



# **HEMPALTA™**

**HEMPALTA CORP.  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**(Expressed in Canadian dollars)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Hempalta Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Hempalta Corp. (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2025, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that for the year ended September 30, 2025, the Company incurred a net loss of \$4,807,770 and, as of that date, had an accumulated deficit of \$14,688,958, and a working capital deficiency of \$1,527,524. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Matters*

The consolidated financial statements of Hempalta Corp. for the year ended September 30, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on December 18, 2024.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.



### *Impairment of Intangible Assets and Goodwill*

As described in Note 9 to the consolidated financial statements, the carrying amount of the Company's intangible assets, which includes goodwill, was \$nil as of September 30, 2025. As more fully described in Notes 3 and 4 to the consolidated financial statements, management uses estimates and assumptions in determining the recoverable amount of intangible assets and goodwill for the purposes of impairment testing. The Company completed an impairment test for its intangible assets and goodwill at year end at the cash generating unit ("CGU") level, and recognized impairment losses of \$180,000 from continued operations and \$332,750 from discontinued operations for a total impairment loss to intangible assets and goodwill of \$512,750.

The impairment analysis of the intangible assets and goodwill used in the determination of the recoverable amount at the CGU level identified that the recoverable amount was lower than the carrying value. The recoverable amount is the value in use and requires significant management judgement and estimation uncertainty of key inputs such as anticipated future cash flows and discount rates.

The principal considerations for our determination that impairment of the Company's intangible assets and goodwill is a key audit matter are the significant management judgements that are subject to estimation uncertainty which could have a material effect on the outcome of the impairment test. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence in connection with the estimates and judgements made by management in the determination of the recoverable amount of the intangible assets and goodwill.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Obtaining an understanding of the key controls over management's process in assessing impairment indicators and determining the recoverable amount of the CGU related to intangible assets and goodwill.
- Evaluating the assumptions used in the testing for consistency with the Company's historical performance and management's expectations.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.



**HEMPALTA CORP.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(Expressed in Canadian dollars)</i>	Notes	September 30, 2025	September 30, 2024
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 14,978	\$ 726,514
Accounts receivable		9,953	123,144
Inventory	6	-	401,476
Prepays		-	142,323
Assets classified as held for sale		3,884	-
		<b>28,815</b>	1,393,457
<b>Non-Current</b>			
Property, plant and equipment	7	-	2,357,202
Right-of-use assets	8	-	949,457
Intangible assets	9	-	488,862
<b>TOTAL ASSETS</b>		<b>\$ 28,815</b>	<b>\$ 5,188,978</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 458,754	\$ 142,910
Payable to non-controlling interest	10	-	190,726
Term Loan	11	325,000	-
Payable to shareholder	11	117,600	-
Current portion of lease liabilities	12	-	150,276
Current portion of long-term debt	13	-	197,473
Liabilities classified as held for sale		654,985	-
		<b>1,556,339</b>	681,385
<b>Non-Current</b>			
Contractual obligation		4,004	3,876
Long-term lease liabilities	12	-	834,241
Long-term debt	13	-	480,633
<b>TOTAL LIABILITIES</b>		<b>1,560,343</b>	2,000,135
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	14	12,089,456	12,089,456
Contributed surplus	14	1,067,974	980,575
Deficit		(14,688,958)	(9,826,607)
Equity attributable to owners of the company		(1,531,528)	3,243,424
Non-controlling interest	10	-	(54,581)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>(1,531,528)</b>	3,188,843
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$ 28,815</b>	<b>\$ 5,188,978</b>

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

*Subsequent events (Note 23)*

*Approved on behalf of the Directors:*

*(signed) "Darren Bondar"*  
Darren Bondar, Director

*(signed) "Chris Ostafie"*  
Chris Ostafie, Director

*The accompanying notes are an integral part of these consolidated financial statements.*

## HEMPALTA CORP.

### CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

<i>(Expressed in Canadian dollars)</i>	Notes	Years ended	
		September 30, 2025	September 30, 2024
<b>Continuing Operations</b>			
<b>PRODUCT SALES</b>	15	\$ 3,355	\$ 11,751
<b>COST OF SALES</b>		<b>1,526</b>	-
<b>GROSS LOSS</b>		<b>1,829</b>	11,751
<b>EXPENSES</b>			
Financing costs		<b>26,091</b>	-
General and administrative costs	16	<b>1,071,415</b>	458,906
Share based compensation	14	<b>87,399</b>	40,288
		<b>1,184,905</b>	499,194
<b>OTHER INCOME (EXPENSES)</b>			
Other income		<b>2,911</b>	50,676
Gain on debt settlement	10	<b>230,589</b>	-
Impairment of intangible assets	9	<b>(180,000)</b>	(2,044,062)
Listing costs	5	-	(1,803,989)
<b>Loss from continuing operations</b>		<b>\$ (1,129,576)</b>	\$ (4,284,818)
<b>Discontinued operations</b>			
<b>Loss from discontinued operations</b>	19	<b>\$ (3,678,194)</b>	\$ (2,212,240)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>\$ (4,807,770)</b>	\$ (6,497,058)
<b>Net loss and comprehensive loss attributed to:</b>			
Owners of the Company		<b>\$ (4,807,770)</b>	\$ (6,442,477)
Non-controlling interest	10	<b>\$ -</b>	\$ (54,581)
<b>Net loss per share from continuing and discontinued operations</b>			
Basic and diluted		<b>(\$0.05)</b>	(\$0.09)
<b>Net loss per share from continuing operations</b>			
Basic and diluted		<b>(\$0.01)</b>	(\$0.06)
Weighted average number of common shares			
Basic and diluted		<b>94,944,176</b>	71,192,124

The accompanying notes are an integral part of these consolidated financial statements.

**HEMPALTA CORP.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

<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	14	1,333,333	200,000	-	-	-	-	200,000
Subscription receipts	14	6,649,821	1,130,470	-	-	-	-	1,130,470
Convertible debenture conversion	14	3,754,982	598,731	-	(83,928)	-	-	514,803
Shares of the Company pursuant to closing of Qualifying Transaction	14	23,529,413	4,000,002	-	-	-	-	4,000,002
Revaluation of stock options upon closing of the Qualifying Transaction		-	-	351,253	-	-	-	351,253
Acquisition of Hemp Carbon Standard	14	12,500,000	2,000,000	-	-	-	-	2,000,000
Share based compensation	14	-	-	142,061	-	-	-	142,061
Share issue costs	14	-	(329,010)	-	-	-	-	(329,010)
Loss and comprehensive loss from continuing operations for the year		-	-	-	-	(4,230,237)	(54,581)	(4,284,818)
Loss and comprehensive loss from discontinued operations for the year		-	-	-	-	(2,212,240)	-	(2,212,240)
<b>Balance at September 30, 2024</b>		<b>94,944,176</b>	<b>\$ 12,089,456</b>	<b>\$ 980,575</b>	<b>\$ -</b>	<b>\$ (9,826,607)</b>	<b>\$ (54,581)</b>	<b>\$ 3,188,843</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>\$ (54,581)</b>	<b>\$ 3,188,843</b>
Acquisition of non-controlling interest	10,14	-	-	-	-	(54,581)	54,581	-
Share based compensation	10,14	-	-	87,399	-	-	-	87,399
Loss and comprehensive loss from continuing operations for the year		-	-	-	-	(1,129,576)	-	(1,129,576)
Loss and comprehensive loss from discontinued operations for the year		-	-	-	-	(3,678,194)	-	(3,678,194)
<b>Balance at September 30, 2025</b>		<b>94,944,176</b>	<b>\$ 12,089,456</b>	<b>\$ 1,067,974</b>	<b>\$ -</b>	<b>\$ (14,688,958)</b>	<b>\$ -</b>	<b>\$ (1,531,528)</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

# HEMPALTA CORP.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Expressed in Canadian dollars)</i>	Notes	Years ended	
		September 30, 2025	September 30, 2024
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss		\$ (4,807,770)	\$ (6,497,058)
Items not affecting cash and cash equivalents:			
Amortization	7,8,9	330,850	430,797
Impairment in intangible assets	9	512,750	2,044,062
Loss on asset disposal from discontinued operations	19	2,015,450	-
Gain on debt settlement	10	(230,589)	-
Share based compensation	14	87,399	142,061
Financing costs		-	150,831
Listing costs	5	-	1,803,989
Interest expense from lease		25,170	-
Interest expense		47,708	-
Changes in non-cash working capital balances			
Accounts receivable		111,898	(83,058)
Inventory	6	401,476	(53,547)
Prepaid expenses		142,323	72,230
Accounts payable and accrued liabilities		344,522	(80,118)
<b>Cash flows used in operating activities</b>		<b>(1,018,813)</b>	<b>(2,069,811)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loan	11	325,000	-
Proceeds from shareholder advances	11	117,600	-
Lease liabilities settled	12	(112,000)	(192,000)
Payable to non-controlling interest	10	39,863	190,726
Repayment of long-term debt	13	(99,507)	(224,027)
Proceeds from the issuance of shares, net of costs	14	-	1,001,460
Repayment of promissory note, net		-	(300,000)
Contractual obligation on deferred revenue		128	3,876
<b>Cash flows from financing activities</b>		<b>271,084</b>	<b>480,035</b>
<b>INVESTING ACTIVITIES</b>			
Dispositions (additions) to property, plant and equipment	7	\$ 128,784	\$ (587,595)
Additions to intangible assets	9	\$ (90,000)	\$ (70,000)
Cash acquired in reverse acquisition, net	5	\$ -	\$ 2,547,266
Acquisition of Hemp Carbon Standard Inc. ("HCS")		\$ -	\$ (134,062)
<b>Cash flows from investing activities</b>		<b>\$ 38,784</b>	<b>\$ 1,755,609</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(708,945)</b>	<b>165,833</b>
Cash and cash equivalents, beginning		726,514	560,681
Less cash at end of year - discontinued operations		(2,591)	-
<b>Cash and cash equivalents, ending - Continuing operations</b>		<b>\$ 14,978</b>	<b>\$ 726,514</b>
<b>Supplemental disclosure of non cash activities</b>			
Conversion of convertible debt into common shares		\$ -	\$ 514,803
Issuance of shares for acquisition of HCS		\$ -	\$ 2,000,000
Acquisition of goodwill from acquisition of HCS		\$ -	\$ (2,134,062)
Fair value of stock options acquired in reverse acquisition		\$ -	\$ 351,253

*The accompanying notes are an integral part of these consolidated financial statements.*

## **NOTES TO 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 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 carbon credit generation company focused on industrial hemp. During the year ended September 30, 2025, the Company acquired the remaining 49.9% to hold 100% ownership of HCS.

With the addition of HCS as a wholly owned subsidiary, the Company has transitioned away from hemp processing and manufacturing and is now focused on scaling a nature-based carbon credit platform leveraging industrial hemp as a high-impact carbon removal solution. The Company’s strategic emphasis is the development, verification, and monetization of high-integrity carbon credits through farmer partnerships and the Hemp Carbon Standard program.

#### **GOING CONCERN**

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to continue its operations for the foreseeable future and realize its assets and discharge its liabilities in the normal course of business. Details of the working capital and deficit of the Company are as follows:

	September 30, 2025	September 30, 2024
Working capital (deficiency)	\$ (1,527,524)	\$ 712,072
Deficit	\$ (14,688,958)	\$ (9,826,607)

For the year ended September 30, 2025, the Company incurred a net loss of \$4,807,770 (2024 – \$6,497,058) and, as at September 30, 2025, had an accumulated deficit of \$14,688,958 a working capital deficit of \$1,527,524, and cash of \$17,569. These conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern.

During the year ended September 30, 2025, HPI, a wholly owned subsidiary of the Company, received a Notice of Default from Farm Credit Canada (“FCC”) in connection with its credit facility (Note 13). FCC subsequently enforced its security over substantially all of HPI’s processing equipment, and the liquidation of the seized equipment remained in progress as at year-end. The final proceeds recoverable by FCC and the remaining outstanding loan balance could not be determined at September 30, 2025.

In response to these events, the Company has ceased its legacy hemp processing operations, vacated and terminated its facility lease, and transitioned its strategic focus to the development and scaling of a nature-based carbon credit platform through its wholly owned subsidiary, HCS. The Company is pursuing several initiatives to improve liquidity, including:

- The pursuit of equity financing through a private placement;
- The ongoing monetization of carbon credits under the HCS;
- The evaluation of strategic partnerships and project-based funding opportunities; and
- The reduction of fixed operating costs following the shutdown of processing operations.

**HEMPALTA CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30 2025 AND 2024**  
*(Expressed in Canadian dollars)*

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The Company's ability to continue as a going concern is dependent upon securing additional financing, successfully executing its carbon credit strategy, and resolving its outstanding obligations with FCC. While management is actively pursuing these initiatives, there can be no assurance that such measures will be successful.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities, the classification of balances, or the reported amounts of expenses and losses that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **STATEMENT OF COMPLIANCE**

These consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 1, Presentation of Financial Statements using accounting policies consistent with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") effective as of September 30, 2025.

These financial statements were authorized for issue by the Board of Directors, on January 28, 2026.

### **BASIS OF MEASUREMENT**

These consolidated financial statements are prepared on a historic cost basis; except for certain financial instruments which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and to exercise judgment in applying accounting policies.

### **BASIS OF CONSOLIDATION**

The acquisition of HPI by TBV on March 19, 2024 constituted a reverse takeover under IFRS 3. As a result, the consolidated financial statements represent a continuation of the financial statements of HPI, with TBV treated as the acquired entity for accounting purposes. Accordingly, the results of operations, cash flows, and financial position for periods prior to March 19, 2024 reflect those of HPI.

These consolidated financial statements include the accounts of:

- 100% of HPI, since its incorporation in 2021;
- 100% TBV / Hempalta Corp., from March 19, 2024; and
- 100% of HCS, from April 30, 2024 (controlling interest acquired) and fully from the date the remaining shares were acquired.

All intercompany transactions, balances, income and expenses are eliminated on consolidation. The financial statements of all subsidiaries are prepared for the same financial information presentation period as the Company, using consistent accounting policies.

### **FUNCTIONAL AND PRESENTATION CURRENCY**

The functional currency of the Company and its subsidiaries and the presentation currency of these consolidated financial statements, is the Canadian Dollar.

### **3. MATERIAL ACCOUNTING POLICIES**

The financial statements are prepared based on the following material accounting policies:

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits at financial institutions, deposits in trust accounts and other short-term highly liquid investments with original maturities of three months or less.

#### **INVENTORY**

Inventory is measured at the lower of cost and net realizable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location. Inventory is comprised of raw materials, work in progress, and finished goods. The cost of inventory is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Inventory is written down when it is identified as obsolete, damaged, or when selling prices decline. Reversals of write-downs are recognized when the circumstances that caused the impairment no longer exist.

Following the cessation of hemp processing operations, all raw materials, work in progress and, finished goods inventory has been written down to \$nil.

#### **PROPERTY, PLANT AND EQUIPMENT**

Property, plant, and equipment is recorded at cost less accumulated depreciation and impairment losses. Cost includes all expenditures directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation of each asset is computed as follows:

<b>Class of property, plant and equipment</b>	<b>Amortization rate</b>
Processing equipment	10% declining balance
Furniture and fixtures	20% declining balance
Plant and buildings	20% declining balance
Vehicles	20% declining balance

Leasehold improvements are depreciated on a straight-line basis over the shorter of their useful life or the related lease term.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising on derecognition is recognized in profit or loss.

During the year ended September 30, 2025, the Company derecognized substantially all processing-related property, plant and equipment following enforcement of security by FCC (Note 13).

#### **LEASES**

##### *Right-of-use assets and lease liability*

At inception of a contract the Company assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. The Company recognized a right-of-use asset (lease asset) and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses, if any.

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The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognized in profit or loss. The Company also has the right to elect to not recognize short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

During the year ended September 30, 2025, the Company terminated its facility lease and derecognized the related right-of-use asset and lease liability (Note 12).

### **INTANGIBLE ASSETS**

Intangible assets are initially recognized at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. The Intangible assets are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The estimated useful lives and depreciation methods are reviewed annually, with any changes in estimate accounted for prospectively.

Intangible assets acquired separately or through business combinations are recorded at cost and subsequently measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the estimated useful lives of the assets.

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired. Goodwill is not amortized and is tested annually for impairment, or more frequently if circumstances indicate impairment. The Company previously recognized goodwill on acquisition of Hemp Carbon Standard Inc., which was fully impaired in a prior period.

Intangible assets related to the Company's carbon credit platform, including methodologies, software, and program rights, are amortized over their estimated useful lives.

<b>Class of intangible asset</b>	<b>Amortization rate</b>
Intellectual property	10 years
Licences	20 years
Trademarks	4 years
Goodwill	Indefinite

### **RESEARCH AND DEVELOPMENT COSTS**

The Company is engaged in research and development activities. Research costs are expensed as they are incurred. Development expenditures are expensed in the period unless such costs meet the IFRS criteria for recognition as an intangible asset.

### **GOVERNMENT GRANTS**

Government grants are recognized in the Statement of Loss and Comprehensive Loss over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate. Government grants are recognized only when there is reasonable assurance that the Company will comply with the condition attached to the grant and that the grant will be received.

Investment tax credits related to the research and development expenditures are accrued as an offset to the expense when there is reasonable assurance that the credits will be realized. Investment tax credits are recoverable from the Governments of Canada and Alberta under the Scientific Research and Experimental Development Incentive Programs and are subject to government approval.

## **FINANCIAL INSTRUMENTS**

### **Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company’s financial instruments are classified as follows:

<b><u>Financial Assets</u></b>	<b><u>IFRS 9 Classification</u></b>
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
<b><u>Financial Liabilities</u></b>	
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Payable to non-controlling interest	Amortized cost
Term loan	Amortized cost

### **Measurement**

#### *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

#### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in the statement of loss and comprehensive loss.

## **IMPAIRMENT OF FINANCIAL ASSETS AT AMORTIZED COST**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## **DERECOGNITION**

### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other loss and comprehensive loss.

### *Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

## **IMPAIRMENT**

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in the statement of loss and comprehensive loss for the year.

## **SHARE CAPITAL**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Preferred share capital is classified as equity if it is non-redeemable, or retractable only at the Company's options and any dividends are discretionary.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares, if available, on the appropriate stock exchange on the date of the agreement to issue or receive shares.

The proceeds from the exercise of share options and warrants and issuance of shares from treasury are recorded as share capital in the amount for which the option, warrant, or treasury share enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date the shares are issued.

The proceeds from the issue of units consisting of a common share and a share purchase warrant is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market closing price, if available, on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes Option Pricing Model.

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In the event there is a change to the warrant terms (price or exercise date), no change is made to the initial value recognized for the warrant.

When warrants expire, contributed surplus is reduced by the initial recorded value of the warrants.

### **REVENUE RECOGNITION**

Revenue is measured at the fair value of consideration received or receivable, net of returns and discounts.

**Hemp Product Sales (Legacy Operations):** Revenue from the sale of hemp products is recognized when control of the goods passes to the customer, generally upon delivery, at which point the customer has accepted the goods and collection is probable.

**Carbon Credit Revenue (Current Strategic Focus):** The Company is developing a nature-based carbon credit platform through Hemp Carbon Standard Inc. Revenue from the sale of carbon credits will be recognized when control of the credits is transferred to the purchaser and all performance obligations under IFRS 15 have been satisfied.

### **SHARE-BASED PAYMENT TRANSACTIONS**

The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

When share options expire, reserves are reduced by the initial recorded value of the share options.

### **INCOME TAXES**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

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Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**LOSS PER SHARE**

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the loss attributable to common shareholders after preferred share dividends of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) do not have to be early adopted in the current period.

The Company will adopt these amendments as of their effective dates and is currently assessing their impacts on adoption. There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the financial statements once adopted.

IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1. Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

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

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant judgments, estimates and assumptions considered by management in preparing the financial statements include:

**IMPAIRMENT OF NON-FINANCIAL ASSETS**

The Company assesses non-financial assets, including intangible assets, for indicators of impairment and determines recoverable amounts using value-in-use or fair value less costs of disposal. These assessments require significant estimates of future cash flows, discount rates, and market conditions. The determination of recoverable amounts is inherently uncertain and may change materially as new information becomes available.

**DERECOGNITION AND VALUATION OF ASSETS SEIZED BY FCC**

During the year, FCC enforced its security over substantially all of the Company's processing equipment (Note 13). Management exercised significant judgment in determining when control of the assets transferred to FCC and the estimated recoverable value used to measure the resulting loss on derecognition. Because FCC's liquidation process remained ongoing at year-end, the recoverable value and final loan balance involve estimation uncertainty.

## **CONTINGENCIES**

The assessment of contingencies, which may include potential claims, regulatory actions, or obligations arising from past events, requires judgment regarding the likelihood of future outcomes. The Company evaluates contingencies based on the best information available at the reporting date; however, actual results may differ.

## **AMORTIZATION AND USEFUL LIVES OF INTANGIBLE ASSETS**

The useful lives of intangible assets, including those related to the Company's carbon credit platform and software, are estimated based on expected usage, technological developments, and industry trends. Changes in these estimates may materially affect amortization expense and carrying values.

## **SHARE-BASED PAYMENTS**

The fair value of stock options and other equity-settled share-based payments is estimated using the Black-Scholes option pricing model. This requires management to estimate future volatility, expected life of the options, risk-free rates, and expected forfeiture rates. These estimates involve significant judgment and may differ from actual outcomes.

## **INCOME TAXES**

The recognition of deferred tax assets requires judgment regarding the probability that future taxable profits will be available against which deductible temporary differences can be utilized. Estimation uncertainty arises due to the Company's loss history, the restructuring of operations, and the early-stage nature of the carbon credit platform.

## **DISCOUNT RATE FOR LEASE LIABILITIES**

The discount rate applied in measuring lease liabilities is based on the Company's incremental borrowing rate at the commencement of the lease, which requires judgment in assessing market-based borrowing rates for similar terms and security. Changes in the discount rate may materially impact the measurement of lease liabilities and related right-of-use assets.

## **ASSETS CLASSIFIED AS HELD FOR SALE**

The Company classifies assets as held for sale when it expects to recover their carrying amounts through the sale of the assets. To meet the criteria to be classified as held for sale, the sale must be highly probable, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets at the lower of their carrying amount and the fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and loss on measurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying assets as held for sale, the Company presents these assets and the associated liability as a single amount on the consolidated statement of financial position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted or amortized.

During the year ended September 30, 2025, the Company decided to divest of its HPI business and classified the HPI assets and liabilities as held for sale.

## **5. REVERSE TAKEOVER**

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

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

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

As a result of the completion of the Qualifying Transaction, the former shareholders of Hempalta acquired 71% of the outstanding common shares of TBV, and, for accounting purposes, are considered to have acquired control of TBV. Accordingly, the Qualifying Transaction constitutes a reverse acquisition of TBV by Hempalta and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, Share-based Payment, and IFRS 3, Business Combinations. As TBV did not qualify as a business prior to the closing of the Qualifying Transaction according to the definition in IFRS 3, this reverse acquisition did not constitute a business combination; rather it was treated as an issuance of shares by Hempalta for the net assets of TBV. Accordingly, no goodwill was recorded with respect to the transaction.

The transaction was measured at the fair value of the common shares that Hempalta would have had to issue to the shareholders of TBV, being 23,529,413 common shares with a fair value of \$4,000,002, and the fair value of 2,352,941 stock options of TBV with a fair value of \$351,253, to give the shareholders of TBV the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Hempalta acquiring TBV.

The fair value of common shares and stock options issued are estimated based on the financing event which took place concurrently to the reverse takeover transaction at the price of \$0.17 per common share (Note 14).

The purchase price is allocated as follows:

Fair value of TBV shares (23,529,413 common shares) (Note 14)	\$	4,000,002
Fair value of 2,352,941 stock options of TBV outstanding		351,253
<b>Total consideration</b>	<b>\$</b>	<b>4,351,255</b>
Less: fair value of identifiable assets and liabilities acquired		
Cash	\$	2,564,533
Accounts payable and accrued liabilities		(17,267)
<b>Net assets</b>	<b>\$</b>	<b>2,547,266</b>
<b>Listing costs</b>	<b>\$</b>	<b>1,803,989</b>

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## **6. INVENTORY**

Inventory is measured at the lower of cost and net realizable value and consists solely of physical hemp-related materials and finished goods associated with the Company's legacy hemp processing operations.

The carrying amount of inventory is as follows:

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

Cost of inventory is recognized as an expense when sold and is included in cost of goods sold. During the year ended September 30, 2025, the Company expensed \$38,067 (2024 - \$605,673) of inventory to cost of goods sold. During the year ended September 30, 2025, the Company recorded an inventory write-down of \$331,132 (2024 - \$nil) (Note 19). Following the cessation of hemp processing activities during the year, substantially all inventory associated with the Company's legacy operations was sold or written down to net realizable value.

### Carbon Credit Generation (Not Recognized as Inventory)

Through its wholly owned subsidiary, HCS, the Company participates in programs that generate carbon credits from industrial hemp cultivation. Carbon credits are only recognized as assets when the Company obtains control of the credits and when the credits meet the criteria for recognition under IFRS, including:

- Measurability,
- Identifiability, and
- Evidence that future economic benefits will flow to the Company.

As of September 30, 2025, carbon credits generated through the HCS program did not meet the criteria for recognition as inventory or intangible assets, as the credits had not yet reached the stage where control had transferred to the Company in accordance with IFRS.

Accordingly, no carbon credits have been recognized as inventory on the consolidated statement of financial position as September 30, 2025.

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**7. 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
Dispositions	(50,254)	(2,267,269)	(635,875)	(25,000)	(2,978,398)
September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -
<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	168,871	2,621	1,521	176,331
Dispositions	(25,134)	(738,908)	(20,564)	(12,921)	(797,527)
September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net book value</b>					
September 30, 2024	\$ 28,438	\$ 1,697,232	\$ 617,932	\$ 13,600	\$ 2,357,202
September 30, 2025	\$ -	\$ -	\$ -	\$ -	\$ -

**CLOSURE OF PROCESSING OPERATIONS AND DERECOGNITION OF ASSETS**

During the year ended September 30, 2025, the Company completed the wind-down and closure of its hemp processing facility in Calgary as part of its strategic shift toward a carbon-credit-only business model. The facility was fully vacated and decommissioned during the year, and no further hemp processing operations are expected to occur. There were no further decommissioning obligations.

**SEIZURE OF EQUIPMENT BY FARM CREDIT CANADA**

During the year, FCC enforced its security over substantially all of the Company's processing-related property, plant and equipment, including the HempTrain™ system, as described in Note 13. As FCC assumed control of the assets, the Company derecognized the carrying amount of the seized equipment in accordance with IAS 16.

The derecognition resulted in a loss on disposal of \$2,015,450, recorded in profit or loss for the year ended September 30, 2025, included in loss from discontinued operations, representing the difference between the carrying amount of the assets and the estimated recoverable amount based on FCC's liquidation process.

As at September 30, 2025, FCC's liquidation of the seized equipment remained in progress, and no proceeds had yet been applied against the outstanding FCC loan balance.

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**8. RIGHT-OF-USE ASSETS**

During the year ended September 30, 2025, the Company received a lease termination agreement dated April 30, 2025, from the landlord in connection with its Calgary facility lease. The termination fee totalled \$88,784, which was offset by the application of the lease deposit of \$6,484, resulting in a net termination payment of \$82,300 (Note 12).

Depreciation of the right-of-use asset ceased on April 30, 2025, the date on which the lease was terminated. In accordance with IFRS 16, the Company derecognized the right-of-use asset and the related lease liability on the termination date, recognizing any resulting difference in profit or loss.

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

Cost	September 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

**9. 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		(36,267)		(5,000)		(24,845)		-		(66,112)
Impairment		(235,608)		(89,875)		(7,267)		(180,000)		(512,750)
September 30, 2025	\$	-	\$	-	\$	-	\$	-	\$	-

During the year ended September 30, 2025, the Company recorded the following impairment charges:

- Impairment of intangible assets of \$332,750, relating to intellectual property, licences and trademarks associated with hemp processing operations, triggered by the closure of the HPI facility and the cessation of hemp processing activities.

During the year ended September 30, 2024, the Company recorded the following impairment charges:

- Goodwill impairment of \$2,044,062, resulting from the annual impairment test of goodwill recognized on the initial acquisition of HCS. The impairment reflected lower-than-expected early revenues and reduced near-term cash flow projections for HCS at that time.

These impairment charges fully eliminated the goodwill and the processing-related intangible assets existing as at September 30, 2024.

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**2025 ACTIVITY AND REMAINING GOODWILL**

During the year ended September 30, 2025, the Company acquired the remaining 49.9% of HCS, resulting in the recognition of additional goodwill of \$90,000. This goodwill is separate from, and not affected by, the 2024 impairment.

During the year ended September 30, 2025, the Company recorded the following impairment charges:

- Goodwill impairment of \$180,000, resulting from the annual impairment test of goodwill recognized on the acquisition of the balance of HCS. The impairment reflected lower-than-expected early revenues and reduced near-term cash flow projections for HCS at that time.

These impairment charges fully eliminated the goodwill existing as at September 30, 2025.

**OTHER INTANGIBLE ASSETS**

Other intangible assets consist of intellectual property, carbon program rights, and software associated with the HCS platform. All of these intangible assets have been fully impaired.

**10. BUSINESS COMBINATION AND NON-CONTROLLING INTEREST**

On April 30, 2024, the Company acquired the controlling interest of 50.1% of HCS, an Alberta based company engaged in the generation and certification of carbon credits from industrial hemp cultivation.

The acquisition of the HCS strategically aligns with the Company's strategy to transition into a nature-based carbon removal business and expand its participation in the voluntary carbon markets. The transaction 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 fair value of \$0.16 per Share as consideration for 50.1% of the issued and outstanding shares of HCS. The acquisition had a closing date of April 30, 2024.

This acquisition was accounted for using the acquisition method in accordance with IFRS 3. From the acquisition date forward, with the operating results of HCS included in the Company's financial and operating results from the date of acquisition.

<b>Fair value of net assets acquired, and liabilities assumed</b>	
Accounts payable	\$ (123,750)
Payable to non-controlling interest	(10,312)
	<u>\$ (134,062)</u>
<b>Consideration</b>	
Issuance of 12,500,000 common shares (Note 14)	\$ 2,000,000
Goodwill (Note 9)	\$ 2,134,062

The following qualitative factors make up the goodwill and the rationale for the acquisition of HCS:

- Accelerated adoption of hemp-based carbon removal practices.
- Expansion of recurring revenue streams from carbon credit sales.
- Enhanced sustainability positioning and market leadership.
- Strengthened influence over standards for hemp-based carbon sequestration; and
- Deepened partnerships with industrial hemp farmers.

Climafi retained a 49.9% NCI in HCS as of September 30, 2024, representing both economic interest and voting rights. As at that date, the Company recorded a long-term payable of \$190,726 owing to Climafi, with no interest and no fixed terms of repayment.

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During the year ended September 30, 2025, the Company acquired the remaining 49.9% interest in HCS for cash consideration of \$90,000, thereby obtaining full ownership of HCS.

As part of this transaction, amounts owing from HCS to Climafi were assigned to the Company and subsequently settled, resulting in the elimination of the payable previously recorded. A gain on debt settlement of \$230,589 was recorded on the statement s of loss and comprehensive loss for this debt settlement as part of loss from discontinued operations. As at September 30, 2025, the long-term payable to Climafi was \$nil (2024 – \$190,726).

The acquisition of the additional interest was accounted for as an equity transaction in accordance with IFRS 10, as control had already been obtained in 2024. No gain or loss was recognized in profit or loss, and the difference between the consideration paid and the carrying amount of the NCI was recorded in equity.

**Ownership Summary**

<b>Period</b>	<b>Company Ownership</b>	<b>Climafi Ownership</b>
As at September 30, 2024	50.1%	49.9%
As at September 30, 2025	<b>100%</b>	0%
		<b>Climafi NCI Ownership</b>
Hemp Carbon Standard Inc.		49.9%
		September 30, 2024
<b>Net loss and comprehensive loss</b>		\$ (109,380)
Total loss and comprehensive loss attributable to NCI		(54,581)
Accumulated deficit allocated to NCI		-
<b>Total non-controlling interest</b>		\$ (54,581)
Current assets		\$ 16,551
Current liabilities		(364)
Non-current liabilities		(194,602)
<b>Net assets</b>		\$ (178,415)
Cash flows used in operating activities		\$ (231,851)
Cash flows provided by financing activities		248,402
<b>Net increase in cash</b>		\$ 16,551

**11. TERM LOAN AND PAYABLE TO SHAREHOLDER**

During the year ended September 30, 2025, major shareholders Darren Bondar and Prairie Merchant Corporation (collectively, the “Lenders”) advanced a one-year term loan of \$325,000 to the Company at an annual interest rate of 12% (the “Loan”). In connection with the Loan, the Company issued an aggregate of 5,416,667 common share purchase warrants (the “Warrants”) as a loan bonus. The Warrants are exercisable for a period of one year at an exercise price of \$0.06 per share and are subject to a four-month statutory hold period under applicable Canadian securities laws.

The fair value of the warrants granted was determined using the residual value method. Since the discount rate is same as the coupon rate, a residual value of \$nil was allocated to the warrants.

The Loan is subsequently measured at amortized cost using the effective interest method.

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During the year ended September 30, 2025, Darren Bondar advanced an additional \$117,600 to the Company, and was recorded as payable to shareholder on the statement of financial position.

An additional \$138,000 representing unpaid severance owing to Mr. Bondar, is recorded in accounts payable.

All amounts bear interest at 12% per annum and are secured.

Interest expense of \$22,652 (2024 – \$nil) was accrued during the year on the outstanding loan balance. Of this amount, \$11,795 has been unpaid and is recorded in accounts payable and accrued liabilities on the statement of financial position.

As of September 30, 2025, the full amount of the term loan and payable to shareholder was classified as a current liability, as the loan matures within one year of issuance.

## **12. LEASE LIABILITIES**

The Company recognizes lease liabilities for right-of-use (“ROU”) assets in accordance with IFRS 16. Lease liabilities represent the present value of future lease payments discounted using the Company’s incremental borrowing rate of 4.554%.

### **ORIGINAL LEASE ARRANGEMENT**

As part of the acquisition completed on December 30, 2021, the Company assumed the lease for its Calgary processing facility. The lease was originally set to expire in February 2026, with an option to renew for an additional five-year term.

Effective June 1, 2023, the Company executed an amendment extending the lease for a further five-year term, extending the contractual term through May 2031.

### **LEASE TERMINATION – APRIL 30, 2025**

Following the strategic wind-down of hemp processing operations, the Company entered into a formal lease termination agreement with the landlord dated April 30, 2025. The termination fee was \$88,784, offset by the landlord’s application of the Company’s lease deposit of \$6,484, resulting in a net cash payment of \$82,300 to terminate the lease.

Upon termination, the Company: Derecognized the right-of-use asset, derecognized the corresponding lease liability, and recognized the resulting loss on termination within profit or loss for the year ended September 30, 2025 (Note 8).

A reconciliation of the lease liabilities is as follows:

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

Following termination of the lease, the Company had no remaining lease liabilities as at September 30, 2025.

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**13. LONG-TERM DEBT**

**CREDIT FACILITY WITH FARM CREDIT CANADA**

The Company, through its wholly owned subsidiary HPI, previously maintained a credit facility with FCC in the amount of \$1,000,000 (the “FCC Facility”). The FCC Facility had a five-year term maturing December 1, 2026 and initially required interest-only payments until January 1, 2023, followed by blended monthly payments of \$18,669 thereafter. Borrowings under the FCC Facility bore interest at 4.554% per annum.

The FCC Facility was secured by:

- substantially all machinery and processing equipment of the Company (net book value at September 30, 2024: \$1,697,232)
- a \$500,000 personal guarantee from the Company’s Chief Executive Officer

The proceeds of the FCC Facility were used to finance the acquisition and installation of processing equipment at the Company’s former Calgary facility.

**PAYMENT ADJUSTMENT (2024–2025)**

During the quarter ended December 31, 2024, FCC adjusted the required payments to interest-only for the period January 2024 through June 2025, deferring principal repayment during that period.

**NOTICE OF DEFAULT AND SEIZURE OF ASSETS**

During the year ended September 30, 2025, following the Company’s decision to wind down hemp processing operations and close the Calgary facility, HPI received a Notice of Default from FCC. The default arose from:

- cessation of processing operations
- material adverse change provisions
- breach of operating covenants

No monetary payment default had occurred at the time of the notice.

As a result of the default:

- the full outstanding loan balance became current, and
- FCC assumed possession of substantially all processing equipment securing the loan (Note 7).

FCC initiated liquidation proceedings to apply net proceeds against the loan balance. As at September 30, 2025, the liquidation process remained in progress, and the final amount recoverable was not yet determinable.

The changes in the credit facility are as follows:

	September 30, 2025	September 30, 2024
Beginning balance	\$ 678,106	\$ 867,464
Interest and fees	47,708	34,669
Payments made	(99,507)	(224,027)
Ending balance	\$ 626,307	\$ 678,106
Current portion of long-term debt	626,307	197,473
Long-term portion of long-term debt	-	480,633
	\$ 626,307	\$ 678,106

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## **14. 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 common shares outstanding 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 September 30, 2025 and 2024	94,944,176	\$ 12,089,456

### **SHARE CAPITAL TRANSACTIONS**

#### **Private Placement – December 8, 2023**

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

#### **Subscription Receipt Financing – January 19, 2024 (HPI)**

On January 19, 2024, HPI completed a brokered private placement of 6,649,821 subscription receipts (“Subscription Receipts”) as part of its qualifying transaction process.

In connection with the financing, HPI:

- Paid the Agent a \$25,000 corporate finance fee
- Issued 176,470 Subscription Receipts to the Agent as an additional corporate finance fee
- Issued 154,859 Broker Warrants exercisable at \$0.17 per share
- Paid \$20,376 in cash commissions upon the escrow release
- Paid the Agent’s related expenses

Upon satisfaction of the escrow release conditions, each of the 6,649,821 Subscription Receipts automatically converted into one HPI common share (the “Escrow Release”). These HPI shares were subsequently exchanged for TBV Shares on a 1:1 basis upon completion of the Transaction (Note 5).

#### **Acquisition of Controlling Interest in HCS – April 30, 2024**

During the year ended September 30, 2024, the Company issued 12,500,000 common shares at a fair value of \$0.16 per share as consideration for acquiring 50.1% of HCS.

Further details of this business combination are provided in Note 10.

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**SHARE PURCHASE WARRANTS**

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

	September 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)	-	-
Expired July 31, 2025	(625,000)	(\$0.20)	-	-
Expired August 8, 2028	(80,000)	(\$0.15)	-	-
Expired September 30, 2025	(100,000)	(\$0.16)	-	-
Issued March 10, 2025	5,416,667	\$0.06	-	-
Warrants outstanding, ending balance	6,928,490	\$0.07	2,784,823	\$0.14

**BROKER WARRANTS – JANUARY 19, 2024**

On January 19, 2024, in connection with the Subscription Receipt Financing completed by, the Company issued 154,859 Broker Warrants. Each Broker Warrant is exercisable into one common share at an exercise price of \$0.17 per share and expires on January 19, 2026.

These warrants were issued as part of the financing compensation paid to the Agent.

The fair value of the warrants granted was determined using the Black-Scholes Option Pricing Model assuming volatility of 100%, risk-free rate of 4.00%, expected life of 2 years, and no expected dividends or forfeitures.

**LOAN BONUS WARRANTS – MARCH 2025**

During the year ended September 30, 2025, major shareholders Darren Bondar and Prairie Merchant Corporation advanced a one-year term loan totaling \$325,000 at an interest rate of 12% (Note 11). As consideration for advancing the Loan, the Company issued 5,416,667 common share purchase warrants (the "Loan Bonus Warrants").

The Loan Bonus Warrants are exercisable at \$0.06 per share, expire one year from the date of issuance.

The fair value of the warrants granted was determined using the residual value method. Since the discount rate is same as the coupon rate, a residual value of \$nil was allocated to the warrants.

**EXPIRED WARRANTS**

During the year ended September 30, 2025, the following warrants expired unexercised and out-of-the-money:

- 468,000 warrants at an exercise price of \$0.10
- 625,000 warrants at an exercise price of \$0.20
- 80,000 warrants at an exercise price of \$0.15
- 100,000 warrants at an exercise price of \$0.16

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As at September 30, 2025, the Company's outstanding warrants consist of:

Expiry date	Exercise price	Remaining life (years)	Number of warrants outstanding	Number of warrants exercisable
January 19, 2026	\$0.17	0.30	154,859	154,859
January 25, 2026	\$0.15	0.32	150,000	150,000
March 10, 2026	\$0.06	0.44	5,416,667	5,416,667
June 27, 2027	\$0.10	1.74	1,000,000	1,000,000
November 9, 2027	\$0.15	2.11	206,964	206,964
	\$0.07	0.67	6,928,490	6,928,490

**STOCK OPTIONS**

The Company has adopted an incentive stock option plan (the "Option Plan") under which the Board of Directors may grant stock options to directors, officers, employees, and consultants of the Company. The maximum number of common shares reserved for issuance under the Option Plan must not exceed 10% of the Company's issued and outstanding common shares at the time of grant. Options granted under the Option Plan are non-transferable. Option Grants

**OCTOBER 3, 2023 – HPI GRANT**

On October 3, 2023, HPI granted 325,000 stock options to an employee, exercisable at \$0.16 per share, expiring October 3, 2028. The options vest over 36 months, with 25% vesting on the grant date, and the remaining 75% vesting in three equal annual instalments. Following the reverse takeover on March 19, 2024, these options were exchanged for options of the Company on a 1:1 basis.

The fair value of the options granted was determined using the Black-Scholes Option Pricing Model assuming volatility of 100%, risk-free rate of 2.88%, expected life of 5 years, and no expected dividends or forfeitures.

**JUNE 24, 2024 – COMPANY GRANT**

On June 24, 2024, the Company granted 1,825,000 stock options to employees, exercisable at \$0.17 per share, expiring June 20, 2029. The options vest over 36 months, with 25% vesting on the grant date, and the remaining 75% vesting in three equal annual instalments.

The fair value of the warrants granted was determined using the Black-Scholes Option Pricing Model assuming volatility of 100%, risk-free rate of 3.88%, expected life of 3 years, and no expected dividends or forfeitures.

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

	September 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)	\$0.15	(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

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The share options outstanding as at September 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	6.01
January 21, 2022	1,058,823	\$0.17	January 21, 2032	1,058,823	6.31
February 7, 2022	1,450,000	\$0.10	February 7, 2027	1,450,000	1.36
March 9, 2022	250,000	\$0.10	March 9, 2027	250,000	1.44
January 25, 2023	1,400,000	\$0.15	January 25, 2028	1,050,000	2.32
June 24, 2024	1,175,000	\$0.17	June 24, 2029	587,500	3.73
	6,392,647	\$0.13		5,455,147	3.60

**CONTRIBUTED SURPLUS**

The Contributed Surplus account records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be reclassified to share capital.

For the year ended September 30, 2025, the Company recognized share-based compensation on options and warrants of \$87,399 (2024 - \$40,288) in connection with the vesting of stock options.

**15. PRODUCT SALES**

Product sales is composed of the sale of carbon credits and other miscellaneous service fees from HCS operations.

Years ended	September 30, 2025	September 30, 2024
Carbon Credit Revenue	\$ 2,060	\$ 7,776
Brokerage Service Fee	918	3,975
Miscellaneous Revenue	377	-
Product sales	\$ 3,355	\$ 11,751

**16. GENERAL AND ADMINISTRATIVE COSTS**

The following table provides a breakdown of general and administrative expenses for the years ended September 30, 2025 and 2024:

Years ended	September 30, 2025	September 30, 2024
Accounting and legal	\$ 274,260	\$ 202,180
Advertising and marketing	127,073	84,239
Bank service charges	2,086	1,409
Office and sundry	99,475	39,174
Salaries and benefits	559,591	120,136
Travel and business development	8,930	11,768
Gross general and administrative costs	\$ 1,071,415	\$ 458,906

Included in salaries and wages for the year ended September 30, 2025, is a management fee of \$40,000 (2024 – \$120,136) charged by Climafi Limited, which was the non-controlling interest holder of HCS until the Company acquired the remaining interest during 2025 (Note 10).

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## **17. GOVERNMENT GRANT**

During the year ended September 30, 2025, the Company received \$Nil (2024 -\$13,634), in government grant funding under the Alberta Government Jobs Now Program. This grant program provides reimbursement for up to 25% of eligible salary costs for new hires during the first 52 weeks of their employment.

Grant amounts are recognized in income when there is reasonable assurance that the Company has complied with the conditions of the program and that the grant will be received.

## **18. RELATED PARTY TRANSACTIONS**

### **KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel include directors and officers of the Company who have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly.

Compensation to key management personnel for the years ended September 30, 2025 and 2024 is summarized as follows:

Expenses related to key management personnel are comprised of:

<u>Years ended</u>	<u>September 30, 2025</u>		<u>September 30, 2024</u>	
Salaries and benefits	\$	348,951	\$	219,000
Share-based compensation		56,025		45,262
	\$	404,976	\$	264,262

### **SEVERANCE**

Included in salaries and benefits for the year ended September 30, 2025 is \$138,000 (2024 – \$Nil) of severance owing to the Chief Executive Officer of Hemp Carbon Standard Inc. (“HCS”), relating to his termination of employment during the year. This amount is recorded in accounts payable and accrued liabilities and (Note 11).

Also included in accounts payable and accrued liabilities is \$30,916 (2024 – \$Nil) owing to the executive officers and former directors of the Company for reimbursable expenses.

### **LOANS FROM KEY MANAGEMENT PERSONNEL**

During the quarter ended March 31, 2025, major shareholders Darren Bondar and Prairie Merchant Corporation (together, the “Lenders”) advanced a one-year term loan of \$325,000 at 12% interest to provide additional working capital to the Company (Note 11). In connection with this loan, the Company issued 5,416,667 common share purchase warrants as a loan bonus. The warrants are exercisable at \$0.06 per share for one year and are subject to a statutory hold period. The loan and warrants are subject to TSX Venture Exchange approval.

The fair value of the warrants granted was determined using the residual value method. Since the discount rate is same as the coupon rate, a residual value of \$nil was allocated to the warrants.

During the year ended September 30, 2025, Darren Bondar advanced an additional \$117,600 to the Company, and was recorded as payable to shareholder on the statement of financial position.

Interest expense of \$22,652 (2024 – \$Nil) was accrued on the outstanding loan balance during the year. Of this amount, \$11,795 has been unpaid and is recorded in accounts payable and accrued liabilities on the statement of financial position.

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**19. SEGMENTED INFORMATION AND DISCONTINUED OPERATIONS**

In accordance with IFRS 8 – Operating Segments, 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;
- has operating results that are regularly reviewed by the Company’s CEO for purposes of allocating resources and assessing performance; and for which separate financial information is available.

For the year ended September 30, 2025, the Company has determined that it has one reportable operating segment, being HPI, which encompassed all revenue-generating activities during the period. Although the Company began expanding its carbon credit operations through HCS during the year, HCS did not meet the quantitative thresholds or operational criteria required for separate reportable segment disclosure under IFRS 8.

The “Corporate and Other” category includes:

- corporate-level general and administrative costs,
- non-operating assets and liabilities, and the early-stage activities of HCS, which had not yet become a separately reportable segment during the fiscal year.

Revenue presented below represents revenue earned from external customers. The accounting policies for segment reporting are consistent with those applied in the consolidated financial statements.

During the year ended September 30, 2025, the Company decided to wind down hemp processing operations and close the Calgary facility. HPI then received a Notice of Default from FC, and FCC assumed possession of substantially all processing equipment securing the loan (Note 7).

As a result, HPI was identified as discontinued operations. The statements of loss and comprehensive loss have been prepared with HPI as a discontinued operation for 2025 and the 2024 statement has been restated.

<b>Year ended September 30, 2025</b>	<b>HPI</b>		<b>Others</b>		<b>Total</b>
PRODUCT SALES	\$	202,047	\$	3,355	\$ 205,402
COST OF SALES		243,554		1,526	245,080
<b>GROSS PROFIT (LOSS)</b>		<b>(41,507)</b>		<b>1,829</b>	<b>(39,678)</b>
<b>EXPENSES</b>					
Amortization		330,850		-	330,850
Financing costs		71,342		26,091	97,433
General and administrative costs		561,230		1,071,415	1,632,645
Writedown of inventory		331,132		-	331,132
Share based compensation		-		87,399	87,399
		1,294,554		1,184,905	2,479,459
<b>OTHER INCOME (EXPENSES)</b>					
Other income		6,067		2,911	8,978
Loss on asset disposal		(2,015,450)		-	(2,015,450)
Impairment of intangible assets		(332,750)		(180,000)	(512,750)
Gain on debt settlement		-		230,589	230,589
<b>Net loss and comprehensive loss</b>	\$	<b>(3,678,194)</b>	\$	<b>(1,129,576)</b>	\$ <b>(4,807,770)</b>

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Year ended September 30, 2024	HPI	Others	Total
PRODUCT SALES	\$ 527,976	\$ 11,751	\$ 539,727
COST OF SALES	885,204	-	885,204
GROSS PROFIT (LOSS)	(357,228)	11,751	(345,477)
EXPENSES			
Amortization	430,797	-	430,797
Financing costs	139,986	-	139,986
General and administrative costs	1,215,855	458,906	1,674,761
Share based compensation	101,773	40,288	142,061
	1,888,411	499,194	2,387,605
OTHER INCOME (EXPENSES)			
Other income	19,765	50,676	70,441
Government grant	13,634	-	13,634
Goodwill impairment	-	(2,044,062)	(2,044,062)
Listing costs	-	(1,803,989)	(1,803,989)
Net loss and comprehensive loss	\$ (2,212,240)	\$ (4,284,818)	\$ (6,497,058)

**Assets and liabilities held for sale**

As at September 30, 2025, the assets and liabilities held for sale of HPI was stated at carrying value and are comprised of the following assets and liabilities:

September 30, 2025

**Assets**

Cash and cash equivalents	\$ 2,591
Accounts receivable	1,293
Assets held for sale	\$ 3,884

**Liabilities**

Accounts payable	28,678
Current portion of long-term debt	626,307
Liabilities held for sale	\$ 654,985

A summary of the Company's cash flows from discontinued operations for the years ended September 30, 2025 and 2024 is as follows:

	September 30, 2025	September 30, 2024
Cash provided by (used in) the following activities		
Cash used in operating activities	\$ 9,659	\$ 888,596
Cash used in investing activities	\$ 128,784	\$ (657,595)
Cash used in financing activities	\$ (211,507)	\$ (716,027)

## **20. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to maintain a capital structure that will allow it to continue as a going concern, support the development and scaling of its operations, and maximize shareholder value. The Company defines capital as shareholders' equity, long-term debt, lease obligations, and other interest-bearing liabilities.

The Company's capital management strategy is focused on preserving liquidity, maintaining financial flexibility, and securing the resources required to advance its carbon credit business following the wind-down of its legacy processing operations. The Company is dependent on external financing to fund its activities and continues to evaluate various sources of capital, including equity issuances, strategic partnerships, and project-based funding.

During the year ended September 30, 2025, the Company took several steps to manage its capital structure, including:

- the shutdown of its processing facility and termination of its facility lease to significantly reduce fixed operating costs;
- receipt of a notice of default from Farm Credit Canada ("FCC") on its long-term debt, resulting in the reclassification of the FCC loan to current liabilities (Note 13);
- the seizure and ongoing liquidation of processing equipment by FCC, the proceeds of which will reduce the outstanding loan balance; and
- the advancement of funds from major shareholders under a 12% term loan to support working capital needs (Note 11).

Looking forward, the Company intends to manage its capital through:

- pursuing equity financing via private placement;
- generating revenue from carbon credit sales under the Hemp Carbon Standard; and
- assessing additional strategic funding opportunities to advance its nature-based carbon platform.

The Board of Directors reviews the Company's capital structure on a regular basis and considers it appropriate given the Company's size, current stage of development, and ongoing transition in business focus. There were no externally imposed capital requirements as at September 30, 2025.

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

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

### **FAIR VALUE MEASUREMENT**

IFRS 13. Fair value measurement establishes a fair value hierarchy that reflects the significance of the inputs in making the fair value measurements. The fair value hierarchy has three following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derive from prices) and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's financial instruments include cash, accounts receivable, and accounts payable and accrued liabilities. The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates its fair value due to the relatively short period of maturity of the instrument.

The Company does not have any financial instruments measured using Level 3 inputs as at September 30, 2025.

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**RISK MANAGEMENT**

The Company is exposed to credit risk, liquidity risk, market risk, and interest rate risk through its financial instruments. The Company's Board of Directors oversees risk management policies, which are designed to identify and evaluate financial risks, set risk tolerance levels, and monitor risk exposures.

**CREDIT RISK**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations. The Company's accounts receivable primarily relate to carbon credit customers and legacy hemp product customers. Credit risk is mitigated through the Company's collection practices and the short-term nature of receivables.

The Company assesses expected credit losses using historical and forward-looking information.

As of September 30, 2025, credit risk is considered low.

**LIQUIDITY RISK**

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations as they fall due.

Liquidity risk is elevated due to:

- the FCC notice of default and seizure of processing equipment (Note 13),
- the classification of the full FCC loan balance as current,
- ongoing operating losses, and
- the need for external financing to support carbon credit operations.

To manage liquidity, the Company has:

- reduced fixed costs by shutting down its processing operations,
- terminated its facility lease,
- obtained related-party loans to support working capital, and
- initiated a private placement financing to raise additional capital.

The Company's ability to continue as a going concern is dependent on securing sufficient financing (Note 1).

**MARKET RISK**

Market risk includes exposure to foreign currency risk and interest rate risk.

**FOREIGN CURRENCY RISK**

The Company conducts substantially all of its transactions in Canadian dollars. Exposure to foreign currency risk is minimal.

**INTEREST RATE RISK**

Interest rate risk arises from changes in interest rates that may affect the fair value or future cash flows of financial instruments.

- The FCC Facility bears interest at a fixed rate of 4.554%, reducing exposure to variable-rate risk.
- Related-party loans bear a fixed rate of 12%.

Accordingly, the Company's interest rate risk is considered low.

**OTHER PRICE RISK**

The Company has no financial instruments linked to equity or commodity prices.

Exposure to other price risk is nil.

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The table below summarizes the Company's contractual obligations as at September 30, 2025:

September 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 <sup>(1)</sup>	Yes-Liability	\$ 458,754	\$458,754	\$ -	\$ -	\$ -
Current portion of debt	Yes-Liability	\$ 626,307	\$626,307	\$ -	\$ -	\$ -
Term loan	Yes-Liability	\$ 325,000	\$325,000	\$ -	\$ -	\$ -
Payable to shareholder	Yes-Liability	\$ 117,600	\$117,600	\$ -	\$ -	\$ -
Contractual obligations	Yes-Liability	\$ 4,004	\$ -	\$ -	\$ -	\$ 4,004
Interest payable on term loan <sup>(2)</sup>	Yes-Liability	\$ 11,795	\$ 11,795	\$ -	\$ -	\$ -
<b>September 30, 2024</b>						
Accounts payable and accrued liabilities <sup>(1)</sup>	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
Contractual obligations	Yes-Liability	\$ 3,876	\$ -	\$ -	\$ -	\$ 3,876
Interest payable on long term debt <sup>(2)</sup>	No	\$ 46,891	\$ 26,553	\$ 20,338	\$ -	\$ -

1) Excludes interest payable on debt

2) Excludes interest payable on lease liabilities, included within accounts payable and accrued liabilities

## 22. DEFERRED TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	September 30, 2025	September 30, 2024
Loss for the year	\$ (4,807,770)	\$ (6,497,058)
Tax rate	23%	23%
Expected income tax (recovery)	(1,106,000)	(1,494,323)
Permanent differences	62,000	878,103
Adjustment to prior years provision versus statutory tax return	(199,000)	-
Change in unrecognized deductible temporary differences	1,243,000	616,220
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	September 30, 2025	September 30, 2024
Deferred tax assets (liabilities)		
Property and equipment	157,000	(393,984)
Right-of-use assets/Lease liability	-	8,064
Share issue costs	70,000	(93,387)
Intangible assets	117,000	22,398
Non-capital losses	2,199,000	1,757,378
	2,543,000	1,300,469
Unrecognized deferred tax assets	(2,543,000)	(1,300,469)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

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The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	September 30, 2025	Expiry Date Range	September 30, 2024	Expiry Date Range
Share issue costs	\$ 305,000	2046 to 2048	\$ 406,029	2045 to 2048
Property and equipment	\$ 684,000	No expiry date	\$ 644,229	No expiry date
Intangible assets	\$ 510,000	No expiry date	\$ 496,243	No expiry date
Non-capital losses	\$ 9,564,000	2042 to 2045	\$ 7,640,776	2042 to 2044
Canada	\$ 9,564,000	2042 to 2045	\$ 7,640,776	2042 to 2044

Tax attributes are subject to review, and potential adjustment, by tax authorities.

### **23. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 28, 2026, the date these consolidated financial statements were approved for issuance, and has identified the following material subsequent events:

#### **PRIVATE PLACEMENT FINANCING ANNOUNCED**

On January 2, 2026, the Company completed the first tranche of its non-brokered private placement, raising \$100,000 in gross proceeds. The private placement consists of units priced at \$0.02 per unit, with each unit comprised of one (1) common share of the Company and one-half (½) of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.05 for a period of 24 months from the date of issuance, provided that if the closing price of the Company's common shares equals or exceeds \$0.20 for five (5) consecutive trading days, the Company may, at its option, accelerate the expiry of the warrants by providing notice to holders, in which case the warrants will expire 30 days from the date of such notice.

#### **SHARES FOR DEBT TRANSACTION**

On December 23, 2025, the Company settled \$240,697 of debt through a shares-for-debt settlement transaction. Pursuant to the settlement, the Company issued 12,034,843 common shares at a fair value of \$0.02 per share in full and final settlement of such indebtedness.

#### **ISSUANCE OF OPTIONS**

The Company has granted an aggregate of 6,000,000 stock options, of which 5,000,000 were issued to directors and officers. All stock options are exercisable at \$0.02 per common share and expire 5 years from the date of grant.

#### **CONSULTANT AND STRATEGIC ADVISOR WARRANTS**

On January 2, 2026, the Company announced it has approved the issuance of an aggregate of 1,000,000 common share purchase warrants as compensation for strategic advisory services. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.02 per share for a period of 24 months from the date of issuance. All warrants issued are subject to applicable statutory hold periods and final acceptance of the TSX Venture Exchange.



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