



# HEMPALTA™

## HEMPALTA CORP. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2025 AND 2024  
(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 consolidated 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 consolidated financial statements by an entity's auditor.

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**HEMPALTA CORP.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	June 30, 2025	September 30, 2024
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$	62,220	\$ 726,514
Accounts receivable		1,075	123,144
Inventory	5	969	401,476
Prepays		-	142,323
		<b>64,264</b>	<b>1,393,457</b>
<b>Non-Current</b>			
Property, plant and equipment	6	1,631,824	2,357,202
Right-of-use assets	7	-	949,457
Intangible assets	8	527,720	488,862
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>2,223,808</b>	<b>\$ 5,188,978</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$	266,120	\$ 142,910
Payable to non-controlling interest	9	-	190,726
Term Loan	10	375,000	-
Current portion of lease liabilities	11	-	150,276
Current portion of long-term debt	12	199,674	197,473
		<b>840,794</b>	<b>681,385</b>
<b>Non-Current</b>			
Contractual obligation		4,004	3,876
Long-term lease liabilities	11	-	834,241
Long-term debt	12	429,800	480,633
<b>TOTAL LIABILITIES</b>		<b>1,274,598</b>	<b>2,000,135</b>
<b>EQUITY</b>			
Share capital	13	12,089,456	12,089,456
Contributed surplus	13	1,158,931	980,575
Deficit		(12,299,177)	(9,826,607)
Equity attributable to owners of the company		<b>949,210</b>	<b>3,243,424</b>
Non-controlling interest		-	(54,581)
<b>TOTAL EQUITY</b>		<b>949,210</b>	<b>3,188,843</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$</b>	<b>2,223,808</b>	<b>\$ 5,188,978</b>

*Nature of Operations and Going Concern (Note 1)*

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

**HEMPALTA CORP.**  
**CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	Three Months Ended		Nine months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<b>PRODUCT SALES</b>		\$ 53,310	\$ 185,021	\$ 246,613	\$ 436,328
<b>COST OF SALES</b>		125,753	220,916	572,489	497,587
<b>GROSS LOSS</b>		(72,443)	(35,895)	(325,876)	(61,259)
<b>EXPENSES</b>					
Amortization	6,7,8	74,351	108,913	277,968	323,098
Financing costs	10,11,12	21,019	23,077	60,959	120,670
General and administrative costs	14	408,014	639,516	1,347,336	1,383,683
Share based compensation	13	19,592	76,312	178,356	178,085
		522,976	847,818	1,864,619	2,005,536
<b>OTHER INCOME (EXPENSES)</b>					
Other income		-	25,066	3,028	44,831
Loss on assets disposal		(461,101)	-	(461,101)	-
Gain on debt settlement		-	-	230,589	-
Government grant		-	-	-	13,634
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		\$ (1,056,520)	\$ (858,647)	\$ (2,417,979)	\$ (2,008,330)
<b>Net loss and comprehensive loss attributed to:</b>					
Owners of the Company		\$ (1,056,520)	\$ (772,518)	\$ (2,417,979)	\$ (1,922,201)
Non-controlling interest	9	\$ -	\$ (86,129)	\$ -	\$ (86,129)
<b>NET LOSS PER SHARE</b>					
Basic and diluted		(\$0.01)	(\$0.01)	(\$0.03)	(\$0.02)
Weighted average number of common shares					
Basic and diluted		94,944,176	85,830,708	94,944,176	85,830,705

See accompanying notes to the interim condensed consolidated financial statements.

**HEMPALTA CORP.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	Common Shares		Contributed Surplus	Convertible Debenture - Equity	Accumulated Deficit	Non-controlling Interest ("NCI")	Total
		Number	Amount					
Balance at September 30, 2023		47,176,627	\$ 4,489,263	\$ 487,261	\$ 83,928	\$ (3,384,130)	\$ -	\$ 1,676,322
Private placement	13	1,333,333	200,000	-	-	-	-	200,000
Subscription receipts	13	6,649,821	1,130,470	-	-	-	-	1,130,470
Convertible debenture conversion	13	3,714,116	514,803	-	(83,928)	-	-	430,875
Shares of the Company pursuant to closing of Qualifying Transaction	13	23,529,412	2,681,856	390,099	-	(609,093)	-	2,462,862
Acquisition of Hemp Carbon Standard	13	12,500,000	2,000,000	-	-	116,148	-	2,116,148
Share based compensation	13	-	-	178,085	-	-	-	178,085
Share issue costs	13	-	(276,826)	-	-	-	-	(276,826)
Net and comprehensive loss		-	-	-	-	(1,922,201)	(86,129)	(2,008,330)
<b>Balance at June 30, 2024</b>		<b>94,903,309</b>	<b>\$ 10,739,566</b>	<b>\$ 1,055,445</b>	<b>\$ -</b>	<b>\$ (5,799,276)</b>	<b>\$ (86,129)</b>	<b>\$ 5,909,606</b>
Balance at September 30, 2024		<b>94,944,176</b>	<b>\$ 12,089,456</b>	<b>\$ 980,575</b>	<b>\$ -</b>	<b>\$ (9,826,607)</b>	<b>\$ (54,591)</b>	<b>\$ 3,188,833</b>
Acquisition of non-controlling interest	9,13	-	-	-	-	(54,591)	54,591	-
Share based compensation	13	-	-	178,356	-	-	-	178,356
Net and comprehensive loss		-	-	-	-	(2,417,979)	-	(2,417,979)
<b>Balance at June 30, 2025</b>		<b>94,944,176</b>	<b>\$ 12,089,456</b>	<b>\$ 1,158,931</b>	<b>\$ -</b>	<b>\$ (12,299,177)</b>	<b>\$ -</b>	<b>\$ 949,210</b>

See accompanying notes to the interim condensed consolidated financial statements.

**HEMPALTA CORP.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

<i>(Expressed in Canadian dollars)</i>	Notes	<b>Nine months ended</b>	
		<b>June 30, 2025</b>	June 30, 2024
<b>OPERATING ACTIVITIES</b>			
Net loss		\$ (2,417,979)	\$ (2,008,330)
Items not affecting cash and cash equivalents:			
Amortization	6,7,8	277,968	323,098
Financing costs	10,11,12	-	96,349
Share based compensation	13	178,356	178,085
Gain on debt settlement		(230,589)	-
Deferred revenue		-	82,215
		<b>(2,192,244)</b>	<b>(1,328,583)</b>
Changes in non-cash working capital balances			
Accounts receivable		122,069	(93,704)
Inventory		400,507	(299,956)
Prepaid expenses		142,323	137,780
Accounts payable and accrued liabilities		123,210	(5,100)
Net change in non-cash working capital		<b>788,109</b>	<b>(260,980)</b>
<b>Cash flows used in operating activities</b>		<b>(1,404,135)</b>	<b>(1,589,563)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loan	10	375,000	-
Lease liabilities settled	11	(123,467)	(144,000)
Payable to non-controlling interest		39,853	174,294
Repayment of long-term debt	12	(48,504)	(168,020)
Proceeds from the issuance of shares, net of costs	13	-	1,053,644
Repayment of promissory note, net		-	(300,000)
Contractual obligation on deferred revenue		-	2,508
<b>Cash flows from financing activities</b>		<b>242,882</b>	<b>618,426</b>
<b>INVESTING ACTIVITIES</b>			
Dispositions (additions) to property, plant and equipment	6	586,959	(337,200)
Additions to intangible assets	8	(90,000)	(70,000)
Cash acquired in reverse acquisition, net		-	2,414,095
Acquisition of Hemp Carbon Standard Inc.		-	116,148
<b>Cash flows from (used in) investing activities</b>		<b>496,959</b>	<b>2,123,043</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(664,294)</b>	<b>1,151,906</b>
Cash and cash equivalents, beginning		726,514	560,681
<b>Cash and cash equivalents, ending</b>		<b>\$ 62,220</b>	<b>\$ 1,712,587</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.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30 2025 AND 2024**  
**(Unaudited)**  
*(Expressed in Canadian dollars)*

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**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

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").

On March 19, 2024, TBV completed its qualifying transaction (the "Transaction") pursuant to the rules and policies of the Exchange by acquiring 100% of the issued and outstanding share capital of Hempalta Processing Inc. ("HPI"). HPI 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.

On April 30, 2024, the Company acquired the controlling interest of 50.1% of Hemp Carbon Standard Inc. ("HCS"), an Alberta based company in the business of carbon credit generation. During the period ended December 31, 2024, the Company acquired the balance of the shares in HCS to own 100% of HCS. The acquisition of the HCS strategically aligns with the Company's mission to lead the hemp industry in sustainability and innovation. HCS has a financial incentive program designed to reward industrial hemp farmers for their contributions to sustainable carbon farming.

With the addition of HCS as a wholly owned subsidiary, the Company has made the transition from hemp processing and manufacturing of hemp products to focus on the carbon credit market. The Company is now poised to scale a unique, low-cost carbon credit platform focused on industrial hemp, marking a pivotal step in the Company's evolution toward becoming a leader in nature-based carbon removal solutions.

**Going Concern**

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, 2025	September 30, 2024
Working capital	\$ (776,530)	\$ 712,072
Deficit	\$ (12,299,177)	\$ (9,826,607)

During the quarter ended, June 30, 2025, HPI has received a notice of default from Farm Credit Canada ("FCC") in respect of the Company's obligations under its existing loan agreement and related security (the "Default"). The notice cites technical defaults arising from the cessation of operations and FCC's determination that there is a material adverse change. No monetary payment default has occurred to date. The FCC has granted a 90-day extension to its current forbearance agreement (the "Extension") as outlined in Note 12. The Extension runs to September 30, 2025, providing the Company with critical flexibility as it advances several strategic initiatives, including a planned equipment sale, ongoing carbon credit inventory sales, and new investor engagement efforts.

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 Interim 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 Interim Financial Statements are prepared in accordance with the same accounting policies, critical estimates and methods described the Company’s audited annual consolidated 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 consolidated financial statements of the Company for the years ended September 30, 2024 and 2023 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 Interim Financial Statements were authorized for issue by the Board of Directors, on August 29, 2025.

### **BASIS OF MEASUREMENT**

These Interim Financial Statements are prepared on a historic cost basis; except for financial instruments which are measured at fair value. In addition, these Interim 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 HPI has been accounted for as a reverse takeover of TBV by HPI. Accordingly, the reported balances and transactions for periods prior to March 19, 2024, are those of HPI.

These Interim Financial Statements include the accounts of TBV since March 19, 2024, the accounts of HCS since April 30, 2024, and those of its wholly owned subsidiary HPI since the incorporation of HPI in 2021.

All intra-group transactions, balances, income and expenses are eliminated during consolidation. The financial statements of HPI 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 Interim Financial Statements.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company’s significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements of the Company. 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 Statements.

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

The significant judgments, estimates and assumptions considered by management in preparing these Interim Financial Statements are presented in Note 4 to the Annual Financial Statements of the Company. 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 Statements.

**HEMPALTA CORP.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30 2025 AND 2024**  
**(Unaudited)**  
*(Expressed in Canadian dollars)*

**5. INVENTORY**

Total carrying amount of inventory is as follows:

	June 30, 2025	September 30, 2024
Raw materials	\$ -	\$ 89,642
Work in progress	-	135,622
Finished goods	969	176,212
	\$ 969	\$ 401,476

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, 2025, the Company expensed \$38,067 (June 30, 2024 - \$216,399) of inventory to cost of goods sold. During the nine months ended June 30, 2025, \$331,132 (June 30, 2024 - \$nil) of inventory was written down.

**6. 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, 2023	\$ 47,242	\$ 2,267,269	\$ 51,292	\$ 25,000	\$ 2,390,803
Additions	3,012	-	584,583	-	587,595
September 30, 2024	50,254	2,267,269	635,875	25,000	2,978,398
Additions (dispositions)	(50,254)	65,550	(635,875)	(25,000)	(645,579)
June 30, 2025	\$ -	\$ 2,332,819	\$ -	\$ -	\$ 2,332,819
<b>Accumulated amortization</b>					
September 30, 2023	\$ 14,707	\$ 374,666	\$ 12,770	\$ 8,000	\$ 410,143
Amortization	7,109	195,371	5,173	3,400	211,053
September 30, 2024	21,816	570,037	17,943	11,400	621,196
Amortization	3,318	130,958	2,621	1,521	138,418
Dispositions	(25,134)	-	(20,564)	(12,921)	(58,619)
June 30, 2025	\$ -	\$ 700,995	\$ -	\$ -	\$ 700,995
<b>Net book value</b>					
September 30, 2024	\$ 28,438	\$ 1,697,232	\$ 617,932	\$ 13,600	\$ 2,357,202
June 30, 2025	\$ -	\$ 1,631,824	\$ -	\$ -	\$ 1,631,824

During the quarter ended June 30, 2025, the Company completed the wind down and closure of its processing facility in Calgary, as part of the Company's strategic shift to focus exclusively on its carbon credit business. The facility has now been vacated and decommissioned. The equipment is being stored at a storage facility as is being marketed for sale.

**HEMPALTA CORP.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30 2025 AND 2024**  
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**7. RIGHT-OF-USE ASSETS**

During the quarter ended June 30, 2025, the Company received a lease termination agreement from the landlord dated April 30, 2025, pursuant to the lease liabilities in Note 11. The termination fee was \$88,784 less the lease deposit of \$6,484, with the net withdraw to terminate being \$82,300.

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

Cost		June 30, 2025		September 30, 2024
Beginning balance	\$	1,394,874	\$	1,394,874
Lease termination		(1,394,874)		-
Ending balance	\$	-	\$	1,394,874
Accumulated amortization				
Beginning balance	\$	445,417	\$	293,863
Amortization		88,407		151,554
Lease termination		(533,824)		-
Ending balance	\$	-	\$	445,417
Net book value	\$	-	\$	949,457

**8. 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, 2023	\$ 309,375	\$ 29,875	\$ 57,801	\$ -	\$ 397,051
Additions	-	70,000	-	2,134,062	2,204,062
Amortization	(37,500)	(5,000)	(25,689)	-	(68,189)
Impairment	-	-	-	(2,044,062)	(2,044,062)
September 30, 2024	\$ 271,875	\$ 94,875	\$ 32,112	\$ 90,000	\$ 488,862
Additions	-	-	-	90,000	90,000
Amortization	(28,125)	(3,750)	(19,267)	-	(51,142)
June 30, 2025	\$ 243,750	\$ 91,125	\$ 12,845	\$ 180,000	\$ 527,720

Goodwill impairment of \$2,044,062 was recognized in the year ended September 30, 2024 triggered by annual goodwill impairment testing reflecting factors including lower than expected revenues achieved by HCS to date.

**9. BUSINESS COMBINATION AND NON-CONTROLLING INTEREST ("NCI")**

On April 30, 2024, the Company acquired the controlling interest of 50.1% of HCS, an Alberta based company in the business of carbon credit generation. The acquisition was completed by way of a share purchase agreement (the "SPA") among HCS, Climafi Limited ("Climafi"), and the Company. Pursuant to the terms of the SPA, Climafi received an aggregate of 12,500,000 common shares of the Company, issued at a deemed price of \$0.16 per Share.

As at September 30, 2024, the Company owned 50.1% of HCS, and Climafi owned a 49.9% non-controlling interest ("NCI") and held 49.9% of the voting rights. As at September 30, 2024, the Company had a long-term payable to Climafi of \$190,726, with no interest and no terms of repayment.

During the period ended December 31, 2024, the Company acquired the balance of the shares in HCS for \$90,000. As part of the agreement, the amounts owing from HCS to Climafi were forgiven.

**HEMPALTA CORP.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30 2025 AND 2024**  
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**10. TERM LOAN**

During the quarter ended March 31, 2025, major shareholders Darren Bondar and Prairie Merchant Corporation (the "Lenders") have extended a one-year term loan in the aggregate amount of \$325,000 at 12% interest (the "Loan"). In connection with the Loan, the Company issued a loan bonus to the Lenders of an aggregate of 5,416,667 common share purchase warrants (the "Warrants"), exercisable for a period of one year with an exercise price equal to \$0.06 (the "Bonus"). The Warrants are subject to a hold period under Canadian securities laws, expiring four months and one day from the date of issuance. The Loan and the Bonus are subject to the approval of the TSX Venture Exchange. This Loan provides additional working capital to support the Company's growth in the carbon credit market.

During the quarter ended June 30, 2025, Darren Bondar advanced the Company an additional \$50,000 at 12% interest.

During the nine months ended June 30, 2025, interest of \$12,953 (June 30, 2024 -\$nil) was accrued and paid.

**11. LEASE LIABILITIES**

The Company recognizes lease liabilities for right-of-use assets for the office and processing facility using an estimated discount rate of 4.554%. 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.

During the quarter ended June 30, 2025, the Company received a lease termination agreement from the landlord dated April 30, 2025. The termination fee was \$88,784 less the lease deposit of \$6,484, with the net withdraw to terminate being \$82,300.

The changes in lease liabilities are as follows:

	June 30, 2025	September 30, 2024
Balance, beginning	\$ 984,517	\$ 1,128,114
Acquisition	-	-
Interest expense	25,170	48,403
Lease payments	(112,000)	(192,000)
Lease termination	(897,687)	-
End of period	\$ -	\$ 984,517
Current portion	-	150,276
Long-term portion	-	834,241
Lease Liabilities	\$ -	\$ 984,517

**HEMPALTA CORP.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED JUNE 30 2025 AND 2024**  
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**12. 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 FCC. The FCC Facility contemplates a five-year term, maturing December 1, 2026, including monthly interest-only payments until January 1, 2023. Subsequent to January 1, 2023, blended monthly payments of \$18,669 are required. Amounts drawn on the main facility bear interest at a rate of 4.554% per annum. The credit facility is secured by the machinery and equipment of the Company with a net book value of \$1,697,232 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.

During the quarter ended December 31, 2024, FCC adjusted the required payments for the next six months to be interest only for January 2024 to June 2025.

During the quarter ended June 30, 2025, the Company completed the wind down and closure of its processing facility in Calgary, as part of the Company's strategic shift to focus exclusively on its carbon credit business. In connection with the plant closure, the Company's wholly owned subsidiary, HPI received a notice of default from FCC in respect of the Company's obligations under its existing loan agreement and related security (the "Default"). The notice cites technical defaults arising from the cessation of operations and FCC's determination that there is a material adverse change. No monetary payment default has occurred to date.

On June 26, 2025, the Company signed a forbearance agreement with FCC. FCC has granted a 90-day extension to its current forbearance agreement (the "Extension"). The Extension runs to September 30, 2025, providing the Company with critical flexibility as it advances several strategic initiatives, including a planned equipment sale, ongoing carbon credit inventory sales, and new investor engagement efforts.

The changes in the credit facility are as follows:

	June 30, 2025	September 30, 2024
Beginning balance	\$ 678,106	\$ 867,464
Interest	21,609	34,669
Payments made	(70,241)	(224,027)
Ending balance	\$ 629,474	\$ 678,106
Current portion of long-term debt	199,674	197,473
Long-term portion of long-term debt	429,800	480,633
	\$ 629,474	\$ 678,106

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

2025	51,352
2026	201,963
2027	376,159
Total payments	629,474

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**13. 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, 2023	47,176,627	\$ 4,489,263
Private placement	1,333,333	200,000
Subscription receipts	6,649,821	1,130,470
Convertible debenture conversion	3,754,982	598,731
Shares of the Company pursuant to closing of the Qualifying Transaction	23,529,413	4,000,002
Acquisition of Hemp Carbon Standard Inc.	12,500,000	2,000,000
Share issue costs	-	(329,010)
Balance at June 30, 2025 and September 30, 2024	94,944,176	\$ 12,089,456

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

On January 19, 2024, HPI completed a brokered private placement (the "Subscription Receipt Financing") led by Canaccord Genuity Corp. (the "Agent"), pursuant to which HPI issued and sold 6,473,351 subscription receipts of HPI ("Subscription Receipts"). Additionally, in connection with the Subscription Receipt Financing, HPI (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 HPI Shares at an exercise price of \$0.17 per share, (iv) paid to the Agent, in connection with the Escrow Release (as defined herein), \$20,376 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 HPI Share (the "Escrow Release").

Each such HPI 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 year ended September 30, 2024, the Company completed the acquisition for the controlling interest of 50.1% of HCS for 12,500,000 common shares. See Note 9.

**SHARE PURCHASE WARRANTS**

On January 19, 2024 HPI granted 154,859 Broker Warrants to purchase up to 154,859 common shares, at an exercise price of \$0.17 per share, exercisable on or before January 19, 2026.

During the period ended June 30, 2025, major shareholders Darren Bondar and Prairie Merchant Corporation (the "Lenders") have extended a one-year term loan in the aggregate amount of \$325,000 at 12% interest (the "Loan"). See Note 10. In connection with the Loan, the Company issued a loan bonus to the Lenders of an aggregate of 5,416,667 common share purchase warrants (the "Warrants"), exercisable for a period of one year with an exercise price equal to \$0.06 (the "Bonus"). The Warrants are subject to a hold period under Canadian securities laws, expiring four months and one day from the date of issuance. This Loan provides additional working capital to support the Company's growth in the carbon credit market.

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

	June 30, 2025		September 30, 2024	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Warrants outstanding, beginning balance	2,784,823	\$0.14	2,629,964	\$0.13
Issued January 19, 2024	-	-	154,859	\$0.17
Expired February 7, 2025	(468,000)	(\$0.10)	-	-
Issued March 10, 2025	5,416,667	\$0.06	-	-
Warrants outstanding, ending balance	7,733,490	\$0.09	2,784,823	\$0.14

As at June 30, 2025, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding	Number of warrants exercisable
July 31, 2025	\$0.20	0.08	625,000	625,000
August 8, 2025	\$0.15	0.11	80,000	80,000
September 30, 2025	\$0.16	0.25	100,000	100,000
January 19, 2026	\$0.17	0.56	154,859	154,859
January 25, 2026	\$0.15	0.57	150,000	150,000
March 10, 2026	\$0.06	0.69	5,416,667	5,416,667
June 27, 2027	\$0.10	1.99	1,000,000	1,000,000
November 9, 2027	\$0.15	2.36	206,964	206,964
	\$0.09	0.84	7,733,490	7,733,490

Subsequent to the period ended June 30, 2024, the following warrants expired out of the money:

- 625,000 warrants with an exercise price of \$0.20
- 80,000 warrants with an exercise price of \$0.15.

**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.

On October 3, 2023, HPI granted 325,000 stock options to an employee to purchase up to 325,000 common shares, at 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.

On June 24, 2024, the Company granted 1,825,000 stock options to employees to purchase up to 1,825,000 common shares, at an exercise price of \$0.17 per share, exercisable on or before June 20, 2029. The options will vest over a 36-month period, in 12 month increments with ¼ vesting upon issuance.

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

	June 30, 2025		September 30, 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning balance	7,927,941	\$0.14	4,375,000	\$0.13
Granted	-	-	2,150,000	\$0.17
Options from Qualifying Transaction	-	-	2,352,941	\$0.13
Cancelled/Expired	(1,535,294)	\$0.14	(950,000)	\$0.13
Options outstanding, ending balance	6,392,647	\$0.13	7,927,941	\$0.14
Number of options exercisable	5,455,147	\$0.13	5,052,941	\$0.13

The share options outstanding as at June 30, 2025, are as follows:

Grant date	Number of options outstanding	Exercise price	Expiry date	Number of options exercisable	Remaining life (years)
October 1, 2021	1,058,824	\$0.09	October 1, 2031	1,058,824	6.26
January 21, 2022	1,058,823	\$0.17	January 21, 2032	1,058,823	6.56
February 7, 2022	1,450,000	\$0.10	February 7, 2027	1,450,000	1.61
March 9, 2022	250,000	\$0.10	March 9, 2027	250,000	1.69
January 25, 2023	1,400,000	\$0.15	January 25, 2028	1,050,000	2.57
June 24, 2024	1,175,000	\$0.17	June 24, 2029	587,500	3.99
	6,392,647	\$0.13		5,455,147	3.85

**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.

For the nine months ended June 30, 2025, the Company recognized share-based compensation on options and warrants of \$178,356 (June 30, 2024 - \$178,085).

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**14. GENERAL AND ADMINISTRATIVE COSTS**

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

	Three Months Ended		Nine Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Accounting and legal	\$ 77,894	\$ 256,329	\$ 281,236	\$ 361,637
Advertising and marketing	28,652	45,737	146,834	154,770
Bank service charges	(660)	180	2,058	722
Office and sundry	144,170	82,537	295,126	153,182
Salaries and benefits	149,779	378,084	650,129	1,077,353
Travel and business development	8,179	3,939	12,953	19,317
Gross general and administrative costs	\$ 408,014	\$ 766,806	\$ 1,388,336	\$ 1,766,981
Costs transferred to cost of goods sold and inventory	-	(127,290)	(41,000)	(383,298)
Net general and administrative costs	\$ 408,014	\$ 639,516	\$ 1,347,336	\$ 1,383,683

For the nine months ended June 30, 2025, included in salaries and wages is a management fee charged by the non-controlling interest of HCS in the amount of \$40,000 (June 30, 2024 - \$170,000).

**15. 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.

Expenses related to key management personnel are comprised of:

Nine months ended	June 30, 2025	June 30, 2024
Salaries and benefits	\$ 192,850	\$ 156,000
Share-based compensation	172,285	34,106
	\$ 365,135	\$ 190,106

Included in accounts payable and accrued liabilities is \$7,065 (September 31, 2024 - \$nil) due to the Chief Executive Officer and Director of the Company.

During the quarter ended March 31, 2025, major shareholders Darren Bondar and Prairie Merchant Corporation (the "Lenders") have extended a one-year term loan in the aggregate amount of \$325,000 at 12% interest (the "Loan"). In connection with the Loan, the Company issued a loan bonus to the Lenders of an aggregate of 5,416,667 common share purchase warrants (the "Warrants"), exercisable for a period of one year with an exercise price equal to \$0.06 (the "Bonus"). The Warrants are subject to a hold period under Canadian securities laws, expiring four months and one day from the date of issuance. The Loan and the Bonus are subject to the approval of the TSX Venture Exchange. This Loan provides additional working capital to support the Company's growth in the carbon credit market.

During the quarter ended June 30, 2025, Darren Bondar advanced the Company an additional \$50,000 at 12% interest.

During the nine months ended June 30, 2025, interest of \$12,953 (June 30, 2024 - \$nil) was accrued and paid to the Lenders.

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**16. SEGMENTED INFORMATION**

An operating segment is defined as a component of the Company that:

- Engages in business activities from which it may earn revenues and incur expenses;
- Whose operating results are reviewed regularly by the Company's chief operating decision maker; and
- For which separate financial information is available.

For the nine months ended June 30 2025, the Company's significant operating segments is HPI and HCS. HCS includes the Company's corporate assets and liabilities. For the nine months ended June 30, 2024, HPI was the only segment.

Revenue reported below represents revenue generated from external customers. The accounting policies of the reportable segments are the same as the group's accounting policies.

Nine months ended June 30, 2025	HPI	Others	Total
PRODUCT SALES	\$ 246,200	\$ 413	\$ 246,613
COST OF SALES	571,872	616	572,488
GROSS PROFIT (LOSS)	(325,672)	(203)	(325,875)
EXPENSES			
Amortization	277,968	-	277,968
Financing costs	47,012	13,946	60,958
General and administrative costs	532,409	814,929	1,347,338
Share based compensation	-	178,356	178,356
	857,389	1,007,231	1,864,620
OTHER INCOME (EXPENSES)			
Other income	-	3,028	3,028
Loss on asset disposal	(461,101)	-	(461,101)
Gain on debt settlement	-	230,589	230,589
Net loss and comprehensive loss	\$ (1,644,162)	\$ (773,817)	\$ (2,417,979)

June 30, 2025	HPI	Others	Total
Property, plant and equipment	\$ 1,631,824	\$ -	\$ 1,631,824
Right-of-use assets	\$ -	\$ -	\$ -
Intangible assets	\$ 347,720	\$ 180,000	\$ 527,720
Total assets	\$ 2,186,132	\$ 37,676	\$ 2,223,808
Total liabilities	664,636	\$ 609,962	\$ 1,274,598

September 30, 2024	HPI	Others	Total
Property, plant and equipment	\$ 2,357,202	\$ -	\$ 2,357,202
Right-of-use assets	\$ 949,457	\$ -	\$ 949,457
Intangible assets	\$ 398,862	\$ 90,000	\$ 488,862
Total assets	\$ 4,444,223	\$ 744,755	\$ 5,188,978
Total liabilities	\$ 1,787,959	\$ 212,176	\$ 2,000,135

## **17. 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 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.

## **18. 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)

### **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.

**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, 2025:

June 30, 2025		Recognized in Financial Statements	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities	(1)	Yes-Liability	266,120	266,120	-	-	-
Long-term debt		Yes-Liability	629,474	199,674	429,800	-	-
Interest payable on long term debt	(2)	No	39,544	24,370	15,174	-	-
<b>September 30, 2024</b>							
Accounts payable and accrued liabilities	(1)	Yes-Liability	142,910	142,910	-	-	-
Long-term debt		Yes-Liability	678,106	197,473	480,633	-	-
Minimum lease payments		Yes-Liability	1,135,856	192,000	340,528	350,799	252,529
Interest payable on long term debt	(2)	No	46,891	26,553	20,338	-	-

1) Excludes interest payable on long-term debt

2) Excludes interest payable on lease liabilities

**19. SUBSEQUENT EVENTS**

Subsequent to the period ended June 30, 2025, the Company, there were no subsequent events.



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