hempalta. These could include inability to produce or delivery products or non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort Hempalta might undertake and legal claims for errors or mistakes by Hempalta personnel.

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Legal proceedings

As at the current date, management was not aware of any legal proceedings involving the Company.

Commitments - Contingent liabilities

As at the current date, management was not aware of any outstanding contingent liabilities or commitments relating to the Company's activities.

RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Expenses related to key management personnel are comprised of:

Years ended,	September 30, 2024	September 30, 2023
Salaries and benefits	\$ 219,000	\$ 90,000
Share-based compensation	45,262	82,122
	\$ 264,262	\$ 172,122

Included in accounts payable and accrued liabilities is \$nil (2023 - \$91,047) due to the Chief Executive Officer and Director of the Company.

CAPITAL DISCLOSURE

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition of a new business. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain future development of a business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the current year. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

DIRECTORS

Certain directors of the Company are also directors, officers, and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

As at the date of this MD&A, the directors of the Company are Darren Bondar, Adrian Stokes, Craig Steinberg, Dan Balaban, and Liam Russell Wilson.

COPORATE DATA

Head office 1560 Hastings Crescent SE, Calgary, Alberta, Canada, T2G 4E1

Independent auditor Geib & Company Professional Corporation



CONTACT

Phone: 1-877-622-3354

Email: hemp@hempalta.com

CONNECT

Website: www.hempalta.com | www.hempcarbonstandard.org



Hempalta | Hempcarbonstandard
