

# HEMPALTA™

**HEMPALTA CORP.**  
(formerly Trail Blazing Ventures Ltd.)

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023**

(Expressed in Canadian dollars)

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL RESULTS**

*Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.*

*The accompanying interim condensed consolidated financial statements of the company have been prepared in accordance with IFRS and are the responsibility of the company's management. The interim condensed financial statements and related financial reporting matters have been reviewed and approved by the audit committee.*

*The company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim condensed financial statements by an entity's auditor.*

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**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	June 30, 2024	September 30, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$	1,712,587	\$ 560,681
Accounts receivable		133,790	40,086
Inventory	6	565,670	347,929
Carbon credit inventory	7	82,215	-
Prepays		76,773	214,553
		<b>2,571,035</b>	<b>1,163,249</b>
<b>Non-Current</b>			
Property, plant and equipment	8	2,159,570	1,980,660
Right-of-use assets	9	987,345	1,101,011
Intangible assets	10	2,415,909	397,051
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>8,133,859</b>	<b>\$ 4,641,971</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$	217,927	\$ 223,027
Deferred revenue	11	82,215	-
Current portion of lease liabilities	12	148,578	143,597
Promissory note	13	-	300,000
Current portion of long-term debt	13	195,251	191,653
		<b>643,971</b>	<b>858,277</b>
<b>Non-Current</b>			
Contractual obligation on deferred revenue	11	2,508	-
Long-term lease liabilities	12	872,453	984,517
Long-term debt	13	531,027	675,811
Convertible debenture	14	-	447,044
Payable to non-controlling interest	19	174,294	-
<b>TOTAL LIABILITIES</b>		<b>2,224,253</b>	<b>2,965,649</b>
<b>EQUITY</b>			
Share capital	15	10,739,566	4,489,263
Contributed surplus	15	1,055,445	487,261
Convertible debenture - equity	14	-	83,928
Deficit		<b>(5,799,276)</b>	<b>(3,384,130)</b>
Equity attributable to owners of the company		<b>5,995,735</b>	<b>1,676,322</b>
Non-controlling interest	19	<b>(86,129)</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>5,909,606</b>	<b>1,676,322</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$</b>	<b>8,133,859</b>	<b>\$ 4,641,971</b>

*Nature of Business (Note 1)*

*See accompanying notes to the interim condensed consolidated financial statements.*

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	Three Months Ended June 30		Nine months ended June 30	
		2024	2023	2024	2023
<b>PRODUCT SALES</b>		\$ 185,021	\$ 140,357	\$ 436,328	\$ 339,602
<b>COST OF SALES</b>		220,916	141,874	497,587	336,715
<b>GROSS PROFIT (LOSS)</b>		(35,895)	(1,517)	(61,259)	2,887
<b>EXPENSES</b>					
Depreciation and amortization	8,9,10	108,913	115,946	323,098	344,815
Financing costs	12,13,14	23,077	19,644	120,670	51,081
General and administrative costs	16	639,516	198,849	1,383,683	707,965
Share based compensation	15	76,312	21,336	178,085	176,275
		847,818	355,775	2,005,536	1,280,136
<b>OTHER INCOME</b>					
Other income		25,066	-	44,831	-
Government grant	17	-	56,238	13,634	93,581
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		\$ (858,647)	\$ (301,054)	\$ (2,008,330)	\$ (1,183,668)
<b>Net loss and comprehensive loss attributed to:</b>					
Owners of the Company		\$ (772,518)	\$ (301,054)	\$ (1,922,201)	\$ (1,183,668)
Non-controlling interest	19	\$ (86,129)	\$ -	\$ (86,129)	\$ -
<b>NET LOSS PER SHARE</b>					
Basic and diluted		(\$0.01)	(\$0.01)	(\$0.02)	(\$0.03)
Weighted average number of common shares					
Basic and diluted		85,830,705	44,893,843	85,830,705	43,831,456

See accompanying notes to the interim condensed consolidated financial statements.

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**

<i>(Expressed in Canadian dollars)</i>	Notes	Common Shares		Contributed Surplus	Convertible	Accumulated Deficit	Non-controlling Interest ("NCI")	Total
		Number	Amount		Debenture - Equity			
Balance at September 30, 2022		38,000,000	\$ 3,266,911	\$ 152,673	\$ -	\$ (1,541,396)	\$ -	\$ 1,878,188
Private placement	15	6,793,294	1,299,840	-	-	-	-	1,299,840
Options exercised	15	50,000	8,500	(3,500)	-	-	-	5,000
Share issue costs	15	-	(68,560)	-	-	-	-	(68,560)
Share based compensation	15	-	-	245,428	-	-	-	245,428
Net and comprehensive loss		-	-	-	-	(1,183,668)	-	(1,183,668)
Balance at June 30, 2023		44,843,294	\$ 4,506,691	\$ 394,601	\$ -	\$ (2,725,064)	\$ -	\$ 2,176,228
Balance at September 30, 2023		47,176,627	\$ 4,489,263	\$ 487,261	\$ 83,928	\$ (3,384,130)	\$ -	\$ 1,676,322
Private placement	15	1,333,333	200,000	-	-	-	-	200,000
Subscription receipts	15	6,649,821	1,130,470	-	-	-	-	1,130,470
Share issue costs	15	-	(276,826)	-	-	-	-	(276,826)
Convertible debenture conversion	15	3,714,116	514,803	-	(83,928)	-	-	430,875
Share based compensation	15	-	-	178,085	-	-	-	178,085
Reverse takeover of Trail Blazing	15	23,529,412	2,681,856	390,099	-	(609,093)	-	2,462,862
Acquisition of Hemp Carbon Standard	15	12,500,000	2,000,000	-	-	116,148	-	2,116,148
Net and comprehensive loss		-	-	-	-	(1,922,201)	(86,129)	(2,008,330)
Balance at June 30, 2024		94,903,309	\$ 10,739,566	\$ 1,055,445	\$ -	\$ (5,799,276)	\$ (86,129)	\$ 5,909,606

See accompanying notes to the interim condensed consolidated financial statements.

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	Nine months ended	
		June 30, 2024	June 30, 2023
<b>OPERATING ACTIVITIES</b>			
Net loss		\$ (2,008,330)	\$ (1,183,668)
Items not affecting cash and cash equivalents:			
Amortization	8,9,10	323,098	344,815
Financing costs	12,13,14	96,349	21,380
Share based compensation	15	178,085	176,275
Deferred revenue		82,215	-
		<b>(1,328,583)</b>	<b>(641,198)</b>
Changes in non-cash working capital balances			
Accounts receivable		(93,704)	(25,182)
Inventory		(217,741)	(192,641)
Carbon credit inventory	7	(82,215)	-
Prepaid expenses		137,780	(109,924)
Accounts payable and accrued liabilities		(5,100)	62,398
Net change in non-cash working capital		<b>(260,980)</b>	<b>(265,349)</b>
<b>Cash flows used in operating activities</b>		<b>(1,589,563)</b>	<b>(906,547)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of shares, net of costs		1,053,644	1,300,434
Options exercised	15	-	5,000
Lease liabilities settled	12	(144,000)	538,155
Repayment of long term debt	13	(168,020)	(90,146)
Proceeds from (repayment of) promissory note, net	13	(300,000)	75,000
Payable to non-controlling interest	19	174,294	-
Contractual obligation on deferred revenue	11	2,508	-
<b>Cash flows from financing activities</b>		<b>618,426</b>	<b>1,828,443</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	8	(337,200)	(751,915)
Additions to intangible assets	10	(70,000)	-
Reverse takeover of Trail Blazing Ventures Ltd., net of cash		(179,270)	-
Acquisition of Hemp Carbon Standard Inc.		116,148	-
<b>Cash flows from (used in) investing activities</b>		<b>(470,322)</b>	<b>(751,915)</b>
<b>Increase in cash and cash equivalents</b>		<b>(1,441,459)</b>	<b>169,981</b>
Cash and cash equivalents, beginning of period		560,681	129,266
Cash from reverse takeover of Trail Blazing Ventures Ltd.		2,593,365	-
<b>Cash and cash equivalents, end of period</b>		<b>\$ 1,712,587</b>	<b>\$ 299,247</b>
<b>Supplemental disclosure of non-cash activities</b>			
Conversion of convertible debt into common shares		430,875	-
Issuance of shares for acquisition of Hemp Carbon Standard Inc.		2,000,000	-

See accompanying notes to the interim condensed consolidated financial statements.

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023**  
**(Unaudited)**  
*(Expressed in Canadian dollars)*

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## **1. NATURE OF OPERATIONS**

Hempalta Corp. (the "Company") is a public company trading on the TSX Venture Exchange under the symbol (TSX.V: HEMP). The Company's head office is located at 1560 Hastings Crescent SE, Calgary, Alberta, Canada, T2G 4E1. It was originally incorporated under the name Trail Blazing Ventures Ltd. ("TBV") under the Business Corporations Act (Alberta) on August 30, 2021 and was a Capital Pool Company as defined in Policy 2.4 (the "Policy") of the TSX Venture Exchange (the "Exchange").

Prior to March 19, 2023, TBV was a capital pool company ("CPC") as defined in Policy 2.4 of the Exchange. On that date, TBV completed its qualifying transaction (the "Qualifying Transaction") pursuant to the rules and policies of the Exchange by acquiring 100% of the issued and outstanding share capital of Hempalta Processing Inc. ("Hempalta"). Hempalta was a private company incorporated on November 12, 2021, in the province of Alberta as 2387761 Alberta Ltd. and changed its name to Hempalta Inc. on January 7, 2022. On June 24, 2024, it changed its name to Hempalta Processing Inc. Hempalta is engaged in hemp processing and manufacturing hemp products from industrial hemp grown in Southern Alberta at its production facility in Calgary, Alberta, Canada.

Accordingly, from an accounting standpoint, the transaction constitutes a reverse takeover. As Hempalta was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these interim condensed consolidated financial statements at their carrying value. TBV's results have been included from the date of the reverse takeover. The legal share capital continues to be that of TBV, the legal parent.

During the period ended, June 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 (the "SPA") among HCS, Climafi Limited ("Climafi"), and the Company. Pursuant to the terms of the SPA, Climafi received: (i) a one-time cash payment of \$40,000; and (ii) an aggregate of 12,500,000 common shares of the Company, issued at a deemed price of \$0.16 per Share.

The Company is currently in the initial start up stages of its operations. Cash flows and future operations are dependent upon the continued availability of equity and debt financing and favourable trade credit and the Company's ability to achieve profitable operations. Should the Company be unable to attain profitable operations, debt and equity financing, or favourable trade credit, there is a material uncertainty about the Company's ability to continue as a going concern.

Details of the working capital and deficit of the Company are as follows:

		June 30, 2024	September 30, 2023
Working capital	\$	1,927,064	\$ 304,972
Deficit	\$	(5,799,276)	\$ (3,384,130)

These interim condensed consolidated financial statements ("Interim Financial Statements") have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations, and do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **STATEMENT OF COMPLIANCE**

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards 34, “Interim Financial Reporting” (“IAS34”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”). These Financial Statements are prepared in accordance with the same accounting policies, critical estimates and methods described in TBV’s and Hempalta’s audited financial statements. Given that certain information and note disclosures, which are included in the audited financial statements, have been condensed or excluded in accordance with IAS 34, these Interim Financial Statements should be read in conjunction with the audited annual financial statements of TBV and Hempalta for the years ended September 30, 2023 and 2022 and the notes thereto (the “Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

These financial statements were authorized for issue by the Board of Directors, on August 22, 2024.

### **BASIS OF MEASUREMENT**

These financial statements are prepared on a historic cost basis; except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

### **BASIS OF CONSOLIDATION**

The acquisition of Hempalta has been accounted for as a reverse takeover of TBV by Hempalta. Accordingly, the reported balances and transactions for periods prior to March 19, 2024 are those of Hempalta.

The consolidated financial statements include the accounts of TBV since March 19, 2024, the accounts of HCS since April 15, 2024, and those of its wholly-owned subsidiary Hempalta since the incorporation of Hempalta in 2021.

All intra-group transactions, balances, income and expenses are eliminated during consolidation. The financial statements of Hempalta are prepared for the same financial information presentation period as the Company and as per the same accounting policies.

### **FUNCTIONAL AND PRESENTATION CURRENCY**

The functional currency of the Company is the Canadian dollar, which is also the presentation currency of the financial statements.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company’s significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements for TBV and Hempalta. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statement.

## **4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The significant judgments, estimates and assumptions considered by management in preparing the financial statements are presented in Note 4 to the Annual Financial Statements for TBV and Hempalta. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statement.

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023**  
*(Unaudited)*  
*(Expressed in Canadian dollars)*

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**5. REVERSE TAKEOVER AND RELATED TRANSACTIONS**

On March 19, 2024, TBV completed the acquisition of all of the issued and outstanding securities of Hempalta. Hempalta is engaged in hemp processing and manufacturing hemp products from industrial hemp grown in Southern Alberta at its production facility in Calgary, Alberta, Canada.

The acquisition of Hempalta constituted TBV's "Qualifying Transaction" (as defined by Policy 2.4 – Capital Pool Companies of the TSX Venture Exchange) and was completed according to the terms of an amalgamation agreement dated November 15, 2023 (the "Amalgamation Agreement"), pursuant to which, among other things, TBV acquired all of the issued and outstanding securities of Hempalta by way of a three-cornered amalgamation with a wholly-owned subsidiary of TBV (the "Transaction") under the Business Corporations Act (Alberta). Prior to the completion of the Transaction, TBV: (i) completed a consolidation on the basis of one (1) post-consolidation common share of TBV ("TBV Share") for every 1.7 pre-consolidation TBV Shares; and (ii) changed its name from Trail Blazing Ventures Ltd. to Hempalta Corp.

Pursuant to the Amalgamation Agreement, the issued and outstanding common shares of Hempalta ("Hempalta Shares") were exchanged for TBV Shares on a 1:1 basis in connection with the Transaction. Pursuant to the Transaction: (i) an aggregate of 58,914,763 TBV Shares were issued in exchange for the outstanding Hempalta Shares, which included the Hempalta Shares issued upon the conversion of Subscription Receipts (as defined herein), as well as 3,531,250 Hempalta Shares issued upon the conversion of the \$565,000 outstanding principal amount of 12% unsecured subordinated convertible debentures of the Hempalta ("Hempalta Debentures") and 223,732 Hempalta Shares issued in payment of interest accrued and payable on the Hempalta Debentures; (ii) warrants exercisable to acquire 2,629,964 TBV Shares were issued in exchange for the outstanding Hempalta Share purchase warrants of the Hempalta ; (iii) broker warrants exercisable to acquire 154,859 TBV Shares were issued in exchange for the outstanding broker warrants of the Hempalta ("Broker Warrants") which were issued in connection with the Subscription Receipt Financing (as defined herein); and (iv) stock options exercisable to acquire 4,700,000 TBV Shares were issued in exchange for the outstanding stock options of the Hempalta .

**6. INVENTORY**

Total carrying amount of inventory is as follows:

	June 30, 2024	September 30, 2023
Raw materials	\$ 95,464	\$ 71,679
Work in progress	356,863	198,033
Finished goods	113,343	78,217
	<b>\$ 565,670</b>	<b>\$ 347,929</b>

Cost of inventory is recognized as an expense when sold and is included in cost of goods sold. During the nine months ended June 30, 2024, the Company expensed \$216,399 (June 30, 2023 - \$147,643) of inventory to cost of goods sold.

**7. CARBON CREDIT INVENTORY**

The Company holds carbon credit inventory as outlined below:

	June 30, 2024	September 30, 2023
Carbon credit inventory	\$ 82,215	\$ -

These carbon credits were issued as a result of contracts with farmers around the world to monitor, report, and verify the carbon sequestration of industrial hemp fields. The amount of carbon sequestration corresponds to the number of carbon credits issued. The total credits issued are allocated to Hempalta and HCS, and the contracted industrial hemp farmers. All credits are held for resale.

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023**  
**(Unaudited)**  
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**8. PROPERTY, PLANT AND EQUIPMENT**

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Furniture and fixtures	Processing Equipment	Plant and Buildings	Vehicles	Total
<b>Cost</b>					
September 30, 2022	\$ 43,820	\$ 2,200,000	\$ 36,005	\$ 25,000	\$ 2,304,825
Additions	3,422	67,269	15,287	-	85,978
September 30, 2023	47,242	2,267,269	51,292	25,000	2,390,803
Additions	3,012	-	334,188	-	337,200
<b>June 30, 2024</b>	<b>\$ 50,254</b>	<b>\$ 2,267,269</b>	<b>\$ 385,480</b>	<b>\$ 25,000</b>	<b>\$ 2,728,003</b>
<b>Accumulated amortization</b>					
September 30, 2022	\$ 6,573	\$ 165,000	\$ 5,731	\$ 3,750	\$ 181,054
Amortization	8,134	209,666	7,039	4,250	229,089
September 30, 2023	14,707	374,666	12,770	8,000	410,143
Amortization	5,332	146,528	3,880	2,550	158,290
<b>June 30, 2024</b>	<b>\$ 20,039</b>	<b>\$ 521,194</b>	<b>\$ 16,650</b>	<b>\$ 10,550</b>	<b>\$ 568,433</b>
<b>Net book value</b>					
September 30, 2023	\$ 32,535	\$ 1,892,603	\$ 38,522	\$ 17,000	\$ 1,980,660
<b>June 30, 2024</b>	<b>\$ 30,215</b>	<b>\$ 1,746,075</b>	<b>\$ 368,830</b>	<b>\$ 14,450</b>	<b>\$ 2,159,570</b>

**9. RIGHT-OF-USE ASSETS**

A reconciliation of the changes in the carrying amount of right-of-use assets is as follows:

<b>Cost</b>	June 30, 2024	September 30, 2023
Beginning balance	\$ 1,394,874	\$ 715,719
Lease extension	-	679,155
<b>Ending balance</b>	<b>\$ 1,394,874</b>	<b>\$ 1,394,874</b>
<b>Accumulated amortization</b>		
Beginning balance	\$ 293,863	\$ 128,829
Amortization	113,666	165,034
<b>Ending balance</b>	<b>\$ 407,529</b>	<b>\$ 293,863</b>
<b>Net book value</b>	<b>\$ 987,345</b>	<b>\$ 1,101,011</b>

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023**  
**(Unaudited)**  
*(Expressed in Canadian dollars)*

**10. INTANGIBLE ASSETS**

A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Intellectual Property	Licences	Trademarks	Goodwill	Total
September 30, 2022	\$ 346,875	\$ -	\$ 83,491	\$ -	\$ 430,366
Additions	-	30,000	-	-	30,000
Amortization	(37,500)	(125)	(25,690)	-	(63,315)
September 30, 2023	\$ 309,375	\$ 29,875	\$ 57,801	\$ -	\$ 397,051
Additions	-	70,000	-	2,000,000	2,070,000
Amortization	(28,125)	(3,750)	(19,267)	-	(51,142)
June 30, 2024	\$ 281,250	\$ 96,125	\$ 38,534	\$ 2,000,000	\$ 2,415,909

**11. DEFERRED REVENUE**

The Company has recorded deferred revenue from carbon credit inventory (Note 7) as outlined below:

	June 30, 2024	September 30, 2023
Beginning balance	\$ -	\$ -
Carbon credits issued	86,115	-
Carbon credits sold	(3,900)	-
Ending balance	\$ 82,215	\$ -

The Company conservatively valued the deferred revenue at \$15 per carbon credit available for sale. As at June 30, 2024, the Company has a contractual obligation of \$2,508 (2023 - \$nil) due five years after the sale of the carbon credits.

**12. LEASE LIABILITIES**

Under IFRS 16, operating leases are recognized lease liabilities for right-of-use assets using an estimated discount rate of 4.554%. The Company has lease agreements in place for the office and processing facility. As part of the acquisition that closed on December 30, 2021, the Company assumed the facility lease agreement. The Lease agreement expires in February 2026, with an option to renew for a five-year term. Effective June 1, 2023, the Company signed an extension to the lease for a further 5 years.

The changes in lease liabilities are as follows:

	June 30, 2024	September 30, 2023
Balance, beginning	\$ 1,128,114	\$ 603,471
Acquisition	-	679,155
Interest expense	36,917	34,488
Lease payments	(144,000)	(189,000)
End of period	\$ 1,021,031	\$ 1,128,114
Current portion	148,578	143,597
Long-term portion	872,453	984,517
Lease Liabilities	\$ 1,021,031	\$ 1,128,114

The total undiscounted amount of the estimated future cash flows to settle the lease liabilities over the remaining lease term is \$1,183,856.

**HEMPALTA CORP. (formerly Trail Blazing Ventures Ltd.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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The following is a reconciliation from the undiscounted lease payments to the lease liabilities for fiscal years ended September 30:

2024	\$	48,000
2025		192,000
2026		175,984
2027		164,544
2028		172,543
2029 and later		430,785
Total contractual cash flows		1,183,856
Less: interest		(162,825)
Lease liabilities	\$	1,021,031

### 13. LONG-TERM DEBT

#### CREDIT FACILITY WITH FARM CREDIT CANADA

The Company has credit facilities in the amount of \$1.0 million (the "FCC Facility") from Farm Credit Canada. The FCC Facility contemplates a five-year term, maturing December 1, 2026, including interest-only payments until January 1st, 2023. Amounts drawn on the main facility bear interest at a rate of 4.554% per annum. The FCC Facility is subject to compliance with financial covenants starting in 2023. The credit facility is secured by the machinery and equipment of the Company with a net book value of \$1,794,917 as well as a \$500,000 personal guarantee of the Chief Executive Officer of the Company. The proceeds of the FCC Facility were used to finance the acquisition of machinery and equipment.

The changes in the credit facility are as follows:

	June 30, 2024	September 30, 2023
Beginning balance	\$ 867,464	\$ 1,000,000
Interest	26,834	42,845
Payments made	(168,020)	(175,381)
Ending balance	\$ 726,278	\$ 867,464
Current portion of long-term debt	195,251	191,653
Long-term portion of long-term debt	531,027	675,811
	\$ 726,278	\$ 867,464

Principal payments for fiscal years ended September 30 are as follows:

2024	\$	50,525
2025		197,471
2026		206,575
2027		271,707
Total payments	\$	726,278

#### PROMISSORY NOTE

	June 30, 2024	September 30, 2023
Balance, beginning	\$ 300,000	\$ -
Proceeds	495,000	300,000
Interest	22,900	3,612
Payments	(817,900)	(3,612)
Balance, ending	\$ -	\$ 300,000

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**14. CONVERTIBLE DEBENTURES**

On July 31, 2023, the Company issued Unsecured Subordinated Convertible Debentures (“Debentures”) for total proceeds of \$200,000. The Debentures bear interest of 12% and mature on July 31, 2025 (“Maturity Date”). The Debentures are convertible at the discretion of the Debenture holders at a price of \$0.16 per Common share (“Conversion Price”). The convertible debentures were converted into shares during the period ended.

As part of the Debenture issuance the Company granted 625,000 warrants to the Debenture holders to purchase up to 625,000 common shares, at an exercise price of \$0.20 per share, exercisable on or before July 31, 2025.

The warrants vested and are exercisable as of the grant date. The warrants were valued using the Black-Scholes method and the fair value of \$44,414 was recorded as deferred financing costs. This amount will be amortized through the profit and loss over the life of the convertible debenture.

The changes in the convertible debenture are as follows:

	June 30, 2024	September 30, 2023
Balance, beginning of the period	\$ 136,263	\$ -
Initial proceeds from debt	-	200,000
Deferred financing costs	-	(44,414)
Transfer of conversion component to equity	-	(29,709)
Amortization of deferred financing costs	11,104	3,701
Accrued interest	12,033	4,011
Accretion on convertible debentures	8,022	2,674
Converted to commons shares	(167,422)	-
<b>Balance, end of the period</b>	<b>\$ -</b>	<b>\$ 136,263</b>

On September 29, 2023, the Company issued Unsecured Subordinated Convertible Debentures (“Debentures”) for total proceeds of \$365,000. The Debentures bear interest of 12% and mature on September 30, 2025 (“Maturity Date”). The Debentures are convertible at the discretion of the Debenture holders at a price of \$0.16 per Common share (“Conversion Price”). The convertible debentures were converted into shares during the period ended.

The changes in the convertible debenture are as follows:

	June 30, 2024	September 30, 2023
Balance, beginning	\$ 310,781	\$ -
Initial proceeds from debt	-	365,000
Transfer of conversion component to equity	-	(54,219)
Accrued interest	21,960	-
Accretion on convertible debentures	14,640	-
Converted to common shares	(347,381)	-
<b>Balance, ending</b>	<b>\$ -</b>	<b>\$ 310,781</b>

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**15. SHARE CAPITAL**

**AUTHORIZED**

The Company is authorized to issue an unlimited number of voting common shares, without par value.

The Company is authorized to issue an unlimited number of Preferred Shares (issuable in series).

**ISSUED AND OUTSTANDING COMMON SHARES**

A reconciliation of the number and dollar amount of outstanding shares is shown below.

Common Shares	Number	Amount
Balance at September 30, 2022	38,000,000	\$ 3,266,911
Private placements	9,126,627	1,299,840
Share issue costs	-	(85,988)
Options exercised	50,000	8,500
Balance at September 30, 2023	47,176,627	\$ 4,489,263
Private placement	1,333,333	200,000
Subscription receipts	6,649,821	1,130,470
Share issue costs	-	(276,826)
Convertible debenture conversion	3,714,116	514,803
Reverse takeover of Trail Blazing Ventures Ltd.	23,529,412	2,681,856
Acquisition of Hemp Carbon Standard Inc.	12,500,000	2,000,000
Balance at June 30, 2024	94,903,309	\$ 10,739,566

On December 8, 2023, the Company closed a private placement financing by issuing 1,333,333 shares at a price of \$0.15 per share for gross proceeds of \$200,000.

On January 19, 2024, the Company completed a brokered private placement (the "Subscription Receipt Financing") led by Canaccord Genuity Corp. (the "Agent"), pursuant to which the Company issued and sold 6,473,351 subscription receipts of the Company ("Subscription Receipts"). Additionally, in connection with the Subscription Receipt Financing, the Company (i) paid to the Agent a cash corporate finance fee in the amount of \$25,000, (ii) issued to the Agent a total of 176,470 Subscription Receipts in satisfaction of a Subscription Receipts corporate finance fee with a value of \$30,000, (iii) issued to the Agent 154,859 Broker Warrants exercisable into Company Shares at an exercise price of \$0.17 per share, (iv) paid to the Agent, in connection with the Escrow Release (as defined herein), \$20,375.99 in cash commission, and (v) paid the Agent's expenses in connection with the Subscription Receipt Financing. Prior to the completion of the Transaction, each of the 6,649,821 Subscription Receipts was automatically converted into one Company Share (the "Escrow Release"). Each such Company Share was exchanged pursuant to the Transaction for one TBV Share. The escrowed proceeds derived from the Subscription Receipt Financing, less the fees paid to the Agents in connection with the Agents' services rendered in connection with the Subscription Receipt Financing and other applicable deductions, were released in accordance with the provisions of the subscription receipt agreement that governed the Subscription Receipts.

During the period ended, June 30, 2024, the Company completed the acquisition for the controlling interest of 50.1% of HCS. The transaction was completed by way of share purchase agreement among HCS, Climafi, and the Company (the "SPA"). Pursuant to the terms of the SPA, Climafi received: (i) a one-time cash payment of \$40,000; and (ii) an aggregate of 12,500,000 common shares of the Company, issued at a deemed price of \$0.16 per Share.

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**SHARE PURCHASE WARRANTS**

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

	June 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	-	\$0.00
Warrants outstanding, ending balance	2,784,823	\$0.14	2,629,964	\$0.13

As at June 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	0.61	468,000	468,000
July 31, 2025	\$0.20	1.08	625,000	625,000
August 8, 2025	\$0.15	1.11	80,000	80,000
September 30, 2025	\$0.16	1.25	100,000	100,000
January 24, 2026	\$0.17	1.57	154,859	154,859
January 25, 2026	\$0.15	1.57	150,000	150,000
June 27, 2027	\$0.10	2.99	1,000,000	1,000,000
November 9, 2027	\$0.15	3.36	206,964	206,964
	\$0.14		2,784,823	2,784,823

**STOCK OPTIONS**

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares.

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

	June 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	(600,000)	\$0.12	(650,000)	\$0.12
Options outstanding, ending balance	8,277,941	\$0.14	4,375,000	\$0.13
Number of options exercisable	5,202,941	\$0.13	1,643,750	\$0.12

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

Grant date	Number of options outstanding	Exercise price	Expiry date	Number of options exercisable
October 1, 2021	1,176,471	\$0.09	October 1, 2031	1,176,471
January 21, 2022	1,176,470	\$0.17	January 21, 2032	1,176,470
February 7, 2022	1,550,000	\$0.10	February 7, 2027	1,162,500
March 9, 2022	250,000	\$0.10	March 9, 2027	187,500
January 25, 2023	1,875,000	\$0.15	January 25, 2028	937,500
August 2, 2023	100,000	\$0.16	August 2, 2028	25,000
October 3, 2023	325,000	\$0.16	October 3, 2028	81,250
June 24, 2024	1,825,000	\$0.17	June 24, 2029	456,250
	<b>8,277,941</b>	<b>\$0.14</b>		<b>5,202,941</b>

### 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 \$178,085 in share-based compensation on options and warrants during the nine months ended June 30, 2024 (2023 - \$176,275).

### 16. GENERAL AND ADMINISTRATIVE COSTS

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

	Three Months Ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Accounting and legal	\$ 256,329	\$ (5,669)	\$ 361,637	\$ 16,289
Advertising and marketing	45,737	50,671	154,770	149,773
Bank service charges	180	(206)	722	4,941
Office and sundry	82,537	27,374	153,182	95,085
Salaries and wages	378,084	228,386	1,077,353	717,665
Travel and business development	3,939	3,589	19,317	14,536
Gross general and administrative costs	\$ 766,806	\$ 304,145	\$ 1,766,981	\$ 998,289
Costs transferred to cost of goods sold and inventory	(127,290)	(105,296)	(383,298)	(290,324)
Net general and administrative costs	\$ 639,516	\$ 198,849	\$ 1,383,683	\$ 707,965

Included in salaries and wages is the management fee charged by the non-controlling interest of HCS in the amount of \$60,000 for the 3 month ended June 30, 2024 and \$170,000 for the 9 month ended June 30, 2024.

### 17. GOVERNMENT GRANT

During the nine months ended June 30, 2024, the Company received \$13,634 (June 30, 2023 - \$93,581), in government grants from the Alberta Government as per Alberta Jobs Now Program. This grant program covers 25% of eligible new hires salaries for the first 52 weeks of their employment.

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**18. RELATED PARTY TRANSACTIONS**

**KEY MANAGEMENT PERSONNEL COMPENSATION**

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.

Payments made to key management personnel was comprised of:

	Nine months ended	
	June 30, 2024	June 30, 2023
Payroll	\$ 156,000	\$ 67,500
Share based compensation	34,106	61,592
	\$ 190,106	\$ 129,092

Included in accounts payable and accrued liabilities is \$1,579 (September 30, 2023 - \$91,047) due to the Chief Executive Officer and Director of the Company.

**19. NON-CONTROLLING INTEREST ("NCI")**

During the period ended, June 30, 2024, the Company completed the acquisition for the controlling interest of 50.1% of HCS. The transaction was completed by way of share purchase agreement among HCS, Climafi, and the Company (the "SPA"). Pursuant to the terms of the SPA, Climafi received: (i) a one-time cash payment of \$40,000; and (ii) an aggregate of 12,500,000 common shares of the Company, issued at a deemed price of \$0.16 per Share.

As a June 30, 2024 the Company owned 50.1% of HCS, and Climafi owned a 49.9% non-controlling interest ("NCI") and holds 49.9% of the voting rights.

	Climafi NCI Ownership
Hemp Carbon Standard Inc.	49.9%
	June 30, 2024
<b>Net loss and comprehensive loss</b>	\$ (172,604)
Total loss and comprehensive loss attributable to NCI	(86,129)
Accumulated deficit allocated to NCI	-
<b>Total non-controlling interest</b>	\$ (86,129)
Current assets	\$ 63,226
Non-current assets	-
Current liabilities	37,592
Non-current liabilities	198,237
<b>Net assets</b>	\$ 299,055
Cash flows used in operating activities	\$ (190,789)
Cash flows provided by financing activities	198,237
Cash flows used in investing activities	-
<b>Net increase in cash</b>	\$ 7,448

As a June 30, 2024 the Company has a long term payable to Climafi of \$174,294, with no interest and no terms of repayment.

## **20. CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of shareholders' equity, long-term debt and leases. The Company manages its capital structure and makes adjustments based on the funds available to support the development of its operations. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The Company is dependent upon external financing to fund its activities. To continue to carry out the Company's planned development and funding of ongoing administrative expenses the Company will utilize its existing working capital and will raise additional capital as appropriate.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets.

## **21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgement.

### **FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

The Company uses quoted market prices when available to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgement as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The fair value hierarchy is as follows:

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

The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

<b>Financial Instruments</b>	<b>Fair Value Method</b>
Cash, accounts receivable, and accounts payable and accrued liabilities	Measured initially at fair value, then at amortized cost after initial recognition. Fair value approximates carrying value due to their short-term nature. (Level 1)
Long-term debt	Measured initially at fair value, then at amortized cost after initial recognition using the effective interest method. Fair value is determined using discounted cash flows at the current market interest rate. (Level 2)

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### **MARKET RISK**

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.

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**Foreign Currency risk**

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**

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.

**Credit risk**

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 June 30, 2024, two customers accounted for 78% of accounts receivable (September 30, 2023 - 69%).

**Liquidity risk**

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 table below summarizes the Company's contractual obligations as at June 30, 2024:

June 30, 2024	Recognized in Financial Statements	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Accounts receivable	Yes-Asset	\$ 133,790	\$ 133,790	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	Yes-Liability	\$ 217,927	\$ 217,927	\$ -	\$ -	\$ -
Long-term debt	Yes-Liability	\$ 726,278	\$ 146,899	\$ 404,046	\$ 175,333	\$ -
Minimum lease payments	Yes-Liability	\$ 1,183,856	\$ 48,000	\$ 367,984	\$ 337,087	\$ 430,785
Interest payable on long term debt	No	\$ 54,986	\$ 8,092	\$ 44,007	\$ 2,887	\$ -

- 1) Accounts payable and accrued liabilities exclude interest payable on long-term debt.
- 2) Excludes interest payable on lease liabilities

TSXV: HEMP



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