



## News Release

For Immediate Release

November 28, 2019

### **HTC Extraction Systems announces unaudited condensed consolidated interim financial results for the third quarter period ending September 30, 2019**

**Regina, Saskatchewan – HTC Pureenergy Inc. dba *HTC Extraction Systems*** (also the “**Corporation**” and/or “**HTC**”) (**HTC: TSX-V**) today announced its unaudited interim condensed consolidated financial results for the nine-month period ending September 30, 2019 (the “**Quarter**” or the “**Period**”).

**HTC** Extraction Systems and its subsidiaries have developed proprietary extraction and purification systems that have been designed to extract from biomass, liquids and gas and for the distillation and purification of ethanol, ethanol and hydrocarbon-based solvents used for this extraction in the clean energy and hemp/CBD biomass industries. The **HTC Extraction System™** has been engineered to reduce capital and operating costs, while at the same time delivering superior performance by optimizing energy usage, lowering emissions, and improving the quality of the extracted product.

HTC’s Advanced Extraction Systems include: LCDesign® - Low Cost Design for modular gas and liquid and biomass extraction systems, optimizing plant design thus reducing capital and operating costs; PDOengine™ - Software based proprietary design algorithms that can accurately model and simulate gas, liquid and biomass extraction processing; and DeltaSolv® - Custom designed, ethanol based, solvent mixtures and additives that optimize production and reduce cost.

#### **Delta Purification® System:**

**HTC** Extraction Systems has completed the WTO patenting, commercialization and the construction and commissioning of the **Delta Purification®** System. A **Delta Purification®** System purifies and reclaims ethanol, solvents and glycols and offers the best available environmental reclaiming technology for the clean energy and biomass extraction industries. **Delta Purification®** offers the following commercial products: (1) Reclaiming ethanol used in biomass CBD and other cannabinoid extraction; (2) Reclaiming hydrocarbon based and other solvents, such as single, mixed, and formulated amines, for use in hemp biomass cannabinoid extraction, natural gas processing, ethanol-based solvents and post-combustion CO<sub>2</sub> capturing processes; and (3) Reclaiming glycols, such as mono-ethylene glycol and tri-ethylene glycol, used for natural gas dehydration processes. A modular design approach was developed for all **Delta Purification®** products in order to reduce the CAPEX and OPEX of the equipment.

#### **Business Strategy and Acquisitions**

**HTC**’s business strategy includes sourcing industrial hemp cultivated in compliance with applicable laws for the extraction and purification of hemp biomass. This business strategy is dependent on, in addition to other things, establishing infrastructure, acquiring equipment for extraction of CBD and other phytocannabinoids from industrial hemp and obtaining all necessary regulatory approvals and licensing related to the extraction and processing of CBD, CBG, and CBN.

By implementing its historical skillsets, process design and standard operating procedures ("SOPs"), **HTC** will aim to become one of Canada's largest future hemp cannabinoid extractors and refiners, utilizing its intellectual property and experience gained as a recognized industry leader in ethanol-based extraction and purification. In order to accomplish its objectives, the Corporation intends to leverage its relationships with successful farming leaders and draw on SOPs, best practices in genetics, fertility and crop protection and experience in ingredient sales with multi-year contracts.

**HTC** has purchased extraction and formulation equipment to be utilized for hemp biomass processing, extraction, formulation and refining, subject to the receipt of all necessary regulatory approvals, at its facility located 17 miles southeast of Regina, Saskatchewan ("**Facility**"). The extraction equipment is scheduled to begin arriving in December 2019, with installation to follow. **HTC** has also acquired, subject to completion of sub-division, the land upon which the Facility is built.

### **Project Construction**

**HTC** has completed the construction of its approximately 19,000 square foot Facility that will house quality assurance testing and product development laboratories, as well as equipment for extraction and formulation processing. The Corporation is currently working towards obtaining EU-GMP certification for its Facility, with a view towards establishing the Facility as one of the highest performance and product-quality extraction and refining facility's in Canada.

In addition, **HTC** has completed the construction of its approximately 27,000 square foot hemp biomass processing and storage facility adjacent to the 19,000 square foot laboratory and extraction Facility, to be utilized for the storing and processing of extraction-ready biomass.

### **Hemp Biomass Tolling Agreements**

On June 10<sup>th</sup>, **HTC** announced that it had entered into a hemp biomass tolling agreement involving the supply of hemp biomass for the 2019 crop year, from a minimum of 4,200 to a maximum of 5,000 acres of hemp grown in Saskatchewan, utilizing five varieties of Health Canada approved cultivars as the genetic foundation. Upon receipt of all relevant regulatory approvals, **HTC** expects to have the capability to process a projected 5,000,000 kg of hemp biomass and extract CBD Full Spectrum Oil ("**FSO**") distillate from the hemp biomass. Under the terms of the agreement, in exchange for its extraction and refining services, **HTC** will receive a tolling fee payment equal to a percentage of the extracted CBD FSO distillate.

**HTC** is currently in negotiations with a 60,000-acre recognized Canadian farm leader, who is a significant hemp biomass producer. **HTC** intends to enter into a tolling contract with this producer for the 2019, 2020, and 2021 crop years and beyond.

**HTC** is also currently engaged in preliminary tolling contract negotiations and due diligence with US-based hemp biomass producers and providers in the United States for Q1, 2020 extraction, at the Kase Farma location in California. **HTC** will look to ensure tolling and processing volumes by selecting qualified harvest contractors, utilizing diversified growing locations and high performance regulated genetics, and through irrigation that can provide growing locations with an opportunity for 2 to 3 annual crop rotations with new genetic varieties for the extraction of CBD, CBG, CBN and other cannabinoid.

**HTC** intends to provide its extraction services for US-based hemp biomass producers at the extraction and purification facility that it will lease in connection with the Kase Farma Transaction (defined below).

The Corporation's ability to carry out its CBD extraction obligations under the hemp biomass tolling agreements is subject to the receipt of relevant regulatory approvals.

## **Sales and Offtake**

**HTC** intends to leverage its relationship with its related entity, Purely Canada Foods™, to provide sales and distribution for the ingredient cannabinoid market under the brand of Purely Canada Hemp™, Purely Canada CBD™, Purely Canada CBG™, and Purely Canada Cannabinoids™. Upon receipt of required licensing and regulatory approvals, Purely Canada Foods™ intends to establish multi-year ingredient supply contracts with its existing and new global food, beverage and animal food industry customers. The multi-year supply side will be risk managed with an expanded, dedicated acreage, direct crop insurance, proxy crop insurance, act of God clauses and customer/supplier balance risk formulas.

## **California based, Kase Farma Inc.**

On November 22, 2019 **HTC** announced that it has entered into a share and purchase agreement (“**SPA**”) with Starling Brands Inc. (“**Starling**”), whereby **HTC** will acquire all the issued and outstanding shares of California based Kase Farma Inc. (“**Kase Farma**”), subject to TSX-V approval and other customary closing conditions (the “**Kase Farma Transaction**”). Kase Farma is authorized to operate in the areas of hemp extraction, refining, formulation and distribution in the State of California.

An intrinsic part of the acquisition is a management services agreement with Starling, led by Mike Reynolds, chief executive officer, and Drew Ford, chief science officer, both of whom are highly regarded experts in the cannabinoid extraction, formulation and refining community.

In December, Kase Farma expects to receive and commission equipment that is capable of processing and distilling 12,000 lbs. per day of dried biomass at its “**IPelite Extraction**” operation in California. Kase Farma’s “**IPelite Extraction**” operations are part of the Starling-owned 22,000-square-foot overall facility and expects to process 12,000 lbs. per day of dried biomass; which, at an 8% CBD yield, will have the capability of producing, 435,000 grams daily of CBD, delivering highest quality, saleable CBD to the wholesale market.

Kase Farma has launched its Identity Preserved, or **IPGrow™**, initiative, with the intention of providing the consumer with full transparency as to where their products have come from and how they were produced, bringing accountability and verified quality to the cannabinoid industry. Kase Farma has aligned itself with highly regarded hemp growers in California’s Central Valley who will provide up to 15,000 acres of high performance, **IPGrow™**, superior, genetic specific production for its custom designed cannabinoid formulations.

Kase Farma will continue to build on its pedigree, quality and industry recognized expertise through a partnership with Kase Manufacturing Inc., a Ceres, California-based wholly owned subsidiary of Starling (“**Kase Manufacturing**”). Kase Manufacturing is driven by quality, integrity and innovation, managed by a world-class team of experts with over 50 years of combined experience, and will integrate this experience to help accelerate the growth and success of Kase Farma and **HTC**. Kase Manufacturing is one of the first volatile and non-volatile cannabinoid extraction manufacturing labs approved in the State of California. Kase Manufacturing utilizes the highest-quality extraction and refining equipment and laboratory tools available today and is operated by an award-winning team of extractors and formulators, who consistently produce industry best cannabinoid oils and distillate.

Kase Manufacturing, under Starling, is licensed to operate in the areas of cannabis extraction, refining, formulation and distribution in the State of California. As part of the acquisition, Kase Farma will enter into an intellectual property licensing agreement with Starling that will allow for a technology transfer whereby intellectual property and technology licensed under this agreement will be utilized and deployed at the **HTC** facilities in Saskatchewan.

## **Financial Results**

Selected financial information of **HTC** is summarized below. Financial results for **HTC** have been prepared in accordance with International Financial Reporting Standards.

	9 Month Period <u>Ending Sept. 30, 2019</u>	9 Month Period <u>Ending Sept. 30, 2018</u>
Revenue	\$3,283,972	\$1,309,271
Expenses	<u>\$4,569,898</u>	<u>\$2,923,786</u>
Operational loss before amortization	\$(1,285,926)	\$(1,614,515)
Amortization	<u>\$1,705,983</u>	<u>\$432,262</u>
Loss from operations including amortization	\$(2,991,910)	\$(2,046,777)
Non-Operating income & expenses	\$(1,370,465)	\$283,158
Net Loss	\$(4,362,375)	\$(1,763,619)
Comprehensive Loss	\$(4,384,415)	\$(1,853,707)
Common Shares outstanding	76,363,741	32,413,741
Weighted Average Shares Outstanding - Basic	54,295,060	32,190,181
Weighted Average Shares Outstanding - Diluted	83,448,395	33,180,889
Profit (Loss) per Common Share (weighted average) * see commentary below	\$(0.08)	\$(0.05)
Profit (Loss) per share on continuing operations	\$(0.05)	\$(0.05)

*\*Diluted net loss per common share is not presented, when the effect would be anti-dilutive.*

	9 Month Period <u>Ending Sept. 30, 2019</u>	Year Ending <u>December 31, 2018</u>
Total Assets	\$36,238,123	\$34,070,462
Current Liabilities	\$5,721,592	\$4,602,068
Long Term Debt	\$7,433,339	\$7,433,339
Loan	1,031,513	-

Revenue for the Period was \$3,283,972 compared to \$1,309,271 for the period ending September 30, 2018. Current year operations are stronger as revenue for fertilizer operations had just commenced at the end of Q2, 2018 and grain handling had not commenced until the last month of 2018. The increase in revenues over the prior year primarily relates to grain handling. Revenues from grain handling during the Period are \$2,088,840 (3 months ending \$159,894). Revenue for the comparative 9-month period 2018 relate to Maxx Group of Companies Corp. and its subsidiaries' operations.

Operating expenses excluding amortization for the Period were \$4,569,898 compared to \$2,923,786 for the corresponding period in 2018. The 2019 increase reflects expenses incurred from PLT operations.

The Corporation had an Operational Loss before amortization for the Period of \$(1,285,926) compared to net loss of \$(1,614,515) as at September 30, 2018. The reduction of the loss during the Period of \$328,589 is largely due to expanded operations.

The Loss from operations, including amortization, for the Period September 30, 2019 is \$(2,991,910) compared to \$(2,046,777) as at September 30, 2018. The increase is due to increased amortization from expanded operations.

The Net Loss for the Period September 30, 2019 is \$(4,362,375) compared to \$(1,763,619) as at September 30, 2018 for a difference of \$(2,598,756) which is primarily due to a one-time expense and increase in amortization.

Comprehensive Loss includes the unrealized gains and losses on investments classified as available for sale of \$(147,993) (September 30, 2019 – \$(125,953)) and represents the net change in the carrying value of the investments to the quoted value and transfer of impaired investments to the Consolidated Statement of Loss. These adjustments do not involve cash.

Total Assets for the Period were \$36,238,123 compared to \$34,070,462 as at December 31, 2018. The increase is attributable to net increases in cash and prepaids, change in accounts receivables, and an increase in property, plant and equipment.

Current Liabilities are \$5,721,592 for the Period as compared to \$4,602,068 as at December 31, 2018. The increase is due to draws on the operating line of credit in order to support capital expenditures net of settlement of other current obligations.

Changes reported on Long Term Liabilities during the Period is \$8,678,094 (December 31, 2018 – 7,665,319). Long Term Liabilities increased due to reclassification of debt from current to long term.

*The information and opinions expressed herein 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 herein and accompanying MD&A and 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 news release 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 Corporation's plans to expand its extraction capabilities; 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; the Corporation's business strategy for the extraction and purification of hemp biomass; the receipt of all necessary regulatory and other third-party approvals to conduct its CBD extraction operations; future processing expectations; the Corporation's ability to enter into new hemp biomass tolling agreements; the Corporation's ability to create sales and distribution channels; the receipt and installation of extraction equipment at the Corporation's facility; the receipt of EU-GMP certification for its extraction facility; the closing of the transaction to acquire the land that the Corporation's extraction facility is situated on; the Corporation's ability to complete the acquisition of Kase Farma, Inc. and expectations regarding the future operations and objectives of Kase Farma, Inc. 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 news release 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 news release, 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).*

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*HTC corporate developments can be followed on [www.htcextraction.com](http://www.htcextraction.com) and is traded under the symbol HTC*