

# INTERIM FINANCIAL STATEMENTS

4TH QUARTER END  
DECEMBER 31, 2023

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**To the Shareholders of HTC Pureenergy Inc.  
dba HTC Extraction Systems  
("HTC" or the "Corporation")**

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

The unaudited consolidated interim financial statements ("**Financial Statements**") for the twelve-month period ending December 31, 2023 ("**Period**") have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis for the Period ending December 31, 2023 ("**MD&A**") and reflect **HTC'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 filings of the Corporation's MD&A, Financial Statements and attachments thereto for the Period (together referred to as the "**Interim Filings**"). Based on our knowledge, having exercised reasonable diligence, these 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, the 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**  
**CHIEF FINANCIAL OFFICER**

**NOTICE TO READER OF THE  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The consolidated interim financial statements for the twelve-month period ending December 31, 2023 have been prepared by management in accordance with the International Financial Reporting Standards and have not been reviewed by **HTC Pureenergy Inc.’s** Auditor.

*Signed “Jeff Allison”*

**Jeff Allison**  
**President & CEO**

**UnAudited Consolidated Statements of Financial Position**

(In Canadian dollars)

For the period ended	Note	Dec. 31, 2023	Dec. 31, 2022
<b>ASSETS</b>			
Current Assets:			
Cash		\$ 45,020	\$ 29,976
Accounts receivable and other receivables	21	59,859	77,742
Government remittances receivable		15	17,797
		104,894	125,515
Property, plant and equipment	4	2,251	1,414,674
Right-of-use asset	5	7,560	15,417
Investment in associates	6	293,215	683,115
<b>Total assets</b>		<b>\$ 407,920</b>	<b>\$ 2,238,721</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	21	\$ 260,206	\$ 861,808
Government remittances payable		764	94,893
Dividend tax payable		-	12,998
Current portion of lease liability	7	1,737	8,604
Current portion of long-term debts	8	291,434	141,953
Provision for US sales tax payable		-	193,195
Promissory note	10	1,166,017	1,084,521
		1,720,158	2,397,972
Lease liability	7	6,104	7,126
Long term debt	8	3,293,506	3,279,619
Customer Deposit	9	-	821,061
<b>Total liabilities</b>		<b>5,019,768</b>	<b>6,505,778</b>
Shareholders' equity:			
Share capital	11	59,128,086	59,128,086
Contributed surplus	12	4,959,257	4,959,257
Accumulated deficit		(68,452,877)	(68,118,817)
Total equity attributable to shareholders of the Corporation		(4,365,534)	(4,031,474)
Total equity attributable to non-controlling interest		(246,314)	(235,583)
<b>Total equity</b>		<b>(4,611,848)</b>	<b>(4,267,057)</b>
<b>Total liabilities and equity</b>		<b>\$ 407,920</b>	<b>\$ 2,238,721</b>

Going concern (Note 1)  
 Commitments (Note 24)  
 Subsequent events (Note 25)

See accompanying notes to the Financial Statements

**Unaudited Consolidated Statements of Income or Loss  
and Other Comprehensive Income or Loss**  
(In Canadian dollars)

For the twelve-month period ended December 31,	Note	2023	2022
<b>Continuing operations</b>			
Consulting		\$ -	\$ 3,000
Inventory sales		-	143,461
		-	146,461
Cost of sales – inventory		-	242,305
Commercialization and administration	13	91,430	645,686
Amortization	4,5	43,653	343,087
<b>Operating loss</b>		<b>(135,083)</b>	<b>(1,084,617)</b>
Net finance income (expense)	14	(250,981)	(330,443)
Other income	15	(20,000)	40,000
Gain on sale of assets		257,977	12,471
Loss on impairment of property, plant and equipment		-	(405,523)
Loss from equity investment Delta (net of tax)	6	(389,900)	(662,396)
Loss on FV of the dividends payable		-	(355,107)
Loss on deposit paid		-	(75,127)
Loss on disposal of assets		-	(490,000)
Loss on write-down to net realizable value		-	(43,750)
US tax provision recovery		193,195	-
<b>Income (loss) before tax</b>		<b>(344,792)</b>	<b>(3,394,492)</b>
Income tax recovery		-	-
<b>Net income (loss) for the period</b>		<b>\$ (344,792)</b>	<b>\$ (3,394,492)</b>
Net income (loss) for the period attributable to:			
Shareholders of the Corporation		\$ (334,060)	\$(3,384,256)
Non-controlling interest		(10,732)	(10,236)
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ (344,792)</b>	<b>\$ (3,394,492)</b>
Net loss per share – basic and dilutive	18	(0.00)	(0.01)
Net loss per share – basic and fully diluted from continued operations*	18	(0.00)	(0.01)

\*Fully diluted earnings per share is not presented when there is a loss as the impact would be anti-dilutive.

See accompanying notes to the Financial Statements

**Unaudited Consolidated Statements of Income or Loss  
and Other Comprehensive Income or Loss**  
(In Canadian dollars)

For the three-month period ended December 31,	Note	2023	2022
<b>Continuing operations</b>			
Consulting		\$ -	\$ (5,500)
Inventory sales			(105,570)
		-	(111,070)
Commercialization and administration		(140,905)	131,342
Amortization		1,922	75,233
<b>Operating loss</b>		<b>138,983</b>	<b>(317,645)</b>
Net finance income (expense)		(125,339)	(140,150)
Other income		(20,000)	40,000
Gain on sale of assets		(112,975)	25,930
Loss on impairment of property, plant and equipment		-	(405,523)
Loss on FV of the dividends payable		-	(355,107)
Loss on deposit paid		-	(75,127)
Loss on disposal of assets		-	(490,000)
Loss on write-down to net realizable value		-	(43,750)
Loss from equity investment Delta (net of tax)		(206,896)	(150,728)
<b>Income (loss) before tax</b>		<b>(326,226)</b>	<b>(1,912,100)</b>
Income tax recovery		-	-
<b>Net income (loss) for the period</b>		<b>\$ (326,226)</b>	<b>\$ (1,912,100)</b>
Net income (loss) for the period attributable to:			
Shareholders of the Corporation		\$ (323,483)	\$ (1,901,864)
Non-controlling interest		(2,743)	(10,236)
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 326,226</b>	<b>\$ (1,912,100)</b>
Net loss per share – basic and dilutive		(0.00)	(0.00)
Net loss per share – basic and fully diluted from continued operations*		(0.00)	(0.00)

\*Fully diluted earnings per share is not presented when there is a loss as the impact would be anti-dilutive.

See accompanying notes to the Financial Statements

**Consolidated Statements of Changes in Shareholders' 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
<b>Balance at December 31, 2021</b>		<b>206,983,741</b>	<b>\$ 59,128,086</b>	<b>\$ 4,959,257</b>	<b>\$ (66,232,630)</b>	<b>\$ -</b>	<b>\$ (225,347)</b>	<b>\$ (2,370,634)</b>
Subsequent measurement of dividend payable		-	-	-	1,498,069	-	-	1,498,069
Net loss for the year		-	-	-	(3,384,256)	-	(10,236)	(3,394,492)
<b>Balance at December 31, 2022</b>		<b>206,983,741</b>	<b>59,128,086</b>	<b>\$ 4,959,257</b>	<b>\$ (68,118,817)</b>	<b>\$ -</b>	<b>\$ (235,583)</b>	<b>\$ (4,267,057)</b>

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Equity attributable to the shareholders		
						Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
<b>Balance at December 31, 2022</b>	<b>18</b>	<b>206,983,741</b>	<b>\$ 59,128,086</b>	<b>\$ 4,959,257</b>	<b>\$ (68,118,817)</b>	<b>\$ -</b>	<b>\$ (235,583)</b>	<b>\$ (4,267,057)</b>
Net loss for the period		-	-	-	(334,060)	-	(10,731)	(344,791)
<b>Balance at December 31, 2023</b>		<b>206,983,741</b>	<b>\$ 59,128,086</b>	<b>\$ 4,959,257</b>	<b>\$ (68,452,877)</b>	<b>\$ -</b>	<b>\$ (246,314)</b>	<b>\$ (4,611,848)</b>

See accompanying notes to the Financial Statements

**Consolidated Statements of Cash Flows**  
 (In Canadian dollars)

For the period ended December 31	Note	2023	2022
<b>Cash flows from operating activities:</b>			
Net income (loss) for the period		\$ (344,792)	\$(3,394,492)
Items not affecting cash:			
Amortization	4	35,797	316,100
Amortization right-of-use asset	5	7,856	26,987
Loss on equity investment Delta	6	389,900	662,396
Loss on investments	6	-	490,000
Loss on impairment of inventory		-	43,750
Gain or loss on sale subsidiaries and assets		(257,977)	468,179
Dividend income		-	(98)
Interest expense	-	332,984	258,309
Interest component on lease liabilities	14	438	3,066
Non-cash interest on sale lease back		(17,386)	-
Non-cash adjustments on leased liabilities		-	-
Accretion on promissory note	10	28,779	69,068
Other income		20,000	(40,000)
Loss on FV of dividends payable	9	-	355,107
Change in working capital and other	17	(272,227)	410,068
		(76,628)	(331,560)
<b>Cash flows from investing activities:</b>			
Net purchase of assets		100,000	(152,786)
Dividend income		-	98
Proceeds from sale of PPE		-	152,786
		100,000	98
<b>Cash flows from financing activities:</b>			
Customer deposits		-	303,675
Proceeds (repayment) of loan	8	-	(16,864)
Interest expense paid		(438)	(5,535)
Lease liability repayments	7	(7,889)	(34,113)
		(8,327)	247,163
Change in cash during the period		15,044	(84,299)
Cash – beginning of year		29,976	114,275
<b>Cash – end of period</b>		<b>\$ 45,020</b>	<b>\$ 29,976</b>

See accompanying notes to the Financial Statements

## Notes to the Financial Statements

For the periods ended December 31, 2023 and 2022.

### 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 unaudited consolidated interim financial statements for the twelve-month period ended December 31, 2023 (“**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 strategies include: the industry and environmental development and advancement of technology for the use of Biofibre in Bioplastics, Biochar and Cellulose, and the utilization of Seeds for Protein and Seed Oil. The Corporation also holds a FVTPL in Delta CleanTech Inc.

#### **Going Concern**

These Financial Statements for the periods ended December 31, 2023 and 2022, 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 twelve-month period ended December 31, 2023 (the “**Period**”), the Corporation reported a net loss and comprehensive loss of \$344,792 negative cash flow from operations of \$76,628 and an accumulated deficit of \$68,452,877. These conditions cast a material uncertainty 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 acknowledges that there is material uncertainty over the Corporation's ability to meet its funding requirements as they fall due. The Corporation’s ability to continue in the normal course of operations is dependent on its ability to generate cashflow from the performance of strategic investments and the develop new markets in order to fund ongoing operations as well as fund debt as it comes due. The Corporation has established and put into motion various initiatives to reduce costs and obtaining cash from the sale of assets as part of the Corporation's strategic plan to attain profitability and positive cash flows in fiscal 2025.

### 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 approved by the audit committee of the board of directors ("**Board**") for issue on October 17, 2024.

**c) Functional Currency**

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

**d) Use of Estimates and Judgment**

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

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.

### **Expected credit losses**

Management determines expected credit losses by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivables 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 ability to obtain long term sources of revenue, timely realization of certain assets and settle debts as they become due. Certain judgments are made when determining 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 6).

## **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, 2022.

### **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
<b>Financial assets</b>	
Cash	Amortized cost
Accounts receivable	Amortized cost
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Long term debt	Amortized cost
Promissory note	Amortized cost
Lease liability	Amortized cost

**Financial Assets**

Impairment 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 liabilities**

Recognition and initial measurement

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

Classification and subsequent measurement

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

#### 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.

#### **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, 2023, wholly owned subsidiaries include **KF Hemp Corp.** (“**HempCo.**”) and **Kase Farma Inc.** 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.

The Corporation has a 10% interest in **Delta CleanTech Inc.** (“**Delta**”) 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.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

## Investment in Associates

### Equity Method

Investments over which **HTC** exercises significant influence, and which are neither subsidiaries nor interests in joint ventures, are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale. The equity method involves the recording of the initial investment at cost and the subsequent adjusting of the carrying value of the investment for the proportionate share of the income or loss and any other changes in the associate’s net assets such as dividends.

The Corporations proportionate share of the associate’s income or loss is based on the associate’s net income or loss for the reporting period. Adjustments are made to account for any impairment losses recognized by the associate. If the Corporations share of the associate’s losses equals or exceeds its investment in the associate, recognition of further losses is discontinued. After the Corporations interest is reduced to zero, additional losses will be provided for and a liability recognized, only to the extent that **HTC** has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports income, **HTC** resumes recognizing its share of that income only after the Corporations share of the income equals the share of losses not recognized. At each consolidated balance sheet date, **HTC** assesses its investments in associates from indicators of impairment.

**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	20% and 30% declining balance
Vehicles	30% declining balance
Leasehold improvements	3 years straight-line
Buildings	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 CGU. Management has identified one CGU as follows: **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, 2023. 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.

### **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.

### **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 Notes 11 and 12. 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:

- inventory sales;
- consulting services; and
- other revenues.

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:

- inventory sales: as the goods are delivered to the customers;
- consulting services: at a point in time when the service is completed; and
- other revenues: at a point in time when the equipment transfers title and for consulting services, when the consulting service is completed.

Performance Obligations:

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

Transaction Price:

The Corporation allocates the transaction price in the contract to each performance obligation. Transaction price allocated to performance obligations may include variable consideration. Variable consideration is included in the transaction price for each performance obligation when it is highly probable that a significant reversal of the cumulative variable revenue will not occur. Variable consideration is assessed at each reporting period to determine whether the constraint is lifted.

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.

### Non-controlling interests

Non-controlling interests represent ownership interests in consolidated subsidiaries by parties that are not shareholders of **HTC**. They are shown as a component of Total equity in the Consolidated Statements of Financial Position, and the share of loss attributable to non-controlling interests is shown as a component of Net loss in the Consolidated Statements of Loss. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

### Comparative Figures

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

### 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.

## 4. Property, plant and equipment

	Equipment	Leasehold	Vehicles	Buildings	Roads	Total
<b>Carrying amount Dec. 31, 2022</b>	<b>\$ 553,884</b>	<b>\$ -</b>	<b>\$ 27,231</b>	<b>\$ 779,831</b>	<b>\$ 53,728</b>	<b>\$ 1,414,674</b>
Disposals	(539,842)		(23,698)	(761,816)	(51,270)	(1,376,627)
Amortization	(11,791)	-	(3,533)	(18,015)	(2,458)	(35,796)
<b>Carrying amount Dec. 31, 2023</b>	<b>\$ 2,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,251</b>

	Equipment	Leasehold	Vehicles	Buildings	Roads	Total
<b>Balance Dec. 31, 2022 is comprised of:</b>						
Cost	\$ 65,536	\$ 151,113	\$ -	\$ -	\$ -	\$ 216,649
Accumulated Amortization	(63,285)	(151,113)	-	-	-	(214,398)
<b>Dec. 31, 2023</b>	<b>\$ 2,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,251</b>

	Equipment	Leasehold	Vehicles	Buildings	Roads	Land	Total
<b>Carrying amount Dec. 31, 2021</b>	<b>\$ 2,020,489</b>	<b>\$ -</b>	<b>\$ 54,568</b>	<b>\$ 828,712</b>	<b>\$ 67,326</b>	<b>\$ 240,000</b>	<b>\$ 3,211,095</b>
Additions	24,169	-	201,663	-	-	-	225,832
Disposals	(840,086)	-	(195,364)	(16,430)	(8,750)	(240,000)	(1,300,630)
Impairment	(405,523)	-	-	-	-	-	(405,523)
Amortization	(245,165)	-	(33,636)	(32,451)	(4,848)	-	(316,100)
<b>Carrying amount Dec. 31, 2022</b>	<b>\$ 553,884</b>	<b>\$ -</b>	<b>\$ 27,231</b>	<b>\$ 779,831</b>	<b>\$ 53,728</b>	<b>\$ -</b>	<b>\$ 1,414,674</b>

	Equipment	Leasehold	Vehicles	Buildings	Roads	Land	Total
<b>Balance Dec. 31, 2022 is comprised of:</b>							
Cost	\$ 845,675	\$ 151,113	\$ 128,988	\$ 861,521	\$ 65,667	\$ -	\$ 2,052,964
Accumulated Amortization	(291,791)	(151,113)	(101,757)	(81,690)	(11,939)	-	(638,290)
<b>Carrying amount Dec. 31, 2022</b>	<b>\$ 553,884</b>	<b>\$ -</b>	<b>\$ 27,231</b>	<b>\$ 779,831</b>	<b>\$ 53,728</b>	<b>\$ -</b>	<b>\$ 1,414,674</b>

As at December 31, 2022, the Corporation performed its annual impairment analysis 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 fair value measurements are categorized as level two as they are indirectly observable to market participants. Resulting from this assessment the Corporation recorded an impairment charge at December 31, 2022 in the amount

of \$405,523 against the carrying value of equipment. The impairment charge was recorded in the Consolidated Statement of Loss.

## 5. Right-of-use asset

Right-of-use asset additions relate to building leases. All 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.

	<b>Building</b>	<b>Total</b>
<b>Carrying amount Dec. 31, 2022</b>	<b>\$ 15,417</b>	<b>\$ 15,417</b>
Additions	13,957	13,957
Amortization	(6,397)	(6,397)
Fully amortized Jan. 31, 2023	(15,417)	(15,417)
<b>Carrying amount Dec. 31, 2023</b>	<b>\$ 7,560</b>	<b>\$ 7,560</b>
Cost	\$ 13,957	\$ 13,957
Accumulated Amortization	(6,397)	(6,397)
<b>Carrying Amount Dec. 31, 2023</b>	<b>\$ 7,560</b>	<b>\$ 7,560</b>

	<b>Equipment</b>	<b>Building</b>	<b>Total</b>
<b>Carrying amount Dec. 31, 2021</b>	<b>\$ 72,660</b>	<b>\$ 18,969</b>	<b>\$ 91,629</b>
Additions	-	13,957	13,957
Disposals	(63,182)	-	(63,182)
Amortization	(9,478)	(17,509)	(26,987)
<b>Carrying amount Dec. 31, 2022</b>	<b>\$ -</b>	<b>\$ 15,417</b>	<b>\$ 15,417</b>
Cost	\$ -	\$ 52,459	\$ 52,459
Accumulated Amortization	-	(37,042)	(37,042)
<b>Carrying Amount Dec. 31, 2022</b>	<b>\$ -</b>	<b>\$ 15,417</b>	<b>\$ 15,417</b>

## 6. Investments in Associates

Investment in associates as of December 31, 2023 and December 31, 2022 comprise of:

	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>
Investment in Delta	\$ 293,215	\$ 683,115

Delta provides leading clean technology solutions that address the Environmental Social Governance needs of corporations through proprietary CO<sub>2</sub> capture technologies, integrated hydrogen production, reclamation and remediation of solvents and glycols, and carbon credit management. **HTC** reports this investment under the equity method of accounting as an investment in associate.

On April 11, 2022, **HTC**'s investment in Delta was reduced as a result of partial distribution of the dividend-in-kind as disclosed in this Note. The distribution reduced **HTC**'s investment in Delta from 34% to 26%. **HTC** continued to report its investment under the equity method of accounting as an investment in associate until December 7, 2022 when the final dividend-in-kind was distributed. On December 7, 2022, **HTC**'s investment in Delta reduced to 10%.

In December 2023, HTC experienced a dilution of its ownership interest in its investment in Delta, reducing its stake from 14% to 10%. As a result, HTC no longer has significant influence over Delta as defined under IAS 28 Investments in Associates and Joint Ventures. Consequently, the accounting for this investment has transitioned from the equity method to fair value through profit or loss (FVTPL) in accordance with IFRS 9 Financial Instruments.

Post transition, the retained interest in Delta is accounted for as a financial asset at fair value through profit or loss. Changes in fair value are recognized in profit or loss in subsequent periods.

The following table summarises the financial information of Delta as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Corporation's interest in Delta.

	Dec. 31, 2023	Dec. 31, 2022
Investment in Delta	\$ 293,215	\$ 683,115
Number of shares	8,327,040	8,327,040
Quoted market price per share	(369,272)	(485,991)

## 7. Lease liabilities

	Dec. 31, 2023	Dec. 31, 2022
	\$	\$
Balance, beginning of period	15,730	82,226
Additions	-	-
Disposals	-	(32,383)
Payments	(8,327)	(39,648)
Interest expense	438	5,535
<b>Balance, end of period</b>	<b>7,841</b>	<b>15,730</b>
<b>Current portion of lease liabilities</b>	<b>(1,737)</b>	<b>(8,604)</b>

Lease liabilities are presented in the statement of financial position as follows:

	Incremental Borrowing Rate %	Maturity	Total \$
Current	6.95	2024	1,737
Non-current	6.95	2025	6,104

Lease liability	7,841
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Interest expense of \$438 is included in financing expense, and payments are applied against the lease liability (December 31, 2022 - \$5,535).

Future minimum financing lease payments are:

2024	7,452
2025	621
Thereafter	-
<hr/>	
Total future minimum lease payments	8,073
Future interest charges	(232)
<hr/>	
Principal balance	7,841
Current portion	(1,737)
<hr/>	
	<b>\$ 6,104</b>

Right-of-use liabilities relate to the right-of-use assets (see Note 5). 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.

## 8. Long term debt

All amounts in Canadian Dollars	Dec. 31, 2023	Dec. 31, 2022
Loan from KF Kambeitz Farms Inc.:	\$3,134,817	\$3,006,659
Bearing interest at prime plus 2% with no fixed terms of repayment, due October 31, 2025.		
Loan from Jason Maher:	64,766	61,953
Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2026.		
Loan from Purely Canada Terminals Corp. (“PCT”):	285,357	272,960
Incremental borrowing rate of prime plus 2%, no fixed terms of repayment, due January 10, 2024 with first charge security on <b>HTC</b> assets.		
CEBA loan (KF Hemp):	60,000	40,000
Converted to a three-year term loan, bearing 5% interest, with the term loan repayment date extended by an additional year from December 31, 2025 to December 31, 2026.		
CEBA loan ( <b>HTC</b> ):	-	40,000
RBC loan ( <b>HTC</b> ):	40,000	-
On December 13, 2023, HTC refinanced its \$60,000 CEBA loan to a five-year loan with RBC taking advantage of \$20,000 forgiveness of debt offered by the Government of Canada. The loan is bearing interest at prime plus 1.64%. Monthly loan payments are \$827.35. The first payment is payable on February 18, 2024.		
Principal balance	\$3,584,940	\$3,421,572
Current portion	(291,434)	(141,953)
	<b>\$3,293,506</b>	<b>\$3,279,619</b>

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

2024	\$ 291,434
2025	3,142,035
2026	132,648
2027	8,608
Thereafter	10,215
	<b>\$3,584,940</b>

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, 2023, the line of credit has been drawn by \$Nil (December 31, 2022 - \$Nil). During the Period, the Corporation incurred finance costs of \$182,665 (December 31, 2022 - \$283,332).

## 9. Customer deposits

On December 30, 2021, **HTC** entered into an asset sale agreement (“**ASA**”) whereby **HTC** sold a 27,000 square foot cold storage building at fair market value determined to be \$1,190,000 by

a third-party independent appraiser. Title of the building transferred on August 23, 2023. On January 1, 2022, **HTC** entered into the lease-back agreement (“**Lease Agreement**”), which not only provided for the lease of the building, but also contained a repurchase option of the building at the same price as was set in the sale agreement. Consequently, the transaction was recognized as a financing arrangement, with the building continued to be recognized as own asset and the amounts received for the sale to be recognized as a financial liability (customer deposit). Payments for the sale are paid in installments.

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

On August 23, 2023, the purchase price under the ASA was satisfied and the transaction was recorded as a sale. Due to the event of default, the option to repurchase the building terminated.

	Dec. 31, 2023	Dec. 31, 2022
Customer deposit	\$ -	\$ 821,061
Customer deposit opening	\$ 821,061	
Add:		
Net payment	247,665	
Interest accrual	16,537	
Deduct:		
Adjustment to accounts payable	21,464	
Customer deposits ending	1,063,798	
NBV of assets sold	(761,816)	
Gain on sale	\$ 301,982	

## 10. Promissory note

On May 25, 2020, the Corporation issued a note payable in connection with the acquisition of 22% of Maxx Group of Companies Corp., in the amount of \$2,686,200. The amount of \$1,572,900 was settled immediately by assigning a receivable in the same amount to the holder of the promissory note, leaving a balance of \$1,113,300. The note is non-interest bearing and matures on May 25, 2023. As the promissory note is due within the current Period it has been classified as current.

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 Corporation 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 \$263,823 will be accreted to the promissory note over the term of the promissory note.

During the Period, total accretion expense recognized for the promissory note amounted to \$81,496 (December 31, 2022 – \$69,068).

	Dec. 31, 2023	Dec. 31, 2022
Promissory note	\$ 1,166,017	\$ 1,084,521

**11. Share capital**

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

**12. 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 period	3,483,187	\$ 0.075	3,483,187	\$ 0.075
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. Change 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.

**13. Commercialization and administration**

<b>Expenses by nature</b>	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>
Employment benefits	\$ 30,636	\$ 70,922
Consulting and contractor costs	11,523	23,448
General and administrative	49,271	551,316
	<b>\$ 91,430</b>	<b>\$ 645,686</b>

**14. Finance income (expense)**

	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>
Dividend income	\$ -	\$ 98
Interest income	637	222
Interest expense	(239,787)	(241,243)
Accretion on promissory note	(28,779)	(69,068)
Accretion on sale leaseback transaction	17,386	(17,386)
Lease interest expense	(438)	(3,066)
	<b>\$ (250,981)</b>	<b>\$ (330,443)</b>

**15. Other income**

	<b>Dec. 31, 2024</b>	<b>Dec. 31, 2022</b>
CEBA loan recovery (expense)	\$(20,000)	\$ 40,000
	<b>\$ (20,000)</b>	<b>\$ 40,000</b>

At December 31, 2024, other income consists of:-

- (\$20,000) CEBA loan expense as KF Hemp was unable to take advantage of the CEBA.
- \$40,000 other income earned by KF Hemp from rendering consulting services to KF Kambeitz
- In previous period, other income consisted of \$40,000 recovery on CEBA loans, as it was anticipated that both HTC and KF Hemp would take advantage of recovery of debt offered by Canada Revenue Agency.

**16. Financial instruments**
**Fair value**

The Corporation's financial instruments consist of cash, accounts receivable and other receivables, 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, 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).

At December 31, 2023, and December 31, 2022, the Corporation categorized the fair value measurement of its FVTPL investments as Level 3 as they are primarily derived directly from reference to quoted (unadjusted) prices in over-the-counter markets.

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

	Level	December 31, 2023		December 31, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
<b>Financial assets</b>					
<i>Amortized cost</i>					
Cash		45,020	45,020	29,976	29,976
Accounts receivable and accrued receivables		59,859	59,859	77,742	77,742
Government receivables		15	15	17,797	17,797
<i>Fair value through profit and loss</i>					
Investments	1	293,215	293,215	-	-
<b>Financial Liabilities</b>					
<i>Amortized cost</i>					
Accounts payable and accrued liabilities		260,206	260,206	861,808	861,808
Government payables		764	764	94,893	94,893
Long term debt		3,584,940	3,584,940	3,421,572	3,421,572
Promissory note		1,166,017	1,166,017	1,084,521	1,084,521
Lease liabilities		7,841	7,841	15,730	15,730

## 17. Changes in working capital and other

Information below is based on the consolidated operations.

Change in working capital is comprised of	Dec. 31, 2023	Dec. 31, 2022
Accounts receivables	\$ 17,883	\$ 146,370
Inventory – short-term	-	173,076

Prepaid expenses and deposits	-	7,503
Government remittances receivable	17,782	-
Accounts payable and accrued liabilities	(200,765)	88,975
Dividend tax payable	(12,998)	-
Government remittances payable	(94,129)	(5,856)
	<b>\$ (272,227)</b>	<b>\$ 410,068</b>

**18. Per share amounts**

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

<b>Weighted average shares outstanding:</b>	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>
Basic	206,983,741	206,983,741
Diluted	210,466,928	210,466,928

**19. 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 debt owing to Mr. Maher for \$64,766 pursuant to a loan agreement (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 amounts outstanding of \$159,960 (December 31, 2022 - \$159,960) representing inventory purchased from PCF.

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.

## 20. 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.

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.

## 21. 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:

<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>\$ 1,438,652</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 (including interest)	1,113,300	-	-	-	1,113,300
<b>Balance</b>	<b>\$ 2,220,588</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 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 8). 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 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, 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

## 22. 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)	\$(4,267,057)
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.

## 23. 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 Income (Loss), respectively. Additional information is as follows:

	Dec. 31, 2023	Dec. 31, 2022
	Oroverde	Oroverde
Total current assets	\$ -	\$ -
Total current liabilities	821,050	785,278
	<b>Dec. 31, 2023</b>	<b>Dec. 31, 2022</b>
Loss	\$ 35,772	\$ 34,118

**24. Commitments and contingencies**

The Corporation rents office facilities on a month-to-month basis under a lease agreement from a third-party, 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**.

**25. Subsequent events**

On April 15, 2024, the board of directors approved the change in year end of the Corporation, from December 31 to March 31 and

Effective September 30, 2024, Mr. Kambeitz resigned as a director of the Corporation.