



ANNUAL AUDITED FINANCIAL STATEMENTS

YEAR END
DECEMBER 31, 2020



INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of HTC Pureenergy Inc.

Opinion

We have audited the consolidated financial statements of HTC Pureenergy Inc. and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company as at December 31, 2019 and for the year then ended, which are presented for comparative purposes, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements in their report dated June 13, 2020.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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 identified above 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.

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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

/S/ MANNING ELLIOTT

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
July 30, 2021

Consolidated Statements of Financial Position

(In Canadian dollars)

As at	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Current Assets:			
Cash		\$ 197,941	\$ 5,208,433
Accounts receivable	33	25,002	1,655,031
Other receivables	5	54,207	4,005,530
Government remittances receivable		37,131	243,327
Prepaid expenses and deposits	6	723,034	662,040
Inventory	9	762,104	254,225
Grain contract assets	7	-	1,245,203
Investments (FVTPL)	8	95,323	93,736
Assets held for sale	36	558,780	-
		2,453,522	13,367,525
Noncurrent deposits	10	87,170	3,013,843
Property, plant and equipment	11	7,342,469	27,874,459
Right-of-use asset	12	349,011	308,627
Other receivables – long term	5	-	6,967
Loan receivable	21	-	1,511,991
Product development	13	-	289,062
Investments (FVTOCI)	15	-	103,579
Patents	16	-	104,850
Intangible assets	17	902,977	158,220
Total Assets		\$ 11,135,149	\$ 46,739,123
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	33	\$ 1,028,005	\$ 1,795,076
Deferred guarantee		-	157,019
Bank line of credit	20	-	2,479,679
Current portion of lease liability	19	172,906	115,693
Current portion of long-term debt	20	-	495,102
Liabilities held for sale	36	50,986	-
		1,251,897	5,042,569
Lease liability	19	188,621	419,440
Long term debt	20	4,459,102	11,893,486
Promissory note	21	946,385	-
Total Liabilities		6,846,005	17,355,495
EQUITY			
Share capital	22	59,128,086	47,979,086
Contributed surplus	23	4,959,257	4,606,214
Accumulated deficit		(59,567,491)	(26,762,054)
Accumulated other comprehensive loss		(214,769)	(209,951)
Total equity attributable to shareholders of the Corporation		4,305,083	25,613,295
Total equity attributable to non-controlling interest		(15,939)	3,770,333
Total equity		4,289,144	29,383,628
Total Liabilities and Equity		\$ 11,135,149	\$ 46,739,123
Going Concern (Note 1)			
Commitments and Contingencies (Note 38)			
Subsequent Events (Note 39)			

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

Consolidated Statements of Loss

(In Canadian dollars)

For the years ended December 31,	Note	2020	2019
Revenue			
Sales – CBD products (Kase)		\$ 24,983	\$ -
		24,983	-
Expenses			
CBD products (Kase)		45,181	-
General and administration	25	1,240,376	1,860,491
Impairment of inventory	9	15,553,795	-
Loss on impairment of intangibles	17	2,514,485	-
Loss on impairment of goodwill	18	13,040,221	-
Amortization	11-13,16-17	1,035,359	42,959
Loss before finance, other expenses and tax		(33,404,434)	(1,903,450)
Finance income	26	143,925	147,977
Finance expense	27	(435,232)	(7,808)
Net finance income (expense)		(291,307)	140,169
Other income		4,186	15,885
Stock compensation expense		-	(249,762)
Severance expense		-	(2,116,846)
Gain (loss) on sale of property, plant and equipment		(87,450)	372,878
Loss before tax		(33,779,005)	(3,741,126)
Deferred income tax recovery	24	2,765,023	-
Loss from continuing operations		\$ (31,013,982)	\$ (3,741,126)
Loss from discontinued operations, net of tax	36	(3,391,474)	(1,776,912)
Net loss		\$ (34,405,456)	(5,518,038)
Loss for the year attributable to:			
Shareholders of the Corporation		\$ (34,392,984)	\$ (5,253,208)
Non-controlling interest		(12,472)	(264,830)
Net loss		\$ (34,405,456)	\$ (5,518,038)
Loss per share – basic and dilutive	30	(0.22)	(0.08)
Loss per share – basic and fully dilutive from discontinued operations	30	(0.02)	(0.03)

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

Consolidated Statements of Comprehensive Loss

(In Canadian dollars)

For the years ended December 31,	2020	2019
Net loss for the year	\$ (34,405,456)	\$ (5,518,038)
Other comprehensive loss for the year	(4,818)	(83,998)
Total comprehensive income (loss) for the year	\$ (34,410,274)	\$ (5,602,036)
Total comprehensive loss for the year attributable to:		
Shareholders of the Corporation	\$ (34,397,802)	\$ (5,337,206)
Non-controlling interest	(12,472)	(264,830)
Total comprehensive loss for the year	\$ (34,410,274)	\$ (5,602,036)
Total comprehensive loss for the year attributable to shareholders of the Corporation:		
Continuing operations	\$ (31,006,329)	\$ (3,476,296)
Discontinued operations	(3,391,474)	(1,860,910)
Net comprehensive loss for the year	\$ (34,397,803)	\$ (5,337,206)

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

Consolidated Statements of Changes in Equity

(In Canadian dollars, except number of shares)

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Equity attributable to the shareholders		
						Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
Balance at December 31, 2018		32,413,741	\$ 39,159,320	\$ 80,394	\$ (21,508,846)	\$ (125,953)	\$ 4,035,163	\$ 21,640,078
Net loss for the year		-	-	-	(5,253,208)	-	(264,830)	(5,518,038)
Issuance January 22, 2019	22,23	6,250,000	248,911	251,089	-	-	-	500,000
Issuance of stock options March 26, 2019	23	-	-	249,762	-	-	-	249,762
Issuance June 4, 2019,	22,23	37,700,000	2,160,180	1,609,820	-	-	-	3,770,000
Issuance October 22, 2019	22,23	25,000,000	7,584,851	2,415,149	-	-	-	10,000,000
Share issuance costs	22	-	(1,174,176)	-	-	-	-	(1,174,176)
Other comprehensive income (loss)		-	-	-	-	(83,998)	-	(83,998)
Balance at December 31, 2019		101,363,741	\$ 47,979,086	\$ 4,606,214	\$ (26,762,054)	\$ (209,951)	\$ 3,770,333	\$ 29,383,628
Net loss for the year		-	-	-	(34,392,984)	-	(12,472)	(34,405,456)
Adjustment for purchase of 22% Maxx	4 (b)	-	-	-	1,587,547	-	(3,773,800)	(2,186,253)
Issuance for Kase asset purchase	22,23	10,620,000	2,124,000	353,043	-	-	-	2,477,043
Issuance for KF Hemp purchase	22	95,000,000	9,025,000	-	-	-	-	9,025,000
Other comprehensive income on foreign exchange translation of a subsidiary		-	-	-	-	30,852	-	30,852
Other comprehensive loss on revaluation of investments		-	-	-	-	(35,670)	-	(35,670)
Balance at December 31, 2020		206,983,741	\$ 59,128,086	\$ 4,959,257	\$ (59,567,491)	\$ (214,769)	\$ (15,939)	\$ 4,289,144

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

Consolidated Statements of Cash Flows

(In Canadian dollars)

For the year ended December 31	Note	2020	2019
Cash flows from operating activities:			
Net loss for the year		\$ (34,405,456)	\$ (5,518,038)
Items not affecting cash:			
Accretion on promissory note	21	333,032	-
Amortization	11,13,16-17	1,961,896	2,231,688
Amortization - right-of-use asset	12	171,998	22,040
Stock based compensation expense	23	-	249,762
Deferred income tax recovery	24	(2,765,023)	-
Gain on sale of property, plant and equipment		87,450	(370,616)
Fair value adjustment on loan receivable		-	(28,049)
Loss on fair value inventory adjustment	9	15,553,795	60,000
Loss on impairment of intangibles	17	2,514,485	-
Impairment of goodwill	18	13,040,221	-
Unrealized (loss) gain on investments (FVTPL)	27	6,557	(37,972)
Severance expense non-cash		-	500,000
Interest income non-cash		-	(67,103)
Interest component on lease liabilities	19	24,395	14,558
Change in working capital and other	29	2,104,019	(2,793,172)
Loss on sale of Maxx	36	2,203,941	-
		831,310	(5,736,902)
Cash flows from investing activities:			
Cash received on purchase of Hemp Co.	4	10,529	-
Purchase of property, plant and equipment and right of use assets	11	(3,864,153)	(10,082,660)
Investment in Kase	4	(1,213,590)	-
Net change in investments (FVTPL)	8	(8,144)	1,126,358
Additions to patents	16	(7,003)	(10,776)
Amount received from Assist	14	-	437,964
Amount received from ClearGSI		-	2,134,500
		(5,082,361)	(6,394,614)
Cash flows from financing activities:			
Cash received from share issuance		-	12,595,821
Increase in other receivables	5	645,482	(3,531,549)
Decrease in loan receivable – long term		-	1,000,000
Proceeds (repayment) of long term debt	20	(2,969,612)	3,395,504
Lease liability repayments	19	(143,474)	(184,164)
Related party loan	31	-	-
Increase (decrease) in bank line of credit	20	1,719,499	2,479,679
		(748,105)	15,755,291
Change in cash during the year		(4,999,156)	3,623,775
Cash – beginning of year		5,208,433	1,584,658
Cash disposed in sale	36	(11,336)	-
Cash – end of year		\$ 197,941	\$ 5,208,433

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

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

1. Nature of Operations

HTC Pureenergy 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 ended December 31, 2020 (“**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.

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, as well as processing of hemp-based products.

Going Concern

These Financial Statements for the years ended December 31, 2020 and 2019 have been prepared on the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business.

For the year ended December 31, 2020 (the “**Year**”), the Corporation reported a net loss of \$34,405,456 and comprehensive loss of \$34,410,274, and an accumulated deficit of \$59,567,491 as at December 31, 2020. These conditions form a material uncertainty that may cast significant doubt on the Corporation’s ability to continue as a going concern. The Financial Statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. The Corporation’s ability to continue in the normal course of operations is dependent on its ability to realize on its inventory in order to fund ongoing operations or obtaining financing from the issuance of shares, debt instruments and related party loans.

2. Basis of Presentation

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

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards (“**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 July 30, 2021.

c) Functional Currency

The Financial Statements are presented in Canadian dollars, which is also the functional currency for the parent Company and its subsidiaries, except for **Kase Farma Inc.** – its functional currency is US dollar (see Note 3).

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 year 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 year in which the estimates are revised and in future periods affected.

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, market demand for hemp biomass, 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:

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 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 considers all facts and circumstances in concluding the classification of an investment.

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.

Asset acquisitions versus business combinations

Management had to apply judgment with respect to whether the acquisitions of **Kase Farma Inc.** ("Kase") and **KF Hemp Corp.** ("HempCo") (as defined in Note 4), were asset acquisitions or business combinations. The assessments required management to assess the inputs, processes and outputs of the company acquired at the time of acquisition. Pursuant to the assessment, the **Kase** acquisition was considered to be an asset acquisition whereas the **HempCo** acquisition was considered to be a business combination.

Business Combinations

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. The fair value determined for common shares issued for the acquisition of **Kase** and **HempCo** are based on the market price of the common shares on the measurement date. The measurement date is based on management's judgment as to when the closing of the agreement has occurred. Asset acquisitions do not give rise to goodwill.

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 assets' 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 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 **CGUs**.

Management is required to use judgment in determining the grouping of assets to identify their **CGU** for the purposes of testing for impairment. **CGUs** are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these **CGUs** 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 consider factors such as economic and market conditions and the useful lives of assets.

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

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. HTC establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective company's domicile. As HTC assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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.

Going concern

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability to realize on its inventory and achieve profitable operations. Certain judgments are made when determining if and when the Corporation will achieve profitable operations.

e) Basis of Measurement

The Financial Statements have been prepared on historical cost basis, except for investments which are measured at fair value through profit or loss ("FVTPL") (as described in Note 8), investments measured at fair value through other comprehensive income ("FVTOCI") (as described in Note 15) and loan receivable - long term which is measured at FVTPL. The methods used to measure fair values are discussed in Note 28.

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, 2019.

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 FVTPL, or at FVTOCI.

The Corporation classifies its financial instruments as follows:

Financial Instrument	Classification
Financial assets	
Cash	FVTPL
Accounts receivable	Amortized cost
Other receivables	Amortized cost
Note receivable	Amortized cost
Grain contract assets	Amortized cost
Investments at FVTPL	FVTPL
Investments at FVTOCI	FVTOCI
Loan receivable - long term	FVTPL
Financial liabilities	
Bank line of credit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long term debt	Amortized cost
Loan	Amortized cost
Promissory note	Amortized cost
Lease liability	Amortized cost

Financial AssetsImpairment of financial assets:

The Corporation recognizes an allowance for expected credit losses for financial instruments classified as Amortized Cost. 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. 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 liabilitiesRecognition 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.

Derecognition of financial liabilities

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

Leases

At the inception of a contract, the Corporation considers whether the contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Corporation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation.
- the Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Corporation has the right to direct the use of the identified asset throughout the period of use.
- The Corporation assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Recognition and measurement

At the lease commencement date, the Corporation recognizes a right-of-use asset and a lease liability on the statement of financial position. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, estimated costs to dismantle or remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the right-of-use asset on a straight-line basis to the earlier of the useful life of the asset, or the end of the lease term. The Corporation also assessed the right-of-use asset for impairment when indicators exist.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Corporations incremental rate of borrowing.

Lease payments included in the measurement of the lease liability include fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest.

Short-term leases with an initial term of less than 12 months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases are expensed.

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 year.

Basis of Consolidation

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.

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, 2020, wholly owned subsidiaries include **HTC Purification Corp.** (formerly HTC CO₂ Systems Corp. and referred to as “**HTC Purification**”), **Carbon Rx Inc.**, **CO₂ Technologies Pty. Ltd.**, **Kase**, and **HempCo**. **HempCo** wholly owns subsidiaries **KF Pharmacy Ltd.** and **BlackRaven Genetics Corp.** The Corporation owns 70% of **Oroverde Genetica Corp.** (“**Oroverde**”). **HempCo** and **Oroverde’s** operations are based in Saskatchewan and their principal place of business is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. **Kase** is incorporated as a C corporation entity and based in Ceres, California, US.

The Corporation has a 21% interest in **Assist Energy Solutions Corp.** (“**Assist**”) and accounts for this using the equity method of accounting.

Foreign Currency Translation

Each entity in HTC determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. The functional currency of **Kase** is a US dollar. The functional currency of the Corporation (parent company) and its other subsidiaries is a Canadian dollar.

Transactions in foreign currencies are initially recorded by HTC entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary items are translated at the functional currency spot rate as of the reporting date. Exchange differences from monetary items are recognized in the consolidated statements of income (loss). Non-monetary items that are not carried at fair value are translated using the exchange rates as at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their consolidated statements of income (loss) are translated at the monthly rates of exchange. The exchange differences arising on the translation are recognized in other comprehensive income (“**OCI**”). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the consolidated statements of income (loss) when the gain or loss on disposal is recognized.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

Inventory

The direct and indirect costs of inventory relating to hemp products initially includes the fair value of the biological assets at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within “cost of goods sold” on the statement of loss and comprehensive loss at the time hemp or hemp products are sold, except for realized fair value amounts included in the inventory sold which are recorded as a separate line on the face of the Statement of Loss and Comprehensive Loss. Inventory is measured at lower of cost or net realizable value on the Statement of Financial Position.

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
Vehicles	30% declining balance
Leasehold improvements	3 years straight-line
Buildings	4% declining balance
Rail	4% declining balance
Roads	8% declining balance
Right of use asset	Over term of lease

Impairment of Assets**a) Financial Assets**

Please see Financial Instruments policy above.

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 assets' 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 (**CGUs**). Management has identified two CGUs as follows: **HTC Delta CleanTech Division's** "CO2 extraction technology" and **HTC Hemp Division**, 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, 2020. 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.

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 10 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:

- CBD product sales; and
- biomass processing services.

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; and
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:

- CBD products sales: as the goods are delivered to the customers;
- biomass processing: as processing is completed and final product delivered or picked up by the customer.

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 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:

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.

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 year 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 towards 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 year, other than borrowings made specifically for the acquisition or construction of a specific qualifying asset.

Profit or loss from discontinued operations

A discontinued operation is a component of the Corporation that either has been disposed of or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also Note 36).

Non-current assets and liabilities classified as held for sale and discontinued operations

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Corporation's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see Note 36).

Comparative Figures

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

Standards issued but not yet effective*Amendments to IAS 1 - Presentation of Financial Statements ("IAS 1 ")*

In January 2020, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments must be applied retrospectively for annual periods beginning after January 1, 2023. The Corporation will assess the impact, if any, of adoption of the amendment.

4. Acquisitions

- a) On January 28, 2020, **HTC** acquired all the issued and outstanding shares of California based **Kase** from Starling Brands Inc. ("Starling"). The acquisition was made to obtain access to the Kase technology and brand name and the intangible assets associated with them. Under IFRS 3, the purchase of **Kase** did not constitute a business and therefore this transaction was accounted for as an asset acquisition. In consideration for all the shares of **Kase**, **HTC** paid \$1,183,590 (US\$900,000) in cash and issued 10,000,000 units comprised of common shares and common share purchase warrants to Starling. The units comprised of 1 common share and one half of one common share purchase warrant. See Note 22 for further details. In addition, 620,000 units were 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 \$0.70 for a period of 36 months from the completion of the transaction.

The total consideration paid and the fair value of assets and liabilities acquired as result of these acquisitions are presented below:

	Kase
Fair value of consideration transferred	\$
Cash	1,183,590
Fair value of shares issued	2,124,000
Fair value of warrants issued	353,043
Transaction costs	30,000
Total purchase cost	3,690,633
Fair value of assets & liabilities acquired	
Intangible Assets (Note 17)	3,690,633

- b) On May 25, 2020, **HTC** purchased the remaining 22% of Maxx Group of Companies Corp. ("**Maxx**") for a promissory note payable with a face value of \$2,686,200. The promissory note was subject to interest at prime + 0.5%, and had a maturity date of May 25, 2023. The fair value of the note payable at the date of issuance was estimated at \$2,186,253 (see Note 20). As a result of the Corporation controlling Maxx before and after the transaction, no gains or losses or changes in carrying amounts of assets or liabilities were recognized on the change of ownership interest, instead the change in ownership interest was accounted for within equity with a corresponding adjustment to deficit of \$1,587,547 and to non-controlling interest of \$(3,773,800), which resulted in a total adjustment to equity of \$2,186,253. As a result, **HTC** wholly owned Maxx and its subsidiaries ("**Maxx Group**"). On June 30, 2020, HTC sold 100% of Maxx Group as part of the acquisition of **HempCo** (see (c) below).
- c) Effective June 30, 2020, the Corporation acquired 100% of **HempCo** for \$18,962,514 comprised of 95,000,000 **HTC** shares with a value of \$9,025,000 and \$9,937,514 consideration through the sale of 100% of **Maxx** shares. KF Kambeitz Farms Inc. ("**KF Farms**") related party due to one common director (Note 31) and held a minority interest in **HempCo** at acquisition.

HempCo was incorporated under the Business Corporations Act (*Saskatchewan*) and commenced operations on September 12, 2018. Its head office is located at #002 - 2305 Victoria Avenue, Regina Saskatchewan.

HempCo processes industrial hemp plants for CBD biomass, other cannabinoids, and hemp by-products, in Canada. As part of its strategic business plan, **HempCo** intended to sell the 2019 harvested and dried hemp biomass to hemp licensed producers.

The purchase has been accounted for by the acquisition method, with the results of **HempCo** included in the Corporation's net earnings from the date of acquisition.

The value of HTC shares of \$9,025,000 issued was estimated based on the market price of shares on the date of issuance. The value of 100% Maxx shares given up of \$9,937,514 was estimated with the reference to the acquisition of 22% interest in Maxx in 2020 for the promissory note with a face value of \$2,686,200 (see Note 4 (b)). The fair value of this note was determined to be \$2,186,253 at the date of issuance, using the discount rate of 10.5% and the remaining term of three years.

	HempCo
Fair value of consideration transferred	\$
Fair value of shares issued	9,025,000
Fair value of Maxx shares	9,937,514
	18,962,514
Fair value of assets & liabilities acquired	
Cash	10,529
Accounts receivable	164,831
Prepaid	75,148
Inventory	14,317,860
Property and equipment	2,624,413
Right of use assets	296,775
Intangibles	78,850
Goodwill	13,040,221
Accounts payable and accrued liabilities	(627,930)
Right of use liability	(279,518)
Loans	(7,973,716)
Deferred tax liability	(2,764,949)
	18,962,514

The goodwill of \$13,040,221 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

Transaction costs related to the **HempCo** acquisition in the Year were \$14,250. These costs were included in general and administration expenses for the year (Note 25).

For the period from acquisition to December 31, 2020, **HempCo** accounted for \$Nil in revenues and \$360,981 in net loss, excluding impairment amounts net of tax totaling \$28,594,016.

5. Other receivables**a.) Other receivables - current**

	Dec. 31, 2020	Dec. 31, 2019
Loan to related party (KLE)	\$ -	\$ 164,003
Loan to related party (HempCo)	-	3,808,469
CEWS subsidy receivable	54,207	-
Funds in Trust	-	33,058
	\$ 54,207	\$ 4,005,530

b.) Other receivable – long term

	Dec. 31, 2020	Dec. 31, 2019
Other receivables- long term	\$ -	\$ 6,967
	\$ -	\$ 6,967

6. Prepaid Expenses and Deposits

	Dec. 31, 2020	Dec. 31, 2019
Deposits	\$ 662,040	\$ 662,040
Deposits and prepaids	60,994	-
	\$ 723,034	\$ 662,040

Deposits of \$662,040 represent an advance payment for the purchase of hemp seeds and related amounts from the prior year. The seeds are expected to be received in the 2021 calendar year. As these deposits will be converted to inventory within the 2021 calendar year, they are considered current.

7. Grain contract assets

Grain contract assets and sales pertain to discontinued operations of **Maxx** as detailed in Discontinued Operations Note 36.

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. As at December 31, 2020 the Corporation no longer has any outstanding contracts 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, 2020 and December 31, 2019 quoted prices obtained from over-the-counter exchanges, and changes in fair value have been accounted for in the Consolidated Statement of Loss.

9. Inventory

The Corporation's inventory is comprised of:

	Acquired	Capitalized cost	Impairment of Inventory	Movement between stages	Total
Hemp					
Hemp biomass	\$ 14,317,860	\$ 1,143,478	\$ (15,053,667)	\$ (51,443)	\$ 356,228
Hemp fibre	-	-	-	51,443	51,443
CBD					
Work-in-process	-	854,561	(500,128)	-	354,433
Ending balance	\$ 14,317,860	\$ 1,998,039	\$ (15,553,795)	\$ -	\$ 762,104

During the Year, changes to work- in-process, materials, supplies, and finished goods recognized as cost of sales-other amounted to \$45,181 (December 31, 2019 - \$61,146). Included in the Consolidated Statements of Net Loss is an impairment loss of \$15,553,795 for the reduction of inventory to net realizable value based on the net realizable value assessment performed at December 31, 2020.

Inventory at December 31, 2019 and an impairment write-down of \$60,000 recorded in 2019 relate to discontinued operations (see Note 36).

10. Noncurrent deposits

Noncurrent deposits of \$87,170 (December 31, 2019 - \$3,013,843) represent amounts paid for the deposit of future equipment, that are expected to be converted into property, plant and equipment, and also \$12,043 representing amounts paid regarding a long-term lease agreement. The deposits are expected to be realized within the 2021 calendar year, deposits have been disclosed as noncurrent, as they were made for the future purchases and delivery of property, plant and equipment.

11. Property, plant and equipment

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Land	Total
Carrying amount Dec. 31, 2019	\$ 11,432,116	\$ -	\$ 396,171	\$ 11,992,040	\$ 1,443,626	\$ 2,610,506	\$ -	\$ 27,874,459
Additions	7,146,472	102,301	86,988	1,862,442	-	21,966	240,000	9,460,170
Disposals	(69,404)	-	-	(2,812,235)	-	-	-	(2,881,639)
Discontinued Operations	(11,183,468)	-	(327,306)	(10,025,624)	(1,414,993)	(2,456,320)	-	(25,407,711)
Amortization	(1,319,947)	(8,734)	(69,748)	(163,554)	(28,633)	(103,588)	-	(1,694,203)
Assets available for sale	(1,277)	-	(7,330)	-	-	-	-	(8,607)
Carrying amount Dec. 31, 2020	\$ 6,004,493	\$ 93,567	\$ 78,775	\$ 853,070	\$ -	\$ 72,564	\$ 240,000	\$ 7,342,469

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Land	Total
Balance Dec. 31, 2020 is comprised of:								
Cost	\$ 6,913,552	\$ 253,414	\$ 171,318	\$ 870,283	\$ -	\$ 75,667	\$ 240,000	\$ 8,524,233
Accumulated Amortization	(909,059)	(159,847)	(92,543)	(17,213)	-	(3,103)	-	(1,181,764)
Carrying amount Dec. 31, 2020	\$ 6,004,493	\$ 93,567	\$ 78,775	\$ 853,070	\$ -	\$ 72,564	\$ 240,000	\$ 7,342,469

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Land	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	-	\$ 31,054,307
Accumulated Amortization	(2,020,771)	(151,114)	(261,908)	(440,790)	(66,194)	(239,071)	-	(3,179,848)
Carrying Amount Dec. 31, 2019	\$ 11,432,116	\$ -	\$ 396,171	\$ 11,992,040	\$ 1,443,626	\$ 2,610,506	\$ -	\$ 27,874,459

Kase's extraction facility was fully commissioned effective July 2020 and amortization commenced at that time.

Assets available for sale pertain to the Delta spin-out Discontinued Operations Note 36 and Subsequent Events Note 39.

Included in Equipment above is \$1,083,059 in assets, which have not been available for use yet at December 31, 2020, and as a result no amortization has been recorded on these assets as at December 31, 2020.

Included in the above are leased equipment summarized as follows:

	Dec. 31, 2020	Dec. 31, 2019
Opening amount	\$ 372,630	\$ 384,251
Additions	94,774	-
Disposals	(372,630)	-
Cost adjustment	-	(11,621)
	94,774	372,630
Opening amortization	\$ 134,527	\$ 49,996
Amortization	(123,470)	84,531
	11,057	134,527
Carrying value	\$ 83,717	\$ 238,103

12. Right-of-use asset

Right-of-use asset additions in the current Year relate to a lease of a building and prior year additions relate to a leased land. Both 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.

	Equipment	Building	Land	Total
Carrying amount Dec. 31, 2019	\$ -	\$ -	\$ 308,627	\$ 308,627
Additions	419,390	347,611	-	767,001
Disposal	(324,616)	-	(186,695)	(511,311)
Amortization	(13,426)	(186,255)	(15,625)	(215,306)
Carrying amount Dec. 31, 2020	\$ 81,348	\$ 161,356	\$ 106,307	\$ 349,011
Cost	\$ 94,774	\$ 347,611	\$ 121,932	\$ 564,317
Accumulated Amortization	(13,426)	(186,255)	(15,625)	(215,306)
Carrying Amount	\$ 81,348	\$ 161,356	\$ 106,307	\$ 349,011

	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

13. 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, 2020	Dec. 31, 2019
Delta Reclaimer® System	\$ 278,792	\$ 278,792
Amortization	(107,083)	(87,314)
	171,709	191,478
LCDesign® CCS	440,167	433,453
Amortization	(411,781)	(368,436)
	28,386	65,017
PDOengine®	186,093	186,093
Amortization	(172,136)	(153,526)
	13,957	32,567
Total product development costs	\$ 214,052	\$ 289,062
Assets available for sale	(214,052)	-
Total product development costs	\$ -	\$ 289,062

Management performed an analysis of the existence of indicators of impairment for the product development costs at December 31, 2020. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of product development costs during the year ended December 31, 2020.

Assets available for sale pertain to the **Delta** spin-out detailed Discontinued Operations Note 36 and Subsequent Events Note 39.

14. Investment in associates

Investment in associates as of December 31, 2020 and 2019 comprise of:

	Dec. 31, 2020	Dec. 31, 2019
Investment in Assist	\$ -	\$ -

On April 29, 2020, **HTC** recaptured a portion of interest in **Assist**. \$41,000 invested increased **HTC's** shareholdings from 18% to 21%, and, as a result **HTC** accounts for **Assist** under the equity method of accounting.

Investment in **Assist** pertains to the **Delta** spin-out detailed in Discontinued Operations Note 36 and Subsequent Events Note 39.

Description	Assist
Investment as at Dec. 31, 2019	\$ -
Amounts recovered	41,000
Proportionate loss on investment	(41,000)
Investment as at Dec. 31, 2020	\$ -

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

15. Investments at FVTOCI

	Dec. 31, 2020	Dec. 31, 2019
Share investments	\$ 67,909	\$ 103,579
Assets available for sale	(67,909)	-
Total share investments	\$ -	\$ 103,579

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 31st obtained from over-the-counter exchanges. The December 2019 value was adjusted further to consider the lack of trading volume.

Assets available for sale pertain to the **Delta** spin-out detailed in Discontinued Operations Note 36 and Subsequent Events Note 39.

16. Patents

	Cost	Accumulated amortization	Net book value
Carrying Value Dec. 31, 2019	\$ 221,637	\$ (116,787)	\$ 104,850
Additions	7,003	-	7,003
Amortization	-	(15,101)	(15,101)
Assets available for sale	(228,640)	131,888	96,752
Carrying Value Dec. 31, 2020	\$ -	\$ -	\$ -

	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

Management performed an analysis of the existence of indicators of impairment for the patents as at December 31, 2020. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of patents during the year ended December 31, 2020.

Assets available for sale pertain to the **Delta** spin-out detailed in Discontinued Operations Note 36 and Subsequent Events Note 39.

17. Intangible assets

Intangible assets subject to amortization	CO2	Kase	HempCo	Total
Cost				
Balance at Dec. 31, 2018	\$ 1,099,600	\$ -	\$ -	\$ 1,099,600
Balance at Dec. 31, 2019	1,099,600	-	-	1,099,600
Additions	-	3,690,633	78,850	3,769,483
Assets available for sale	(1,099,600)	-	-	(1,099,600)
Impairment	-	(2,514,485)	-	(2,514,485)
Balance at Dec. 31, 2020	\$ -	\$ 1,176,148	\$ 78,850	\$ 1,254,998
Accumulated amortization				
Balance at Dec. 31, 2018	\$ 908,074	\$ -	\$ -	\$ 908,074
Amortization for the year	33,306	-	-	33,306
Balance at Dec. 31, 2019	941,380	-	-	941,380
Amortization for the year	33,306	324,191	27,829	385,326
Assets available for sale	(974,686)	-	-	(974,686)
Balance at Dec. 31, 2020	\$ -	\$ 324,191	\$ 27,829	\$ 352,020
Carrying amounts (by operating segment)				
Balance at Dec. 31, 2018	\$ 191,526	\$ -	\$ -	\$ 191,526
Amortization	(33,306)	-	-	(33,306)
Balance at Dec. 31, 2019	158,220	-	-	158,220
Intangible additions	-	3,690,633	78,850	3,769,483
Amortization	(33,306)	(324,192)	(27,829)	(385,327)
Assets available for sale	(124,914)	-	-	(124,914)
Impairment	-	(2,514,485)	-	(2,514,485)
Balance at Dec. 31, 2020	\$ -	\$ 851,956	\$ 51,021	\$ 902,977

CO2 intangibles relate to Delta CleanTech division.

Kase additions are comprised of technology and brands acquired as part of the acquisition as noted in Note 4.

HempCo additions are comprised of costs incurred in cultivation licenses acquired as part of the acquisition as noted in Note 4.

Management performed an analysis of the existence of indicators of impairment for intangible assets at December 31, 2020. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of intangible assets during the Year for those CGU's except for **Kase** and **HempCo**.

As at December 31, 2020, the Corporation performed an impairment test on the **Kase** and **HempCo** CGU's using the fair value less costs of disposal method. The key assumptions used in the calculation of the recoverable amount relate to the fair value of the assets. These key assumptions were based on a turnkey valuation of the assets. These values have been determined in consultation with dealers, guidebooks, and comparative sales. Based on its analysis, the Corporation determined that the recoverable amount under the fair value less costs to sell method for the **Kase** CGU was approximately \$3,409,163 and recorded an impairment charge of \$2,514,485 against the carrying value of intangible assets. The impairment charge was recorded in the Consolidated Statements of Loss and Comprehensive Loss.

Assets available for sale pertain to the **Delta** spin-out detailed in Discontinued Operations Note 36 and Subsequent Events Note 39.

18. Goodwill

	Total \$
Cost:	
Balance, December 31, 2019	-
Acquisitions (Note 4)	13,040,221
Impairment	(13,040,221)
Balance, December 31, 2020	-

Due to no sales in the period from acquisition of **HempCo** to December 31, 2020 and in assessing projected future cash flows, the carrying amount of goodwill recognized on acquisition of **HempCo** could not be supported as recoverable as at December 31, 2020. As a result, the carrying amount of goodwill was written off as impaired.

19. Lease liabilities

	Dec. 31, 2020	Dec. 31, 2019
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
Komatsu Financing: \$3,726 payable over four years bearing 0% interest. Secured by assignment of subsidiary's equipment.	-	111,788
Ford Credit Financing: \$1,236 payable over 5 years bearing 3.49% annual interest. Secured by assignment of subsidiary's equipment.	-	53,089
Port Lajord Terminal Corp. ("PLT") right of use land lease		170,889
HTC right of use land lease: Incremental borrowing rate of 4.45% and a maturity of October 2029.	110,111	141,836
HTC right of use building lease: Incremental borrowing rate of 4.45% and a maturity of September 2021.	25,838	-
HempCo right of use equipment lease: Incremental borrowing rate of 4.27% and a maturity of July 2024.	75,609	-
Kase right of use building lease: Incremental borrowing rate of 4.45% and a maturity of January 2022.	149,969	-
Principal balance	361,527	535,133
Current portion	(172,906)	(115,693)
	\$ 188,621	\$ 419,440

Future minimum financing lease payments are:

2021	\$ 198,879
2022	42,466
2023	30,793
2024	51,120
2025	15,049
2026 and on	59,663
Total future minimum lease payments	397,970
Future interest charges	36,443
Principal balance	361,527
Current portion	(172,906)
	\$ 188,621

Right-of-use liabilities relate to the right-of-use assets (see Note 12). This liability is calculated based on the net present value of 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.

20. Long-term debt

All amounts in Canadian Dollars	Dec. 31, 2020	Dec. 31, 2019
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
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
Loan from KF Farms: Bearing interest at prime plus 2% with no fixed terms of repayment, due September 30, 2023.	4,261,578	1,159,749
Loan from KF Group: Bearing interest at prime plus 2% with no fixed terms of repayment, due June 30, 2023.	7,670	-
Loan from Jason Maher: Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2023	57,322	-
Loan from Purely Canada Terminals Corp: Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2023.	52,532	-
CEBA loan: Bearing 0% interest, with 25% loan forgiveness if repaid on or before December 31, 2022.	80,000	-
Principal balance	4,459,102	12,388,588
Current portion	---	(495,102)
	\$ 4,459,102	\$ 11,893,486

Principal payments over the next five years (based on a 12-month cycle ending December 31) are approximately as follows:

2021	\$ -
2022	4,459,102
2023	-
2024	-
Thereafter	-
	\$ 4,459,102

The Corporation has a bank line of credit available through its subsidiaries in the amount of \$300,000 at a variable rate of prime plus 1%. As of December 31, 2020, the line of credit has been drawn by \$Nil (December 31, 2019 there was an additional line of credit available of \$5,000,000 through **PLT** and was drawn by \$2,479,679). During the Year, the Corporation incurred finance costs of \$46,938 (December 31, 2019 - \$307,039 on its long-term debts and line of credit).

21. Promissory note

On May 25, 2020, the Corporation issued a note payable in connection with the acquisition of 22% of **Maxx** (see Note 4 (b)) in the amount of \$2,686,200. The note is subject to interest at prime plus 0.5% and matures on May 25, 2023.

A total amount of \$1,572,900 was settled immediately by assigning a loan receivable outstanding last year in the same amount to the lender of the promissory note.

The liability for the promissory note was recognized in accordance with IFRS 9, Financial Instruments, as a financial liability at amortized cost. The benefit of below-market rate shall be measured as the difference between the initial carrying value of the promissory note (being the present value of a similar loan at market rates) and the proceeds received.

The Company has estimated the initial carrying value of the promissory note at \$2,186,253, using a discount rate of 10.5%, which was the estimated rate for a similar loan without the interest-free component. The total difference of \$499,9473 will be accreted to the promissory note over the term of the promissory note.

During the year ended December 31, 2020, total accretion expense recognized for the promissory note amounted to \$333,032 (December 31, 2019 – \$Nil) and interest expense of \$Nil (December 31, 2019 - \$Nil).

22. Share capital

At December 31, 2020 and 2019, 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. As at December 31, 2020, 206,983,741 common shares (December 31, 2019 – 101,363,741) were issued and outstanding.

On January 22, 2019, the Corporation issued 6,250,000 units at a price of \$0.08 per unit for the gross proceeds of \$500,000. These units were issued to 4 places, 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, 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).

On January 28, 2020, **HTC** announced the issuance of 8,000,000 units and 2,000,000 bonus units at a price of \$0.20 per unit, as part of the purchase of **Kase** (see Note 4). Each unit consist of one common share and one half of one common share purchase warrant of **HTC**. Each Warrant is exercisable to acquire one Common Share at a price of \$0.70 for a period of 36 months from the completion of the transaction. Each bonus unit consists of one common share and one half of one common share bonus purchase warrant of **HTC**. Each bonus warrant is exercisable to acquire one common share at a price of \$1.00 for a period of 36 months from the completion of the transaction. In addition, the units and bonus units (collectively, the "**Compensation Units**") are subject to legends restricting their transfer and which will provide that (i) one-third of the Compensation Units shall become freely tradeable on the date that is 12 months following the completion of the transaction; (ii) one-third of the Compensation Units shall become freely tradeable on the date that is 18 months following the completion of the transaction; and (iii) one-third of the Compensation Units shall become freely tradeable on the date that is 24 months following the completion of the transaction. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 23).

HTC paid compensation to an arm's length party, in the form of 620,000 units, at a price of \$0.20 per unit, for the development, negotiation and finalization of the ancillary agreements to the **Kase** acquisition (see Note 4). Each unit also consists of one common share and one half of one common share purchase warrant of **HTC**. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 23).

Effective June 30, 2020, the Corporation issued 95,000,000 shares valued at \$0.095 per share as part of the acquisition of **HempCo** (see Note 4). All common shares issued pursuant to the acquisition, are subject to a hold period under applicable securities law until November 3, 2020, and restricted from trading, under a Corporation imposed pooling agreement, with restrictions lifting in 3 even tranches, October 31, 2020, February 28, 2021, and June 30, 2021.

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, 2020 and the weighted average exercise price:

	As at Dec. 31, 2020		As at Dec. 31, 2019	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of year	3,483,187	\$ 0.075	-	\$ Nil
Stock options issued	-	-	3,483,187	0.075
Outstanding and exercisable, end of year	3,483,187	\$ 0.075	3,483,187	\$ 0.075

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

The following table reflects the warrant activity in 2020 and 2019 and the weighted average exercise price:

	As at Dec. 31, 2020		As at Dec. 31, 2019	
	Warrants	Avg. Price	Warrants	Avg. Price
Outstanding, and exercisable, beginning of year	60,282,496	\$ 0.27	2,104,546	\$ 0.11
Warrants issued	5,310,000	0.76	58,177,950	0.27
Outstanding and exercisable, end of year	65,592,496	\$ 0.31	60,282,496	\$ 0.27

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 whole 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 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 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 30th 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.

On January 28, 2020, **HTC** announced the issuance of 8,000,000 units and 2,000,000 bonus units as part of the purchase of **Kase**. Each unit consist of one common share and one half of one common share purchase warrant of **HTC**. Each whole warrant is exercisable to acquire one common share at a price of \$0.70 for a period of 36 months from the completion of the transaction. Each bonus unit consists of one common share and one half of one common share bonus purchase warrant of **HTC**. Each whole bonus warrant is exercisable to acquire one common share at a price of \$1.00 for a period of 36 months from the completion of the transaction. In addition, the Compensation Units are subject to legends restricting their transfer and provide that (i) one-third of the Compensation Units shall become freely tradeable on the date that is 12 months following the completion of the transaction; (ii) one-third of the Compensation Units shall become freely tradeable on the date that is 18 months following the completion of the transaction; and (iii) one-third of the Compensation Units shall become freely tradeable on the date that is 24 months following the completion of the transaction. Warrants valued at \$329,491 have been recorded in contributed surplus.

HTC paid an arm's length party, compensation in the form of 620,000 units, for the development, negotiation, and finalization of the ancillary agreements to the **Kase** acquisition. Each unit also consists of one common share and one half of one common share purchase warrant, exercisable at a price of \$0.70 for 36 months. Warrants valued at \$23,552 have been recorded in contributed surplus.

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 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
Date Granted	January 28, 2020
Number of warrants granted	4,310,000
Exercise price	\$0.70
Risk free interest rate	1.44%
Expected dividend yield	NIL
Expected stock price volatility	101.56%
Expected option life in years	3
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	\$0.08

Date Granted	January 28, 2020
Number of warrants granted	1,000,000
Exercise price	\$1.00
Risk free interest rate	1.44%
Expected dividend yield	NIL
Expected stock price volatility	101.56%
Expected option life in years	3
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	\$0.08

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, 2020 was \$353,043 (December 31, 2019 - \$4,525,820).

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% (2019 – 27%) for the following reasons:

Income Taxes

For the year ended December 31, 2020, the Corporation recorded \$nil of current income tax expense (December 31, 2019 – \$nil) and \$2,765,023 of deferred income tax recovery (December 31, 2019 – \$nil).

The income taxes shown in the Consolidated Statements of Loss differ from amounts obtained by applying statutory rates to the loss before income taxes due to the following:

As at December 31	2020	2019
Loss before income taxes	\$ 33,779,005	\$ 3,741,126
Statutory tax rate	27%	27%
Expected income tax recovery	(9,120,331)	(1,010,104)
Increase (reduction) attributable to:		
Permanent differences and other	4,395,743	71,240
Tax rate changes and other	722,209	(13,820)
Change in deferred tax assets not recognized	1,237,356	952,684
Deferred income tax expense (recovery)	\$ (2,765,023)	\$ -

Deferred Taxes

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The differences are comprised of the following:

As at December 31	2020	2019
Non-capital losses carried forward	\$ 3,250,700	\$ 2,705,518
Capital losses carried forward	75,600	-
Inventory	776,900	-
Property, plant and equipment	211,600	172,834
Intangible assets	(230,000)	29,682
Investments, SRED pools and other	2,170,500	2,110,461
Deferred income tax assets not recognized	(6,255,300)	(5,018,495)
Net deferred income tax assets / (liabilities)	\$ -	\$ -

As at December 31, 2020, the Corporation has Canadian non-capital loss carry-forwards of approximately \$12,040,000 (December 31, 2019 – \$10,020,000) which may be carried forward to apply against future income tax for Canadian income tax purposes. These non-capital loss carry-forwards begin to expire in 2037.

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.

25. General and administration

Expenses by nature	Dec. 31, 2020	Dec. 31, 2019
Employment benefits	\$ 620,744	\$ 131,730
Consulting and contractor costs	336,601	1,324,933
General and administrative	283,031	403,828
	\$ 1,240,376	\$ 1,860,491

26. Finance income

	Dec. 31, 2020	Dec. 31, 2019
Dividend income	\$ 4,613	\$ 13,714
Interest income	139,312	86,722
Net change in financial assets at FVTPL	-	47,541
	\$ 143,925	\$ 147,977

27. Finance expense

	Dec. 31, 2020	Dec. 31, 2019
Interest expense	\$ 76,632	\$ 7,808
Accretion on promissory note payable	333,032	-
Lease interest expense	19,011	-
Net change in financial assets at FVTPL	6,557	-
	\$ 435,232	\$ 7,808

28. 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, 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 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:

- (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, 2020				
	Level 1	Level 2	Level 3	Total
Cash	\$ 197,941	\$ -	\$ -	\$ 197,941
Investments (FVTPL)	95,323	-	-	95,323
	\$ 293,264	\$ -	\$ -	\$ 293,264
December 31, 2019				
	Level 1	Level 2	Level 3	Total
Cash	\$ 5,208,433	\$ -	\$ -	\$ 5,208,433
Investments (FVTPL)	93,736	-	-	93,736
Investments (FVTOCI)	-	103,579	-	103,579
	\$ 5,302,169	\$ 103,579	\$ -	\$ 5,405,748

29. Changes in working capital and other

Information below is based on the consolidated operations.

Change in working capital is comprised of	Dec. 31, 2020	Dec. 31, 2019
Accounts receivables	\$ 1,771,628	\$ (962,522)
Other receivables – short term	-	(79,461)
Government remittances	236,066	137,867
Prepaid expenses and deposits	(7,323)	(662,040)
Inventory	(1,950,327)	59,640
Grain contract asset	1,245,203	(175,526)
Non-current deposits	1,068,636	-
Accounts payable and accrued liabilities	(108,284)	(1,105,152)
Deferred guarantee	(151,580)	(5,978)
	\$ 2,104,019	\$ (2,793,172)

Included in operating activities	Dec. 31, 2020	Dec. 31, 2019
Cash interest received	\$ 143,718	\$ 39,647
Cash interest paid	19,011	321,597
Corporate tax paid	-	-

Non-cash items:

The Corporation undertook the following transactions, which do not impact the cash flow statements:

For the year ended	Dec. 31, 2020	Dec. 31, 2019
Non-cash items:		
Shares issued	\$ 11,149,000	\$ 500,000
Warrants issued	353,043	400,960

30. 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, 2020	Dec. 31, 2019
Basic and diluted	159,088,563	65,542,508

Diluted loss per share did not include the effect of stock options and warrants for the December 31, 2020, and December 31, 2019, as they are anti-dilutive.

31. Related party transactions

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

During the Year, the Corporation paid \$15,578 (December 31, 2019 - \$53,859) for legal services from a law firm that a director is a partner of. As of December 31, 2020, there are no amounts owing to the law firm (December 31, 2019 - \$Nil).

Kingsland Energy Corp ("**KLE**") is considered a related party due to common directors and common management. As at December 31, 2019, **KLE**'s loan balance to **HTC** was \$164,003. On April 27, 2020, the loan was paid in full. **KLE** has subcontracted support services from **HTC** during the Year for \$3,000 (December 31, 2019 - \$6,000). At December 31, 2020 there are no amounts outstanding (December 31, 2019 - \$Nil).

EHR Enhanced Hydrocarbon Recovery Inc. ("**EHR**") is a subsidiary of **KLE** and is therefore considered a related party. **HTC Purification** incurred subcontract expenses for the Year of \$36,000 (December 31, 2019 - \$36,000). As of December 31, 2020, there are no amounts owing (December 31, 2019 - \$Nil).

Assist is a related party due two common directors. At December 31, 2020, Delta holds 21% interest in Assist (December 31, 2019 – 18%). See Investment in Associates Note 14.

Kambeitz Agri Inc. ("**Agri**") is considered a related party due to one director of **HTC** owning 50% of the voting shares of Agri. During the year **HTC** has paid Agri \$15,400 for rent related to land ("**Rent**") and \$2,515 for property taxes. On October 24, 2019 **HTC** and **Agri** entered into a land sale agreement, pursuant to which, subject to land subdivision, **HTC** would acquire a portion of land, situated in the RM of LaJord. As the land has not yet been subdivided, effective June 30, 2020, the sale was terminated. Due to the Asset Sale (set out below), the land leased under the land lease agreement was reduced and accordingly also the rent payable. December 31, 2020, **HempCo** paid \$8,541 for property taxes to Agri (December 31, 2019 - \$Nil).

Purely Canada Terminals Corp. ("**PC Terminals**") is considered a related party due to a mutual director, one of whom also owns, indirectly, 41.75% of **PC Terminals**. Effective June 30, 2020, **HTC** sold its approximately 19,000 square foot extraction facility ("**Extraction Facility**") to **PC Terminals**, for the purchase price of \$2,979,000, payable by promissory note ("**Asset Sale**"). The promissory note was paid in full. Under the Asset Sale, **HTC** has the option, for a limited time period, to purchase the Extraction Facility back from **PC Terminals**, for the original purchase price. As of December 31, 2020, there is a loan payable to **PC Terminals** outstanding of \$52,532 (December 31, 2019 - \$Nil).

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 \$68,700 (December 31, 2019 - \$274,800).

KF Kambeitz Farms Inc. (“**KF Farms**”) is considered a related party due to one common director. **HTC** has lease revenue amounting to \$Nil with **KF Farms** (December 31, 2019 - \$2,838). At December 31, 2020, the amounts receivable from KF Farms were of \$Nil (December 31, 2019 - \$1,428,749). During the Year, **KF Farms** provided services in accordance with the canola protocols agreement of \$10,463 to December 31, 2020. **KF Farms** also provided general contractor services of \$Nil in 2020 and \$128,236 in 2019). As a result of the acquisition of **HempCo** from **KF Farms** on June 30, 2020 (see Note 4 (c)), **HTC** assumed a loan payable to **KF Farms** of \$3,304,742. The loan balance amounted to \$4,261,578 at December 31, 2020 (2019 - \$1,159,749) as described in Note 20. As part of the consideration for acquisition of **HempCo**, **HTC** sold 100% of **Maxx** shares to **KF Farms** (see Note 36).

Purely Canada Foods Corp. (formerly PureWest Commodities Inc.) doing business as Purely Canada Foods (“**PC Foods**”) is considered a related party due to a mutual director. **PC Foods** rented facilities and subcontracts support services from **HTC** on a month-to-month basis. **HTC** has rental income during the Year of \$Nil (December 31, 2019 - \$2,175) and subcontracted support services revenue of \$2,100 (December 31, 2019 - \$2,100).

KF Aggregates Inc. is considered a related party due to one common director. At December 31, 2020, **HTC** has made aggregate purchases of \$Nil (December 31, 2019 – \$840,696). At December 31, 2020 there are amounts outstanding of \$400,835 (December 31, 2019 - \$400,835) included in accounts payable and accrued liabilities.

KF Solar Electric Inc. is considered a related party due to one common director. At December 31, 2020, **HTC** paid \$123,691 for services related to constructing the Extraction Facility. At December 31, 2020, there are amounts outstanding of \$45,957 (December 31, 2019 - \$Nil).

KF Homestead Properties Inc. (“**KFHP**”) is considered a related party due to one common director. **KFHP** acquired services from **HTC** for system administrator throughout the Year for \$4,200. At December 31, 2020 there is \$263 outstanding (December 31, 2019 - \$Nil).

101288151 Saskatchewan Ltd. dba KF Group of Companies (“**KF Group**”) is considered a related party due to one common director. **KF Group** subcontracts support services from **HTC** on a month-to-month basis. At December 31, 2020, **HTC** has subcontracted support services revenue of \$4,200 (December 31, 2019 - \$4,200). At December 31, 2020, there is \$628 outstanding (December 31, 2019 - \$459).

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

32. 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 the severance related amounts allocated in 2017 were 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 in January 2019, with 2 executive managers. Under the terms, **HTC** can terminate the agreements at any time. These agreements were terminated April 1, 2020 and new employment contracts were entered into. During the Year, total compensation for the 2 executive managers, Lionel Kambeitz and Jeffrey Allison, was \$240,575. The employment agreement with director Jeffrey Allison terminated on December 31, 2020.

During the Year, the Corporation paid director compensation in the amount of \$3,500 (December 31, 2019 - \$8,750) 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.

33. 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.

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

Dec. 31, 2020	< 1 year,	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 1,028,005	\$ -	\$ -	\$ -	\$ 1,028,005
Lease liability	172,906	37,323	25,960	125,338	361,527
Long term debt	-	4,459,102	-	-	4,459,102
Promissory note	-	-	900,775	-	900,775
Balance	\$ 1,200,911	\$ 4,496,425	\$ 926,735	\$ 125,338	\$ 6,749,409

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

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. With the exception of **Kase** operations, 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. With the exception of **Kase** operations, 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 20). A 1% change in the prime interest rate would have an impact of \$117,640 on the Corporation's income.

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, 2020, the Corporation had an allowance for doubtful accounts of \$128,600 (December 31, 2019 - \$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, 2020 and December 31, 2019 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Dec. 31, 2020	\$ 14,550	\$ 10,452	\$ 25,002
Aging of accounts receivable at Dec. 31, 2019	\$1,615,594	\$ 39,437	\$1,655,031

34. Capital disclosures

There are no restrictions on the Corporation's capital. The Corporation's capital is summarized as follows:

	Dec. 31, 2020	Dec. 31, 2019
Shareholders' equity	\$ 4,305,083	\$ 29,383,628
Current portion of lease liability	172,906	115,693
Current portion of long-term liability	-	495,102
Lease liability	188,621	419,440
Long term debt	4,459,102	11,893,486
Promissory note	946,385	-
Balance	\$ 10,072,097	\$ 42,307,349

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.

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.

35. Segmented information

Operating segments

At December 31, 2020, the Corporation has one operating segment – **HTC Extraction Systems**, which involves processing of hemp biomass and provision of related products and services. During the year, upon sale of 100% shares of **Maxx** on June 30, 2020 (see Note 4 and 36), HTC discontinued operations of **Maxx** segment. All required disclosures for **Maxx** up to June 30, 2020 are included in Note 36. The Corporation also discontinued operations related to provision of services to clean energy industries related to its **Delta CleanTech** division.

Geographic revenues – U.S. operations

Kase operates out of Ceres, California and makes up the U.S. operations. The following describes the material foreign revenues and non-current assets of **Kase**. Equipment described below includes equipment owned by **Kase** as well as equipment owned by **HTC** located at **Kase**.

Kase - U.S. Operations	Dec. 31, 2020
CBD sales	\$ 22,976
Other income	2,007
Total revenues	\$ 24,983

Non-current assets:

Equipment	\$ 2,836,513
Accumulated amortization	(398,949)
	2,437,564

Leasehold improvements	102,301
Accumulated amortization	(8,734)
	93,567

Right of use asset-Lease	272,914
Accumulated amortization	(136,457)
	136,457

Intangible assets	3,690,633
Impairment	(2,303,590)
Accumulated amortization	(324,192)
	1,062,851

Total non-current assets	\$ 3,730,439
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36. Discontinued operations

Delta CleanTech Division

HTC's Delta CleanTech Division provides products and services related to clean energy industries. On December 11, 2020, HTC announced its intent to sell its existing energy clean tech business and assets (the "**Clean Energy Division**") and formed a separate new energy clean tech company "Delta CleanTech Inc." ("**Delta**") based on HTC's **Clean Energy Division**. **Delta CleanTech Inc.** completed the purchase of HTC's Clean Energy Assets for an aggregate purchase price of \$4,000,000 pursuant to an asset purchase agreement between HTC and the Delta Clean Tech Inc. dated January 27, 2021. See Note 39 Subsequent Events for further details.

The following is an analysis of the results of operations and cash flows from discontinued operations of Delta.

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Sales:		
Engineering, process design and consulting	\$ 152,291	\$ 329,620
Other income	-	2,500
Expenses:		
General and administration	(891,521)	(813,260)
Amortization	(126,473)	(133,845)
Interest paid on lease liabilities	-	(834)
Share of loss of equity-accounted for investee, net of tax (Note 14)	(41,000)	-
Loss from discontinued operations	(906,703)	(615,819)
	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Net cash outflow from operating activities	(649,996)	(450,880)
Net cash outflow from investing activities	(48,003)	427,189
Net cash outflow from financing activities	-	(56,673)
Net decrease in cash generated by the Delta segment	\$ (697,999)	\$ (80,364)

Assets and liabilities of disposal group classified as held for sale:

	Dec. 31, 2020
Cash	\$ 223
Accounts receivable	23,229
Government remittances receivable	1,617
Prepays	21,477
Property, plant and equipment	8,607
Product development	214,052
Investments (FVTOCI)	67,909
Patents	96,752
Intangible assets	124,914
Total assets of disposal group held for sale	\$ 558,780
Accounts payable	50,986
Total liabilities of disposal group held for sale	\$ 50,986

Sale of Maxx

On June 30, 2020 **HTC** sold 100% of its equity interest in its subsidiary **Maxx**. The consideration was received fully in shares in **HempCo** in 2020 (see Note 4). The following is an analysis of the income /loss and cash flows from discontinued operations during the Year.

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Sales:		
Fertilizer handling services	\$ 358,580	\$ 459,838
Fertilizer facility rent	273,000	546,000
Grain handling	624,559	916,573
Other income	124,254	145,022
Total sales	1,380,393	2,067,433
Cost of Sales – other	47,988	61,146
Commercialization, product development and administration	589,943	1,146,134
Amortization	972,062	2,076,924
Finance costs	116,119	307,039
Interest paid on lease liabilities	5,384	5,916
Loss from operations	(351,103)	(1,529,726)
Interest and other income	70,273	408,460
Loss from valuation of inventory	-	(60,000)
Income from disposal of property, plant and equipment	-	20,173
Loss on disposal of subsidiary	2,203,941	
Net loss from discontinued operations	\$ (2,484,771)	\$ (1,161,093)
	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Net cash inflow from operating activities	\$ 716,039	\$ 975,831
Net cash outflow from investing activities	(1,692,660)	(4,174,116)
Net cash inflow from financing activities	3,088,375	5,875,184
Net increase in cash generated by Maxx	\$ 2,111,754	\$ 2,676,899

Assets and liabilities of disposal group classified as held for sale:

	June 30, 2020
Cash	\$ 11,336
Accounts receivable	3,251,899
Inventory	206,585
Noncurrent deposits	1,858,037
Property, plant and equipment	25,573,421
Total assets of disposal group held for sale	30,901,278
Accounts payable	1,256,086
Government remittances payable	31,485
Deferred revenue	5,439
Line of credit	4,199,178
Long term debt	11,773,841
Lease liability	334,045
Note payable	1,159,749
Total liabilities of disposal group held for sale	18,759,823
Total net assets of disposal group	12,141,455
Total consideration received in shares in HempCo	(9,937,514)
Loss on disposal of subsidiary	\$ 2,203,941

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

The portion of net assets and net loss attributable to **Oroverde** 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. Additional information is as follows:

	December 31, 2020	December 31, 2019
	Oroverde	Oroverde
Total current assets	\$ 662,040	\$ 662,040
Total current liabilities	-	-
Loss	\$ (41,571)	\$ (11,559)

38. 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 31), with minimum monthly rental payments of \$3,747.

HTC's subsidiary **Kase** currently leases production space for its facility for \$9,000 USD per month.

39. Subsequent events**Delta CleanTech**

In January 2021, HTC completed the spin-out of its Clean Energy Assets (Note 36) which were sold for \$4,000,000 to a newly incorporated wholly owned subsidiary **Delta Clean Tech Inc. ("Delta")**. Then Delta issued new shares for a total of \$7,670,000 in cash which represents 66% of Delta's outstanding shares and this in substance resulted in a sale in ownership as HTC lost its 100% control position in Delta as the new shareholders now owned 66% of Delta and HTC held 34%. The Clean Energy Assets consist of all of the intellectual property and certain contractual agreements for the operation of HTC's CO2 capture systems and reclaimer systems.

The \$4,000,000 sale proceeds **HTC** received from Delta were comprised of 20,000,000 common shares issued ("**Consideration Shares**") to **HTC** at a stated price of \$0.20 per common share. The Consideration Shares are subject to a pooling arrangement with a release schedule over a period of 24 months whereby 10% of the Consideration Shares will be released upon the listing of the common shares on a recognized stock exchange in Canada ("**Liquidity Event**"), 10% of the Consideration Shares are released every three months following the date of the Liquidity Event and the final 20% of the Consideration Shares are released 24 months following the date of the Liquidity Event.

COVID-19

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