

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

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

The unaudited condensed consolidated interim financial statements for the period ending September 30, 2021 ("**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 September 30, 2021 ("**MD&A**") and reflect **HTC's** business transactions and financial position.

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

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

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

Management has reviewed the filings of the Corporation's MD&A, Financial Statements and attachments thereto. Based on our knowledge, having exercised reasonable diligence, these 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 "Jacelyn Case"
JACELYN CASE
CHIEF FINANCIAL OFFICER

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

The condensed consolidated interim financial statements for the nine-month period ending September 30, 2021 have been prepared by management in accordance with the International Financial Reporting Standards and have not been reviewed by **HTC Pureenergy Inc. dba *HTC Extraction Systems***' Auditor.

Signed "Lionel Kambeitz"

Lionel Kambeitz

Chairman, CEO and Director

Condensed Consolidated Interim Statements of Financial Position
 (In Canadian dollars)

For the period ended	Note	Sep. 30, 2021	Dec. 31, 2020
ASSETS			
Current Assets:			
Cash		\$ 30,054	\$ 197,941
Accounts receivable	28	48,703	25,002
Other receivables	4	46,150	54,207
Government remittances receivable		4,940	37,131
Prepaid expenses and deposits	5	685,265	723,034
Inventory	7	932,051	762,104
Investments (FVTPL)	6	103,013	95,323
Assets available for sale	31	-	558,780
		1,850,176	2,453,522
Noncurrent Deposits	8	75,127	87,170
Property, plant and equipment	9	6,431,173	7,342,469
Right-of-use asset	10	297,999	349,011
Investment in associates	11	3,269,447	-
Intangible assets	12	616,233	902,977
Total assets		\$ 12,540,155	\$ 11,135,149
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable and accrued liabilities	28	\$ 1,411,807	\$ 1,028,005
Dividend in kind payable	13	2,176,680	-
Dividend tax payable	13	16,425	-
Current portion of lease liability	14	114,438	172,906
Liabilities directly associated with the assets held for sale	31	-	50,986
		3,719,350	1,251,897
Lease liability	14	188,426	188,621
Long term debt	15	4,864,149	4,459,102
Promissory note	16	1,012,350	946,385
Total liabilities		9,784,275	6,846,005
Shareholders' equity:			
Share capital	17	59,128,086	59,128,086
Contributed surplus	18	4,959,257	4,959,257
Accumulated deficit		(61,334,215)	(59,567,491)
Accumulated other comprehensive income (loss)		26,978	(214,769)
Total equity attributable to shareholders of the Corporation		2,780,106	4,305,083
Total equity attributable to non-controlling interest		(24,226)	(15,939)
Total equity		2,755,880	4,289,144
Total liabilities and equity		\$ 12,540,155	\$ 11,135,149
Going Concern (Note 1)			
Commitments (Note 33)			
Subsequent Events (Note 34)			

See accompanying notes to the Financial Statements

Consolidated Statements of Income
 (In Canadian dollars)

For the nine-month period ended September 30,	Note	2021	2020
Continuing operations			
Consulting		\$ 389,490	\$ 2,031
Sales – CBD products (Kase)		5,290	5,957
Sales – hemp inventory		6,485	-
		401,265	7,988
Cost of sales – consulting		11,409	-
Cost of sales – CBD products (Kase)		2,362	1,323
Cost of sales – hemp inventory		5,775	-
Commercialization, product development and administration	20	791,300	1,479,070
Amortization	9,10,12	1,314,901	625,487
Operating loss		(1,724,482)	(2,097,892)
Finance income	21	37,634	134,406
Finance expense	22	(226,648)	(57,299)
Net finance income (expense)		(189,014)	77,107
Other income		492,772	1,392
Dividend income		-	2,672,700
Gain on sale of assets		-	1,323,433
Loss from equity investment Delta (net of tax)	11	(850,985)	-
Impairment of inventory	7	(158,656)	-
Unrealized gain on fair value growth of biological assets		-	370,478
Stock based compensation expense	18	-	(105,521)
Share issuance costs		-	(178,800)
Income (loss) before tax		(2,430,365)	2,062,897
Income tax recovery	19	-	-
Income (loss) from continuing operations		\$(2,430,365)	\$ 2,062,897
Income (loss) from discontinued operations, net of tax	31	2,848,459	(1,065,498)
Net income for the period		\$ 418,094	\$ 997,399
Net income for the year attributable to:			
Shareholders of the Corporation		\$ 426,381	\$ 1,006,684
Non-controlling interest		(8,287)	(9,285)
Net income for the period		\$ 418,094	\$ 997,399
Net income per share – basic and dilutive	25	0.00	0.00
Net income per share – basic and fully diluted from continued operations*	25	0.01	0.01

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

See accompanying notes to the Financial Statements

Consolidated Statements of Income and Other Comprehensive Income

(In Canadian dollars)

For the nine-month period ended September 30,	2021	2020
Net income for the period	\$ 418,094	\$ 997,399
Other comprehensive income for the period	241,747	18,604
Total comprehensive income	\$ 659,841	\$ 1,016,003
Total comprehensive income (loss) for the period attributable to:		
Shareholders of the Corporation	\$ 668,128	\$ 1,025,288
Non-controlling interest	(8,287)	(9,285)
Net comprehensive income for the period	\$ 659,841	\$ 1,016,003
Total comprehensive income (loss) for the period attributable to shareholders of the Corporation:		
Continuing operations	\$ (2,180,331)	\$ 2,090,786
Discontinued operations	2,848,459	(1,065,498)
Net comprehensive income for the period	\$ 668,128	\$ 1,025,288

See accompanying notes to the Financial Statements

Consolidated Statements of Loss

(In Canadian dollars)

For the three-month period ended September 30,	Note	2021	2020
Continuing operations			
Consulting		\$ -	2,031
Sales – CBD products (Kase)		-	4,782
Sales – hemp inventory		6,485	-
		6,485	6,813
Cost of sales – CBD products (Kase)		-	1,323
Cost of sales – hemp inventory		5,775	-
Commercialization, product development and administration	20	(36,888)	532,195
Amortization	9,10,12	407,167	445,135
Operating loss		(369,569)	(971,840)
Finance income	21	(5)	(26,845)
Finance expense	22	(76,576)	(34,160)
Net finance expense		(76,581)	(61,005)
Other income		492,632	(254)
Gain on sale of assets		-	1,156,668
Unrealized gain on fair value growth on biological assets		-	370,478
Loss from equity investment Delta (net of tax)	11	(301,563)	-
Impairment of inventory	7	(158,656)	-
Income (loss) before tax		(413,737)	494,047
Income tax recovery	19	-	-
Income (loss) from continuing operations		\$ (413,737)	\$ 494,047
Income (loss) from discontinued operations, net of tax	31	4,601	(1,571,814)
Loss for the period		\$ (409,136)	\$ (1,077,767)
Loss for the period attributable to:			
Shareholders of the Corporation		\$ (405,627)	\$ (1,074,552)
Non-controlling interest		(3,509)	(3,215)
Loss for the period		\$ (409,136)	\$ (1,077,767)
Loss per share – basic and dilutive	25	0.00	(0.01)
Loss per share – basic and fully diluted from continued operations*	25	0.00	(0.01)

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

See accompanying notes to the Financial Statements

Consolidated Statements of Loss and Other Comprehensive Loss

(In Canadian dollars)

For the three-month period ended September 30,	2021	2020
Net loss for the period	\$ (409,136)	\$ (1,077,767)
Other comprehensive income (loss) for the period	(21,306)	44,778
Total comprehensive loss	\$ (430,441)	\$ (1,032,989)
Total comprehensive loss for the period attributable to:		
Shareholders of the Corporation	\$ (426,933)	\$ (1,029,774)
Non-controlling interest	(3,509)	(3,215)
Net comprehensive loss for the period	\$ (430,441)	\$ (1,032,989)
Total comprehensive income (loss) for the period attributable to shareholders of the Corporation:		
Continuing operations	\$ (422,332)	\$ 542,040
Discontinued operations	(4,601)	(1,571,814)
Net comprehensive loss for the period	\$ (426,933)	\$ (1,029,774)

See accompanying notes to the Financial Statements

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

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Equity attributable to the shareholders		Total Equity
						Other Comprehensive income (loss)	Non Controlling Interests	
Balance at December 31, 2019		101,363,741	\$ 47,979,086	\$ 4,606,214	\$ (26,762,054)	\$ (209,951)	\$ 3,770,333	\$ 29,383,628
Net loss for the year		-	-	-	(34,392,984)	-	(12,472)	(34,123,722)
Adjustment for purchase of 22% Maxx		-	-	-	1,587,547	-	(3,773,800)	(2,186,253)
Issuance for Kase asset purchase	17,18	10,620,000	2,124,000	353,043	-	-	-	2,477,043
Issuance for KF Hemp purchase	17	95,000,000	9,250,000	-	-	-	-	9,025,000
Other comprehensive income on foreign Exchange translation of a subsidiary		-	-	-	-	30,852	-	30,852
Other comprehensive loss		-	-	-	-	(35,670)	-	(35,670)
Balance at December 31, 2020		206,983,741	\$ 59,128,086	\$ 4,959,257	\$ (59,567,491)	\$ (214,769)	\$ (15,939)	\$ 4,289,144
Net profit for the period		-	-	-	426,381	-	(8,287)	418,094
Dividend declared		-	-	-	(2,193,105)	-	-	(2,193,105)
Other comprehensive income		-	-	-	-	241,747	-	241,747
Balance at September 30, 2021		206,983,741	\$ 59,128,086	\$ 4,959,257	\$ (61,334,215)	\$ 26,978	\$ (24,226)	\$ 2,755,880

See accompanying notes to the Financial Statements

Consolidated Statements of Cash Flows

(In Canadian dollars)

For the nine-month period ended September 30	Note	2021	2020
Cash flows from operating activities:			
Net income (loss) for the period		\$ 418,094	\$ 997,399
Items not affecting cash:			
Amortization	9,12	1,241,093	606,670
Amortization - right-of-use asset	10	73,809	118,757
Stock based compensation expense	18	-	105,521
Gain from discontinued operations		-	280,829
Loss on equity investment in Assist		-	30
Loss on equity investment Delta	11	646,955	-
Gain on sale of subsidiaries and assets	31	(2,689,803)	(1,323,433)
Unrealized (loss) gain on held-for-trading investments	6	(10,018)	5,733
Interest income non-cash		4,323	(130,933)
Interest component on lease liabilities		8,590	11,590
Income from investments (non-cash)		(492,632)	-
Non cash adjustments on leased liabilities		(53,751)	-
Accretion on promissory note	16	65,965	-
Gain or loss on exchange		2,343	(758)
Foreign exchange translation		9,618	-
Realized gains on leased liabilities		(13,373)	-
Change in working capital and other	24	280,213	(17,088,527)
		(508,574)	(16,787,596)
Cash flows from investing activities:			
Net purchase of assets		(2,615)	(9,342,878)
Disposal of assets		-	31,337,753
Decrease in note receivable		-	(693,000)
Increase in promissory note payable		-	1,113,300
Investment in Kase		-	(1,183,590)
Net change in held-for-trading investments	6	(3,082)	3,023
Additions to patents		-	(7,004)
Amount paid to Assist		-	(41,000)
		(5,697)	21,186,604
Cash flows from financing activities:			
Proceeds (repayment) of loan		405,047	(7,097,387)
Lease liability repayments		(58,663)	(170,475)
Loan receivable		-	1,511,991
Related party loan		-	(1,159,749)
Increase in bank line of credit		-	(2,479,679)
		346,384	(9,395,229)
Change in cash during the period		(167,887)	(4,996,290)
Cash – beginning of period		197,941	5,208,433
Cash disposed on sale		-	(11,338)
Cash – end of period		\$ 30,054	\$ 200,805

See accompanying notes to the Financial Statements

Notes to the Financial Statements

For the periods ended September 30, 2021 and 2020.

1. Nature of Operations

HTC Pureenergy Inc. dba HTC Extraction Systems (“**HTC**” or the “**Corporation**”) is incorporated under the *Business Corporations Act* (Alberta) and is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. The unaudited condensed consolidated interim financial statements for the nine-month period ending September 30, 2021 (“**Financial Statements**”) include the accounts of the Corporation and its subsidiary companies. All intercompany balances, transactions and unrealized profits and losses are eliminated on consolidation.

HTC and its subsidiaries are development stage companies whose commercial business strategies include: the production contracting of broad acre industrial hemp for: Biofibre used in Bioplastics, Biochar and Cellulose, Hemp Seeds for Protein and Hemp Seed Oil, and cannabinoid extraction; as well as equity investments in Delta CleanTech Inc. and HumaTerra Regen Ag Inc.

Going Concern

These Financial Statements for the periods ended September 30, 2021 and 2020, have been prepared on the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business.

For the nine-month period ended September 30, 2021 (the “**Period**”), the Corporation reported a net income of \$418,094 and comprehensive income of \$659,841, negative cash flow from operations of \$508,574, an accumulated deficit of \$61,334,215 and accumulated other comprehensive income of \$26,978 as at September 30, 2021. These conditions cast a material uncertainty on the Corporation’s ability to continue as a going concern. The Financial Statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern.

The Corporation acknowledges that there is material uncertainty over the Corporation's ability to meet its funding requirements as they fall due. The Corporation’s ability to continue in the normal course of operations is dependent on its ability to realize on its inventory in order to fund ongoing operations as well as fund debt as it comes due. The Corporation has established and put into motion various initiatives to reduce costs and expand revenues as part of the Corporation's strategic plan to attain profitability and positive cash flows in fiscal 2021.

2. Basis of Presentation

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

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

These Financial Statements 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, 2020.

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

These Financial Statements were approved by the audit committee of the board of directors ("**Board**") for issue on November 25, 2021.

c) Functional Currency

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

d) Use of Estimates and Judgment

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

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

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

These Financial Statements are based on management's best estimates using information available. 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:

Investments classification

As part of the evaluation and identification of significant influence investments, management must exercise judgment based on current information and in the evaluation and applications of the accounting pronouncements. Determination of whether an investment should be classified and accordingly accounted for as a subsidiary, significant influence or equity investment has a material impact on the financial statements. Management considers all facts and circumstances in concluding the classification of an investment.

Fair value measurement of financial instruments

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

Asset Impairment

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

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

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

Estimated useful lives and amortization of property, plant and equipment, product development, patents and intangibles

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

Inventory Provision

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends, and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is

a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

Utilization of Deferred Tax Assets

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

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

Contingencies

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

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 receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the consolidated statement of financial position date.

Going concern

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

e) Basis of Measurement

The Financial Statements have been prepared on historical cost basis, except for investments which are measured at fair value through profit or loss ("**FVTPL**") (as described in Note 6) and

investments measured at fair value through other comprehensive income (“FVTOCI”). The methods used to measure fair values are discussed in Note 23.

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, 2020.

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
Investments at FVTPL	FVTPL
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Dividend-in-kind payable	Amortized cost
Long term debt	Amortized cost
Promissory note	Amortized cost
Lease liability	Amortized cost

Financial Assets

Impairment of financial assets:

The Corporation recognizes an allowance for expected credit losses for financial instruments classified as Amortized Cost. The expected credit loss model requires entities to account for expected credit losses on financial assets, other than financial assets measured at FVTPL or FVTOCI, at the date of initial recognition, and to account for changes in expected credit losses at each reporting date to reflect changes in credit risk. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

The Corporation’s management reviewed and assessed its existing financial assets for impairment using reasonable and supportable information in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially

recognized. The assessment of changes in credit risk resulted in an immaterial impact on the Statements of Financial Position.

Derecognition of financial assets

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

Financial liabilities

Recognition and initial measurement

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

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Leases

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

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

Recognition and measurement

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

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

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

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

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

Cash and Cash Equivalents

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

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. Total comprehensive income is attributed to the shareholders of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions Eliminated on Consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Financial Statements include the accounts of the Corporation and its subsidiaries. As at September 30, 2021, wholly owned subsidiaries include **Kase Farma Inc.** (“**Kase**”), and **KF Hemp Corp.** (“**HempCo.**”). **HempCo** wholly owns subsidiaries **KF Pharmacy Ltd.** and **BlackRaven Genetics Corp.** The Corporation owns 70% of **Oroverde Genetica Corp.** (“**Oroverde**”). **HempCo** and **Oroverde's** operations are based in Saskatchewan and their principal place of business is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. **Kase** is incorporated as a C corporation entity and based in Ceres, California, US. Effective August 1, 2021, former wholly owned subsidiaries HTC Purification Corp. and Carbon Rx Inc. were vertically amalgamated with HTC.

The Corporation has a 34% interest in **Delta CleanTech Inc.** (“**Delta**”) and accounts for this using the equity method of accounting.

Foreign Currency Translation

Each entity in **HTC** determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

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

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

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their consolidated statements of income (loss) are translated at the monthly rates of exchange. The exchange differences arising on the translation are recognized in other comprehensive income ("**OCI**"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the consolidated statements of income (loss) when the gain or loss on disposal is recognized. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

Inventory

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

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in technology and design, sales trends, and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

Property, Plant and Equipment

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

Assets are amortized over their estimated useful lives as follows:

Equipment	20% and 30% declining balance
Vehicles	30% declining balance
Leasehold improvements	3 years straight-line
Buildings	4% declining balance
Rail	4% declining balance
Roads	8% declining balance
Right of use asset	Over term of lease

Impairment of Assets

a) *Financial Assets*

Please see Financial Instruments policy above.

b) *Non-Financial and Intangible Assets*

The carrying amounts of the Corporation's property, plant and equipment, product development costs, patents and intangible assets having a finite useful life are assessed for impairment indicators on an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' or group of assets' estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent CGU. Management has identified one CGU as follows: **Hemp Division**, which mainly relates to hemp operations.

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

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

Provisions

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

These provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation as at September 30, 2021. 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.

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.

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 18. 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:

- hemp biomass fibre and seed sales;
- CBD product sales;
- consulting services; and
- other revenues.

To determine whether to recognize revenue, the Corporation follows a 5-step process:

1. identifying the contract with a customer;
2. identifying the performance obligations;

3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and
5. recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the promised goods or services to its customers as follows:

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

Performance Obligations:

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

Transaction Price:

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

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

Recognition:

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

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

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

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

Income Taxes

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

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

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

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

Borrowing Costs

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

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

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

Profit or loss from discontinued operations

A discontinued operation is a component of the Corporation that either has been disposed of or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the

measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also Note 31).

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

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

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see Note 31).

Comparative Figures

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

Standards issued but not yet effective

Amendments to IAS 1 - Presentation of Financial Statements ("IAS 1")

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

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

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

Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments to IFRS 3 apply to annual reporting periods beginning on or after January 1, 2022. The Corporation is currently assessing the impact of the amendments.

4. Other receivables

	Sep. 30, 2021	Dec. 31, 2020
CEWS subsidy receivable	\$ 46,150	\$ 54,207
	\$ 46,150	\$ 54,207

5. Prepaid Expenses and Deposits

	Sep. 30, 2021	Dec. 31, 2020
Deposits	\$ 662,040	\$ 662,040
Deposits and prepaids	23,225	130,171
Assets available for sale	-	(21,477)
	\$ 685,265	\$ 723,034

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 2021 calendar year. As these deposits will be converted to inventory within the 2021 calendar year, they are considered current.

6. 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 September 30, 2021 and December 31, 2020 quoted prices obtained from over-the-counter exchanges, and changes in fair value have been accounted for in the Consolidated Statement of Income (Loss).

7. Inventory

The Corporation's inventory is comprised of:

September 30, 2021	Acquired	Capitalized cost	Impairment of Inventory	Movement between stages	Total
Hemp					
Hemp biomass	\$ 158,656	\$ 356,227	\$ (158,656)	\$ 51,443	\$ 407,670
Hemp fibre	-	51,443	-	(51,443)	-
CBD					
Work-in-process	-	524,381	-	-	524,381
Ending balance	\$ 158,656	\$ 932,051	\$ (158,656)	\$ -	\$ 932,051

December 31, 2020	Acquired	Capitalized cost	Impairment of Inventory	Movement between stages	Total
Hemp					
Hemp biomass	\$ 14,317,860	\$ 1,030,264	\$ (14,940,453)	\$ (51,443)	\$ 356,228
Hemp fibre	-	-	-	51,443	51,443
CBD					
Work-in-process	-	854,561	(500,128)	-	354,434
Ending balance	\$ 14,317,860	\$ 1,884,825	\$ (15,440,581)	\$ -	\$ 762,104

During the Period, changes to work in progress, materials, supplies, and finished goods recognized as cost of sales - other amounted to \$19,546 (September 30, 2020 - \$1,323).

8. Noncurrent deposits

Noncurrent deposits of \$75,127 (December 31, 2020 - \$87,170) represent amounts paid for the deposit of future equipment, that are expected to be converted into property, plant and equipment. The deposits are expected to be realized within the 2021 calendar year. Deposits have been disclosed as noncurrent, as they were made for the future purchases and delivery of property, plant and equipment.

9. Property, plant and equipment

	Equipment	Leasehold	Vehicles	Buildings	Roads	Land	Total
Carrying amount							
Dec. 31, 2020	\$ 6,004,493	\$ 93,567	\$ 78,775	\$ 853,070	\$ 72,564	\$ 240,000	\$ 7,342,469
Additions	46,069	8,023	-	-	-	-	54,092
Disposals	(7,977)	-	(43,500)	-	-	-	(51,477)
Amortization	(881,673)	(26,690)	23,600	(25,181)	(3,967)	-	(913,909)
Carrying amount							
Sep. 30, 2021	\$ 5,160,912	\$ 74,900	\$ 58,875	\$ 827,889	\$ 68,597	\$ 240,000	\$ 6,431,173
Balance Sep. 30, 2021 is comprised of:							
Cost	\$ 6,913,867	\$ 261,436	\$ 157,318	\$ 870,283	\$ 75,667	\$ 240,000	\$ 8,518,571
Accumulated Amortization	(1,752,955)	(186,536)	(98,443)	(42,394)	(7,070)	-	(2,087,398)
Carrying amount							
Sep. 30, 2021	\$ 5,160,912	\$ 74,900	\$ 58,875	\$ 827,889	\$ 68,597	\$ 240,000	\$ 6,431,173

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Land	Total
Carrying amount								
Dec. 31, 2019	\$ 11,432,116	\$ -	\$ 396,171	\$ 11,992,040	\$ 1,443,626	\$ 2,610,506	\$ -	\$ 27,874,459
Additions	7,161,841	102,301	86,988	1,862,443	-	21,966	240,000	9,475,539
Disposals	(69,404)	-	-	(2,812,235)	-	-	-	(2,881,639)
Discontinued Operations	(11,183,468)	-	(327,306)	(10,025,624)	(1,414,993)	(2,456,320)	-	(25,407,711)
Amortization	(1,335,315)	(8,734)	(69,748)	(163,554)	(28,633)	(103,588)	-	(1,709,572)
Assets available for sale	(1,277)		(7,330)					(8,607)
Carrying amount								
Dec. 31, 2020	\$ 6,004,493	\$ 93,567	\$ 78,775	\$ 853,070	\$ -	\$ 72,564	\$ 240,000	\$ 7,342,469

	Equipment	Leasehold	Vehicles	Buildings	Rail	Roads	Land	Total
Balance Dec. 31, 2020 is comprised of:								
Cost	\$ 6,867,798	\$ 253,414	\$ 171,318	\$ 870,283	\$ -	\$ 75,667	\$ 240,000	\$ 8,478,480
Accumulated Amortization	(863,305)	(159,847)	(92,543)	(17,213)	-	(3,103)	-	(1,136,011)
Carrying amount								
Dec. 31, 2020	\$ 6,004,493	\$ 93,567	\$ 78,775	\$ 853,070	\$ -	\$ 72,564	\$ 240,000	\$ 7,342,469

Included in the above are leased equipment summarized as follows:

	Sep. 30, 2021	Dec. 31, 2020
Opening amount	\$ 83,717	\$ 372,630
Additions	-	94,774
Disposals	-	(372,630)
	83,717	94,774
Opening amortization	\$ 11,057	\$ 134,527
Amortization	3,949	(123,470)
	15,006	11,057
Carrying value	\$ 79,768	\$ 83,717

10. Right-of-use asset

Right-of-use asset additions in the Period 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, 2020	\$ 81,348	\$ 161,356	\$ 106,307	\$ 349,011
Additions	-	55,917	-	55,917
Disposal	-	(74,697)	-	(74,697)
Amortization	(6,319)	(16,887)	(9,026)	(32,232)
Carrying amount Sep. 30, 2021	\$ 75,029	\$ 125,689	\$ 97,281	\$ 297,999
Cost	\$ 94,774	\$ 328,831	\$ 121,932	\$ 545,537
Accumulated Amortization	(19,745)	(203,142)	(24,651)	(247,538)
Carrying Amount	\$ 75,029	\$ 125,689	\$ 97,281	\$ 297,999

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

11. Investments in Associates

Investment in associates as of September 30, 2021 and December 31, 2020 comprise of:

	Sep. 30, 2021	Dec. 31, 2020
Investment in Assist (a)	\$ -	\$ -
Investment in Delta (b)	2,776,815	-
Investment in Humaterra (c)	492,632	-
Investments as at Sep. 30, 2021	\$ 3,269,447	\$ -

- (a) Investment in **Assist** pertains to the **Delta** spin-out detailed in Discontinued Operations Note 31.

Description	Assist
Investment as at Dec. 31, 2020	\$ -
Investment as at Sep. 30, 2021	\$ -

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

- (b) On January 27, 2021, **HTC** announced it had completed a spin-out transaction comprising **HTC's** existing clean energy business (the "**Clean Energy Assets**") to **Delta** for an aggregate purchase price of \$4,000,000 (the "**Purchase Price**") pursuant to an asset purchase agreement (the "**Asset Purchase Agreement**") (see Note 31 for further details). As a result of the spin-out and concurrent capital raise within **Delta**, **HTC** holds a 34% interest in **Delta**. **HTC** reports this investment under the equity method of accounting. **Delta** provides leading Clean Technology Solutions that address the Environmental Social Governance needs of corporations through proprietary CO₂ capture technologies, integrated hydrogen production, reclamation and remediation of solvents and glycols, and carbon credit management.

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

	2021
Percentage ownership interest	34%
Current assets	\$ 5,285,394
Non-current assets	3,034,277
Current liabilities	(99,586)
Non-current liabilities	(52,981)
Net assets (100%)	\$ 8,167,104
Corporation's share of net assets (34%)	2,776,815
Carrying amount of interest in associate	\$ 2,776,815
Revenue	\$ 375,000
Loss and total comprehensive income (loss) (100%)	(2,237,809)
Total comprehensive income (loss) (34%)	(760,855)
Equity adjustment (34%)	(90,130)
HTC's share of total comprehensive income (loss)	\$ (850,985)

- (c) On September 29, 2021, HTC acquired 985,263 class A common voting shares in Humaterra Regan Ag. Inc. (“**Humaterra**”) for \$492,632 in exchange for contributions made to product and business development. Presently HTC owns an 18% interest in **Humaterra**.

12. Intangible assets

Intangible assets subject to amortization	CO2	Kase	HempCo	Total
Cost				
Balance at Dec. 31, 2019	\$ 1,099,600	\$ -	\$ -	\$ 1,099,600
Additions	-	3,690,633	78,850	3,769,483
Disposition of Assets	(1,099,600)	-	-	(1,099,600)
Impairment	-	(2,514,485)	-	(2,514,485)
Balance at Dec. 31, 2020	-	1,176,148	78,850	1,254,998
Balance at Sep. 30, 2021	\$ -	\$ 1,176,148	\$ 78,850	\$ 1,254,998
Accumulated amortization				
Balance at Dec. 31, 2019	\$ 941,380	\$ -	-	\$ 941,380
Amortization for the year	33,306	324,192	27,829	385,326
Disposition of assets	(974,686)	-	-	(974,686)
Balance at Dec. 31, 2020	\$ -	\$ 324,192	\$ 27,829	\$ 352,020
Amortization for the period	-	245,000	41,745	286,745
Balance at Sep. 30, 2021	\$ -	\$ 569,192	\$ 69,574	\$ 638,765
Carrying amounts (by operating segment)				
Balance at Dec. 31, 2019	\$ 158,220	\$ -	\$ -	\$ 158,220
Intangible additions	-	3,690,633	78,850	3,769,483
Amortization	(33,306)	(324,192)	(27,829)	(385,327)
Disposition of assets	(124,914)	-	-	(124,914)
Impairment	-	(2,514,485)	-	(2,514,485)
Balance at Dec. 31, 2020	\$ -	\$ 851,956	\$ 51,021	\$ 902,977
Amortization	-	(245,000)	(41,744)	(286,744)
Balance at Sep. 30, 2021	\$ -	\$ 606,956	\$ 9,277	\$ 616,233

CO₂ intangibles relate to the Clean Energy Assets disposed of January 2021.

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 at December 31, 2020. No indicators of impairment were noted that would necessitate an evaluation for an impairment write-down of intangible assets during the year ended December 31, 2020.

13. Dividend-in-kind payable

	Sep. 30, 2021	Dec. 31, 2020
Dividend-in-kind payable	\$ 2,176,680	\$ -
Dividend tax payable	16,425	-
	\$ 2,193,105	\$ -

On August 6, 2021 the Corporation announced issuance of a special dividend-in-kind (the “**Dividend**”) of 12,000,000 common shares (“**Delta Shares**”) of Delta CleanTech Inc. (“**Delta**”) held by HTC to its holders of record of common shares of HTC (“**HTC Shares**”) as determined at the close of business on August 13, 2021 (the “**Record Date**”). This is a non-cash transaction.

See Subsequent Events Note 34 for further details.

14. Lease liabilities

	Sep. 30, 2021	Dec. 31, 2020
HTC right of use land lease: Incremental borrowing rate of 4.45% and a maturity of October 2029.	\$102,752	\$110,111
HTC right of use building lease: Incremental borrowing rate of 4.45% and a maturity of January 2023.	23,717	25,838
HempCo right of use equipment lease: Incremental borrowing rate of 4.27% and a maturity of July 2024.	62,056	75,609
Kase right of use building lease: Incremental borrowing rate of 4.45% and a maturity of January 2022.	114,339	149,969
Principal balance	302,864	361,527
Current portion	(114,438)	(172,906)
	\$188,426	\$188,621

Future minimum financing lease payments are:

2021	114,959
2022	60,421
2023	32,289
2024	51,120
2025	15,049
Thereafter	59,663
Total future minimum lease payments	333,501

Future interest charges	(30,637)
Principal balance	302,864
Current portion	(114,438)
	\$188,426

Right-of-use liabilities relate to the right-of-use assets (see Note 10). 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.

15. Long term debt

All amounts in Canadian Dollars	Sep. 30, 2021	Dec. 31, 2020
Loan from KF Farms: Bearing interest at prime plus 2% with no fixed terms of repayment, due September 30, 2023.	\$ 4,625,162	\$ 4,261,578
Loan from KF Group: Bearing interest at prime plus 2% with no fixed terms of repayment, due June 30, 2023.	8,021	7,670
Loan from Jason Maher: Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2023	58,601	57,322
Loan from Purely Canada Terminals Corp: Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2023.	52,365	52,532
CEBA loan: Bearing 0% interest, with 25% loan forgiveness if repaid on or before December 31, 2022.	120,000	80,000
Principal balance	\$ 4,864,149	\$ 4,459,102
Current portion	-	-
	\$ 4,864,149	\$ 4,459,102

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

2021	\$ -
2022	120,000
2023	4,744,149
2024	-
Thereafter	-
	\$ 4,864,149

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 September 30, 2021, the line of credit has been drawn by \$Nil (December 31, 2020 - \$Nil). During the Period, the Corporation incurred finance costs of \$226,648 (September 30, 2020 - \$57,299).

16. Promissory note

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

The amount of \$1,572,900 was settled immediately by assigning a receivable in the same amount to the lender of the promissory note.

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

The Corporation has estimated the initial carrying value of the promissory note at \$2,186,253, using a discount rate of 10.5%, which was the estimated rate for a similar loan without the interest-free component. The total difference of \$263,823 will be accreted to the promissory note over the term of the promissory note.

During the Period, total accretion expense recognized for the promissory note amounted to \$65,965 (December 31, 2020 – \$333,032) and interest expense of \$Nil (December 31, 2020 - \$Nil).

	Sep. 30, 2021	Dec. 31, 2020
Promissory note	\$ 1,012,350	\$ 946,385

17. Share capital

At September 30, 2021 and December 31, 2020, 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 September 30, 2021, 206,983,741 common shares (December 31, 2020 – 206,983,741) were issued and outstanding.

On January 28, 2020, **HTC** announced the issuance of 8,000,000 units and 2,000,000 bonus units at a price of \$0.20 per unit, as part of the purchase of **Kase**. 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. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 18).

HTC paid compensation to an arm’s length party, in the form of 620,000 units, at a price of \$0.20 per unit, for the development, negotiation and finalization of the ancillary agreements to the **Kase** acquisition. Each unit also consists of one common share and one half of one common share purchase warrant of **HTC**. The warrants value has been determined using a Black Scholes model and recognized in contributed surplus (see Note 18).

Effective June 30, 2020, the Corporation issued 95,000,000 shares valued at \$0.095 per share as part of the acquisition of **HempCo**. All common shares issued pursuant to the acquisition, are subject to a hold period under a Corporation imposed pooling agreement, with restrictions lifting in 3 even tranches, October 31, 2020, February 28, 2021, and June 30, 2021.

18. 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 September 30, 2021 and the weighted average exercise price:

	As at Sep. 30, 2021		As at Dec. 31, 2020	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of year	3,483,187	\$ 0.075	3,483,187	\$ 0.075
Stock options issued	-	-	-	-
Outstanding and exercisable, end of period	3,483,187	\$ 0.075	3,483,187	\$ 0.075

On March 26, 2019, the Corporation issued 3,483,187 stock options. Each stock option entitles the holder to purchase one common share of **HTC** at \$0.075 per common share until March 25, 2029. The fair value of the common share options granted was estimated at the grant date using an option pricing model and valued at \$249,762.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Expected volatility considers the historical volatility of the Corporation’s shares and any other features of the option grant that may impact the measurement of fair value such as market conditions. Change in the subjective input assumptions can materially affect the fair value estimate.

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 Compensation Units are subject to legends restricting their transfer and provide that (i) one-

third of the Compensation Units shall become freely tradeable on the date that is 12 months following the completion of the transaction; (ii) one-third of the Compensation Units shall become freely tradeable on the date that is 18 months following the completion of the transaction; and (iii) one-third of the Compensation Units shall become freely tradeable on the date that is 24 months following the completion of the transaction. Warrants valued at \$329,491 have been recorded in contributed surplus.

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

The Corporation incurred share issuance costs at September 30, 2021 of \$Nil that have been capitalized (December 31, 2020 - \$178,800) in 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 28, 2020
Number of warrants granted	4,310,000
Exercise price	\$0.20
Risk free interest rate	1.44%
Expected dividend yield	NIL
Expected stock price volatility	101.56%
Expected option life in years	3
Estimated forfeiture before exercise	0%
Weighted average fair value of warrants granted	\$0.08

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

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

The total fair value of stock options granted to directors, employees and consultants and related companies of the Corporation and warrants issued through private placement as at September 30, 2021 was \$353,043 (December 31, 2020 was \$353,043).

19. Provision for income taxes

Income tax provision (recovery) differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate of 27% (2019 – 27%) for the following reasons:

Income Taxes

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

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

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

Deferred Taxes

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

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

As at December 31, 2020, the Corporation has Canadian non-capital loss carry-forwards of approximately \$12,040,000 (December 31, 2019 – \$10,020,000) which may be carried forward

to apply against future income tax for Canadian income tax purposes. These non-capital loss carry-forwards begin to expire in 2037.

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

Investment tax credits expire from 2025 to 2031.

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

20. Commercialization, product development and administration

Expenses by nature	Sep. 30, 2021	Sep. 30, 2020
Employment benefits	\$ 116,934	\$ 334,220
Consulting and contractor costs	(181,512)	572,303
General and administrative	855,878	572,547
	\$ 791,300	\$ 1,479,070

21. Finance income

	Sep. 30, 2021	Sep. 30, 2020
Dividend income	\$ 3,411	\$ 3,447
Interest income	10,018	130,959
Net change in financial assets at FVTPL	24,205	-
	\$ 37,634	\$ 134,406

22. Finance expense

	Sep. 30, 2021	Sep. 30, 2020
Interest expense	\$ 151,239	\$ 45,709
Accretion on promissory note payable	65,965	-
Lease interest expense	8,590	11,590
Net change in financial assets at FVTPL	854	-
	\$ 226,648	\$ 57,299

23. Financial instruments

Fair value

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

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

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

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

September 30, 2021				
	Level 1	Level 2	Level 3	Total
Cash	\$ 30,054	\$ -	\$ -	\$ 30,054
Investments (FVTPL)	103,013	-	-	103,013
	\$ 106,018	\$ -	\$ -	\$ 106,018
December 31, 2020				
	Level 1	Level 2	Level 3	Total
Cash	\$ 197,941	\$ -	\$ -	\$ 197,941
Investments (FVTPL)	95,323	-	-	95,323
	\$ 293,264	\$ -	\$ -	\$ 293,264

24. Changes in working capital and other

Information below is based on the consolidated operations.

Change in working capital is comprised of	Sep. 30, 2021	Sep. 30, 2020
Accounts receivables	\$ (23,701)	\$ 1,026,822
Other receivables – short term	8,057	3,428,449
Other receivables – long term	-	6,967
Inventory – short-term	(169,947)	(32,03,869)
Biological assets	-	(620,805)
Deferred guarantee	-	(157,019)
Deferred tax liability	-	7,779,077
Grain contract assets	-	1,245,203
Prepaid expenses and deposits	37,769	(299,400)
Non-current deposits	12,043	2,624,100
Accounts payable and accrued liabilities	383,801	(158,681)
Government remittances	32,191	71,628
	\$ 280,213	\$(17,088,527)

Included in operating activities	Sep. 30, 2021	Sep. 30, 2020
Cash interest received	\$ 51,240	\$ 134,406
Cash interest paid	\$ 104,122	57,299

Non-cash items:

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

For the period ended	Sep. 30, 2021	Sep. 30, 2020
Non-cash items:		
Warrants issued	\$ -	\$ 310,000

25. Per share amounts

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

Weighted average shares outstanding:	Sep. 30, 2021	Dec. 31, 2020
Basic	206,983,741	159,088,563
Diluted	210,466,928	162,571,750

26. 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 \$10,357 (September 30, 2020 - \$15,578) for legal services from a law firm that a director is a partner of. As of September 30, 2021, there are \$6,438 amounts owing to the law firm (December 31, 2020 - \$Nil).

Delta is a related party due to common directors. On January 27, 2021, **Delta** announced it had completed a spin-out transaction comprising **HTC's** Clean Energy Assets to **Delta** for an aggregate Purchase Price of \$4,000,000 pursuant to the Asset Purchase Agreement. The Clean Energy Assets consist of all of the intellectual property and certain contractual agreements for the operation of **HTC's** CO₂ capture systems and reclaimer systems, which was the "Delta" business unit of **HTC**.

During the Period, the Corporation charged \$370,000 to **Delta** for consulting and fees incurred for the private placement. As of September 30, 2021 there are \$Nil amounts owing from **Delta** (September 30, 2020 - \$Nil).

KF Kambeitz Farms Inc. ("**KF Farms**") is considered a related party due to one common director. As a result of the acquisition of **HempCo**, there is a loan payable to **KF Farms** of \$4,625,162 (December 31, 2020 - \$4,261,578).

KF Aggregates Recycling Inc. is considered a related party due to one common director. At September 30, 2021 there are amounts outstanding of \$400,835 from aggregate purchases (December 31, 2020 - \$400,835) included in accounts payable and accrued liabilities.

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

27. 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.

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. Jeff Allison's employment contract ended December 1, 2020, and Lionel Kambeitz employment contract terminated February 1, 2021. During the Period total employment compensation paid to Lionel Kambeitz was \$11,458.

During the Period, the Corporation paid director compensation in the amount of \$4,000 (September 30, 2020 - \$2,500) 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.

28. 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:

Sep. 30, 2021	< 1 year,	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 1,411,807	\$ -	\$ -	\$ -	\$ 1,411,807
Lease liability	107,302	64,937	80,921	41,762	294,922
Long term debt	-	4,864,149	-	-	4,864,149
Promissory note	-	-	1,012,350	-	1,012,350
Balance	\$ 1,519,109	\$ 4,929,086	\$ 1,093,271	\$ 41,762	\$ 7,583,228

Dec. 31, 2020	< 1 year,	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$ 1,028,005	\$ -	\$ -	\$ -	\$ 1,028,005
Lease liability	172,906	37,323	25,960	125,338	361,527
Long term debt	-	4,459,102	-	-	4,459,102
Promissory note	-	-	946,385	-	946,385
Balance	\$ 1,200,911	\$ 4,496,425	\$ 972,345	\$ 125,338	\$ 6,795,019

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 15). 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 September 30, 2021, the Corporation had an allowance for doubtful accounts of \$131,435 (December 31, 2020 - \$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 September 30, 2021 and December 31, 2020 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Sep. 30, 2021	\$34,655	\$14,048	\$48,703
Aging of accounts receivable at Dec. 31, 2020	\$14,550	\$10,452	\$25,002

29. Capital disclosures

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

	Sep. 30, 2021	Dec. 31, 2020
Shareholders' equity	\$ 2,755,880	\$ 4,305,083
Current portion of lease liability	114,438	172,906
Lease liability	188,426	188,621
Long term debt	4,864,149	4,459,102
Promissory note	1,012,350	946,385
Balance	\$ 8,935,243	\$ 10,072,097

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.

30. Geographic revenues – U.S. operations

Kase operates out of Ceres, California and makes up the U.S. operations. The following describes the material foreign revenues and non-current assets of Kase.

Kase - U.S. Operations	Sep. 30, 2021	Jun. 30, 2020
CBD sales	\$ 5,290	\$ -
Total revenues	\$ 5,290	\$ -

Non-current assets:	Sep. 30, 2021	Dec. 31, 2020
Equipment	\$ -	\$ 118,729
Accumulated amortization	-	(17,065)
	\$ -	\$ 101,664
Leasehold improvements	\$ -	\$ 102,301
Accumulated amortization	-	(8,734)
	\$ -	\$ 93,567
Right of use asset-Lease	\$ 272,914	\$ 272,914
Accumulated amortization	(170,571)	(136,457)
	\$ 102,343	\$ 136,457
Intangible assets	\$ 3,690,633	\$ 3,690,633
Impairment	(2,514,485)	(2,514,485)
Accumulated amortization	(569,191)	(324,192)
	\$ 606,957	\$ 851,956
Total non-current assets	\$ 709,300	\$ 1,183,644

31. Discontinued operations
Delta CleanTech Division

HTC's Delta CleanTech Division (also "**Clean Energy Division**" comprising **HTC's** energy clean tech business and assets) provides products and services related to clean energy industries. On December 11, 2020, **HTC** announced its intent to spinout to its current shareholders, its Clean Energy Division in the form of a new energy clean tech company, namely **Delta**. On January 27, 2021, **HTC** announced that it had completed the sale for an aggregate Purchase Price of \$4,000,000 pursuant to an Asset Purchase Agreement.

Discontinued operations for the Period are as follows:

	Sep. 30, 2021
Recognition of accumulated other comprehensive income	(245,621)
Gain on disposal of subsidiary	3,094,080
Net income from discontinued operations	\$ 2,848,459

	Sep. 30, 2021
Net cash outflow from operating activities	-
Net cash outflow from investing activities	-
Net cash outflow from financing activities	-
Net decreased in cash generated by the Clean Energy Division	-

Disposition of assets as follows:

	January 27, 2021
Property, plant and equipment	\$ 8,607
Prepays	21,477
Product development	214,052
Investments (FVTOCI)	67,909
Patents	96,752
Intangible assets	124,914
Total assets	\$ 533,711
Total net assets of disposal group held for sale	\$ 533,711
Total consideration received in common shares in Delta	3,627,791
Gain on disposal of subsidiary	\$ 3,094,080

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

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

	September 30, 2021	December 31, 2020
	Oroverde	Oroverde
Total current assets	\$ 662,040	\$ 662,040
Total current liabilities	-	-
	September 30, 2021	September 30, 2020
Loss	\$ (3,827)	\$ (254)

33. Commitments and contingencies

The Corporation rents office facilities on a month-to-month basis under a lease agreement with **KF Group**, a related party of the Corporation, with minimum monthly rental payments of \$2,201.

HTC is engaged in a license dispute with one of its CO₂ capture technology providers. The court expects the provider to settle the case in favour of **HTC**. **HTC** is currently negotiating the settlement amount to be paid to **HTC**.

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

34. Subsequent events

Dividend

HTC previously announced on August 6, 2021, that its Board had approved the issuance of a special dividend-in-kind (the “**Dividend**”) of 12,000,000 of the 20,000,000 common shares of Delta held by **HTC**. On October 18, 2021, it was further announced that the Dividend will be payable on or before January 10, 2022 to holders of record of common shares of **HTC** at the close of business on August 13, 2021.

Litigation

On October 29, 2021, **HTC** announced that it expects to bring a motion to dismiss all, alternatively a motion to strike parts of the action filed against it (“**Claim**”), pursuant to a hemp product sales engagement entered into in 2020. **HTC** is also investigating the merits of launching counterclaims and third-party claims against the applicants and other third-parties for any losses and damages suffered.

COVID-19

There is a continued global outbreak of the novel strain of coronavirus, specifically identified as “**COVID-19**”, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on **HTC** and its subsidiaries as this will depend on future

developments that are *highly uncertain and that cannot be predicted with confidence*. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Corporation anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation's business and financial condition.