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

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

The unaudited condensed consolidated interim financial statements for the period ending June 30, 2020 (“**Financial Statements**”) have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management’s discussion and analysis for the period ending June 30, 2020 (“**MD&A**”) and reflect **HTC** business transactions and financial position.

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

In addition, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation’s assets are appropriately accounted for and adequately safeguarded. Management has concluded that the Corporation’s system of internal control over financial reporting was effective as at June 30, 2020.

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 interim MD&A, Financial Statements and attachments thereto. 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 “Lionel Kambeitz”
LIONEL KAMBEITZ
CHAIRMAN & CEO

Signed “Jeffrey Allison”
JEFFREY ALLISON
SR. VICE-PRESIDENT & CFO

NOTICE TO READER OF THE

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the six-month period ending June 30, 2020 have been prepared by management in accordance with the International Financial Reporting Standards and have not been reviewed by **HTC Purenergy Inc.** dba ***HTC Extraction Systems***' Auditor.

Signed "Lionel Kambeitz"
Lionel Kambeitz
Chairman, CEO and Director

Consolidated Statement of Financial Position

(In Canadian dollars)

	Note	Jun. 30, 2020	Dec. 31, 2019
For the period ended			
ASSETS			
Current Assets:			
Cash		$ 475,867	$ 5,208,433
Accounts receivable	31	825,676	1,655,031
Other receivables	5, 26	372,446	4,005,530
Note receivable	11	1,604,000	-
Government remittances receivable		97,850	243,327
Prepaid expenses and deposits	6	737,812	662,040
Inventory	9	31,458,839	254,225
Biological assets	10	239,864	
Grain contract assets		-	1,245,203
Investments (FVTPL)	7	85,873	93,736
		35,898,227	13,367,525
Noncurrent Deposits	12	1,017,530	3,013,843
Property, plant and equipment	13	7,205,697	27,874,459
Right-of-use asset	14	635,960	308,627
Other receivables – long term	5	-	6,967
Loan receivable	11	-	1,511,991
Product development	15	272,659	289,062
Investment in associates and joint venture	16	40,991	-
Investments (FVTOCI)	17	77,405	103,579
Patents	18	104,373	104,850
Intangible assets	19	3,729,349	158,220
Total Assets		$48,982,191	$46,739,123
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	31	$ 708,933	$ 515,401
Accrued liabilities		732,972	1,279,675
Deferred guarantee		-	157,019
Bank line of credit	21	-	2,479,679
Current portion of lease liability	20	107,772	115,693
Current portion of long-term debt	21	-	495,102
		1,549,677	5,042,569
Lease liability	20	525,306	419,440
Long term debt	21	2,982,166	10,733,737
Deferred Tax Liability	25	7,779,077	-
Promissory Note	22	1,113,300	-
Loan		-	1,159,749
Total Liabilities		13,949,526	17,355,495
Shareholders' equity:			
Share capital	23	58,317,886	47,979,086
Contributed surplus	24	4,711,735	4,606,214
Accumulated deficit		(27,751,294)	(26,762,054)
Accumulated other comprehensive gain (loss)		(236,125)	(209,951)
Total equity attributable to shareholders of the Corporation		35,042,202	25,613,295
Total equity attributable to non-controlling interest		(9,537)	3,770,333
Total equity		35,032,665	29,383,628
Total liabilities and equity		$48,982,191	$46,739,123

See accompanying notes to the Financial Statements See Note 36 Commitments

Consolidated Statement of Income (Loss)
(In Canadian dollars)

For the six months ended June 30	Note	2020	2019
Revenue:			
Engineering, process design & consulting		152,291	289,180
Others		2,821	12,604
		155,112	301,784
Expenses:			
Amortization		229,383	76,365
Commercialization, product development and administration		1,538,906	851,409
Interest paid on lease liabilities		7,741	834
		1,776,030	928,608
Loss from Operations		(1,620,918)	(626,824)
Interest and other income		145,853	69,263
Dividend income		2,672,700	
Gain on sale of assets		1,442,690	
Loss from equity investment in Assist (net of tax)		(9)	-
Income from disposal of Assets		-	370,378
Stock compensation expense	24	(105,521)	(149,777)
Share issuance costs		(178,800)	-
Severance expense		-	(2,116,846)
Income (Loss) for the period before tax		2,355,995	(2,453,806)
Income tax recovery	25	-	-
Net income (loss) for the period from continuing operations		$2,355,995	$(2,453,806)
Loss from discontinued operations (2020 is net of tax provision)	34	(280,829)	(584,071)
Net income (Loss) for the period		2,075,166	(3,037,877)
Income (Loss) for the period attributable to:			
Shareholders of the Corporation		$2,081,236	$(2,909,382)
Non-controlling interest		(6,070)	(128,495)
Net income (loss) for the period		$2,075,166	$(3,037,877)
Income (Loss) per share – basic and fully diluted		0.02	(0.07)

See accompanying notes to the Financial Statements

Consolidated Statement of Income (Loss) and Other Comprehensive Income (Loss)

(In Canadian dollars)

For the six-month period ended June 30	2020	2019
Net income (loss) for the period	**$2,075,166**	**$(3,037,877)**
Other comprehensive loss for the period	(26,174)	221,391
Total comprehensive income (loss)	**$2,048,992**	**$(2,816,486)**
Total comprehensive income (loss) for the period attributable to:		
Shareholders of the Corporation	$2,055,062	$(2,687,990)
Non-controlling interest	(6,070)	(128,496)
Net comprehensive income (loss) for the period	**$2,048,992**	**$(2,816,486)**

See accompanying notes to the Financial Statements

Consolidated Statement of Income (Loss)
(In Canadian dollars)

For the three-month period ended June 30	Note	2020	2019
Revenue:			
Engineering, process design & consulting		123,720	500
Others		2,119	1,870
		125,839	2,370
Expenses:			
Amortization		117,050	38,085
Commercialization, product development and administration		736,341	392,108
Interest paid on lease liabilities		4,198	-
		857,589	430,193
Loss from Operations		(731,750)	(427,823)
Interest and other income		83,864	52,334
Dividend Income		2,672,700	-
Income from disposal of assets		1,442,690	-
Loss from equity investment in Assist (net of tax)		(9)	-
Share issuance costs		(30,000)	-
Income or loss for the period before tax		3,437,495	(375,489)
Income tax recovery	25	-	-
Net income (loss) for the period from continued operations		$3,437,495	$(375,489)
Loss from discontinued operations	34	(96,837)	(660,134)
Net income (loss) for the period including discontinued operations		3,340,658	(1,035,623)
Income (Loss) for the period attributable to:			
Shareholders of the Corporation		$3,312,528	$(890,393)
Non-controlling interest		38,130	(145,230)
Net income (loss) for the period		$3,340,658	$(1,035,623)
Income (Loss) per share – basic and fully diluted		0.03	(0.02)
Income (Loss) per share – basic and fully diluted from continued operations		0.04	(0.006)

See accompanying notes to the Financial Statements

Consolidated Statement of Income (Loss) and Other Comprehensive Income (Loss)
(In Canadian dollars)

For the three-month period ended June 30	2020	2019
Net income (loss) for the period	**$3,340,658**	**$(1,035,623)**
Other comprehensive income (loss) for the period	135,042	311,479
Total comprehensive loss	**$3,475,700**	**$(724,144)**
Total comprehensive income (loss) for the period attributable to:		
Shareholders of the Corporation	$3,513,830	$(578,914)
Non-controlling interest	38,130	(145,230)
Net comprehensive income (loss) for the period	**$3,475,700**	**$(724,144)**

See accompanying notes to the Financial Statements

Consolidated Statement of Changes in Shareholders' Equity
(In Canadian dollars, except number of shares)

						Equity attributable to the shareholders	
	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
Balance at Dec. 31, 2019	**101,363,741**	**$47,979,086**	**$ 4,606,214**	**$(26,762,054)**	**$(209,951)**	**$3,770,333**	**$29,383,628**
Profit for the period	-	-	-	2,081,236	-	(6,070)	2,075,166
Adjustment for purchase of 22% Maxx	-	-	-	777,401	-	(3,773,800)	(2,996,399)
Adjustment for removal of Maxx	-	-	-	(3,847,876)	-	-	(3,847,876)
Shares and warrants issued	105,620,000	10,338,800	105,521	-	-	-	10,444,321
Other comprehensive income (loss)	-	-	-	-	(26,174)	-	(26,174)
Balance at Jun. 30, 2020	**206,763,741**	**$58,317,886**	**$ 4,711,735**	**$(27,751,294)**	**$(236,125)**	**$(9,537)**	**$35,032,665**

						Equity attributable to the shareholders	
	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
Balance at Dec. 31, 2018	**32,413,741**	**$39,159,320**	**$ 80,394**	**$(21,381,708**	**$(125,953)**	**$4,071,022**	**$21,803,075**
Loss for the period	-	-	-	(2,909,382)	-	(128,496)	(3,037,877)
Shares and warrants issued	43,950,000	2,487,500	1,932,277	-	-	-	4,419,777
Other comprehensive income (loss)	-	-	-	-	221,392	-	221,392
Balance at Jun.30, 2019	**76,363,741**	**$41,646,820**	**$ 2,012,671**	**$(24,291,090)**	**$95,439**	**$3,942,526**	**$23,406,367**

See accompanying notes to Financial Statements

Consolidated Statement of Cash Flows
(In Canadian dollars)

For the six months ended June 30	Note	2020	2019
Cash flows from operating activities:			
Net income or loss		2,075,166	$(3,037,877)
Items not affecting cash:			
Amortization - property, plant and equipment and other	13,15,18,19	153,949	1,152,455
Amortization - right-of-use asset	14	75,434	-
Stock based compensation expense	24	105,521	149,777
Loss from discontinued operations		280,830	-
Gain on sale of subsidiaries and assets		(1,442,690)	(398,427)
Equity income in Assis		9	-
Unrealized (loss) gain on held-for-trading investments		12,917	(34,817)
Severance expense non-cash		-	1,319,917
Interest income non-cash		(20,233)	(10,576)
Interest component on lease liabilities	20	7,741	1,932
Gain on exchange		(4,407)	1,283
Change in working capital and other	27	823,627	(2,475,256)
		2,067,864	(3,331,589)
Cash flows from investing activities:			
Purchase of assets		(5,387,192)	(1,837,176)
Change in other receivables	5	(1,042,418)	-
Increase in promissory note payable	22	1,113,300	-
Investment in **Kase**	4	(1,183,590)	-
Proceeds from disposal of assets		-	-
Net change in held-for-trading investments	7	3,752	1,127,784
Additions to patents	18	(7,004)	(10,557)
Amount paid and received from **Assist**	16	(41,000)	437,964
Amount received from **ClearGSI**		-	2,134,500
		(6,544,152)	1,852,515
Cash flows from financing activities:			
Non-cash transaction: Issuance of Shares		-	(500,000)
Cash received from share issuance		-	3,770,000
Cash received loan settlement		-	1,000,000
Loan proceeds		-	(199,998)
Lease liability repayments		(59,004)	(101,316)
Interest on lease liabilities		(7,741)	(1,932)
Increase in bank line of credit		-	958,200
		(66,745)	4,924,954
Change in cash during the period		(4,543,033)	3,445,880
Cash – beginning of period		5,030,538	1,584,658
Cash disposed on sale	34	(11,638)	
Cash – end of period		$475,867	$5,030,538

See accompanying notes to the Financial Statements

Consolidated Statement of Cash Flows
(In Canadian dollars)

For the three-month period ended June 30	Note	2020	2019
Cash flows from operating activities:			
Net loss		3,340,663	$(1,035,622)
Items not affecting cash:			
Amortization - property, plant and equipment and other		(404,309)	566,332
Amortization - right-of-use asset		32,808	-
Gain on sale of subsidiaries and assets		(1,442,690)	-
Cash paid on shares in Assist		9	-
Unrealized (loss) gain on held-for-trading investments		(3,759)	(29,554)
Interest income non-cash		44,388	(7,640)
Interest component on lease liabilities		1,857	479
Gain on exchange		(3,759)	875
Change in working capital and other		210,469	(1,192,303)
		2,094,588	(1,682,154)
Cash flows from investing activities:			
Purchase of assets		(1,935,947)	(2,128,400)
Increase in other receivables		(266,047)	-
Net change in held-for-trading investments		82	1,120,801
Additions to patents		(3,641)	(2,870)
Amount paid to **Assist**		(41,000)	-
		(1,133,252)	(1,010,469)
Cash flows from financing activities:			
Cash received from share issuance		-	3,770,000
Cash received from loan settlement		-	1,000,000
Loan proceeds		(605,001)	(99,999)
Lease liability repayments		(11,305)	41,787
Interest on lease liabilities		(7,741)	(479)
Increase in bank line of credit		(1,228,000)	444,000
		(1,852,047)	5,155,309
Increase in cash during the period		(890,711)	2,462,686
Cash – beginning of period		1,378,216	2,567,852
Cash disposed on disposition		(11,638)	-
Cash – end of period		$475,867	$5,030,538

See accompanying notes to the Financial Statements

Notes to the Financial Statements

For the periods ended June 30, 2020 and 2019.

1. Operations:

HTC Purenergy Inc. dba HTC Extraction Systems (“**HTC**” or the “**Corporation**”) is incorporated under the *Business Corporations Act* (Alberta) and is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. The unaudited condensed consolidated interim financial statements for the six-month period ending June 30, 2020 (“**Period**”) (“**Financial Statements**”) include the accounts of the Corporation and its subsidiary companies. All intercompany balances, transactions and unrealized profits and losses are eliminated on consolidation.

HTC and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to gas, liquid and biomass extraction, distillation, purification and reclamation, as well as processing of hemp based products.

2. Basis of Presentation:

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

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

These Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements as at and for the year ended December 31, 2019.

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

These Financial Statements were authorized by the audit committee of the board of directors (“**Board**”) for issue and approved by the Board on August 31, 2020.

b) Adoption of New Accounting Standards

The adoption of the following new standards, interpretations and amendments were included in the Financial Statements for the period beginning January 1, 2020.

IFRS 16 LEASES

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

The Corporation adopted IFRS 16 using the modified retrospective approach on January 1, 2019, and therefore has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in retained earnings at January 1, 2019.

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

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

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

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

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

Accounting policy applicable from January 1, 2020:

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset. The Corporation has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is predetermined, the Corporation has the right to direct the use of the asset if either:
  - the Corporation has the right to operate the asset; or
  - the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

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

i. As a Lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payment in an optional renewal period, if the Corporation is reasonably certain to exercise an extension option, and penalties for early

termination of a lease, unless the Corporation is reasonably certain not to terminate early.

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

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

ii. As a Lessor

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

Accounting policy applicable before January 1, 2019:

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

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

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

c) Functional Currency

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

d) Use of Estimates and Judgment

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

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

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

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

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

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

- Judgment on principal versus agent relationship; this impacts whether income amounts are presented on a gross or net basis. It has been determined that Port LaJord Terminal Corp. ("**PLT**") (a former wholly owned subsidiary of **HTC**, sold on June 30. 2020) acts as an agent for grain sales since the producer has primary responsibility for supplying the grain to the end customer and it has sole discretion for establishing prices, despite the fact that PLT bears inventory risk for a transitory period of time. Accordingly, revenues and expenses are presented on a net basis.

- Judgments in relation to the performance obligations within the contracts with the customers where PLT is responsible for the provision of elevation services, as well as storage and handling services. Performance obligations impact revenue recognition, timing and related disclosures.
- Estimation of the allocation of transaction price to different performance obligations. These estimates impact the revenue and costs associated to the performance obligation (i.e. lease elements of a contract vs contract revenue, etc.).

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

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

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

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

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

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

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

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.

Biological assets: Biological assets, consisting of industrial hemp plants, are measured at fair value less costs to sell. Determining the fair value less costs to sell requires the Corporation to make assumptions about the post-harvest costs, cost to sell, selling price, stage of plant growth and expected yields by acre.

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

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

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

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

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

e) Basis of Measurement

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

3. Significant Accounting Policies:

Except as described below, the accounting policies in these Financial Statements are the same as those applied in the Corporation's audited financial statements as at December 31, 2019.

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

The Corporation classifies its financial instruments as follows:

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

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

Financial Assets

Impairment of financial assets:

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

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

Derecognition of financial assets

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

Financial liabilities

Recognition and initial measurement

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

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

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

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

Basis of Consolidation
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.

a) 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 June 30, 2020, wholly owned subsidiaries include **HTC Purification Corp.** (formerly HTC CO_2 Systems Corp. and referred to as "**HTC Purification**"), **Carbon Rx Inc., CO_2 Technologies Pty. Ltd**., **Kase Farma Inc.** ("**Kase**") and **KF Hemp Corp.** ("**HempCo**"). **HempCo wholly owns subsidiaries, KF Farmacy Ltd.** and **BlackRaven Gentics Corp**. The Corporation owns 70% of **Oroverde Genetica Corp.** ("**Oroverde**"). **HempCo** and **Oroverde's** operations are based in Saskatchewan and their principal place of business is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. **Kase** is incorporated as a C Corp. entity and based in Ceres, California, US.

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

Foreign Currency Translation

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

Biological Assets

Biological assets, consisting of industrial hemp plants, are measured at fair value less costs to sell up to the point of harvest. Determination of the fair values of the biological assets requires the Corporation to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the industrial hemp plants up to the point of harvest, sales price and expected remaining future yields for the industrial hemp plants.

Gains or losses arising from changes in fair value less costs to sell during the year are included in the statements of income and other comprehensive income of the related period.

In determining the fair value of hemp plants, the Corporation used its average sales price, based on CBD %, as a proxy for fair value. Processing costs after harvest, include drying and packaging of the raw material and are estimated at $0.22 per pound of industrial hemp, developed from management's historical experience producing other crops. Costs to sell are estimated at 4.5% of fair value. These costs are deducted from the average selling price to arrive at fair value less costs to sell.

The fair value of biological assets is classified as a Level 3 categorization in the IFRS fair value hierarchy and there have been no changes between levels during the period. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

(i) Post-harvest costs;
(ii) cost to sell ;
(iii) selling price;
(iv) stage of plant growth; and
(v) expected yields by plant.

Fair value pricing can result in a decrease in the value of biological assets as a result of seasonal crop yields, and the reduction of processing and estimated costs to sell from the average purchase price. The Corporation capitalizes the direct costs associated with the production of its biological assets as incurred, less any fair value adjustments. The Corporation's estimates are, by their nature, subject to change (refer to Note 6).

Inventory

Inventory is comprised of 1) completed product valued at the lower of cost and net realizable value using the specific identification method, and 2) biological assets valued at fair value at the time of harvest using fair value pricing.

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.

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

Property, Plant and Equipment

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

Assets are amortized over their estimated useful lives as follows:

Equipment	15% and 30% declining balance
Leasehold improvements	3 years straight-line
Buildings	4% declining balance
Rail	4% declining balance
Roads	8% declining balance
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 asset's or group of assets' estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (**CGU**s). Management has identified three CGUs as follows: PLT, which services grain and fertilizer contracts, CO2 extraction technology and **HTC**, which mainly relates to hemp operations.

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

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

Provisions

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

These provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation as at June 30, 2020. The discount rate used to determine the present value reflects current market assessments of the time value of money. **HTC** performs evaluations to identify onerous contracts and where applicable, records provisions for such contracts.

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

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

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

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

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

The Corporation issues shares and share options under its share-based compensation plans as described in Note 24. Any consideration paid by directors, consultants and employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

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

- Rent revenues;
- handling services revenues;
- elevation and other grain handling services;
- engineering processing design and consulting services; and
- other revenues.

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:

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

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

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

When multiple performance obligations are present in a contract, transaction price is allocated to each performance obligation in an amount that depicts the consideration the Corporation expects to be entitled to, in exchange for transferring the good or service. The Corporation estimates the amount of the transaction price, to allocate to individual performance obligations, based on their relative standalone selling prices.

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

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

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

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

4. Acquisition

a) On January 28, 2020, **HTC** acquired all the issued and outstanding shares of California based **Kase** from Starling Brands Inc. ("**Starling**"). In consideration for all of the shares of **Kase**, **HTC** paid $1,183,590 (US$900,000) in cash and issued 10,000,000 units comprised of common shares and common share purchase warrants to Starling. The units comprised of 1 common share and one half of one common share purchase warrant. Each whole warrant under 8,000,000 of these units are exercisable to acquire one common share at a price of C$0.70 for a period of 36 months from the completion of the transaction, and the remaining whole warrants are exercisable to acquire one common share at a price of C$1.00 for a period of 36 months from the completion of the transaction. These units were subject to standard regulatory transfer restrictions until May 29, 2020. In addition 620,000 units, issued as a finder's fee, comprised of 1 common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share at a price of C$0.70 for a period of 36 months from the completion of the transaction.

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

	Kase
Acquisition date	**Jan. 28, 2020**
Purchase price	$3,583,590
Fair value of assets & liabilities acquired:	
Intangible Assets	$3,583,590

b) On May 25th, 2020, **HTC** purchased the remaining 22% of Maxx Group of Companies Corp. ("**Maxx**"). As a result, **HTC** wholly owned Maxx and its subsidiaries ("**Maxx Group**"). On June 30, 2020 HTC sold 100% of Maxx Group as part of the acquisition of **HempCo** (see below).

c) Effective June 30, 2020, the Corporation acquired 100% of **HempCo** for $20,000,000 comprised of 95,000,000 **HTC** shares with a value of $7,790,000 and $12,210,000 consideration through the sale of Maxx.

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

HempCo processes industrial hemp plants for CBD biomass, other cannabinoids and hemp by-products, in Canada. Through its agreement with KF Kambeitz Farms Inc. ("**KF Farms**") known as the "Canola Protocols" (defined in Note 8 below), KF Farms, recognized Canadian farm leader, has cultivated 4,305 acres of hemp plants in its 2019 farming season and has planted 108 acres in 2020, for processing by **HempCo**. As part of its strategic business plan, **HempCo** intends to sell the 2019 harvested and dried hemp biomass to hemp licensed producers.

	HempCo
Acquisition date	**June 30, 2020**
Purchase price	$20,000,000
Cash	10,529
Accounts receivable	571,303
Other receivable	339,387
Prepaid	612,115
Inventory and biological assets	30,981,276
Property and equipment	2,841,428
Right of use assets	296,775
Intangibles	78,850
Total Assets	**$35,731,663**
Accounts payable and accrued liabilities	83,102
Right of use liability	279,518
Loans from Hemp	4,591,945
Loans	2,998,021
Deferred tax	7,779,077
Total Liabilities	$15,731,663
Fair value of assets acquired net of liabilities	$20,000,000

5. Other receivables

a.) Other receivables - current

	Jun. 30, 2020	Dec. 31, 2019
Loan to related party (KLE)	$ -	$ 164,003
Loan to related party (**HempCo**)	-	3,808,469
Loan to Mega Hemp	339,388	-
Funds in Trust	33,058	33,058
	$ 372,446	$ 4,005,530

b.) Other receivable – long term

	Jun. 30, 2020	Dec. 31, 2019
Other receivables- long term	$ -	$ 6,967
	$ -	$ 6,967

Receivable to Mega Hemp represents a loan to a joint venture.

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

6. Prepaid Expenses and Deposits

		Jun. 30, 2020		Dec. 31, 2019
Deposits on long term assets	$	662,040	$	662,040
Deposits		8,044		-
Prepaids relating to biological asset (see Note 8)		67,728		-
	$	737,812	$	662,040

Deposits of $662,040 represent an advance payment for the purchase of hemp seeds and related amounts from the prior year. These are expected to be received in the 2020 calendar year. As these deposits will be converted to inventory within the 2020 calendar year, they are considered current.

7. Investments at FVTPL

The Corporation has invested funds in an investment portfolio with RBC Dominion Securities Inc. The Corporation has classified these investments as FVTPL. The securities have been recorded at their trading prices, based on June 30, 2020 and December 31, 2019 quoted prices obtained from over the counter exchanges, and changes in fair value have been accounted for in the Consolidated Statement of Income (Loss).

8. Land production, allocation and farm services agreement

The Corporation has entered into a 20-year agreement (the "**Canola Protocols**") whereby the Corporation can reserve land operated by KF Farms, for an initial rate of $550 per acre. Rates are renewed every 3 years. This agreement includes the costs of providing the production land, pre-planting, land preparation, planting hemp seed, providing the hemp plant with nutrition, protecting the hemp plant for up to 25,000 acres in 2020 and beyond.

In relation to the Canola Protocols, as at June 30, 2020 $67,728 has been included in prepaid expense representing the costs owed to KF Farms and $48,937 has been capitalized towards the biological assets.

9. Inventory

	Jun. 30, 2020	Dec. 31, 2019
Work in Progress	$ 43,059	$ -
Finished goods	-	254,225
Wrapping materials and hemp bags	89,850	-
Seeds	183,526	-
Hemp Biomass	31,142,404	-
	$ 31,458,839	**$ 254,225**

During the Period, changes to work in progress, materials, supplies and finished goods recognized as Cost of Sales - Other amounted to $Nil (June 30, 2019 - $185).

10. Biological Assets

The Corporation obtains its industrial hemp through the Canola Protocols with KF Farms (Note 9). The grow season for the hemp plants is generally from early June through early October of each year. As at June 30, 2020 there was no new harvest (2019 harvest was completed and remains as a biological asset.

The Corporation's biological assets consist of industrial hemp plants from seeds all the way through to mature plants. The changes in the carrying value of biological assets are as follows:

	June 30, 2020
Beginning balance (inception date)	$173,252
Production costs capitalized through Canola Protocols	48,937
Seeding costs capitalized	17,675
Ending balance	**$239,864**

The Corporation values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per acre applied to the estimated price per pound less cost to sell. This model also considers the progress in the plant life cycle.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods, were used by management as part of this model:

- post-harvest cost – calculated as the cost per pound of harvested hemp to complete the sale of dried hemp biomass, consisting of the cost of direct and indirect materials labour related to drying and baling;

- cost to sell – represents costs that are necessary for a sale to occur, but that otherwise would not arise, such as commission to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties;
- selling price – calculated as the selling price to third-party licensed hemp processers;
- stage of growth – represents the weighted average number of weeks that biological assets have reached as of measurement date out of the 13-week growing cycle; and
- Expected yields by acre – represents the expected number of pounds of harvested dried hemp biomass per acre.

The following table quantifies each significant unobservable input and provide the impact a 5% decrease in each input would have on the fair value of biological assets.

Unobservable Inputs	**Detail**	**5% decrease as at June 30, 2020**
Post-harvest cost	$0.22 per pound	($50,038)
Cost to sell	4.5% of gross revenue	($44,778)
Selling price	$3 per CBD% per pound	($682,344)
Stage of growth: 2020 crop	13 weeks	$173,252
Expected yields by acre	2,106 per acre	(227,448)

11. Loan receivable

Loan receivable amounts relating to the sale of Pinnacle Industrial Services (January 1, 2017) have been settled on June 1, 2020. On June 30, 2020 **HTC** sold its extraction building, located in the RM of Lajord. The loan receivable (below) arose from the sale of the extraction building.

	Jun. 30, 2020	**Dec. 31, 2019**
Loan receivable	$ -	$ 1,511,991
Loan receivable from sale of building	$1,604,000	$ -

12. Noncurrent Deposits

Noncurrent deposits of $1,005,167 (December 31, 2019 - $3,013,843) represent amounts paid for the deposit of future equipment, that are expected to be converted into property, plant and equipment, and also $12,363 representing amounts paid regarding a long-term lease agreement. The amounts relating to long term assets will be converted, cleared or refunded within the 2020 calendar year. While the deposits are expected to be realized within the 2020 calendar year, deposits have been disclosed as noncurrent, as they were made for the future purchases and delivery of property, plant and equipment.

13. Property, plant and equipment

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Land	Total
Carrying amount Dec. 31, 2019	**$ 11,432,116**	**$ -**	**$ 396,171**	**$11,992,040**	**$1,443,626**	**$2,610,506**	**$ -**	**$27,874,459**
Additions	6,351,764	43,459	48,891	1,899,070	-	21,966	240,000	8.605,150
Disposals	(42,545)	-	-	(2,840,688)	-	-	-	(2,883,233)
Discontinued Operations	(11,183,468)		(327,306)	(10,032,053)	(1,414,993)	(2,456,320)	-	(25,414,140)
Amortization	(644,927)	-	(56,153)	(146,341)	(28,633)	(100,485)	-	(976,539)
Carrying amount Jun. 30, 2020	**$ 5,912,940**	**$ 43,459**	**$ 61,603**	**$ 872,028**	**$ -**	**$ 75,667**	**$ 240,000**	**$7,205,697**

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Total
Balance Dec. 31, 2019 is comprised of:							
Cost	$ 6,090,741	$194,573	$162,263	$19,648	$ -	$10,000	$6,717,223
Accumulated Amortization	(177,800)	(151,114)	1000,660)	-	-	-	(429,573)
Carrying amount June 30, 2020	**$ 6,912,941**	**$ 43,459**	**$61,603**	**$19,948**	**$ -**	**$10,000**	**$6,287,651**

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Total
Carrying amount Dec. 31, 2018	**$ 9,923,180**	**$ -**	**$ 484,053**	**$8,364,882**	**$1,500,655**	**$2,634,855**	**$22,907,625**
Additions	2,961,605	-	63,806	3,932,598	1,951	182,044	7,142,004
Disposals	(50,920)	-	(35,000)	-	-	-	(85,920)
Amortization	(1,401,749)	-	(116,688)	(305,440)	(58,980)	(206,393)	(2,089,250)
Carrying amount Dec. 31, 2019	**$ 11,432,116**	**$ -**	**$ 396,171**	**$11,992,040**	**$1,443,626**	**$2,610,506**	**$27,874,459**
Balance Dec. 31, 2019 is comprised of:							
Cost	$ 13,452,887	$151,114	$658,079	$12,432,830	$1,509,820	$2,849,577	$31,054,306
Accumulated Amortization	(2,020,771)	(151,114)	(261,908)	(440,790)	(66,194)	(239,071)	(3,179,847)
Carrying Amount June 30, 2020	**$11,432,116**	**$ -**	**$396,171**	**$11,992,040**	**$1,443,626**	**$2,610,506**	**$27,874,459**

The PLT Fertilizer Plant was commissioned on April 30, 2018, and amortization commenced May 1, 2018. The PLT Grain Terminal was fully commissioned on November 7, 2018, and amortization commenced at that time. Construction begun on the PLT Grain Terminal expansion and amortization for this will commence when the project is complete. Construction on the **HTC** extraction and storage facilities begun in 2019. The extraction asset was sold effective June 30, 2020. Amortization for the storage facility will commence when the project is fully commissioned, and it is estimated to be fully commissioned during Q3 2020. **Kase's** extraction facility construction continues to be commissioned during the Period. Amortization will commence when the project is fully commissioned.

Included in the above are leased equipment summarized as follows:

	Jun. 30, 2020	Dec. 31, 2019
Opening amount	$ -	$384,251
Leased vehicle additions	-	-
Cost adjustment	-	(11,621)
	-	372,630
Opening amortization	$ -	$49,996
Amortization	-	84,531
	-	134,527
Carrying value	**$ -**	**$238,103**

14. Right-of-use asset

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

	Equipment	Building	Land	Total
Carrying amount Dec. 31, 2019	**$ -**	**$ -**	**$ 308,627**	**$ 308,627**
Additions	324,616	272,914	-	597,530
Disposal			(164,520)	(164,520)
Amortization	(27,842)	(68,228)	(9,607)	(105,677)
Carrying amount Jun. 30, 2020	**296,774**	**$ 204,686**	**$ 134,500**	**$ 635,960**
Cost	$324,616	$ 272,914	$ 144,107	$ 741,637
Accumulated Amortization	(27,842)	(68,228)	(9,607)	(105,677)
Carrying Amount	**296,774**	**$ 204,686**	**$ 134,500**	**$ 635,960**

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

15. Product development

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

	Jun. 30, 2020	Dec. 31, 2019
Delta Reclaimer® System	$ 296,537	$ 278,792
Amortization	(97,198)	(87,314)
	199,339	191,478
LCDesign® CCS	440,167	433,453
Amortization	(390,1089)	(368,436)
	50,058	65,017
PDOengine™	186,093	186,093
Amortization	(162,831)	(153,526)
	23,262	32,567
Total product development costs	**$ 272,659**	**$ 289,062**

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

16. Investment in associates

Investment in associates as of June 30, 2020 and December 31, 2019 comprise of:

	Jun. 30, 2020	Dec. 31, 2019
Investment in **Assist**	$ 40,991	$ -

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

Description	Assist
Investment as at Dec. 31, 2019	$ -
Amounts recovered	41,000
Proportionate loss on investment	(9)
Investment as at Jun. 30, 2020	**$ 40,991**

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

17. Investments at FVTOCI

	Jun. 30, 2020	Dec. 31, 2019
Share Investments	$ 77,405	$ 103,579

On December 4, 2008, **HTC** acquired 2,500,000 shares in EESTech Inc. The Corporation has classified and measured these shares as FVTOCI. The shares have been recorded at their trading prices at June 30, 2020 (December 31, 2019) based prices obtained from over the counter exchanges. The December 2019 value was adjusted further to consider the lack of trading volume.

18. Patents

	Cost	Accumulated amortization	Net book value
Carrying Value Dec. 31, 2019	**$221,637**	**$(116,787)**	**$104,850**
Additions	7,002	-	7,002
Amortization	-	(7,479)	(7,479)
Carrying Value Jun. 30, 2020	**$228,639**	**$(124,266)**	**$104,373**

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

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

19. Intangible assets

Intangible assets subject to amortization	**CO2**	**Kase**	**HempCo**	**Total**
Cost				
Balance at Dec. 31, 2018	$1,099,600	$ -	$ -	$1,099,600
Balance at Dec. 31, 2019	1,099,600	-		1,099,600
Additions	-	3,583,590	78,850	3,583,590
Balance at Jun. 30, 2020	**$1,099,600**	**$ 3,583,590**	**$ 78,850**	**$4,762,040**
Accumulated amortization				
Balance at Dec. 31, 2018	$ 908,074	$ -	$ -	$ 908,074
Amortization for the year	33,306	-	-	33,306
Balance at Dec. 31, 2019	$ 941,380	$ -	-	$ 941,380
Amortization for the year	16,653	74,658	-	91,311
Balance at June 30, 2020	**$ 958,033**	**$ 74,658**	**$ -**	**$1,032,691**
Carrying amounts (by operating segment)				
Balance at Dec. 31, 2018	$ 191,526	$ -	$ -	$ 191,526
Amortization	(33,306)	-	-	(33,306)
Balance at Dec. 31, 2019	158,220	-	-	158,220
Intangible additions	-	3,583,590	78,850	3,583,590
Amortization	(16,653)	(74,658)	-	(91,311)
Balance at Jun. 30, 2020	**$ 141,567**	**$3,508,932**	**$ 78,850**	**$3,729,349**

Kase additions are comprised of intellectual capital acquired as part of the acquisition as noted in Note 4.

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

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

20. Lease liabilities

	Jun. 30, 2020	Dec. 31, 2019
CNH Capital Financing: $14,871 payable in seven equal payments over three years bearing fixed interest at 2.90%. Secured by assignment of subsidiary's equipment.	$ -	$57,531
Komatsu Financing: $3,726 payable over four years bearing 0% interest. Secured by assignment of subsidiary's equipment.	-	111,788
Ford Credit Financing: $1,236 payable over 5 years bearing 3.49% annual interest. Secured by assignment of subsidiary's equipment.	-	72,095
HTC right of use land lease	136,543	141,836
HempCo right of use equipment lease	82,459	-
HempCo right of use equipment lease	197,058	-
Kase right of use building lease	217,018	-
Principal balance	633,078	535,133
Current portion	(107,772)	(115,693)
	$ 525,306	**$ 419,440**

Future minimum financing lease payments are:

2020	183,162
2021	219,456
2022	80,236
2023	83,693
2024	78,914
2025 and on	89,654
Total future minimum lease payments	735,115
Future interest charges	(102,037)
Principal balance	633,078
Current Portion	(107,772)
	$525,306

Right-of-use liabilities relate to the right-of-use assets (see Note 14). 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.

The adoption of IFRS 16 had the following impact for the following periods.

Amounts recognized in profit and loss:	Jun. 30, 2020	Dec. 31, 2019
Interest on lease liabilities	$ 7,741	$ 14,558
Amounts recognized in the Statement of Cash Flows:		
Interest paid	7,741	14,558
Principal payments of lease liabilities	110,512	169,606
Total cash outflow for leases	$118,253	$ 184,164

21. Long term debt

All amounts in Canadian Dollars	Jun. 30, 2020	Dec. 31, 2019
Scotiabank loan: $33,333 per month plus interest and Bankers' acceptance at a variable rate of approximately 3.92% maturing August 2038. Secured by general assignment of subsidiary's present and future personal property.	$ -	$7,433,339
Scotiabank loan: Construction loan bearing interest only on Bankers' acceptance at a variable rate of approximately 2.05% maturing August 2040. No principal payment until construction is complete. Construction completion expected during Q3 of 2020.	-	3,795,500
Loan from KF Farms : Bearing interest at prime plus 2% with no fixed terms of repayment, due January 31, 2022.	2,982,166	-
Principal balance	2,982,166	$ 11,228,839
Current portion	-	(495,102)
	$2,982,166	**$ 10,733,737**

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

2020	$ -
2021	-
2022	2,982,166
2023	-
2024	-
Thereafter	-
	$ 2,982,166

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 June 30, 2020, the line of credit has been drawn by $Nil (December 31, 2019 - $2,479,679).
During the Period, the Corporation incurred finance costs of $Nil (June 30, 2019 - $168,448 on its long-term debts and line of credit.

22. Promissory note

On May 25, 2020, the Corporation issued a note payable in connection with the acquisition of 22% of Maxx. The note is non-interest bearing with no fixed terms of repayment maturing on May 25, 2023.

Management has indicated that there is no expectation for this loan to be repaid within the next year, and accordingly the amount is classified as long term.

23. Share capital

At June 30, 2020 and December 31, 2019, the Corporation had authorized an unlimited number of common shares and an unlimited number of preferred shares without par value. Common shares are voting, participating and are not subject to restrictions.

	As at Jun. 30, 2020		As at Dec. 31, 2019	
Common Shares	**Number**	**Amount**	**Number**	**Amount**
Balance, beginning of period	101,363,741	$47,979,086	32,413,741	$39,159,320
Issued common shares	105,620,000	10,248,800	68,950,000	8,819,766
Balance, end of period	206,983,741	$58,227,886	101,363,741	$47,979,086

On January 22, 2019, the Corporation issued 6,250,000 units at a price of $0.08 per unit. These units were issued to 4 placees, two of whom are directors, and one of whom is an insider of the Corporation. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of HTC at $0.11 per common share until January 21, 2024. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 24).

On June 4, 2019, **HTC** announced the issuance of 37,700,000 units at a price of $0.10 per unit, for the gross proceeds of $3,770,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of **HTC** at $0.15 per common share for a period of five years after the date of issuance. Warrants are convertible by **HTC**, in its discretion, into common shares at the conversion price of $0.15 per common share, in the event that the common shares trade at $0.80 or more for 20 or more consecutive trading days on the TSX Venture Exchange Inc. ("**TSX-V**"). Proceeds of the private placement have been used for business development, including hemp biomass toll extraction, processing and general corporate purposes. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 24).

On October 22, 2019, **HTC** announced the issuance of 25,000,000 units at a price of $0.40 per unit, for the gross proceeds of $10,000,000 ("**Offering**"). Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of HTC at $0.70 per common share for a period of thirty-six months after the date of issuance, subject to acceleration provisions. If at any time between the date that is four months and one day from the closing of the Offering and the expiry date of the warrants, the daily volume weighted average trading price of the common shares on the TSX-V is greater than $1.00 of the preceding 10 consecutive trading days, the Corporation shall have the option to accelerate the exercise of these warrants at the exercise price of $0.70, by delivering a notice to such effect to the holder of the warrants (the "**Acceleration Notice**"). In such instance, the warrants will be exercisable until not less than the 30th day following the delivery of the Acceleration Notice. Proceeds of the Offering have been used for business development, including hemp biomass toll extraction, processing and general corporate purposes. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 24).

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

HTC paid compensation to an arm's length party, in the form of 620,000 units, for the development, negotiation and finalization of the ancillary agreements to the **Kase** acquisition. All common shares issued pursuant to the transaction and as compensation, were subject to a hold period under applicable securities law until May 29, 2020.

Effective June 30, 2020, the Corporation issued 95,000,000 shares valued at $7,790,000 as part of the acquisition of **HempCo**.

24. 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 June 30, 2020 and the weighted average exercise price:

	As at Jun. 30, 2020		As at Dec. 31, 2019	
	Options	**Avg. Price**	**Options**	**Avg. Price**
Outstanding, and exercisable, beginning of period	3,483,187	$0.075	-	$Nil
Stock options issued	-	$ -	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.

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

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

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

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

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

HTC paid an arm's length party, compensation in the form of 620,000 units, for the development, negotiation and finalization of the ancillary agreements to the **Kase** acquisition. All common shares issued pursuant to the transaction and as compensation, were subject to a hold period under applicable securities law until May 29, 2020.

The Corporation incurred share issuance costs at June 30, 2020 of $148,800 (December 31, 2019 - $1,174,179) connection with the transactions described above.

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

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

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

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

Date Granted	January 28, 2020
Number of warrants granted	4,310,000
Exercise price	$0.70
Risk free interest rate	.46%
Expected dividend yield	NIL
Expected stock price volatility	101.56%
Expected option life in years	3
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	$0.54

Date Granted	January 28, 2020
Number of warrants granted	1,000,000
Exercise price	$1.00
Risk free interest rate	.46%
Expected dividend yield	NIL
Expected stock price volatility	101.56%
Expected option life in years	3
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	$0.54

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

The total fair value of stock options granted to directors, employees and consultants and related companies of the Corporation and warrants issued through private placement as at June 30, 2020 was $606,372 (December 31, 2019 - $500,851).

25. Provision for income taxes:

Deferred tax in the amount of $7,779,077 represents an amount picked up through the acquisition of **HempCo**. With the exception of the acquisition adjustment, the Corporation does not make adjustment to its income tax note on an interim basis.

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

Income Taxes

As at December 31	2019	2018
Computed income tax expense (recovery)	**$(1,489,870)**	**$(695,956)**
Increase (reduction) attributable to:		
Difference in capital gains rate	71,240	81,327
Amounts booked in OCI	(28,320)	-
Tax rate changes and other adjustments	(24,800)	-
Share based compensation and non-deductible expenses	10,980	2,547
Change in tax benefits not recognized	1,460,770	491,103
Income tax expense (recovery)	$ -	$ (120,981)

Income tax (recovery) is allocated as follows:

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

Deferred Tax

The following summarizes the components of deferred tax:

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

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

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

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

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

Investment tax credits expire from 2025 to 2031.

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

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

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

26. Financial instruments

Fair Value

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

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

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

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

(ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and

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

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

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

	June 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$ 475,867	$ -	$ -	$ 475,867
Accounts receivable	-	-	825,676	825,676
Other receivables – current			372,446	372,446
Investments (FVTPL)	85,873	-	-	85,873
Investments (FVTOCI)	-	77,405		77,405
Accounts payable and accrued liabilities	-	-	(1,441,905)	(1,441,905))
Lease liabilities including current portion	-	-	(633,078)	(633,078)
	$ 561,740	**$ 77,405**	**$(876,861)**	**$(237,716)**

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

27. Changes in working capital and other

Information below is based on the consolidated operations.

Change in working capital is comprised of	**Jun. 30, 2020**	**Jun. 30, 2019**
Accounts receivables	$ (18,291)	$ (879,548)
Other receivables – short term	-	102,213
Other receivables – long term	-	15,343
Inventory – short-term	(202,546)	-
Grain contract asset	-	(400,512)
Prepaid expenses and deposits	-	(567,090)
Accounts payable and accrued liabilities	1,034,490	(1,041,657)
Government remittances	9,974	295,996
	$ 823,627	**$ (2,475,255)**

Included in operating activities	**Jun. 30, 2020**	**Jun. 30, 2019**
Cash interest received	$ 159,107	$ 12,112
Cash interest paid	7,741	172,416
Corporate tax paid	-	-

Non-cash items:

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

For the period ended	Jun. 30, 2020	Jun. 30, 2019
Non-cash items:		
Shares issued	$ -	$ 500,000
Broker warrants issued	310,000	400,960

28. 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.

Weighted average shares outstanding:	Jun. 30, 2020	Dec. 31, 2019
Basic	112,320,829	65,542,508
Diluted	115,804,016	69,025,695

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

29. Related party transactions:

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

During the Period, the Corporation paid $13,388 (June 30, 2019 - $13,133) for legal services from a law firm that a director is a partner of. As of June 30, 2020, there are $12,137 amounts owing to the law firm (June 30, 2019 - $5,206).

KLE is considered a related party due to common directors and common management (see Note 5). As at June 30, 2020, KLE's loan owing to **HTC** was paid in full (June 30, 2019 - $159,129). The loan receivable is secured by a first charge on property of a third party (see Note 5). KLE has subcontracted support services from **HTC** during the Period for $Nil (June 30, 2019 - $3,000). At June 30, 2020 there are no amounts owing (June 30, 2019 - $Nil).

EHR Enhanced Hydrocarbon Recovery Inc. ("**EHR**") is a subsidiary of KLE and is therefore considered a related party. **HTC Purification** incurred subcontract expenses for the Period of $18,000 (June 30, 2019 - $18,000). As of June 30, 2020, there are $3,150 amounts owing (June 30, 2019- $Nil).

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

Purely Canada Terminals Corp. (“**PC Terminals**”) is considered a related party due to a mutual director, who also owns, indirectly, 41.75% of PC Terminals. Effective June 30, 2020, **HTC** sold its approximately 19,000 square foot extraction facility to PC Terminals, for the purchase price of $2,979,000, payable by promissory note (“**Asset Sale**”).

KF Kambeitz Land Corp. (“**Land Corp**”) is considered a related party due to one common director. Land Corp has provided subcontracted support services to **HTC** during the period of $68,700 (June 30, 2019 - $137,400). As of June 30, 2020, there are amounts outstanding from **Land Corp** of $Nil (June 30, 2019 - $Nil).

KF Farms is considered a related party due to one common director. **HTC** has lease revenue amounting to $Nil with **KF Farms** (June 30, 2019 - $2,838). As a result of the acquisition of **HempCo**, there is a loan payable to KF Farms of $2,982,166.

Purely Canada Foods Corp. (formerly PureWest Commodities Inc.) doing business as Purely Canada Foods (“**PC**”) is considered a related party due to common directors. **PC** rents facilities and subcontracts support services from **HTC** on a month to month basis. **HTC** has rental income during the Period of $Nil (June 30, 2019 - $2,175) and subcontracted support services of $2,100 (June 30, 2019 - $2,100).

KF Aggregates Inc. is considered a related party due to one common director. At June 30, 2020, **HTC** has made aggregate purchases of $Nil (June 30, 2019 – $Nil). At June 30, 2020 there are amounts outstanding of $400,835 (June 30, 2019 - $Nil) included in accounts payable and accrued liabilities.

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

30. Compensation and severance:

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

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

HTC entered into 3- and 4-year corporate management consulting agreements in January 2019, with 2 executive managers. Under the terms, **HTC** can terminate the agreements at any time. These agreements were terminated April 1, 2020 and new employment contracts were entered into. During the six-month Period, total compensation for the 2 executive managers, Lionel Kambeitz and Jeffrey Allison, was $141,000.

During the Period, the Corporation paid director compensation in the amount of $2,500 (June 30, 2019 - $3,000) for the attendance of Board and committee meetings. In addition to their salaries, senior management and directors also participate in the Corporation’s share-based compensation plans.

31. 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:

Jun. 30, 2020	**< 1 year,**	**1-2 years**	**3-5 years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$1,441,905	$ -	$ -	$ -	$1,441,905
Lease liability	183,162	219,456	242,843	89,654	735,115
Loan	2,982,166	-	-	-	2,982,166
Balance	**$4,607,233**	**$219,456**	**$242,843**	**$89,654**	**$5,159,186**

Dec. 31, 2019	< 1 year,	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	$1,795,076	$ -	$ -	$ -	$1,795,076
Operating line of credit	2,479,679	-	-	-	2,479,679
Lease liability	193,268	272,288	174,309	177,526	610,681
Long term debt	925,515	1,042,308	3,398,753	11,970,411	16,948,193
Loan	-	1,159,749	-	-	1,159,749
Balance	**$5,329,345**	**$2,331,828**	**$3,184,268**	**$12,147,937**	**$22,993,378**

Currency risk

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

Foreign exchange risk

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

Interest rate risk

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and marketable securities and paid on long term debt. The Corporation mitigates exposure by attempting to match rates and terms to expected cash requirements. Interest risk associated with long term loans is mitigated by arranging terms that extend for multiple years (see Note 20). A 1% change in the prime interest rate would have an impact of $117,640 on the Corporation's income.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial transaction fails to meet its obligations. The Corporation attempts to reduce such exposure to its cash and marketable securities by only investing in low risk investments with Canadian Chartered Banks and taking advantage of government guarantees. The Corporation attempts to reduce its loss on amounts receivable by assessing the ability of the counterparties to fulfill their obligation under contract prior to entering into the contracts and by the nature of customers the Corporation deals with. At June 30, 2020, the Corporation had an allowance for doubtful accounts of $128,600 (December 31, 2019 - $128,600).

Due to the nature of the Corporation's operations, management considers accounts receivable outstanding for 90 days or less, to be current amounts. Over 90 days are also considered current, if extended terms exist and security is provided, or amounts are subject to contract restrictions and performance markers. The aging of the Corporation's accounts receivable at June 30, 2020 and December 31, 2019 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Jun. 30, 2020	$304,249	$521,427	$825,676
Aging of accounts receivable at Dec. 31, 2019	$1,615,594	$39,437	$1,655,031

32. Capital Disclosures:

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

	Jun. 30, 2020	Dec. 31, 2019
Shareholders' equity	$35,042,202	$29,383,628
Current portion of lease liability	107,772	115,693
Current portion of long term liabilitiy	-	495,102
Lease liability	525,306	419,440
Long term liability	2,982,166	10,733,737
Balance	**$38,657,446**	**$41,147,600**

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.

33. Operating Segments:

The Corporation has two reportable operating segments: **HTC Extraction Systems** and **HempCo**, of which there is a material non-controlling interest as described in Note 35.

These operating segments are differentiated by the products and services that each produce. **HTC Extraction Systems** provides products and services related to biomass and clean energy industries**. HempCo** is authorized to operate in the areas of hemp extraction, refining, formulation and distribution in the State of California.

June 30, 2020	**HTC Extraction Systems**	**HempCo**	**Combined**
Sales:			
Engineering, process design and consulting	$ 152,291	$ -	$ 152,291
Other income	1,175	1,646	2,821
Total sales	$ 153,466	1,646	$ 155,112
Commercialization, product development and administration	1,382,953	155,953	1,538,906
Amortization	154,725	74,658	229,383
Interest paid on lease liabilities	3,107	4,634	7,741
Loss from operations	**$(1,387,319)**	**$ (233,599)**	**$(1,620,918)**

June 30, 2019	**HTC Extraction Systems**	**Maxx**	**Combined**
Sales:			
Engineering, process design and consulting	$ 289,180	$ -	$ 289,180
Fertilizer handling services	-	440,174	440,174
Fertilizer facility rent	-	41,700	41,700
Grain handling	-	400,836	400,836
Other income	12,604	92,176	104,780
Total sales	**$ 301,784**	**$974,886**	**$ 1,276,670**
Cost of Sales – other	-	185	185
Commercialization, product development and administration	851,410	736,782	1,588,192
Amortization	76,366	1,076,089	1,152,455
Finance costs	-	168,448	168,448
Interest paid on lease liabilities	833	1,932	2,765
Loss from operations	**$(626,825)**	**$ (1,008,550)**	**$(1,635,375)**

34. Discontinued Operations

On June 30, 2020 **HTC** sold Maxx. The following is an analysis of the income from discontinued operations during the Period.

	June 30, 2020	June 30, 2019
Sales:		
Fertilizer handling services	$ 358,580	$ 440,174
Fertilizer facility rent	273,000	41,700
Grain handling	624,559	400,836
Other income	124,333	92,176
Total sales	$ 1,380,472	$ 974,886
Cost of Sales – other	47,988	185
Commercialization, product development and administration	589,941	736,782
Amortization	972,062	1,076,089
Finance costs	116,198	168,448
Interest paid on lease liabilities	5,384	1,933
Loss from operations	**$(351,101)**	**$ (1,008,551)**
Interest and other income	70,272	396,431
Income from disposal of assets	-	28,049
Net loss from discontinued operations	**$(280,829)**	**$ (584,071)**

Gain from divestment of business:	June 30, 2020
Current assets	$5,330,035
Non-current assets	25,571,243
Total assets	$30,901,278
Current liabilities	5,536,830
Long term liabilities	13,230,737
Total liabilities	$18,767,567
Maxx investment	10,934,076
Gain from divestment of business	**$1,199,635**

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

The portion of net assets and net loss attributable to **Oroverde** third party shareholders is reported as non-controlling interests and net loss attributable to non-controlling interests on the Consolidated Statements of Financial Position and Consolidated Statements of Loss respectively. Additional information is as follows:

	June 30, 2020	December 31, 2019
	Oroverde	Oroverde
Total current assets	$662,040	$5,634,860
Total current liabilities	-	-
Loss	$(20,233)	$(11,559)

36. Commitments and Contingencies:

The Corporation rents office facilities on a month to month basis under a lease agreement with a related party of the Corporation (see Note 29), with minimum monthly rental payments of $9,475.

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

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

37. Subsequent events:

i) **HTC** has entered into a binding letter of intent ("**LOI**"), with a licensed processor. The parties have incorporated an entity called TruExtracts (Regina) Inc. ("**TruExtracts**"), of which HTC currently owns 35%, and which ownership will increase to 49% over the next 3 years. Pursuant to the LOI, **HTC**: (i) contributed part of its extraction equipment for installation in the TruExtracts facility located in Regina, SK ("**TruExtracts Facility**"); (ii) has access to and the ability to utilize 50% of the extraction capacity of the high capacity, extraction, formulation and distillation equipment at the TruExtracts Facility; (iii) obtained a contractual commitment for the processing of hemp biomass, owned and supplied by **HTC**'s wholly owned **HempCo**, for a minimum 3-year term; and (iv) enjoys profit sharing in the revenue of TruExtracts. The licensed processor has applied for its license to be extended to the TruExtracts Facility.

ii) Subsequent to the Period, there was a continued global outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on **HTC** and its subsidiaries as this will depend on future developments that are *highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the* *duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation's business and financial condition.*