

# MANAGEMENT DISCUSSION AND ANALYSIS

4TH QUARTER END  
DECEMBER 31, 2023



# Introduction

The following Management's Discussion and Analysis ("**MD&A**") is prepared as of December 31, 2023, and should be read together with the **HTC Pureenergy Inc. dba HTC Extraction Systems™** ("**HTC**" or the "**Corporation**") unaudited consolidated interim financial statements for the twelve-month period ending December 31, 2023 (the "**Q4**" or "**Period**") and related notes attached thereto (collectively referred to as the "**Financial Statements**"), which are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian dollars unless otherwise indicated. The Corporation has adopted National Instrument 51-102F1 as the guideline in representing the MD&A. Terms used but not defined in this MD&A shall bear the meaning as set out in Part 1 of National Instruments ("**NI**") 51-102 and NI 14-101 *Definitions* and accounting terms that are not defined herein shall bear the meaning as described or used in IFRS applicable to publicly accountable enterprises.

This MD&A is dated October 17, 2024.

## FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that may cause the Corporation's actual results or outcomes to be materially different from those anticipated and discussed herein. In assessing forward-looking statements contained herein, readers are urged to read carefully all cautionary statements contained in this MD&A and accompanying Financial Statements, and in those other filings with the Corporation's Canadian regulatory authorities as found at 'www.sedar.com' and to not put undue reliance on such forward-looking statements. Forward-looking statements in this MD&A include statements with respect to: the expected performance of the Corporation's business and operations and the Corporation's intentions to expand its business and operations; the Corporation's expectations regarding revenue, expenses and anticipated cash needs; the ability of the Corporation to meet consumer demand; the ability of the Corporation to execute on its strategic priorities and objectives; the size of the market that the Corporation operates in; and the Corporation's expectations regarding the future operations and objectives of KF Hemp Corp. Although **HTC's** management ("**Management**") believes that the expectations reflected in the forward-looking statements are reasonable, Management cannot guarantee future results, levels of activity, performance or achievements, or other future events. Forward-looking statements in this MD&A speak only as of the date on which they are made and Management is under no duty to update any of its forward-looking statements after the date of this MD&A, other than as required and governed by applicable securities laws.

Additional information related to the Corporation is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

# Corporate Overview



**HTC Extraction Systems™** licenses and utilizes proprietary technology for the extraction of particles from biomass, liquids, and gas used in *Biofibre/Protein/Plant Oil* business sector, as well as for the carbon credit validation, certification and trading.

## HTC's Biofibre/Protein/Plant Oil - Business Unit

HTC's business strategies include: the industry and environmental development and advancement of technology for the use of Biofibre for Bioplastics, Biochar and Cellulose as well as an equity investment in Delta CleanTech Inc. ("**Delta**").

### *Investments in ESG companies*

#### Delta CleanTech Inc.

The Corporation owns a minority interest of Delta, the proprietor of 18-year old, ESG driven, recognized global technology IP, and leader in Carbon Credit Origination and Aggregation, through CO<sub>2</sub> Capture & Decarbonization of Energy, Blue Hydrogen Production, and Methane Collection & Destruction. Delta continues to provide solutions to clients all over the world in capturing, sequestering, and reducing CO<sub>2</sub>, while producing high quality fungible Carbon Credits.

Delta has shown leadership in the compliance and voluntary carbon offset market through its extensive origination and aggregation experience in CO<sub>2</sub> capture, landfill and oilfield methane destruction and zero tillage agricultural carbon credits.

## SELECTED ANNUAL INFORMATION

In Canadian Dollars	Year ending Dec 31, 2022	Year ending Dec 31, 2021	Year ending Dec 31, 2020
<b>Total Revenue</b>	146,461	737,847	-
<b>Loss from Operations</b>	(1,084,615)	(775,521)	(1,746,057)
<b>Gain (Loss) from asset disposition, valuation and impairment adjustments</b>	(2,019,434)	(3,590,074)	(32,381,121)
<b>Net (Loss)</b>	(3,394,492)	(4,623,663)	(34,405,455)
<b>Loss per share, basic and diluted</b>	(0.02)	(0.02)	(0.22)
<b>Loss per share from continued operations, basic and diluted</b>	(0.02)	(0.04)	(0.19)
<b>Comprehensive Net Income (Loss)</b>	(3,394,492)	(4,408,894)	(34,410,273)
<b>Total Assets</b>	2,238,721	7,652,435	11,135,149
<b>Total Long-Term Financial Liabilities</b>	4,107,806	6,814,187	5,594,108
<b>Increase (Decrease) in Cash</b>	(84,299)	(83,666)	(4,999,156)
<b>Cash Dividends Declared per-share</b>	NIL	NIL	NIL

## DISCUSSIONS OF HTC's QUARTER END FINANCIAL RESULTS

In Canadian Dollars (other than share amounts)	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	3 months ending Sept. 30, 2023	3 months ending Sept. 30, 2022	3 months ending Jun. 30, 2023	3 months ending Jun. 30, 2022	3 months ending Mar. 31, 2023	3 months ending Mar. 31, 2022
<b>Total Revenues</b>	-	-	-	8,500	-	105,570	-	143,461
<b>Net Income (Loss) from Operations</b>	138,983	(317,643)	(181,670)	(199,780)	(40,249)	(230,740)	(52,147)	(336,452)
<b>Net Income (Loss)</b>	(326,226)	(1,872,685)	172,587	(275,951)	(55,015)	(596,866)	(136,137)	(609,574)
<b>Total Assets</b>	2,238,721	2,238,721	645,780	4,992,282	1,575,400	6,659,432	2,161,005	7,383,064
<b>Long Term Liabilities</b>	3,299,610	4,107,806	3,389,223	6,461,912	4,364,440	7,059,019	4,231,374	6,945,515
<b>Shareholders' Equity</b>	(4,611,848)	(4,267,057)	(4,285,623)	(3,853,026)	(4,458,209)	(3,577,075)	(4,267,057)	(3,031,946)
<b>Cash Flow from Operations</b>	229,695	35,439	(216,965)	(107,043)	(267,740)	(397,125)	(111,818)	137,169
<b>Increase (Decrease) in Cash</b>	2,732	23,552	(11,340)	49,738	22,460	(140,998)	(22,543)	33,049
<b>Net Income (Loss), in total, on a per-share basis<sup>1</sup> (See discussion below)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Income (Loss), in total, on a diluted per-share basis</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Weighted Average Common Shares</b>	206,983,741	206,983,741	206,973,741	206,973,741	206,973,741	206,973,741	206,973,741	206,973,741

*-Net Income (Loss) per common share for the period has been calculated using the weighted average number of common shares outstanding during the respective periods.*

## PER SHARE AMOUNTS

Basic net income (loss) per common share has been calculated using the weighted average number of common shares outstanding. At the end of the Period, there were 206,983,741 common shares outstanding (December 31, 2022 – 206,983,741).

Amounts stated in Canadian Dollars	For the period ending Dec. 31, 2023	For the year ending Dec. 31, 2022
Net Income (Loss) per common share – basic and fully diluted	\$0.00	\$(0.02)

Fully diluted earnings per share is not presented when there is a loss as the impact would be anti-dilutive. The diluted shares for the Period are 210,466,928.

## REVENUES

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	YTD ending Dec. 31, 2023	YTD ending Dec. 31, 2022
Total Revenues	\$-	\$-	\$-	\$146,461

The table above reflects the year to date (“YTD”) revenues reported and also revenues reported in three-month periods ending December 31, 2023 and 2022. Revenue reported in the prior period is reflective of inventory sales.

## OPERATING EXPENSES

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	YTD ending Dec. 31, 2023	YTD ending Dec. 31, 2022
Commercialization & Administration	\$140,905	\$131,342	\$91,430	\$645,686

The table above reflects commercialization and administration expenses reported both YTD and for the three-month periods ending December 31, 2023 and 2022. The 2023 increase is mostly from an adjustment due to rent recognised during the Period as a result of the cancellation of a lease and option agreement.. The three-month ending December 31, 2023 reflects a significant reduction of operating expenditures.

## AMORTIZATION

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	YTD ending Dec. 31, 2023	YTD ending Dec. 31, 2022
Amortization	\$(1,922)	\$75,233	\$43,653	\$343,087

Amortization reported for the twelve-month periods ending December 31, 2023 and 2022 are \$43,653 and \$343,087 and \$(1,922) and \$75,233 for the three-month periods endings. The

change is a result the property plant and equipment impairment and dispositions recorded, otherwise, is of typical deviations.

## FINANCE INCOME (EXPENSES)

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	YTD ending Dec. 31, 2023	YTD ending Sept. 30, 2022
Finance expenses	\$125,339	\$140,150	\$250,981	\$330,443

Finance expenses realized for the twelve-month periods ending December 31, 2023 and 2022 are \$250,981 and \$330,443 and \$125,339 and \$140,150 for the three-month periods endings. Interest recorded relates to accretion and long-term loan finance expenses. Loan finance expenses have decreased during the Period as a result of partial debt settlements.

## OPERATING LOSS

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	YTD ending Dec. 31, 2023	YTD ending Dec. 31, 2022
Operating income (loss)	\$138,983	\$(317,645)	\$(135,083)	\$(1,084,617)

The Corporation reports a twelve-month operating loss at December 31, 2023 of \$135,083 compared to \$1,084,617 at December 31, 2022. The current Period reflects the substantial work that has been completed in order to reduce operating expenses including tightening up of reduced commercialization, product development and administration and reducing staff components.

## NET INCOME OR LOSS

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2023	3 months ending Dec. 31, 2022	YTD ending Dec. 31, 2023	YTD ending Dec. 31, 2022
Net loss	\$326,226	\$1,912,100	\$344,792	\$3,394,492

Net loss for the twelve-month Period is \$344,792 compared to net loss at December 31, 2022 of \$3,394,492. 2023 reports no revenues, reduced commercialization, product development and administration expenses, amortization, finance expenses and loss from equity investments. 2023 loss includes a gain on sale of assets, loss from equity investment in Delta and recovery of US tax provision. 2022 loss included components of inventory sales, increased commercialization, product development and administration expenses and loss from equity investments in Delta CleanTech Inc.

## TOTAL ASSETS



Total assets as at the end of the Period were \$407,920 compared to \$2,238,721 as at December 31, 2022. The decrease is attributable to reduced property, plant and equipment; government receivables and payables; and decreased balances reported on investments in associates as a result of the associates reported results.

## CURRENT LIABILITIES

Total current liabilities are \$1,720,158 as at the end of the Period as compared to \$2,397,972 as at December 31, 2022. The decrease is due to timing of accounts payable and accrued liabilities, increase in promissory notes due to accretion, offset by realized portions of lease liabilities and settlements of debt and recoveries recorded on the provisional US tax liability due to a mutual release of liability.

Aside from timing of accounts payable and accrued liabilities, settlement of government payables and promissory note increases, the decrease in current liabilities is due largely to two significant transaction that occurred during the Period, namely:

1) On May 31, 2023, **HTC** and KF Aggregates Recycling Inc. ("**Aggregates**"), an arm's length party, entered into an asset sale agreement ("**ASA**"). Pursuant to the ASA, **HTC** sold certain extraction equipment to Aggregates for the purchase price of \$585,400, determined by a third-party appraiser. **HTC** was indebted to Aggregates for providing certain services and products, in the ordinary course of business, to **HTC**, which **HTC** failed to make payment for (the "**Indebtedness**"). Pursuant to the APA, the purchase price will be paid as follows: (i) by the set-off of the Indebtedness; (ii) the payment of \$50,000 in cash at closing; and (iii) the payment of the balance of \$100,000 over 12 months. At December 31, 2023, the balance of the payment receivable from Aggregates is \$52,500.

2) On June 27, 2023, **HTC** and Starling entered into a mutual release where **HTC** is no longer liable to pay US taxes under the asset sale agreement, dated April 1, 2021.

## LONG TERM LIABILITIES

The Corporation reported long-term liabilities as at the end of the Period of \$3,299,610 (December 31, 2022 – \$4,107,806). The decrease is specific to the reduction of customer deposits from long-term debts.

## SHAREHOLDERS' EQUITY

As at the end of the Period, shareholders' deficit is \$4,611,848 as compared to shareholders' deficit of \$4,267,057 at December 31, 2022. The change in shareholder's equity is attributed to the net loss reported.

## CASH FLOW

Cash flows used in operating activities were \$(76,628) for the Period, compared to \$(331,560) for December 31, 2022. Operating activities cash flow used is attributable to losses reported during the Period, amortization expenses, interest and accretion expenses incurred and other income reported. Change in working capital includes settlement of payables and accrued



liabilities, dividend taxes paid, and government remittances paid during the period. Government remittances due and paid are results of a provincial tax audit.

## CHANGE IN CASH POSITION

The change in cash position during the Period was \$15,044 and \$(84,299) at December 31, 2022. Cash position change in the prior period is specific to operations.

## CAPITAL RESOURCES

### Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

At December 31, 2023 and December 31, 2022, 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, 3,550,000 shares are subject to restrictions. As at December 31, 2023, 206,983,741 common shares (December 31, 2022 – 206,983,741) were issued and outstanding.

### 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, 2023 and the weighted average exercise price:

	As at Dec. 31, 2023		As at Dec. 31, 2022	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of year	3,483,187	\$ 0.075	3,483,187	\$ 0.075
Stock options issued	-	-	-	-
Outstanding and exercisable, end of period	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. Changes in the subjective input assumptions can materially affect the fair value estimate.

Details of warrants issued and expired as at December 31, 2023 being accounted in contributed surplus:

Warrant Issue date	Warrant Expiry date	Number of warrants expired	Value \$
October 22, 2019	October 22, 2022	14,227,950	2,014,189
January 28, 2020	January 28, 2023	5,310,000	353,043
January 30, 2018	January 30, 2023	2,104,546	80,394

The Corporation incurred share issuance costs at December 31, 2023 of \$Nil that have been capitalized (December 31, 2022 - \$Nil) in connection with the transactions described above.

## OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

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

KF Kambeitz Farms Inc. ("**KF Farms**") is considered a related party of HTC due to the fact that KF Farm is owned by a close member of a key management person. There is a loan payable to KF Farms for \$3,134,817 (December 31, 2022 - \$3,006,660). There is also a payable outstanding in the amount of \$69,847 (December 31, 2022 - \$69,847).

Kambeitz Agri Inc. ("**Agri**") is considered a related party of HTC due to the fact that Agri is owned by a close member of a key management person. There is a payable in the amount of \$15,749 (December 31, 2022 - \$15,749).

KF Capital Corp. ("**KF Capital**") is a related party of HTC due to the fact that KF Capital is owned by a close member of a key management person. During the Period, HTC engaged KF Capital for rental expenses totaling \$6,210. At December 31, 2023, there is an amount owing of \$9,074 (December 31, 2022 – 5,453).

KF Homestead Agriculture Inc. ("**KFHA**") is a related party due to one common director. On December 30, 2021, HTC and KFHA entered into an APA whereby HTC would sell a 27,000 square foot cold storage building ("**Facility**") to KFHA for fair market value of \$1,190,000 as determined by an independent appraiser. On August 23, 2023, KFHA settled the purchase price in full and accordingly title of the building was transferred to KFHA.

HTC entered into a 5-year Lease Agreement, with an option to renew for an additional 5-year term. The Lease Agreement included an option to buy the Facility and the land at FMV for a period of 10 years, with a further 10-year extension period for the cost of \$25,000. Annual lease payments payable to KFHA are \$101,150 or \$8,429 monthly.

On July 25, 2023, pursuant to the terms of the Lease Agreement, KFHA issued a notice of default to HTC, the tenant, to declare HTC was in default of its obligations and covenants to pay rent when due. On August 10, 2023, KFHA notified HTC that the Lease Agreement was terminated.

Mr. Maher is considered a related party because he is a key management party of KF Hemp . KF Hemp has a loan payable to Mr. Maher for \$64,766 (December 31, 2022 - \$61,953).

Purely Canada Foods Corp. (“**PCF**”) is a related party due to one common director. At December 31, 2023, there are outstanding amounts of \$159,960 (December 31, 2022 - \$159,960) representing inventory purchased from PCF.

Purely Canada Terminals Corp. (“**PCT**”) is a related party due to one common director. HTC acquired a loan from PCT during 2021 for \$250,000 plus interest (see Note 8). At December 31, 2023, there are amounts outstanding of \$285,357 to PCT (December 31, 2022 - \$272,960).

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

## CRITICAL ACCOUNTING ESTIMATES

IFRS 15 impacts how revenues are recognized and require estimates regarding the evaluation of income to consider rent elements, guarantee elements and income estimates as well as the recognition of guaranteed recognition into Income.

The Corporation annually performs an impairment analysis on PPE by comparing the carrying value of each CGU containing the assets to its recoverable amount. The Corporation utilized the market approach to calculate the fair value of the recoverable amount of the assets whereby the carrying value was compared to comparable market sales transactions including bid and ask prices and completed sales of comparable equipment. The impairment charge is recorded in the Consolidated Statement of Loss.

Where the fair values of financial assets are recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

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

The portion of net assets and net loss attributable to Oroverde Genetics Corp. (“**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. Non-consolidated details of the revenue and expenses associated with Oroverde are summarized above. Additional information is as follows:

	Oroverde	Oroverde
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	December 31, 2023	December 31, 2022
Total current assets	\$ -	\$ -
Total current liabilities	811,909	785,278
	December 31, 2023	December 31, 2022
Loss	\$ 35,772	\$ 34,118

## DIRECTOR AND OFFICER COMPENSATION

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.

During the Period, the Corporation paid director compensation in the amount of \$2,500 (December 31, 2022- \$2,250) for the attendance of Board and committee meetings. In addition, a total of \$33,235 were paid in compensation to senior management during the Period.

## ADDITIONAL INFORMATION ON HTC

**HTC** invites you to review current and historical press releases and News Express releases. This material can be viewed on the Corporation's web site at <https://htcextraction.com/news-releases/>.

## RISKS AND UNCERTAINTIES

The preparation of the Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the Period.

Significant items subject to judgment, estimates and assumptions include: revenue recognition (judgments on principal versus agent relationship, the identification of performance obligations within contracts, and estimation of the allocation of transaction price to different performance obligations), non-financial asset impairment, inventory provision, underlying estimations of useful lives of depreciable assets, fair value of financial instruments, the utilization of deferred tax assets, environmental remediation and contingent liabilities, if any, and inputs used in Black-Scholes valuation model.

The Financial Statements are based on Management's best estimates using information available. Uncertainty regarding the timing of anticipated large-scale market demand for carbon capture technology, related legislative incentives, and uncertainty in financial markets has complicated the estimation process. Accordingly, the inherent uncertainty involved in making

estimates and assumptions may impact the actual results reported in future years by a material amount.

## CHANGES IN ACCOUNTING PRINCIPLES

### 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.

#### Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, the IASB published "Definition of Accounting Estimates" to help entities to distinguish between accounting policies and accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The amendments are not expected to have a material impact on the Corporation.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply prospectively.

## CAPITAL DISCLOSURES

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

	Dec. 31, 2023	Dec. 31, 2022
Shareholders' equity	\$ (4,611,848)	\$ (4,265,057)
Current portion of lease liability	1,737	8,604
Current portion of long-term debt	291,434	141,953
Lease liability	6,104	7,126
Long-term debt	3,293,506	4,100,806
Promissory note	1,166,017	1,084,521
<b>Balance</b>	<b>\$ 146,950</b>	<b>\$ 1,075,827</b>

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.

## FINANCIAL INSTRUMENTS

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:

<b>Dec. 31, 2023</b>	<b>&lt; 1 year,</b>	<b>1-2 years</b>	<b>3-5 years</b>	<b>Thereafter</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 260,206	\$ -	\$ -	\$ -	\$ 260,206
Government remittance payable	764	-	-	-	764
Lease liability	1,737	6,104	-	-	7,841
Long term debt (including interest)	301,362	9,928	3,766,085	10,756	4,088,131
Promissory note	1,166,017	-	-	-	1,166,017
<b>Balance</b>	<b>\$ 1,438,682</b>	<b>\$ 16,032</b>	<b>\$ 4,057,519</b>	<b>\$ 10,756</b>	<b>\$ 5,522,959</b>

<b>Dec. 31, 2022</b>	<b>&lt; 1 year,</b>	<b>1-2 years</b>	<b>3-5 years</b>	<b>Thereafter</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 861,808	\$ -	\$ -	\$ -	\$ 861,808
Government remittances payable	94,893	-	-	-	94,893
Lease liability	8,604	6,505	621	-	15,730
Long term debt	141,953	272,960	3,006,659	-	3,421,572
Promissory note	1,113,300	-	-	-	1,113,300
<b>Balance</b>	<b>\$ 2,220,558</b>	<b>\$ 279,465</b>	<b>\$ 3,007,280</b>	<b>\$ -</b>	<b>\$ 5,507,303</b>

#### Currency risk

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

#### Foreign exchange risk

Foreign exchange risk is primarily associated with contracts for services and contracts of supplies and services. Substantially all 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 8 to the Financial Statements). A 1% change in the prime interest rate would have a negligible impact 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, 2023, the Corporation had an allowance for doubtful accounts of \$254,872 (December 31, 2022- \$254,872).

Due to project-based nature of the Corporation's operations, management considers accounts receivable outstanding less than 90 days 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, 2023 and December 31, 2022 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Dec. 31, 2023	\$54,395	\$ 5,464	\$59,859
Aging of accounts receivable at Dec. 31, 2022	\$ 77,742	\$ -	\$ 77,742

## WORKING CAPITAL

Working capital requirements typically reflect the seasonality of a corporation. Collectability of receivables and long-term customer deposits obtained and expected play a large part in the ability to meet current liabilities.

## COMMITMENTS AND CONTINGENCIES

The Corporation rents office facilities on a month-to-month basis under a lease agreement with KF Capital Corp., with minimum monthly rental payments of \$621.

**HTC** is engaged in a license dispute with one of its CO<sub>2</sub> capture technology providers. The court expects the provider to settle the case in favour of **HTC**. **HTC** is currently negotiating the settlement amount to be paid to HTC.

## SUBSEQUENT EVENTS

On April 15, 2024, the Board approved the change in year end of the Corporation, from December 31 to March 31, and effective September 30, 2024, Mr. Kambeitz resigned from the Board.

Signed "Jeff Allison"  
**JEFF ALLISON**  
 PRESIDENT & CEO

Signed "Jacelyn Case"  
**JACELYN CASE**  
 CFO

**HTC PUREENERGY INC.**  
*‘doing business as’*  
**HTC EXTRACTION SYSTEMS**

**To the Shareholders of HTC Pureenergy Inc. (the “Corporation”)**

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

The unaudited consolidated interim financial statements for the period ended December 31, 2023 (“**Q4**” or “**Period**”) (“**Financial Statements**”) have been prepared by management in accordance with International Financial Reporting Standards (“**IFRS**”) in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management’s discussion and analysis for the Period (“**MD&A**”) and reflect the Corporation’s business transactions and financial position.

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

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

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

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

Signed “Jeff Allison”  
**JEFF ALLISON**  
**PRESIDENT & CEO**

Signed “Jacelyn Case”  
**JACELYN CASE**  
**CFO**

# BOARD OF DIRECTORS & SENIOR OFFICERS

## Of the Corporation as at December 31, 2023

<b>Directors:</b>	<p>Lionel Kambeitz, Regina, Saskatchewan,</p> <p>Jeffrey Allison, Calgary, Alberta</p> <p>Wayne Bernakevitch, Regina, Saskatchewan,</p> <p>Garth Fredrickson Regina, Saskatchewan.</p>
<b>Senior Officers:</b>	<p>Wayne Bernakevitch, Chairman Jeffrey Allison, President &amp; CEO Jacelyn Case, Chief Financial Officer</p>
<b>Committees of the Board of Directors:</b>	<p>Audit Committee Compensation Committee Nominating Committee</p>
<b>Members of Audit Committee:</b>	<p>Lionel Kambeitz, Garth Fredrickson and Wayne Bernakevitch</p>
<b>Members of Compensation Committee:</b>	<p>Wayne Bernakevitch and Lionel Kambeitz</p>
<b>Members of Nominating Committee:</b>	<p>Jeffrey Allison and Wayne Bernakevitch</p>

# SHAREHOLDER INFORMATION

**Stock exchange:** TSX Venture Exchange Inc.

**Stock symbol:** HTC

**Common Shares outstanding as of December 31, 2023:** 206,983,741

**Head office and Investor relations address:**

**HTC PUREENERGY**

#002 – 2305 Victoria Avenue  
Regina, Saskatchewan S4P 0S7  
Telephone: (306) 352-6132  
Fax: (306) 545-3262  
E-mail: [investorinfo@htcextraction.com](mailto:investorinfo@htcextraction.com)

**Sales and Marketing Offices**

**Canada:**

Regina, Saskatchewan  
Calgary, Alberta

**Registrar and Transfer Agent:**

Odyssey Trust Company  
1230, 300 – 5th Avenue S. W.  
Calgary, Alberta T2P 3C4

**Banks:** RBC

**Auditors:** PKF Antares, Calgary, AB

**Legal Counsel:** McDougall Gauley, Barristers and Solicitors, Regina Saskatchewan

**Borden Ladner Gervais LLP, Barristers and Solicitors, Calgary**  
Alberta

**McKercher LLP Barristers & Solicitors, Regina Saskatchewan**

**Dividend policy:**

During the Period no dividends were declared and paid on the common shares of the Corporation.

**Duplicate Communications:**

Some shareholders may receive more than one copy of the annual report and proxy-related material. This is generally due to ownership of registered shares in addition to non-registered shares; holding shares in more than one account; or purchasing shares from more than one stock brokerage firm. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should notify the investor relations department at the above address.