

# HEMPALTA™

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## INTRODUCTION

This management discussion and analysis (“**MD&A**”) should be read in conjunction with the interim condensed consolidated financial statements for the three and nine months ended June 30, 2024 interim financial statements for Hempalta Corp., and the audited financial statements for the years ended September 30, 2023 and 2022 audited financial statements for Trail Blazing Ventures Ltd. and Hempalta Inc., which can be found on [www.sedarplus.ca](http://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 August 22, 2024, unless otherwise noted.

These interim 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 2024 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.



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## COMPANY OVERVIEW

### OUR HISTORY

On January 19, 2024, Hempalta 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 Hempalta ("Subscription Receipts"). Additionally, in connection with the Subscription Receipt Financing, Hempalta (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 Hempalta 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.

On March 19, 2024, Hempalta Corp. (the "Company") (formerly capital pool company Trail Blazing Ventures Ltd. ("TBV")) completed the acquisition (the "Transaction") of all of the issued and outstanding securities of Hempalta Inc. ("Hempalta").

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."

Prior to the completion of the Transaction, each of the 6,649,821 Subscription Receipts was automatically converted into one Hempalta Share (the "Escrow Release"). Each such Hempalta 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.

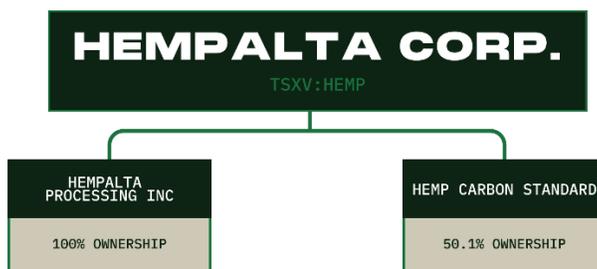
The Transaction constituted TBV's "Qualifying Transaction" (as defined by Policy 2.4 – Capital Pool Companies of the TSX Venture Exchange) and was completed according to the terms of an amalgamation agreement dated November 15, 2023 (the "Amalgamation Agreement"), pursuant to which, among other things, TBV acquired all of the issued and outstanding securities of the Company by way of a three-cornered amalgamation with a wholly-owned subsidiary of TBV under the *Business Corporations Act* (Alberta).

Pursuant to the Amalgamation Agreement, the issued and outstanding common shares of the 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 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 Hempalta; (iii) broker warrants exercisable to acquire 154,859 TBV Shares were issued in exchange for the outstanding broker warrants of 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 Hempalta.

During the period ended, June 30, 2024, the Company completed the acquisition (the "HCS Transaction") of a controlling interest of 50.1% of Hemp Carbon Standard Inc. ("HCS" or "Hemp Carbon"). The HCS Transaction was completed by way of share purchase agreement 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. Additionally, Hempalta changed its name from Hempalta Inc. to Hempalta Processing Inc. on June 24, 2024 to better reflect the subsidiary's core business activity.

### 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 50.1% 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
- Brittany McKell, General Manager
- Samantha Down, Marketing Manager
- Cecil Horwitz, Head of Sustainability & Carbon Credit Strategy

## COMPANY OPERATIONS

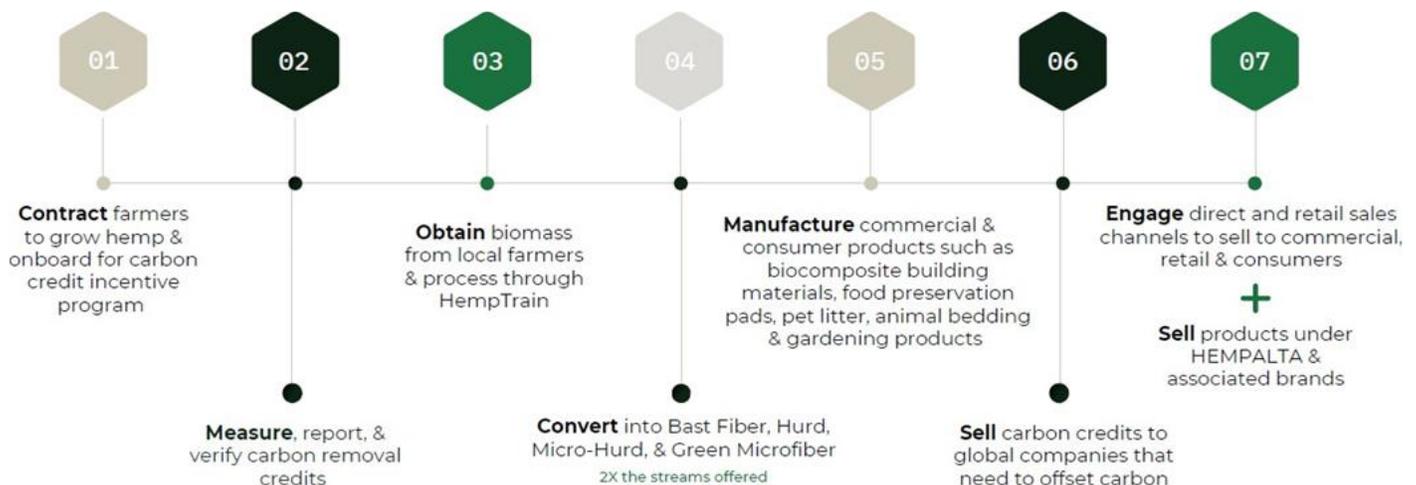
Hempalta is an agricultural technology company focused on innovative hemp processing, using hemp fiber to extract processed hemp output streams. Hempalta Processing adds value to these streams by creating consumer products aimed at addressing consumer demand for sustainable environmentally friendly quality 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.



## PRODUCTS & SERVICES

### 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. Using a decortication mechanism that can be used in both dry and fresh/green processing, the HempTrain operated by Hempalta selectively processes baled straw as follows:

- When processing fresh/green feedstock, it separates an extraction-ready fraction, consisting primarily of the bud leaves, rich in nutrients, and excluding sugar leaves and anything larger. This yields a high-efficiency extraction-ready fraction from industrial hemp.
- When processing dry feedstock, the HempTrain operated by Hempalta produces 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:

	<p><b>HEMP-FRESCO</b> Hemp-Fresco pads contain material made from the core of the hemp plant. The Hemp-Fresco pads are intended to slow the spoilage of fresh produce.</p>		<p><b>HEMP-ZORB</b> Hempzorb™ is an all-natural spill absorbent made from hemp. HempZorb™ contains no harmful chemicals and is intended to contain spilled liquids to reduce the risk of slips and falls on hard floors.</p>
	<p><b>HEMPYCAT</b> HempyCat™ Litter is cat litter made from 100% whole, clean hemp core granules that includes an additive for enhanced odor control.</p>		<p><b>HEMP-PAK</b> Hemp Pak™ is an all-purpose soil enrichment product made from hemp.</p>
	<p><b>PREMIUM HEMP ANIMAL BEDDING</b> Premium Hemp Bedding is an all-natural animal bedding made from 100% clean, whole, hemp granules. It does not contain any additives or fragrances and is 100% natural.</p>		<p><b>GARDEN MULCH</b> Hemp Garden Mulch is a hemp-based mulch that is an alternative to straw mulch.</p>
			<p><b>HURD FOR HEMPCRETE</b> Hempalta produces and sells hurd that can be used by purchasers as an input for, among other things, the production of construction building material that uses hemp hurd, water, and a type of binder to produce what is commonly known as “hempcrete” or “hemplime”. Hempcrete is intended to be used for non-load bearing insulation in walls.</p>

### 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, Lowes.ca, 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.

## 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 ("CO<sub>2</sub>") 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 CO<sub>2</sub> 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.

HCS further 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 CO<sub>2</sub>. To date, 914 credits have been successfully sold.

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 CO<sub>2</sub> 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.



### **CO<sub>2</sub> Calculation:**

To avoid extensive and expensive crop sampling, CO<sub>2</sub> 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.

## 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.



## 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 goods products have reached commercial production stage.
- In addition to rebranding and product creation, Hempalta focused efforts on opening distribution channels and optimizing its operations.
- Hempalta has announced the availability of Carbon Credits for sale through its partnership with HCS. Such Carbon Credits are associated with the farming of hemp. Hempalta depends on HCS to provide the carbon credit certificates.
- Hempalta has introduced a new product to its garden product line, namely Biochar, which is derived from industrial hemp. The product will be brought to market in Q4 2024. Biochar is produced through a process called pyrolysis, which heats organic material at high temperatures and extremely low oxygen levels. The biochar produced boosts soil organic carbon and supports plant growth while sequestering carbon, in turn generating high-value carbon credits.
- 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.
- To date, a total of 914 carbon credits out of the 15,325 carbon credits have been sold. 514 were sold in Q3 2024 and 400 were sold in Q4 2024.

### Q3 HIGHLIGHTS

- Product Sales for the three months ended June 30, 2024 increased 32% over the same period for 2023.
- The first sale of 514 carbon removal units was completed on June 12, 2024.
- 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.
- In Q3, the Company completed the acquisition (the "HCS Transaction") of a controlling interest of 50.1% of Hemp Carbon Standard Inc. 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.



## FINANCIAL PERFORMANCE

### SELECTED FINANCIAL RESULTS

	Three months ended		Nine months ended	
	June 30		June 30	
	2024	2023	2024	2023
Product sales	\$ 185,021	\$ 140,357	\$ 436,328	\$ 339,602
Net loss for the period	\$ (844,897)	\$ (301,054)	\$ (2,008,330)	\$ (1,183,668)
Net loss per share-basic	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.03)

	June 30, 2024	September 30, 2023
Cash	\$ 1,712,587	\$ 560,681
Working capital	\$ 1,927,064	\$ 304,972
Capital expenditures	\$ 407,200	\$ 751,915
Total assets	\$ 8,133,859	\$ 4,641,971
Total liabilities	\$ 2,224,253	\$ 2,965,649
Total shareholders' equity	\$ 5,909,606	\$ 1,676,322

### RESULTS OF OPERATIONS

	Three Months Ended		Nine months ended	
	June 30		June 30	
	2024	2023	2024	2023
<i>(Expressed in Canadian dollars)</i>				
PRODUCT SALES	\$ 185,021	\$ 140,357	\$ 436,328	\$ 339,602
COST OF SALES	220,916	141,874	497,587	336,715
GROSS PROFIT (LOSS)	(35,895)	(1,517)	(61,259)	2,887
EXPENSES				
Depreciation and amortization	108,913	115,946	323,098	344,815
Financing costs	23,077	19,644	120,670	51,081
General and administrative costs	639,516	198,849	1,383,683	707,965
Share based compensation	76,312	21,336	178,085	176,275
	847,818	355,775	2,005,536	1,280,136
OTHER INCOME				
Other income	25,066	-	44,830	-
Government grant	-	56,238	13,634	93,581
NET LOSS AND COMPREHENSIVE LOSS	\$ (858,647)	\$ (301,054)	\$ (2,008,331)	\$ (1,183,668)
Net loss and comprehensive loss attributed to:				
Owners of the Company	\$ (772,518)	\$ (301,054)	\$ (1,922,202)	\$ (1,183,668)
Non-controlling interest	\$ (86,129)	\$ -	\$ (86,129)	\$ -
NET LOSS PER SHARE				
Basic and diluted	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.03)

The following paragraphs provide information about the results of the Company's on-going operations for the three and nine months ended June 30, 2024.

## Product sales

Revenues for the three months ended June 30, 2024, increased 32% as compared to the same period of 2023. Revenues for the nine months ended June 30, 2024, increased 28% as compared to the same period of 2023.

The increases are a result of the Company increasing its production and expanding its distribution channels.

## Cost of sales

For the three months ended June 30, 2024, the Company's cost of sales increase by 56% compared to the same periods of 2023. For the nine months ended June 30, 2024, the Company's cost of sales increased by 48% compared to the same periods of 2023. Contributing factors for the increase cost of sales are increase in costs for scaling up operations for increase sales including increases in cost of freight to retailers, production supply costs, and maintenance and repair costs.

## Net loss for the period-end

Net loss for the three months ended June 30, 2024, increased by 185% from the comparative period of 2023, mostly due to increased general and administration costs due to the going public process and acquisition of HCS, the increased labour costs due to addition of key employees, and the increase in share-based compensation.

Net loss for the nine months ended June 30, 2024, increased by 70% from the comparative period of 2023, mostly due to increased general and administration costs due to the going public process and acquisition of HCS, and the increased labour costs due to addition of key employees.

## General and administrative expenses

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

	Three Months Ended		Nine months ended	
	June 30		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

Net general and administrative expenses increased 222% and 95% for the three and nine months ended June 30, 2024, respectively, as compared to 2023. This was mostly due to an increase in filing and listing fees and an increase in accounting and legal costs related to the going public process and acquisition of HCS, the increased labour costs due to addition of key employees, and the increase in share-based compensation.

## Capital Expenditures

The following table shows the Company's capital additions for the nine months ended June 30, 2024:

	Capital expenditures
Furniture and fixtures	\$ 3,012
Plant and Buildings	334,188
Total Property and equipment additions	\$ 337,200
Licences	\$ 70,000
Goodwill	2,000,000
Total Intangible assets additions	\$ 2,070,000
Total capital expenditures	\$ 2,407,200

The Company's major capital expenditure in the period ended June 30, 2024 was the building expansion and the acquisition of HCS.

## 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)
June 30, 2024	\$ 185,021	\$ (844,897)	(\$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)
September 30, 2022	\$ 65,607	\$ (528,684)	(\$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.

In the year ended September 30, 2023, Hempalta was accepted to online retailers Walmart and Lowes, both in Canada and the USA, and opened a number of local Alberta based accounts which have increased sales and continue to promote Hempalta's products and brand.

In the nine months ended June 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.

The increase in net loss for the quarter ended June 30, 2024 was mainly a result of increased general and administration costs due to the going public process and acquisition of HCS, the increased labour costs due to addition of key employees, and the increase in share-based compensation.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash and Working Capital

	June 30, 2024	September 30, 2023
Cash	\$ 1,712,587	\$ 560,681
Working capital	\$ 1,927,064	\$ 304,972

Total cash increased 205% and total working capital increased 532% 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 June 30, 2024, the Company had sufficient cash on hand to meet its short-term liabilities and commitments as they become due (see the "Statement of Financial Position" section below). 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 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	\$ -

## Capital Resources

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

With over \$1.9 million in working capital and no current commitments for capital expenditures, the Company is expected to have adequate capital resources for the 2024 financial year.

## Financial Condition Compared to Recently Completed Financial Year

As at June 30, 2024, the Company has \$1,712,587 of cash and working capital of \$ 1,927,064. As at September 30, 2023, Hempalta had cash of \$560,681 and working capital of \$304,972. The significant improvement in financial condition is a result of the reverse takeover of TBV as outlined in the Company Overview section.

## Cash Flows

	Nine months ended	
	June 30, 2024	June 30, 2023
Cash used in operating activities	\$ (1,589,563)	\$ (906,547)
Cash flows from financing activities	618,426	1,828,443
Cash from (used in) investing activities	(470,322)	(751,915)
Increase/(decrease) in cash and cash equivalents	\$ (1,441,459)	\$ 169,981

Cash used in operating activities in the nine months ended June 30, 2024, increased 75% from 2023 mostly as a result of the increased net loss from operations.

Cash flow from financing activities in the nine months ended June 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 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.



## OUTSTANDING SHARE DATA

### ISSUED AND OUTSTANDING COMMON SHARES

As at June 30, 2024 the Company has 94,903,309 shares issued and outstanding (September 30, 2023 – 47,176,627).

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 among HCS, Climafi Limited ("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 at the date of this MD&A the Company had 94,944,176 shares issued and outstanding.

### SHARE PURCHASE WARRANTS

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

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

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:

	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

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
	8,277,941	\$0.14		5,202,941

## 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).



## 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 June 30, 2024, two customers accounted for 78% 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. 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.

## 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 period. 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

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Independent auditor Geib & Company Professional Corporation

TSXV: HEMP



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