ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEAR END
DECEMBER 31, 2019

"purification for the energy and biomass industries"

KASE FARMA

Independent Auditor's Report

To the Shareholders of HTC Purenergy Inc.:

Opinion

We have audited the consolidated financial statements of HTC Purenergy Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of loss, loss and other comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Corporation 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 is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 3, 2019.

Other Information

Management is responsible for the other information. The other information comprises 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 on this other information, 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 International Financial Reporting 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 Corporation 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.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montréal, Québec

MNP SENCRL, srl [1]

June 13, 2020

[1] FCPA auditor, FCA, public accountancy permit no. A122514

To the Shareholders of HTC Purenergy Inc.
dba HTC Extraction Systems
(“HTC” or the “Corporation”)

Management’s Accountability for Management’s Discussion and Analysis and Financial Statements

The audited annual consolidated financial statements for the year ending December 31, 2019 (“**Financial Statements**”) have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management’s discussion and analysis for the year ending December 31, 2019 (“**MD&A**”) and reflect **HTC** business transactions and financial position.

Management is also responsible for the information disclosed in the MD&A, including responsibility for the existence of appropriate information systems, procedures and controls, to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation’s assets are appropriately accounted for and adequately safeguarded. Management has concluded that the Corporation’s system of internal control over financial reporting was effective as at December 31, 2019.

The board of directors (“**Board**”) annually appoints an audit committee which includes directors who are not employees of the Corporation. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the interim and annual financial statements, the report of the shareholders' auditors, and the interim and annual management’s discussion and analysis and has delegated authority to approve the interim filings and makes recommendations to the Board regarding annual filings.

Management has reviewed the filings of the Corporation’s MD&A, Financial Statements and attachments thereto. Based on our knowledge, having exercised reasonable diligence, these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the period covered by the annual filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, the financial performance, and cash flows of the Corporation, as of the date of and for the periods presented in the annual filings.

Signed “Lionel Kambeitz”	*Signed “Jeffrey Allison”*
LIONEL KAMBEITZ	**JEFFREY ALLISON**
CHAIRMAN & CEO	**SR. VICE-PRESIDENT & CFO**

Consolidated Statement of Financial Position

(In Canadian dollars)

For the year ended	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Current Assets:			
Cash		$ 5,208,433	$ 1,584,658
Accounts receivable	30	1,655,031	692,509
Other receivables	5, 28	4,005,530	107,437
Government remittances receivable		243,327	381,194
Prepaid expenses and deposits	6	662,040	-
Inventory	9	254,225	373,865
Grain contract assets	7	1,245,203	1,069,677
Investments (FVTPL)	8	93,736	1,182,122
Assets held for sale	19	-	1,763,884
		13,367,525	7,155,346
Noncurrent Deposits	11	3,013,843	-
Property, plant and equipment	12	27,874,459	22,907,625
Right-of-use asset	13	308,627	-
Other receivables – long term	5	6,967	226,948
Loan receivable	10	1,511,991	2,483,942
Product development	14	289,062	370,786
Investment in associate and joint venture	15	-	437,964
Investments (FVTOCI)	16	103,579	187,577
Patents	17	104,850	108,748
Intangible assets	18	158,220	191,526
Total Assets		$46,739,123	$34,070,462
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable and accrued liabilities	28, 30	$ 1,795,076	$ 4,059,980
Deferred guarantee		157,019	162,997
Bank line of credit	21	2,479,679	-
Current portion of lease liability	20	115,693	142,092
Current portion of long-term debt	21	495,102	399,996
		5,042,569	4,765,065
Lease liability	20	419,440	231,980
Long term debt	21	10,733,737	7,433,339
Loan	28	1,159,749	-
		17,355,495	12,430,384
Shareholders' equity:			
Share capital	22	47,979,086	39,159,320
Contributed surplus	23	4,606,214	80,394
Accumulated deficit		(26,762,054)	(21,508,846)
Accumulated other comprehensive gain (loss)	16	(209,951)	(125,953)
Total equity attributable to shareholders of the Corporation		25,613,295	17,604,915
Total equity attributable to non-controlling interest		3,770,333	4,035,163
Total equity		29,383,628	21,640,078
Total liabilities and equity		$46,739,123	$34,070,462

See accompanying notes to the Financial Statements

See Note 34 Commitments

Consolidated Statement of Loss
(In Canadian dollars)

For the year ended December 31	Note	2019	2018
Revenue:			
Engineering, process design & consulting		329,620	-
Fertilizer handling services	4	459,838	78,503
Fertilizer facility rent	4	546,000	318,500
Grain handling services		525,830	35,613
Grain handling storage		277,191	-
Grain handling finance income		113,552	-
Others		163,407	428,808
		2,415,438	861,424
Expenses:			
Amortization		2,253,728	1,056,999
Cost of Sales – Other		121,146	340,605
Commercialization, product development and administration		3,819,885	2,970,261
Interest paid on lease liabilities		14,558	-
Finance costs		307,039	5,084
		6,516,356	4,372,949
Loss from Operations		(4,100,918)	(3,511,525)
Interest and other income		556,437	780,762
Income from disposal of Assets		393,051	22,839
Loss from equity investment in **Assist** (net of tax)	15	-	(100,455)
Income from equity investment in **ClearGSI** (net of tax)	19	-	140,053
Impairment of intangibles	17	-	(1,400,000)
Impairment of investment	18	-	(72,288)
Stock compensation expense	23	(249,762)	-
Severance expense	29	(2,116,846)	-
Loss for the year before tax		(5,518,038)	(4,140,614)
Income tax recovery	24	-	120,981
Net loss for the year		$(5,518,038)	$(4,019,633)
Loss for the year attributable to:			
Shareholders of the Corporation		$(5,253,208)	$(3,741,936)
Non-controlling interest		(264,830)	(277,697)
Net loss for the year		$(5,518,038)	$(4,019,633)
Loss per share – basic and fully diluted		(0.08)	(0.12)

See accompanying notes to the Financial Statements

Consolidated Statement of Loss and Other Comprehensive Loss

(In Canadian dollars)

For the year ended December 31	**Note**	**2019**	**2018**
Net loss for the year		**$(5,518,038)**	**$(4,019,633)**
Other comprehensive loss for the year	16	(83,998)	(31,961)
Total comprehensive loss		**$(5,602,036)**	**$(4,051,594)**

Total comprehensive loss for the year attributable to:		
Shareholders of the Corporation	$(5,337,206)	$(3,773,897)
Non-controlling interest	(264,830)	(277,697)
Net comprehensive loss for the year	$(5,602,036)	$(4,051,594)

See accompanying notes to the Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

(In Canadian dollars, except number of shares)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
					Equity attributable to the shareholders		
Balance at Dec. 31, 2018	**32,413,741**	**$39,159,320**	**$ 80,394**	**$(21,508,846)**	**$(125,953)**	**$4,035,163**	**$21,640,078**
Loss for the year	-	-	-	(5,253,208)	-	(264,830)	(5,518,038)
Shares and warrants issued	68,950,000	8,819,766	4,525,820	-	-	-	13,345,586
Other comprehensive income (loss)	-	-	-	-	(83,998)	-	(83,998)
Balance at Dec. 31, 2019	**101,363,741**	**$47,979,086**	**$4,606,214**	**$(26,762,054)**	**$(209,951)**	**$3,770,333**	**$29,383,628**

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
					Equity attributable to the shareholders		
Balance at Dec. 31, 2017	**30,309,195**	**$39,008,214**	**$766,556**	**$(18,533,466)**	**($93,992)**	**$4,312,860**	**$25,460,172**
Loss for the year	-	-	-	(3,741,936)	-	(277,697)	(4,019,633)
Shares and warrants issued	2,104,546	151,106	80,394	-	-	-	231,500
Options and warrants expired (Note 23)	-	-	(766,556)	766,556	-	-	-
Other comprehensive income (loss)	-	-	-	-	(31,961)	-	(31,961)
Balance at Dec. 31, 2018	**32,413,741**	**$39,159,320**	**$80,394**	**$(21,508,846)**	**$(125,953)**	**$4,035,163**	**$21,640,078**

See accompanying notes to Financial Statements

Consolidated Statement of Cash Flows

(In Canadian dollars)

For the year ended December 31	**Note**	**2019**	**2018**
Cash flows from operating activities:			
Net loss		(5,518,038)	$(4,019,633)
Items not affecting cash:			
Amortization - property, plant and equipment and other	12,14,17,18	2,231,688	1,056,999
Amortization - right-of-use asset	13	22,040	-
Impairment of intangibles	18	-	1,400,000
Impairment on investment		-	72,288
Stock based compensation expense	23	249,762	-
Gain on sale of subsidiaries and assets	19	(370,616)	(22,839)
Fair value adjustment on loan receivable		(28,049)	(153,859)
Other non-cash adjustment to loan receivable		-	(179,038)
Loss on fair value inventory adjustment	9	60,000	-
Unrealized (loss) gain on held-for-trading investments		(37,972)	220,254
Severance expense non-cash	29	500,000	-
Interest income non-cash		(67,103)	-
Interest component on lease liabilities	20	14,558	-
Loss from equity investment in **Assist**	15	-	100,455
Income from equity Investment in **ClearGSI**	19	-	(140,053)
Deferred tax expense		-	(120,981)
Change in working capital and other	26	(2,793,172)	(1,227,988)
		(5,736,902)	(3,014,395)
Cash flows from investing activities:			
Purchase of assets		(10,156,960)	(9,134,977)
Changes in non-cash working capital	26	-	2,713,754
Increase in other receivables	5	(3,531,549)	-
Proceeds from disposal of assets		74,300	130,841
Net change in held-for-trading investments	8	1,126,358	1,281,355
Decrease in loan receivable – long term		1,000,000	500,000
Additions to patents	17	(10,776)	(18,704)
Finance leases received during the year		-	97,778
Amount received from **Assist**	15	437,964	3,806
Amount received from **ClearGSI**	19	2,134,500	-
		(8,926,163)	(4,426,147)
Cash flows from financing activities:			
Cash received from share issuance, net of share issue costs	22	12,595,821	181,037
Loan proceeds		3,395,504	7,833,335
Lease liability repayments		(184,164)	(148,629)
Increase in bank line of credit		2,479,679	-
		18,286,840	7,865,743
Increase in cash during the year		3,623,775	425,201
Cash – beginning of year		1,584,658	1,159,457
Cash – end of year		$5,208,433	$1,584,658

See accompanying notes to the Financial Statements

Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

1. **Operations:**

HTC Purenergy Inc. dba HTC Extraction Systems ("**HTC**" or the "**Corporation**") is incorporated under the *Business Corporations Act* (Alberta) and is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. The annual audited consolidated financial statements for the year ending December 31, 2019 ("**Financial Statements**") include the accounts of the Corporation and its subsidiary companies. All intercompany balances, transactions and unrealized profits and losses are eliminated on consolidation.

With the exception of **HTC's** subsidiary Maxx Group of Companies Corp. ("**Maxx**") (78% owned by **HTC**), **HTC** and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to gas, liquid and biomass extraction, distillation, purification and reclamation.

Maxx and its subsidiaries (together the "**Maxx Group**") provide consulting and logistical support for its subsidiary operations and others, should the opportunity arise. **Maxx** is developing grain and fertilizer handling facilities at Western Canadian rail locations.

2. **Basis of Presentation:**

a) Statement of Compliance with International Financial Reporting Standards ("IFRS"):

These Financial Statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These Financial Statements include the accounts of **HTC** and its subsidiaries. In management's opinion, the Financial Statements include all adjustments necessary to fairly present such information.

These Financial Statements were authorized by the audit committee of the board of directors ("**Board**") for issue and approved by the Board on June 12, 2020.

b) Adoption of New Accounting Standards

The adoption of the following new standards, interpretations and amendments were included in the Financial Statements for the year beginning January 1, 2019.

2. Basis of Presentation (continued from previous page):

IFRS 16 LEASES

IFRS 16 *Leases* ("IFRS 16"), introduced a single, on-balance sheet accounting model for lessees. As a result, the Corporation, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

The Corporation adopted IFRS 16 using the modified retrospective approach on January 1, 2019, and therefore has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in retained earnings at January 1, 2019. There was no adjustment to retained earnings as a result of this change in accounting policy.

The Corporation has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Corporation relied on its assessment made, applying IAS 17 and IFRIC 4. The definition of a lease under IFRS 16 *Leases* was applied only to contracts entered into or changed on or after January 1, 2019.

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as "operating lease" under the principles of IAS 17 *Leases*. The liabilities were measured at the present value of the remaining lease payments, discounted, using the Corporation's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Utilization of hindsight in determining the lease term, where the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases, the Corporation recognized the carrying amount of the lease asset and lease liability immediately before transition, as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

2. Basis of Presentation (continued from previous page):

Accounting policy applicable from January 1, 2019:

At inception of a contract, the Corporation assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Corporation has the right to direct the use of the asset. The Corporation has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is predetermined, the Corporation has the right to direct the use of the asset if either:

    - The Corporation has the right to operate the asset; or

    - The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

i. As a Lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Basis of Presentation (continued from previous page):

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted, using the interest rate implicitly in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payment in an optional renewal period, if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease, unless the Corporation is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss, if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets as a separate line item and related lease liabilities in "lease liability" in the Statement of Financial Position.

ii. As a Lessor

The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as operating expense.

Accounting policy applicable before January 1, 2019:

Leases, where the Corporation assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Other leases are operating leases and not recognized in the Statement of Financial Position.

2. Basis of Presentation (continued from previous page):

Minimum lease payment made under finance leases are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Corporation has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. At lease commencement, it assesses whether it is reasonably certain to exercise any of the extension options based on its expected economic return from the lease. The Corporation periodically reassesses whether it is reasonably certain to exercise the options and accounts for any changes at the date of the reassessment. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and right-of-use assets recognized. The Corporation estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. Certain qualitative and quantitative assumptions are made when deriving the value of the economic incentive.

c) Functional Currency

The Financial Statements are presented in Canadian dollars, which is the Corporation's functional currency.

d) Use of Estimates and Judgment

The preparation of the Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the Financial Statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

2. Basis of Presentation (continued from previous page):

These Financial Statements are based on management's best estimates using information available. Uncertainty regarding the timing of anticipated large-scale market demand for carbon capture technology, related legislative incentives, and uncertainty in financial markets has complicated the estimation process. Accordingly, the inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future periods by a material amount.

Use of estimates and judgment – information about judgment, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are as follows:

Revenue recognition:
The following judgments and estimates are made by management in relation to revenue recognition:

- Judgment on principal versus agent relationship; This impacts whether income amounts are presented on a gross or net basis. It has been determined that PLT acts as an agent for grain sales since the producer has primary responsibility for supplying the grain to the end customer and it has sole discretion for establishing prices, despite the fact that PLT bears inventory risk for a transitory period of time. Accordingly, revenues and expenses are presented on a net basis.
- Judgments in relation to the performance obligations within the contracts with the customers where PLT is responsible for the provision of elevation services, as well as storage and handling services. Performance obligations impact revenue recognition, timing and related disclosures.
- Estimation of the allocation of transaction price to different performance obligations. These estimates impact the revenue and costs associated to the performance obligation (i.e. lease elements of a contract vs contract revenue, etc.).

Investments classification:
As part of the evaluation and identification of significant influence investments, management must exercise judgment based on current information and in the evaluation and applications of the accounting pronouncements. Determination of whether or not an investment should be classified and accordingly accounted for as a subsidiary, significant influence or equity investment has a material impact on the financial statements. Management takes into account all facts and circumstances in concluding the classification of an investment.

2. Basis of Presentation (continued from previous page):

Fair value measurement of financial instruments:
When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow method. The inputs to these models are taken from observable markets where possible.

Business Combinations:
Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of acquired assets, liabilities, goodwill and intangibles changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities, could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

Asset Impairment:
The carrying amounts of the Corporation's non-financial assets, other than inventories which are reviewed regularly, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and compared to the carrying amount of the cash generating unit ("**CGU**") to which the asset belongs. There was no impairment in the current of prior year.

The Corporation's most significant estimates and assumptions involve values associated with determining the recoverable amounts of product development costs, property, plant and equipment, patents, goodwill and intangible assets. These estimates and assumptions include those with respect to future cash inflows and outflows, discount rates, asset lives, and the determination of **CGU**s.

Management is required to use judgment in determining the grouping of assets to identify their **CGU** for the purposes of testing for impairment. **CGU**s are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these **CGU**s was based on management's judgment in regard several factors such as shared infrastructure, and exposure to market risk and materiality.

Estimated useful lives and amortization of property, plant and equipment, product development, patents and intangibles:
Amortization of property, plant and equipment, product development, patents and intangibles are dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

2. Basis of Presentation (continued from previous page):

Inventory Provision:

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

Utilization of Deferred Tax Assets:

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Under this method, deferred income taxes are recognized for the future income tax. In preparing these estimates, management is required to interpret, substantially enacted legislation as well as economic and business conditions along with management's tax and corporate plans which may impact taxable income in future periods. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Due to current circumstances, there is no immediate expectation for utilization of deferred income tax assets based on prior period's results.

Contingencies:

By their nature, contingencies will only be resolved when one of more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Inputs used in Black-Scholes valuation model:

The Corporation utilizes the Black-Scholes valuation model in determining the fair value of stock options and warrants, which requires the Corporation to develop estimates for the various inputs, including term and volatility.

Expected credit losses:

Management determines expected credit losses by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the consolidated statement of financial position date.

2. Basis of Presentation (continued from previous page):

Additional insight to the use of judgment estimates and assumptions are provided in the notes below.

e) Basis of Measurement

The Financial Statements have been prepared on historical cost basis, except for investments which are measured at FVTPL (as described in Note 8), investments measured at FVTOCI (as described in Note 16) and loan receivable - long term which is measured at FVTPL. The methods used to measure fair values are discussed in Note 25.

3. Significant Accounting Policies:

Except as described below, the accounting policies in these Financial Statements are the same as those applied in the Corporation's audited financial statements as at December 31, 2018.

Financial Instruments

Classification and Measurement
Under IFRS 9, the Corporation classifies and measures financial assets based on their contractual cash flow characteristics and the Corporation's business model for the financial asset. All financial assets and financial liabilities, including derivatives, are recognized at fair value on the Consolidated Statements of Financial Position when the Corporation becomes party to the contractual provisions of a financial instrument or non-financial derivative contract. Subsequent to initial recognition, financial assets must be classified and measured at either amortized cost, at fair value through profit or loss ("**FVTPL**"), or at fair value through other comprehensive income ("**FVTOCI**").

The Corporation classifies its financial instruments as follows:

Financial Instrument	**Classification**
Financial assets	
Cash	FVTPL
Accounts receivable	Amortized cost
Other receivables	Amortized cost
Grain contract assets	Amortized cost
Investments at FVTPL	FVTPL
Investments at FVTOCI	FVTOCI
Loan receivable - long term	FVTPL

3. Significant Accounting Policies (continued from previous page):

Financial liabilities	
Bank line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long term debt	Amortized cost
Loan	Amortized cost
Lease liability	Amortized cost

Financial Assets

Impairment of financial assets:
IFRS 9 introduces a new impairment model for financial assets measured at amortized cost as well as certain other instruments. The expected credit loss model requires entities to account for expected credit losses on financial assets, other than financial assets measured at FVTPL or FVTOCI, at the date of initial recognition, and to account for changes in expected credit losses at each reporting date to reflect changes in credit risk. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Corporation's management reviewed and assessed its existing financial assets for impairment using reasonable and supportable information in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized and compared that to the credit risk as at January 1, 2019. The assessment of changes in credit risk resulted in an immaterial impact on the Statements of Financial Position.

Derecognition of financial assets
The Corporation derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement
The Corporation recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Corporation measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement
Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

3. Significant Accounting Policies (continued from previous page):

Derecognition of financial liabilities
The Corporation derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Cash and Cash Equivalents
Cash includes balances in banks and cash on hand. Cash equivalents are comprised of cash and highly liquid investments with a maturity of three months or less from the date of purchase. The Corporation does not presently have any highly liquid investments that would qualify as cash equivalents in the current or previous period.

Basis of Consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. Total comprehensive income is attributed to the shareholders of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

b) Transactions Eliminated on Consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Financial Statements include the accounts of the Corporation and its subsidiaries. As at December 31, 2019, wholly owned subsidiaries include **HTC CO_2 Systems Corp.** (“**HTC CO_2 Systems**”), **Carbon Rx Inc.** and **CO_2 Technologies Pty. Ltd.** The Corporation owns 70% of **Oroverde Genetics Corp.** (“**Oroverde**”) and accounts for this interest using equity accounting. The Corporation owns 78% of **Maxx**. **Maxx** wholly owns **Port LaJord Terminal Corp.** (“**PLT**”), and **PLT Homestead Properties Inc.** (“**PLTHP**”) (collectively referred to as the “**Maxx Group**”). **Maxx** and **Oroverde’s** operations are based in Saskatchewan and their principal place of business is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada.

The Corporation has an 18% interest in **Assist Energy Solutions Corp.** (“**Assist**”) and accounts for this using FVTPL.

Foreign Currency Translation
The Corporation translates monetary assets and liabilities using the rate of exchange at the Financial Statement date and non-monetary assets liabilities using the historical exchange rate at the transaction date. Revenues and expenses are translated using the average exchange rate in effect for the period or year.

3. Significant Accounting Policies (continued from previous page):

Inventory

Inventory is comprised of completed product and is valued at the lower of cost and net realizable value using the specific identification method.

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

Property, Plant and Equipment

The initial cost of an asset is comprised of its purchase price or construction cost, borrowing costs and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the amount paid and the fair value of any other consideration given to acquire the asset. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. Asset values are comprised of cost less accumulated amortization and impairment if required.

Assets are amortized over their estimated useful lives as follows:

Equipment	15% and 30% declining balance
Leasehold improvements	3 years straight-line
Buildings	4% declining balance
Rail	4% declining balance
Roads	8% declining balance

Impairment of Assets

a) Financial Assets

Please see Financial Instruments policy above.

3. Significant Accounting Policies (continued from previous page):

b) Non-Financial and Intangible Assets

The carrying amounts of the Corporation's property, plant and equipment, product development costs, patents and intangible assets having a finite useful life are assessed for impairment indicators on an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets' estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (**CGU**s). Management has identified three CGUs as follows: PLT which services grain and fertilizer contracts, CO2 extraction technology and HTC which mainly relates to hemp operations.

Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life and goodwill are not subject to amortization and are tested for impairment at least on an annual basis or earlier when there is an indication of potential impairment.

Provisions
Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past obligating event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

These provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation as at December 31, 2019. The discount rate used to determine the present value reflects current market assessments of the time value of money. **HTC** performs evaluations to identify onerous contracts and where applicable, records provisions for such contracts.

Patents
Costs associated with registration of patents are accumulated at cost and when registration is complete, amortized on a straight-line basis over 15 years.

3. Significant Accounting Policies (continued from previous page):

Intangible Assets

Identifiable intangible assets, acquired through acquisitions that are subject to amortization, are amortized using the straight-line method over their estimated useful lives of 3 to 20 years.

Research and Development

Research costs are expensed as they are incurred in accordance with specific criteria set out under IFRS. Product development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems, and satisfy certain conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, based on the expected useful life of the completed product. The carrying value of capitalized development costs are examined for recoverability annually.

Costs associated with the development of the LCDesign®, Delta Reclaimer® System, and PDOengine™ have been capitalized in accordance with the specific criteria under IFRS.

Stock-Based Compensation

The Corporation used the fair-value based method of accounting for share-based compensation for all awards of share options granted. The fair value at the grant date of share options is calculated using the Black-Scholes valuation method. Compensation expense is charged to net income (loss) over the vesting period with a corresponding increase to contributed surplus.

The Corporation issues shares and share options under its share-based compensation plans as described in Note 23. Any consideration paid by directors, consultants and employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

Revenue Recognition

The Corporation's revenues from contracts with customers are derived from the following sources:

- Rent revenues;
- Handling services revenues;
- Elevation and other grain handling services;
- Engineering processing design and consulting services; and
- Other revenues.

3. Significant Accounting Policies (continued from previous page):

To determine whether to recognize revenue, the Corporation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the promised goods or services to its customers as follows:

- Rent revenues: over time as storage services are provided;
- Handling services revenues: at a point in time when the service is completed;
- Elevation and other grain handling services: at a point in time when the service is completed;
- Engineering processing design and consulting services: at a point in time when the service is completed; and
- Other revenues: at a point in time when the equipment transfers title and for consulting services, when the consulting service is completed.

Performance Obligations:
Each promised good or service is accounted for separately as a performance obligation, if it is distinct. The Corporation's contracts contain more than one performance obligation.

Transaction Price:
The Corporation allocates the transaction price in the contract to each performance obligation. Transaction price allocated to performance obligations may include variable consideration. Variable consideration is included in the transaction price for each performance obligation when it is highly probable that a significant reversal of the cumulative variable revenue will not occur. Variable consideration is assessed at each reporting period to determine whether the constraint is lifted. The consideration contained in some of the Corporation's contracts with customers has a variable component, and may include both variability in quantity and pricing, such as: revenues can be dependent upon the quantity handled or the number of days any product is stored.

When multiple performance obligations are present in a contract, transaction price is allocated to each performance obligation in an amount that depicts the consideration the Corporation expects to be entitled to, in exchange for transferring the good or

3. Significant Accounting Policies (continued from previous page):

service. The Corporation estimates the amount of the transaction price, to allocate to individual performance obligations, based on their relative standalone selling prices.

Recognition:
The nature, timing of recognition of satisfied performance obligations, and payment terms for the Corporation's goods and services are described below:

Rent revenue relates to renting the fertilizer handling facility to one of its customers. The Corporation has a contract with the customer and has identified a lease embedded within this contract. The Corporation has therefore determined the value of lease component and these revenues are recognized in accordance with IFRS 16 *Leases*.

The residual price is allocated to the handling services, revenues which are recognized over time using a quantity-based output measure, i.e. metric tonnes handled. This contract with the customer is in effect until 2021. Payments are typically received from customers on a monthly basis. Guaranteed minimum payments not related to allocated rental value and not recognized in relation to volume, are reclassified to a deferred revenue category as a deferred guarantee from the customer, with the deferred guarantee amount being recognized partially through the year and any residual recognized at the contract reset period in May of each year. The deferred Guarantee amount is not repayable. Expenses incurred in connection with these contracts and this delay in revenue recognition are expensed in the period incurred.

Revenues from contracts for rendering of services are recognized at point in time when the control on those services is transferred to the customer, which is normally when the product is accepted by the customers and when the performance obligation is fulfilled.

The Corporation recognizes a contract asset or contract liability for contracts where either party has performed. A contract liability is recorded when the Corporation receives consideration before the performance obligations have been satisfied. A contract asset is recorded when the Corporation has rights to consideration for the completion of a performance obligation before it has invoiced the customer. The Corporation recognizes unconditional rights to consideration separately as a receivable. Contract assets and receivables are evaluated at each reporting period to determine whether there is any objective evidence that they are impaired.

The Corporation recognizes a significant financing component where the timing of payment from the customer differs from the Corporation's performance under the contract and where that difference is the result of the Corporation financing the transfer of goods and services. No significant financing components were identified in the Corporation's contracts.

3. Significant Accounting Policies (continued from previous page):

Income Taxes

Income tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method of accounting. Under this method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax basis (temporary differences).

The resulting changes in the net future tax asset or liability are included in income. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are recognized to the extent it is probable that these will be realized in the future.

Borrowing Costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale. Borrowing costs are capitalized into the cost of qualifying assets until they are ready for their intended use or sale.

Interest incurred toward the acquisition and construction of property, plant and equipment is capitalized until such time as the property, plant and equipment are put into productive use.

When the Corporation borrows funds specifically for the acquisition or construction of a qualifying asset, the borrowing costs capitalized are the actual borrowing costs incurred on that borrowing, net of any interest earned on those borrowings. When the funds are borrowed for general purposes, borrowing costs are capitalized using a weighted average of the borrowing costs applicable to all borrowings of the Corporation that are outstanding during the period, other than borrowings made specifically for the acquisition or construction of a specific qualifying asset.

4. Comparative Figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current fiscal year.

5. Other receivables:

a.) Other receivables - current

	Dec. 31, 2019	Dec. 31, 2018
Loan to related party (KLE)	$ 164,003	$ 107,437
Loan to related party (KF Hemp)	3,808,469	-
Funds in Trust	33,058	-
	$ 4,005,530	$ 107,437

b.) Other receivable – long term

	Dec. 31, 2019	Dec. 31, 2018
Loan to related party	$ -	$ 154,475
Other receivables- long term	6,967	72,473
	$ 6,967	$ 226,948

Other current receivables include a related party, short-term loan to Kingsland Energy Corp. ("**KLE**"). The loan is secured with a first charge on property of KLE and is due on demand. Subsequent to December 31, 2019, the loan was settled. See Note 35, Subsequent events.

Current loan to related party represents a short-term loan of $3,808,469 to KF Hemp Corp. ("**KF Hemp**") bearing interest at prime plus 2% due September 30, 2020.

Funds held in trust with Bennett Jones LLP of $33,058 represent amounts advanced in connection with the current year share transaction.

Other long-term receivables are comprised of a $6,967 (December 31, 2018 - $72,473) receivable from the sale of 101059035 Saskatchewan Ltd., doing business as Pinnacle Industrial Services ("**Pinnacle**").

6. Prepaid Expense and Deposits:

Deposits of $662,040 represent an advance payment for the purchase of hemp seeds. These are expected to be received in the next 12 months after December 31, 2019. As these deposits will be converted to inventory within the next 12 months, they are considered current.

7. Grain contract assets:

Grain contract assets relate to consideration paid in advance by the Corporation in relation to its grain handling agreements. Under these agreements, the Corporation stores the products (“**Commodities**”), takes legal title of the Commodities from the farmer (“**Producer**”) and facilitates sales of the Commodities to purchasers (“**Customers**”) with the Producer’s authorization. The Corporation pays 70% of the market price of the Commodity upfront to the Producer, at which point ownership transfers to the Corporation. Once the Commodities are sold to Customers, the Corporation receives consideration for 100% of the Commodities sold and then pays the remaining 30%, less contra-charges for storage and administration fees, to the Producer.

The Corporation acts as an agent on behalf of the Producer, as the Producer authorizes the eventual sale. The amount paid to the Customers/Producer has been recognized as a financial asset, and there is no liability recorded in respect of the 30% liability that results from the grains being delivered. As at December 31, 2019 these balances are collectible, and no impairment has been recognized.

8. Investments at FVTPL:

The Corporation has invested funds in an investment portfolio with RBC Dominion Securities Inc. The Corporation has classified these investments as FVTPL. The securities have been recorded at their trading prices, based on December 31, 2019 and December 31, 2018 quoted prices obtained from over the counter exchanges, and changes in fair value have been accounted for in the Consolidated Statement of Income (Loss).

9. Inventory:

	Dec. 31, 2019	**Dec. 31, 2018**
Finished goods	$ 254,225	$ 373,865

During the year ended December 31, 2019, changes to work in progress, materials, supplies and finished goods recognized as Cost of Sales - Other amounted to $61,146 (December 31, 2018 - $340,605). There were adjustments for net realizable value and obsolescence during the year in the amount of $60,000 (December 31, 2018 – nil).

10. Loan receivable:

Loan receivable amounts are related to the sale of **Pinnacle** (January 1, 2017). Amounts are non-interest bearing until April 30, 2020 at which time interest at a rate of prime plus 0.5% will commence until paid in full. Payment may be made at any time without penalty. The due date for the loan is March 20, 2023. Accordingly, the amounts are classified as long term. As per the agreement, if the loan balance is not settled by March 20, 2023, the Corporation has an option to settle the debt by accepting a certain number of shares in Pinnacle. Due to this feature embedded within the loan agreement, this loan has been classified as a financial asset at FVTPL. Fair value has been determined using a discounted cash flow method with an interest rate of 4.5% per annum and the embedded feature was assessed to have a value of $Nil.

11. Noncurrent Deposits:

Noncurrent Deposits of $3,013,843 represent amounts paid for the deposit of future buildings and equipment that are expected to be converted into property, plant and equipment. The entire December 31, 2019 balance will be converted, cleared or refunded within the next 12 months. Subsequent to the year ended December 31, 2019, $17,492 was received as a refund and approximately $1,505,731 of the products and services deposits have been realized. The remaining balance is expected to be realized in the next 12 months. While the deposits are expected to be realized in the next 12 months, deposits have been disclosed as noncurrent as they were made for the future purchases and delivery of property, plant and equipment.

12. Property, plant and equipment:

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Total
Carrying amount Dec. 31, 2018	**$ 9,923,180**	**$ -**	**$ 484,053**	**$8,364,882**	**$1,500,655**	**$2,634,855**	**$22,907,625**
Additions	2,961,605	-	63,806	3,932,598	1,951	182,044	7,142,004
Disposals	(50,920)	-	(35,000)	-	-	-	(85,920)
Amortization	(1,401,749)	-	(116,688)	(305,440)	(58,980)	(206,393)	(2,089,250)
Carrying amount Dec. 31, 2019	**$ 11,432,116**	**$ -**	**$ 396,171**	**$11,992,040**	**$1,443,626**	**$2,610,506**	**$27,874,459**
Balance Dec. 31, 2019 is comprised of:							
Cost	$ 13,452,887	$151,114	$658,079	$12,432,830	$1,509,820	$2,849,577	$31,054,306
Accumulated Amortization	(2,020,771)	(151,114)	(261,908)	(440,790)	(66,194)	(239,071)	(3,179,847)
Carrying Amount	**$ 11,432,116**	**$ -**	**$396,171**	**$11,992,040**	**$1,443,626**	**$2,610,506**	**$27,874,459**

12. Property, plant and equipment (continued from previous page):

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Total
Carrying amount Dec. 31, 2017	**$ 38,080**	**$ -**	**$ 131,673**	**$12,668,122**	**$ -**	**$ -**	**$12,837,875**
Additions	6,187,893	-	441,694	-	1,507,869	2,667,533	10,804,989
Reallocations	4,167,890	-	-	(4,167,890)	-	-	-
Disposals	(108,002)	-	-	-	-	-	(108,002)
Amortization	(362,681)	-	(89,314)	(135,350)	(7,214)	(32,678)	(627,237)
Carrying amount Dec. 31, 2018	**$ 9,923,180**	**$ -**	**$ 484,053**	**$8,364,882**	**$1,500,655**	**$2,634,855**	**$22,907,625**
Balance Dec. 31, 2018 is comprised of:							
Cost	$10,542,201	$151,113	$640,893	$8,500,232	$1,507,869	$2,667,533	$24,009,841
Accumulated Amortization	(619,021)	(151,113)	(156,840)	(135,350)	(7,214)	(32,678)	(1,102,216)
Carrying Amount	**$ 9,923,180**	**$ -**	**$484,053**	**$8,364,882**	**$1,500,655**	**$2,634,855**	**$22,907,625**

Building additions and reallocations relate to construction of grain and fertilizer handling and extraction facilities. **PLT** Fertilizer Plant was commissioned on April 30, 2018, and amortization commenced May 1, 2018. **PLT** Grain Terminal was fully commissioned on November 7, 2018, and amortization commenced at that time. Construction has begun on **PLT** Grain Terminal expansion and amortization for this will commence when the project is complete. Construction on the **HTC** Facility has begun. Amortization will commence when the project is fully commissioned, and it is estimated to be fully commissioned during Q3 2020.

Re-allocation of assets occurring in 2018 is due to reclassification of building to equipment.

Included in the above are leased equipment summarized as follows:

	Dec. 31, 2019	Dec. 31, 2018
Opening amount	$384,251	$ -
Leased vehicle additions	-	384,251
Cost adjustment	(11,621)	
	372,630	384,251
Opening amortization	$49,996	$ -
Amortization	84,531	49,996
	134,527	49,996
Carrying value	$238,103	$334,255

13. Right-of-use assets:

Right-of-use assets relate to leased land and are calculated based on IFRS 16 requirements based on the present value of future lease payments. The Corporation does not have title to these assets, cannot leverage on these assets and cannot sublease these properties.

	Land	Total
Carrying amount Dec. 31, 2018	**$ -**	**$ -**
Additions	330,667	330,667
Amortization	(22,040)	(22,040)
Carrying amount Dec. 31, 2019	**$ 308,627**	**$ 308,627**
Cost	$330,667	$ 330,667
Accumulated Amortization	(22,040)	(22,040)
Carrying Amount	**$ 308,627**	**$308,627**

14. Product development:

Product development costs represent costs incurred to date in connection with the design and construction of the CCS Purenergy® 1000, the Delta Reclaimer® System, and the CCS FEEDengine®. Amortization of these costs commence once the development is substantially complete.

	Dec. 31, 2019	Dec. 31, 2018
Delta Reclaimer® System	$ 278,792	$ 278,792
Amortization	(87,314)	(67,545)
	191,478	211,247
LCDesign® CCS	433,453	433,453
Amortization	(368,436)	(325,090)
	65,017	108,363
PDOengine™	186,093	186,093
Amortization	(153,526)	(134,917)
	32,567	51,176
Total product development costs	$ 289,062	$ 370,786

Management performed an analysis of the existence of indicators of impairment for the product development costs as at December 31, 2019. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of product development costs during the during the year ended December 31, 2019.

15. Investment in associates:

Investment in associates as of December 31, 2019 and December 31, 2018 comprise of:

	Dec. 31, 2019	Dec. 31, 2018
Investment in **Assist**	$ -	$ 437,964

On January 8, 2019, **HTC** recovered a shareholder's loan from **Assist** in the amount of $437,964. As a result of the transaction **HTC**'s shareholding has been reduced from 45% to 18% and accordingly, HTC has lost significant influence. The Corporation has minimal investment remaining in Assist and accounts for this investment at FVTPL.

Description	Assist
Investment as at Dec. 31, 2018	$ 437,964
Amounts recovered	(437,964)
Investment as at Dec. 31, 2019	**$ -**

Description	Assist
Investment as at Dec. 31, 2017	$ 614,514
Amounts recovered	(3,807)
Equity loss for the year	(100,455)
Impairment on investment	(72,288)
Investment as at Dec. 31, 2018	**$ 437,964**

16. Investments at FVTOCI:

	Dec. 31, 2019	Dec. 31, 2018
Share Investments	$ 103,579	$ 187,577

On December 4, 2008, **HTC** acquired 2,500,000 shares in EESTech Inc. The Corporation has classified and measured these shares as FVTOCI. The shares have been recorded at their trading prices at December 31, 2019 and December 31, 2018 based prices obtained from over the counter exchanges. The December 2019 value was adjusted further to consider the lack of trading volume.

17. Patents:

	Cost	Accumulated amortization	Net book value
Carrying Value Dec. 31, 2018	**$210,861**	**$(102,113)**	**$108,748**
Additions	10,776	-	10,776
Amortization	-	(14,674)	(14,674)
Carrying Value Dec. 31, 2019	**$221,637**	**$(116,787)**	**$104,850**

17. Patents (continued from previous page):

	Cost	Accumulated amortization	Net book value
Carrying Value Dec. 31, 2017	**$192,157**	**$(88,696)**	**$103,461**
Additions	18,704	-	18,704
Amortization	-	(13,417)	(13,417)
Carrying Value Dec. 31, 2018	**$210,861**	**$(102,113)**	**$108,748**

Management performed an analysis of the existence of indicators of impairment for the patents as at December 31, 2019. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of patents during the during the year ended December 31, 2019.

18. Intangible assets:

	Intangible assets subject to amortization
Cost	
Balance at Dec. 31, 2017	$ 2,499,600
Adjustment for impairment	(1,400,000)
Balance at Dec. 31, 2018	$1,099,600
Balance at Dec. 31, 2019	**$1,099,600**
Accumulated amortization	
Balance at Dec. 31, 2017	$ 674,767
Amortization for the year	233,307
Balance at Dec. 31, 2018	$ 908,074
Amortization for the year	33,306
Balance at Dec. 31, 2019	**$ 941,380**
Carrying amounts (by operating segment)	
At Dec. 31, 2017	$ 1,824,833
HTC CO_2 Systems amortization	(233,307)
Adjustment for impairment	(1,400,000)
Balance at Dec. 31, 2018	**$ 191,526**
HTC CO_2 Systems amortization	(33,306)
Balance at Dec. 31, 2019	**$ 158,220**

Management performed an analysis of the existence of indicators of impairment for intangible assets as at December 31, 2019. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of intangible assets during the year ended December 31, 2019. Intangibles relate to HTC CO2 Systems.

19. Assets held for sale:

On December 31, 2018, **HTC** announced that a sale purchase agreement ("**Clear Agreement**") between **HTC** and **Clear Glycol & Solvents Inc.** ("**ClearGSI**") and its wholly owned subsidiaries, Clear Glycol Inc. and 1235014 Alberta Ltd., (collectively referred to as "**Clear Group**") was signed. The Clear Agreement was enforceable as at December 31, 2018 and the consideration was paid on January 22, 2019. As a result of the transaction, **HTC** returned its shares in **ClearGSI** and the Clear Group agreed to settle its loan and promissory note payable to **HTC**. Also, the Clear Group purchased certain assets from **HTC** as part of the transaction. A cash consideration of $2,050,000 was agreed to under the agreement.

At December 31, 2018, the balance of investment in **ClearGSI**, the loan, promissory note receivable, and carrying value of assets sold, had been disclosed as "Assets held for sale". Reclassified amounts were recorded at the lower of cost and fair value less costs to sell.

20. Lease liabilities:

	Dec. 31, 2019	**Dec. 31, 2018**
Royal Bank of Canada sale leaseback bearing interest at 4.34% per annum, repayable in monthly blended payments of $16,500 to July 2016 at which time payments terms were amended and reduced to $9,501 per month for the remainder of the lease. The lease matured July 6, 2019 and was secured by the Delta Reclaimer® System.	$ -	$56,245
CNH Capital Financing: $14,871 payable in seven equal payments over three years bearing fixed interest at 2.90%. Secured by assignment of subsidiary's equipment.	57,531	89,230
Komatsu Financing: $3,726 payable over four years bearing 0% interest. Secured by assignment of subsidiary's equipment.	111,788	156,502
Ford Credit Financing: $1,236 payable over 5 years bearing 3.49% annual interest. Secured by assignment of subsidiary's equipment.	53,089	72,095
PLTC right of use land lease	170,889	-
HTC right of use land lease	141,836	-
Principal balance	535,133	374,072
Current portion	(115,693)	(142,092)
	$ 419,440	$ 231,980

20. Lease liabilities (continued from previous page):

Future minimum financing lease payments are:

2020	110,572
2021	110,028
2022	63,184
2023	42,351
2024	34,127
2025 and on	161,622
Total future minimum lease payments	521,884
Future interest charges	13,249
Principal balance	535,133
Current Portion	(115,693)
	$419,440

HTC Extraction Systems lease payable was settled on January 17, 2019 for $56,245 plus interest. A **Delta Reclaimer®** System unit was part of the **ClearGSI** transaction.

Right-of-use liabilities relate to the right-of-use asset (see Note 13). This liability is calculated based on the net present value of future land lease payments over the term of the agreement. Liabilities are then reversed based on an amortization schedule payment over term of the loan. Actual payments differ as they are at the agreed rental amount and not subject to present value adjustment.

The adoption of IFRS 16 *Leases* had the following impact for the year ended December 31, 2019.

Amounts recognized in profit and loss:	
Interest on lease liabilities	$ 14,558
Amounts recognized in the Statement of Cash Flows:	
Interest paid	$ 14,558
Principal payments of lease liabilities	169,606
Total cash outflow for leases	$ 184,164

21. Long term debt:

All amounts in Canadian Dollars	Dec. 31, 2019	Dec. 31, 2018
Scotiabank loan: $33,333 per month plus interest and Bankers' acceptance at a variable rate of approximately 3.92% maturing August 2038. Secured by general assignment of subsidiary's present and future personal property.	$7,433,339	$7,833,335
Scotiabank loan: Construction loan bearing interest only on Bankers' acceptance at a variable rate of approximately 2.05% maturing August 2040. No principal payment until construction is complete. Construction completion expected during Q3 of 2020.	3,795,500	-
Principal balance	$ 11,228,839	$ 7,833,335
Current portion	$ (495,102)	$ (399,996)
	$ 10,733,737	$ 7,433,339

Principal payments over the next five years (based on a 12-month cycle ending December 31), including an advance subsequent to the year ended December 31, 2019 of $904,500, are approximately as follows:

2020	463,928
2021	594,368
2022	598,291
2023	602,294
2024	606,377
Thereafter	9,268,080
	$12,133,338

The Corporation has a bank line of credit available through its subsidiaries in the amount of $5,300,000 at a variable rate of prime plus 1% and Bankers' acceptance at a rate of 2.20%. Advances are repayable on demand and unless and until a demand is made, interest is calculated and payable monthly on the balance owed by the Corporation. As of December 31, 2019, the line of credit has been drawn by $2,479,679 (December 31, 2018 - $Nil).

During the Year, the Corporation incurred finance costs of $307,039 on its long-term debts and line of credit.

22. Share capital:

At December 31, 2019 and December 31, 2018, the Corporation had authorized an unlimited number of common shares and an unlimited number of preferred shares without par value. Common shares are voting, participating and are not subject to restrictions.

22. Share capital (continued from previous page):

	As at Dec. 31, 2019		As at Dec. 31, 2018	
Common Shares	**Number**	**Amount**	**Number**	**Amount**
Balance, beginning of year	32,413,741	$39,159,320	30,309,195	$39,008,214
Issued common shares	68,950,000	8,819,766	2,104,546	151,106
Balance, end of year	101,363,741	$47,979,086	32,413,741	$39,159,320

On January 30, 2018, the Corporation issued 2,104,546 units at a price of $0.11 per unit, for the gross proceeds of $231,500. These units were issued to two directors of the Corporation. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of **HTC** at $0.15 per common share until January 29, 2023. The purchase of 454,546 of these shares were financed and settled on severance paid. The warrants value has been determined using a Black Scholes Option Pricing Model ("Black Scholes model") and recognized in contributed surplus (see Note 23).

On January 22, 2019, the Corporation issued 6,250,000 units at a price of $0.08 per unit to settle severance of $500,000. These units were issued to 4 placees, two of whom are directors, and one of whom is an insider of the Corporation. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of HTC at $0.11 per common share until January 21, 2024. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 23).

On June 4, 2019, **HTC** announced the issuance of 37,700,000 units at a price of $0.10 per unit, for the gross proceeds of $3,770,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of **HTC** at $0.15 per common share for a period of five years after the date of issuance. Warrants are convertible by **HTC**, in its discretion, into common shares at the conversion price of $0.15 per common share, in the event that the common shares trade at $0.80 or more for 20 or more consecutive trading days on the TSX Venture Exchange Inc. ("TSX-V"). Proceeds of the private placement have been used for business development, including hemp biomass toll extraction, processing and general corporate purposes. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 23).

On October 22, 2019, HTC announced the issuance of 25,000,000 units at a price of $0.40 per unit, for the gross proceeds of $10,000,000 ("**Offering**"). Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of HTC at $0.70 per common share for a period of thirty-six months after the date of issuance, subject to acceleration provisions. If at any time between the date that is four months and one day from the closing of the Offering and the expiry date of the warrants, the daily volume weighted average trading price of the common shares on the TSX-V is greater than $1.00 of the preceding 10 consecutive trading days, the Corporation shall have the option to accelerate the exercise of these warrants at the exercise price of $0.70,

22. Share capital (continued from previous page):

by delivering a notice to such effect to the holder of the warrants (the "**Acceleration Notice**"). In such instance, the warrants will be exercisable until not less than the 30th day following the delivery of the Acceleration Notice. Proceeds of the Offering have been used for business development, including hemp biomass toll extraction, processing and general corporate purposes. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 23).

23. Stock options and warrants:

The Corporation has a stock option plan for directors, officers, employees and consultants providing for the issuance of options to acquire up to ten percent of the issued and outstanding common shares of the Corporation. The following table reflects the stock option activity from March 26, 2019 through December 31, 2019 and the weighted average exercise price:

	As at Dec. 31, 2019		As at Dec. 31, 2018	
	Options	**Avg. Price**	**Options**	**Avg. Price**
Outstanding, and exercisable, beginning of year	-	$Nil	850,000	$0.14
Stock options issued	3,483,187	$0.075	(850,000)	$0.14
Outstanding and exercisable, end of year	3,483,187	$0.075	-	$Nil

On March 26, 2019, the Corporation issued 3,483,187 stock options. Each stock option entitles the holder to purchase one common share of **HTC** at $0.075 per common share until March 25, 2029. The fair value of the common share options granted was estimated at the grant date using an option pricing model and valued at $249,762.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Expected volatility considers the historical volatility of the Corporation's shares and any other features of the option grant that may impact the measurement of fair value such as market conditions. Change in the subjective input assumptions can materially affect the fair value estimate.

Date Granted	March 26, 2019
Number of options granted	3,483,187
Weighted average share price	$0.10
Risk free interest rate	1.45%
Expected dividend yield	NIL
Expected stock price volatility	85.01%
Expected option life in years	5
Estimated forfeiture before exercise	0%
Weighted average fair value of options granted	$0.07

On January 30, 2018, the Corporation issued 2,104,546 units. Each unit consists of one common share and warrant. Each warrant entitles the holder to purchase one

23. Stock options and warrants (continued from previous page):

common share of **HTC** at $0.15 per common share until January 29, 2023. Warrants are valued at $80,394.

On January 22, 2019, the Corporation issued 6,250,000 units. Each unit consists of one common share and warrant. Each warrant entitles the holder to purchase one common share of **HTC** at $0.11 per common share until January 21, 2024. Warrants are valued at $251,089.

On June 4, 2019, the Corporation issued 37,700,000 units. Each unit consists of one common share and warrant. Each warrant entitles the holder to purchase one common share of **HTC** at $0.15 per common share until June 3, 2024. As the warrant exercise price was in the money at the date of issuance, the proceeds were allocated between shares and warrants based on their relative fair value estimate of funds received and receivable from warrants and prorated over the total estimated value. Warrants are valued at $1,609,820 and have been adjusted to contributed surplus.

On October 22, 2019, the Corporation issued 25,000,000 units. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of **HTC** at $0.70 per whole warrant until October 21, 2022 subject to acceleration provisions. If at any time between the date that is four months and one day form the closing of the Offering and the expiry date of the warrants, the daily volume weighted average trading price of the common shares on the TSX-V is greater than $1.00 for the preceding 10 consecutive trading days, the Corporation shall have the option to accelerate the exercise of the warrants at the exercise price by delivering a notice to holders of the warrants. In such instance the warrants will be exercisable until not less than the 30^{th} day following the delivery of the Acceleration Notice. The Corporation also issued an additional 1,727,950 whole broker warrants, for a total of 14,227,950 whole warrants. Warrants are valued at $2,014,189 and broker warrants at $400,960 and both have been recorded in contributed surplus.

The Corporation incurred share issuance costs of $1,174,179 during the year ended December 31, 2019 in connection with the transactions described above.

The Black Scholes model is used to estimate the fair value of warrants. The Corporation recognizes warrants as an increase to contributed surplus based on the following assumptions:

Date Granted	January 30, 2018
Number of warrants granted	2,104,546
Weighted average share price	$0.17
Risk free interest rate	1%
Expected dividend yield	NIL
Expected stock price volatility	7.18%
Expected option life in years	5
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	$0.04

23. Stock options and warrants (continued from previous page):

Date Granted	January 22, 2019
Number of warrants granted	6,250,000
Weighted average share price	$0.12
Risk free interest rate	1.89%
Expected dividend yield	NIL
Expected stock price volatility	81.96%
Expected option life in years	5
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	$0.08

Date Granted	June 4, 2019
Number of warrants granted	37,700,000
Weighted average share price	$0.25
Risk free interest rate	1.33%
Expected dividend yield	NIL
Expected stock price volatility	83.90%
Expected option life in years	5
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	$0.19

Date Granted	October 22, 2019
Number of warrants granted	14,227,950
Weighted average share price	$0.46
Risk free interest rate	1.53%
Expected dividend yield	NIL
Expected stock price volatility	93.91%
Expected option life in years	3
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	$0.23

Volatility is determined based on the 12 months of the Corporation’s historical trading volume before the issuance date.

The total fair value of stock options granted to directors, employees and consultants and related companies of the Corporation and warrants issued through private placement as at December 31, 2019 was $500,851 (December 31, 2018 - $80,394).

24. Provision for income taxes:

Income tax provision (recovery) differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate of 27% (2018 – 27%) for the following reasons:

Income Taxes

As at December 31	**2019**	**2018**
Computed income tax expense (recovery)	**$(1,489,870)**	**$(695,956)**
Increase (reduction) attributable to:		
Difference in capital gains rate	71,240	81,327
Amounts booked in OCI	(28,320)	-

24. Provision for income taxes (continued from previous page):

Tax rate changes and other adjustments	(24,800)	-
Share based compensation and non-deductible expenses	10,980	2,547
Change in tax benefits not recognized	1,460,770	491,103
Income tax expense (recovery)	$ -	$ (120,981)

Income tax (recovery) is allocated as follows:

	2019	2018
Current tax (recovery) expense	$ -	$ -
Deferred tax (recovery) expense	-	(120,981)
	$ -	$ (120,981)

Deferred Tax

The following summarizes the components of deferred tax:

	2019	2018
Deferred Tax Assets		
Non-capital losses carried forward	$ 1,060,470	$ -
Deferred Tax Liabilities		
Property, plant and equipment	(482,860)	-
Intangible assets	(42,720)	-
Investment in Maxx	(534,890)	-
Net Deferred Tax Asset	$ -	$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
Property, plant and equipment	$ 413,618	$ 270,380
Investments	5,413,478	639,435
Intangible assets	109,935	186,734
Non-capital losses carried forward	10,020,436	7,627,131
Loan recoverable	56,926	22,943
Others	4,526	(116)
Capital losses carried forward	58,457	63,242
Investment tax credits	163,074	163,074
SR&ED Pool	2,120,060	2,120,060

24. Provision for income taxes (continued from previous page):

The Canadian non-capital loss carry forwards expire as noted in the table below.

The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains.

Investment tax credits expire from 2025 to 2031.

The remaining deductible temporary differences may be carried for indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the Corporation can utilize the benefits therefrom.

The Corporation's Canadian non-capital income tax losses expire as follows:

2037	145,832
2038	2,494,728
2039	7,379,876
	10,020,436

25. Financial instruments:

Fair Value

The Corporation's financial instruments consist of cash, accounts receivable, other receivables, grain contract assets, investments at FVTPL, loan receivable, investments at FVTOCI, accounts payable and accrued liabilities, bank line of credit, loan, lease liability and long term debt. The fair values of cash, accounts receivable, grain contract assets, bank line of credit, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. The fair values of other receivables and loan receivable approximate their carrying values as the terms and conditions of these receivables (interest and collaterals) approximate the market conditions.

The fair values of lease liability, long term debt and loan payable also approximate their carrying values as the Corporation pays market interest rates and there are no significant arrangement fees or commissions related to these loans.

Fair value measurements recognized in the Consolidated Statement of Financial Position must be categorized in accordance with the following levels:

25. Financial instruments (continued from previous page):

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) 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., derived from prices); and

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

The Corporation categorized the fair value measurement of its FVTPL investments as Level 1 as they are primarily derived directly from reference to quoted (unadjusted) prices in over the counter markets. The fair value of the Corporation's FVTOCI investment is categorized as level 2 as it is determined using inputs other than quoted prices.

The Corporation's financial instrument classification is summarized as follows:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash	$ 5,208,433	$ -	$ -	$ 5,208,433
Accounts receivable and other receivables – current	-	-	5,660,561	5,660,561
Grain contract assets	-	-	1,245,203	1,245,203
Investments (FVTPL)	93,736	-	-	93,736
Other receivables – long term	-	-	6,967	6,967
Loan receivable	-		1,511,991	1,511,991
Investments (FVTOCI)	-	103,579		103,579
Accounts payable and accrued liabilities	-	-	(1,795,076)	(1,795,076)
Operating line of credit			(2,479,679)	(2,479,679)
Long term debt including current portion	-	-	(11,228,839)	(11,228,839)
Lease liabilities including current portion	-	-	(535,133)	(535,133)
Loan	-	-	(1,159,749)	(1,159,749)
	$5,302,169	$103,579	$(8,773,754)	$(3,368,006)

25. Financial instruments (continued from previous page):

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash	$ 1,584,658	$ -	$ -	$ 1,584,658
Accounts receivable and other receivables – current	-	-	799,946	799,946
Grain contract assets	-	-	1,069,677	1,069,677
Investments (FVTPL)	1,182,122	-	-	1,182,122
Other receivables – long term	-	-	226,948	226,948
Loan receivable	-	-	2,483,942	2,483,942
Investments (FVTOCI)	-	187,577	-	187,577
Accounts payable and accrued liabilities	-	-	(4,059,979)	(4,059,979)
Long term debt including current portion	-	-	(7,833,335)	(7,833,335)
Lease liabilities including current portion			(374,072)	(374,072)
	$2,766,780	$187,577	$(7,686,873)	$ (4,732,516)

26. Changes in working capital and other:

Information below is based on the consolidated operations.

Change in working capital is comprised of	Dec. 31, 2019	Dec. 31, 2018
Accounts receivables	$ (962,522)	$ (667,893)
Other receivables – short term	(79,461)	489,100
Other receivables – long term	-	(22,010)
Inventory – short-term	59,640	-
Grain contract asset	(175,526)	(1,069,677)
Prepaid expenses and deposits	(662,040)	-
Accounts payable and accrued liabilities	(1,105,152)	2,759,809
Deferred guarantee	(5,978)	162,997
Government remittances	137,867	8,576
Corporate tax payable	-	(175,136)
Changes in non-cash working capital related to investing activities (presented separately)	-	(2,713,754)
	$ (2,793,172)	$ (1,227,988)

Included in operating activities	Dec. 31, 2019	Dec. 31, 2018
Cash interest received	$ 39,647	$ 19,917
Cash interest paid	321,597	7,865
Corporate tax paid	-	175,136

26. Changes in working capital and other (continued from previous page):

Non-cash items:

During the year ended December 31, 2019 and 2018, the Corporation undertook the following transactions, which do not impact the cash flow statements for the year ended:

For the year ended December 31	Dec. 31, 2019	Dec. 31, 2018
Non-cash items:		
Shares issued	$ 500,000	$ -
Broker warrants issued	400,960	-
Addition to property, plant and equipment from finance leases	-	357,099
Additions to property and equipment from steel credits	-	896,153
Additions to property and equipment from inventory	-	718,548
Loan for share purchases subscription outstanding as of year end	-	50,463
Re-possession of leased equipment	-	62,222

27. Per share amounts:

Basic net earnings (loss) per common share have been calculated using the weighted average number of common shares outstanding during the year. Diluted net earnings (loss) contemplate the potential effect of holders of stock options and share purchase warrants exercising their right to acquire shares.

Weighted average shares outstanding:	Dec. 31, 2019	Dec. 31, 2018
Basic and diluted	65,542,508	32,246,531

Diluted loss per share did not include the effect of stock options and warrants for the year ended December 31, 2019, as they are anti-dilutive.

28. Related party transactions:

Related party transactions include transactions with corporate investors who have representation on the Corporation's Board.

During the year ended December 31, 2019, the Corporation paid $53,859 (December 31, 2018 - $50,203) for legal services from a law firm that a director is a partner of. As of December 31, 2019, there are $Nil amounts owing to the law firm (December 31, 2018 - $1,554).

KLE is considered a related party due to common directors and common management (see Note 5). As at December 31, 2019, KLE had a loan owing to **HTC** of $164,003 (December 31, 2018 - $107,437). The loan receivable is secured by a first charge on property of a third party (see Note 5). At December 31, 2019, KLE has subcontracted support services from **HTC** during the year for $6,000 (December 31, 2018 - $Nil). At December 31, 2019 there are no amounts owing (December 31, 2018 - $Nil).

28. Related party transactions (continued from previous page):

EHR Enhanced Hydrocarbon Recovery Inc. ("**EHR**") is a subsidiary of KLE and is therefore considered a related party. **HTC CO_2 Systems** incurred subcontract expenses for the year of $36,000 (December 31, 2018 - $49,960). As of December 31, 2019, there are $Nil amounts owing (December 31, 2018- $3,150).

Kambeitz Agri Inc. ("**Agri**") is considered a related party due to one director of **HTC** owning 50% of the voting shares of Agri. **PLTC** has management expenses from **Agri** during the year of $84,000 (December 31, 2018 - $90,000). **PLTC** made rent payments regarding the grain handling and fertilizer storage facility of $22,950 (December 31, 2018 - $38,250) and property tax expenses in the year for $73,291 (December 31, 2018 - $Nil). **PLT** sold equipment to **Agri** during the year for $47,170. At December 31, 2019, there are overpayments due from Agri of $14,909 (December 31, 2018 - $Nil). During the year HTC has paid Agri $2,800 for rent related to land.

KF Kambeitz Land Corp. ("**Land Corp**") is considered a related party due to one common director. Land Corp has provided subcontracted support services to **HTC** during the year of $274,800 (December 31, 2018 - $3,000). As of December 31, 2019, there are amounts owing to **Land Corp** of $Nil (December 31, 2018 – $833). During the year **HTC** provided accounting support to **Land Corp** amounting to $1,000. As of December 31, 2019, there are amounts outstanding from **Land Corp** of $Nil (December 31, 2018 - $Nil).

KF Kambeitz Farms Inc. ("**KF Farms**") is considered a related party due to one common director. **PLT** earned equipment sales revenue of $8,275. At December 31, 2019 there are amounts receivable of $1,428,749 (December 31, 2018 - $2,321). KF Farms provided general contractor services of $128,236 in 2019 and $1,158,363 in 2018 in connection with the construction of **PLT** facilities in prior periods. At December 31, 2019, there is a related party loan from KF Farms of $1,159,749 which is non-interest bearing and has no fixed terms of repayment (December 31, 2018 - $Nil). **HTC** has lease revenue with **KF Farms** of $2,838. At December 31, 2019, there is $Nil owing (December 31, 2018 - $Nil).

PureWest Commodities Inc. doing business as Purely Canada Foods ("**PC**") is considered a related party due to common directors. **PC** rents facilities and subcontracts support services from **HTC** on a month to month basis. **HTC** has rental income during the year of $3,585 (December 31, 2018 - $20,930) and subcontracted support services of $4,200 (December 31, 2018 - $1,750). At December 31, 2019 there are amounts receivable of $178,823 (December 31, 2018 – $437) included in accounts receivable.

KF Hemp Corp. ("**KF Hemp**") is considered a related party due to one common director (see Note 5). At December 31, 2019, KF Hemp has a short-term loan payable owing to **HTC** in the amount of $3,808,469 bearing interest at prime plus 2% maturing September 2020 (December 31, 2018 – $Nil).

28. Related party transactions (continued from previous page):

KF Aggregates Inc. is considered a related party due to one common director. At December 31, 2019, **HTC** has made aggregate purchases of $840,696 (December 31, 2018 – $Nil). At December 31, 2019 there are amounts outstanding of $400,835 (December 31, 2018 - $Nil) included in accounts payable and accrued liabilities. At December 31, 2019 **PLT** has made aggregate purchases of $1,153,897 (December 31, 2018 – $916,465). At December 31, 2019 there are amounts outstanding of $159,052 (December 31, 2018 - $222,539) included in accounts payable and accrued liabilities.

One of the Corporation's key managers is considered a related party due to his role in the Corporation. HTC has made payments to this individual during the year for the following; remuneration for $70,398, severance pay resulting in 5,000,000 common shares @ $0.08 on January 22, 2019 to this individual and companies associated with this individual and cash payment of $517,116, and consulting fees earned per

consulting agreement in the amount of $274,800. At December 31, 2019 and December 31, 2018 there are $Nil amounts outstanding.

These transactions were all conducted in the normal course of business.

Also, see Related Party Transaction detail regarding share issuances to two directors and an insider of the Corporation, under the caption "Share Capital" above (Note 22) and "Stock Options and Warrants" (Note 23).

29. Compensation and severance:

The key management personnel of the Corporation consist of the executive officers, vice-president, other senior managers and members of the Board. Key management personnel include those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly.

The Corporation had employment agreements with its Chairman and CEO and with its Senior Vice-President and CFO. Yearly compensation was paid in accordance with the remuneration package agreed upon by the Corporation's Compensation Committee and the individuals respectively. These compensation agreements were terminated effective January 1, 2019 and severance related amounts paid out in order to eliminate all the Corporation's severance related liabilities for operations prior to December 31, 2018.

HTC entered into 3 and 4-year corporate management consulting agreements with 2 executive managers. Under the terms, **HTC** can terminate the agreements at any time.

29. Compensation and severance (continued from previous page):

During the year ended December 31, 2019, compensation for the 2 executive managers was $349,800.

During the year, the Corporation paid director compensation in the amount of $8,750 (2018 - $3,000) for the attendance of Board and committee meetings. In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans.

For the year ended December 31	Dec. 31, 2019	Dec. 31, 2018
Key management salary and benefits	$ 349,800	$ 400,000
Shares and warrants issued to key management	500,000	231,500
Severance payments	1,616,846	-
Director compensation	8,750	3,000

30. Financial risk management:

Management's risk management policies are typically performed as a part of the overall management of the Corporation's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Corporation is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Corporation has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Corporation, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The Corporation's main sources of liquidity are its operations and equity financing. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Corporation's financial obligations associated with financial liabilities. Risk associated with debt financing is mitigated by having negotiating terms over several years and renegotiating terms before they are due.

30. Financial risk management (continued from previous page):

The timing of cash outflows relating to the financial liabilities are outlined in the table below:

Dec. 31, 2019	< 1 year,	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	$1,795,076	$ -	$ -	$ -	$1,795,076
Operating line of credit	2,479,679	-	-	-	2,479,679
Lease liability	129,075	129,771	174,309	177,526	610,681
Long term debt	925,515	1,042,308	3,009,959	11,970,411	16,948,193
Loan	-	1,159,749	-	-	1,159,749
Balance	**$5,329,345**	**$2,331,828**	**$3,184,268**	**$12,147,937**	**$22,993,378**

Dec. 31, 2018	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	$4,059,980	$ -	$ -	$ -	$4,059,980
Finance lease	142,092	85,435	146,548		374,075
Long term debt	399,996	399,996	1,199,988	5,833,355	7,833,335
Balance	**$4,601,640**	**$ 485,859**	**$1,346,536**	**$5,833,355**	**$12,267,390**

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Corporation has no significant transactions denominated in foreign currency and is not exposed to any material foreign currency risk, aside from broad unquantifiable macro-economic factors arising from fluctuations in foreign exchange, which could result in Canadian products becoming more expensive to international purchasers.

Foreign exchange risk

Foreign exchange risk is primarily associated with contracts for services and contracts of supplies and services. Substantially all of the Corporation's revenues and expenses are denominated in Canadian dollars, and therefore isolated from foreign exchange risk.

Interest rate risk

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and marketable securities and paid on long term debt. The Corporation mitigates exposure by attempting to match rates and terms to expected cash requirements. Interest risk associated with long term loans is mitigated by arranging terms that extend for multiple years (see Note 21). A 1% change in the prime interest rate would have an impact of $117,640 on the Corporation's income.

30. Financial risk management (continued from previous page):

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial transaction fails to meet its obligations. The Corporation attempts to reduce such exposure to its cash and marketable securities by only investing in low risk investments with Canadian Chartered Banks and taking advantage of government guarantees. The Corporation attempts to reduce its loss on amounts receivable by assessing the ability of the counterparties to fulfill their obligation under contract prior to entering into the contracts and by the nature of customers the Corporation deals with. At December 31, 2019, the Corporation had an allowance for doubtful accounts of $128,600 (December 31, 2018 - $128,600).

Due to the nature of the Corporation's operations, management considers accounts receivable outstanding for 90 days or less, to be current amounts. Over 90 days are also considered current, if extended terms exist and security is provided, or amounts are subject to contract restrictions and performance markers. The aging of the Corporation's accounts receivable at December 31, 2019 and December 31, 2018 is as follows:

	Current	**Over 90 Days**	**Total**
Aging of accounts receivable at Dec. 31, 2019	$1,615,594	$39,437	$1,655,031
Aging of accounts receivable at Dec. 31, 2018	$632,304	$60,205	$692,509

31. Capital Disclosures:

There are no restrictions on the Corporation's capital with the exceptions of covenants for its subsidiary PLT impacting debt amounts showing below. The Corporation's capital is summarized as follows:

	Dec. 31, 2019	**Dec. 31, 2018**
Shareholders' equity	$29,383,628	$21,640,078
Current portion of lease liability	115,693	142,092
Current portion of long term debt	495,102	399,996
Lease liability	419,440	231,980
Long term debt	10,733,737	7,433,339
Balance	**$41,147,600**	**$29,847,485**

The Corporation's objectives when managing capital are to:
- maintain financial flexibility in order to preserve its ability to meet financial obligations;
- deploy capital to provide an appropriate investment return to its shareholders in the future; and
- maintain a capital structure that allows multiple financing options to the Corporation, should a financing need arise.

31. Capital Disclosures (continued from previous page):

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

32. Operating Segments:

The Corporation has two reportable operating segments: **HTC Extraction Systems** (formerly **HTC CO_2 Systems**) and **Maxx**, of which there is a material non-controlling interest as described in Note 29.

These operating segments are differentiated by the products and services that each produce. **HTC Extraction Systems** provides products and services related to biomass and clean energy industries**. Maxx** operates grain and fertilizer handling facilities. Both segments utilize various brands and trading names in their operations.

December 31, 2019	HTC Extraction Systems	Maxx	Combined
Sales:			
Engineering, process design and consulting	$ 329,620	$ -	$ 329,620
Fertilizer handling services	-	459,838	459,838
Fertilizer facility rent	-	546,000	546,000
Grain handling	-	916,573	916,573
Other income	18,385	145,022	163,407
Total sales	$ 348,005	$ 2,067,433	$ 2,415,438
Cost of sales – other	-	121,146	121,146
Commercialization, product development and administration	2,734,801	1,085,084	3,819,885
Amortization	157,166	2,096,562	2,253,728
Finance costs	-	307,039	307,039
Interest paid on lease liabilities	1,362	13,196	14,558
Loss from operations	$(2,545,324)	$ (1,555,594)	$(4,100,918)

32. Operating Segments (continued from previous page):

December 31, 2018	HTC Extraction Systems	Maxx	Combined
Sales			
Fertilizer handling services	$ -	$ 78,503	$ 78,503
Fertilizer facility rent	-	318,500	318,500
Grain handling	-	35,613	35,613
Other income	84,500	344,308	428,808
Total sales	$ 84,500	$ 776,924	$ 861,424
Cost of Sales	-	340,605	340,605
Commercialization, product development and administration	1,870,555	1,099,706	2,970,261
Amortization	360,183	696,816	1,056,999
Finance cost	5,084	-	5,084
Loss from commercial operations	$(2,151,322)	$(1,360,203)	$(3,511,525)

December 31, 2019	HTC Extraction Systems	Maxx	Combined
Cash	$ 3,805,006	$ 1,403,427	$ 5,208,433
Property, plant and equipment	3,023,338	24,851,121	27,874,459
Right-of-use assets	141,705	166,922	308,627
Intangibles	158,220	-	158,220
Total	$ 7,128,269	$ 26,421,470	$ 33,549,739

December 31, 2018	HTC Extraction Systems	Maxx	Combined
Cash	$ 511,854	$1,072,804	$ 1,584,658
Property and equipment	97,735	22,809,890	22,907,625
Intangibles	191,526	-	191,526
Total	$801,115	$23,882,694	$24,683,809

33. Details of non-wholly owned subsidiaries with material non-controlling interest:

The portion of net assets and net loss attributable to **Maxx** third party shareholders is reported as non-controlling interests and net loss attributable to non-controlling interests on the Consolidated Statements of Financial Position and Consolidated Statements of Loss respectively. Non-consolidated details of the revenue and expenses associated with **Maxx** are summarized in Note 32. Additional information is as follows.

	December 31, 2019	December 31, 2018
	Maxx	**Maxx**
Current assets	$5,634,860	$3,663,002
Non-current assets	26,537,000	25,315,841
Total assets	32,171,860	28,978,843
Current liabilities	4,592,582	4,546,074
Non-current Liabilities	12,181,836	7,665,319
Total liabilities	16,774,418	12,211,393
Revenue	2,067,433	776,924
Loss	(1,380,964)	(852,761)

34. Commitments and Contingencies:

The Corporation rents office facilities on a month to month basis under a lease agreement with a related party of the Corporation (see Note 28), with minimum monthly rental payments of $9,475.

HTC is engaged in a license dispute with one of its CO_2 capture technology providers. The commercial effect and outcome of this license technology dispute cannot be determined at this time. On September 14, 2017 and May 10, 2019, the Court of Queen's Bench of Saskatchewan, in a summary judgement, awarded preliminary cost recoveries to **HTC.**

HTC's subsidiary **PLT** currently leases land for its facilities for $1,913 per month. **HTC** leases land for its extraction facility for $1,400 per month. **HTC**'s subsidiary **PLT** enters into grain purchase contracts when Commodities are delivered to the terminal. At the time of delivery, a price is set and 70% of the purchase price is paid to the Producer.

On October 24, 2019, **HTC** announced that it had entered into a land purchase and sale agreement, pursuant to which it will purchase 6 acres of land from Kambeitz Agri Inc. situated in Lajord, Saskatchewan, for a purchase price of $240,000. The land houses the Corporation's Facility and is currently being leased for a term of 10 years, renewable for 4 consecutive terms of 10 years each, at the option of **HTC**. At this time the Corporation did not anticipate exercising the renewal options. The closing of the purchase is subject to the completion of subdivision.

35. Subsequent events:

On January 28, 2020, **HTC** acquired all the issued and outstanding shares of California based Kase Farma from Starling Brands. Kase Farma is authorized to operate in the areas of hemp extraction, refining, formulation and distribution in the State of California. In consideration for all of the shares of Kase Farma, **HTC** paid approximately $1,200,000 (US$900,000) in cash and issued 10,000,000 units comprised of common shares and common share purchase warrants to Starling Brands. The units comprised of 1 common share and one half of one common share purchase warrant. Each whole warrant under 8,000,000 of these units are exercisable to acquire one common share at a price of C$0.70 for a period of 36 months from the completion of the transaction, and the remaining whole warrants are exercisable to acquire one common share at a price of C$1.00 for a period of 36 months from the completion of the transaction. In addition, the units are subject to standard regulatory transfer restrictions until May 29, 2020; and HTC imposed restrictions, restricting their transfer, which provide that: (i) one-third of the units shall become freely tradeable on the date that is 12 months following the completion of the transaction; (ii) one-third of the units shall become freely tradeable on the date that is 18 months following the completion of the transaction; and (iii) one-third of the units shall become freely tradeable on the date that is 24 months following the completion of the transaction. In addition 620,000 units, issued as a finder's fee, comprised of 1 common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share at a price of C$0.70 for a period of 36 months from the completion of the transaction.

Subsequent to December 31, 2019, the Corporation received settlement of the KLE loan. See Note 5 Other receivables.

On April 22, 2020, **Maxx** issued a cash dividend to the shareholders of record of $1,410,000.

On May 25, 2020, the Corporation acquired the remaining 22% of **Maxx** in exchange for a promissory note.

On June 1, 2020 Maxx declared a dividend of a promissory note valued at $1,572,900 to HTC. HTC transferred this promissory note to reduce the promissory note created on the purchase of 22% of Maxx. See note above.

Subsequent to the year ended December 31, 2019, there was a global outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on HTC and its subsidiaries as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipates this outbreak may cause reduced

35. Subsequent events (continued from previous page):

customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation's business and financial condition.