



News Release

For Immediate Release

May 15, 2023

HTC Extraction Systems Announces Completion of Sale of Kase Farma Inc., and Partial Settlement of Subsidiary Debt.

Regina, Saskatchewan – *HTC Pureenergy Inc. (dba “HTC Extraction Systems”)* (“HTC” or the “Company”) (TSX-V: HTC) today announced, further to its December 31, 2021 and January 7, 2022 news releases, that it has entered into an option agreement (“**Option Agreement**”), pursuant to which, it will sell its rights under the Kase Farma Inc. (“**Kase Farma**”) asset sale agreement (the “**Sale Agreement**”) to an arm’s length party, for the total consideration of \$60,000 (“**Consideration**”).

On or about July 25, 2019 HTC signed an undertaking to the TSX Venture Exchange Inc. (the “**TSXV**”) that the Company will obtain prior TSXV acceptance, of its involvement with any cannabis-related activities outside of the cannabis-related business that is accepted for listing on the TSXV, and/or the business of the production, sale and distribution of cannabis in Canada, pursuant to one or more licenses issued by Health Canada and any applicable provinces of Canada (“**Activities**”), including any investment in another entity that performs business outside of these Activities.

On December 31, 2021 subject to TSX Venture Exchange Inc. (the “**TSXV**”) approval, HTC entered into the Sale Agreement, to sell certain assets owned by its California-based, wholly owned subsidiary, Kase Farma, which conducts the business of cannabidiol extraction (the “**Assets**”) to Starling Brands Inc. (“**Starling**”), a private company that is leading extraction and formulation of medical, wellness and recreational hemp/cannabis products in California. As Starling performs business outside of the Activities, the parties agreed that, upon the delisting of the Company’s common shares from the TSXV or TSXV approval of delisting, the purchase price under the Sale Agreement shall be paid by the issuance of 5,000,000 Class A Common shares of Starling (the “**Starling Shares**”). In 2022, the Company submitted an application to the Canadian Securities Exchange (the “**CSE**”) to list HTC’s common shares (the “**HTC Shares**”). The Issuer does not intend to pursue this listing and no longer expects to voluntarily delist the HTC Shares from trading on the TSXV.

In order to complete the Sale Agreement, and further subject to TSXV approval, HTC entered into the Option Agreement, pursuant to which HTC will sell its right to the Starling Shares in exchange for the Consideration, payable to HTC in cash. This will allow HTC to continue trading on the TSXV and will give the Company the necessary working capital to fund operations. The hemp/cannabis sphere faces both industry-specific and broader economic challenges.

Looking at the hemp/cannabis industry in particular, increasing competition from non-cannabis companies entering into the space is a major concern, as is the shifting landscape among start-up hemp/cannabis firms that are jockeying for market share. The complex legal landscape in the US also makes doing business difficult for hemp/cannabis companies. More broadly, rampant inflation has increased many costs for hemp/cannabis companies, and interest rate hikes may have made it more difficult for those companies to secure capital. Fears of a recession could decrease consumer spending on perceived non-essential items, potentially including hemp/cannabis products, which negatively effects the value of hemp/cannabis.

KF Hemp Corp. (“**HempCo**”), HTC’s wholly owned subsidiary, is indebted to KF Kambeitz Farms Inc. (“**Farms**”), in the amount of \$4,206,660. HempCo and Farms entered into a shareholder loan agreement

dated November 30, 2018 as amended (together, the “**Loan Agreement**”), pursuant to which Farms agreed to advance certain monies to HempCo, to facilitate the production of hemp and among other permitted uses, the equipment and facilities build out required for the drying, extracting of the 2019 hemp crop. HempCo granted a general security position to Farms to secure the Indebtedness and Farms has completed a registration in the Saskatchewan Personal Property Registry taking an interest over all of HempCo’s present and after-acquired property.

HempCo has recently communicated to Farms, an arm’s length creditor and secured party, that it is unable to settle the indebtedness under the Loan Agreement (“**Indebtedness**”), when due. As a result, on May 15, 2023, HempCo and Farms into a partial debt settlement agreement (“**Partial Settlement Agreement**”), pursuant to which HempCo will settle \$1,200,000 of its Indebtedness under the Loan Agreement, by transferring the right, title and interest to all of the hemp related property and assets of HempCo to Farms, effective December 31, 2022 with the balance of the Indebtedness to be payable in full on October 31, 2025. This transaction has been approved by the shareholder of HempCo.

No finder’s fee is payable relating to the Option Agreement or the Partial Settlement Agreement.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THE RELEASE.

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HTC corporate developments can be followed on www.htcextraction.com.

This press release contains "forward-looking statements" or "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward- looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of HTC. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or be achieved. This press release contains forward-looking statements pertaining to, among other things, the timing and ability of the Corporation to close the Asset Sale Agreement, if at all and the timing.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks, which could cause actual results to vary and, in some instances, to differ materially from those anticipated by HTC and described in the forward-looking information contained in this press release.

Although HTC believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements were made, no assurances can be given as to future results, levels of activity and achievements and such statements are not guarantees of future performance.

HTC Pureenergy Inc. (OTCQB:HTPRF) trades on the OTCQB Venture Market for early stage and developing U.S. and international companies. Companies are current in their reporting and undergo an annual verification and management certification process. Investors can find Real-Time quotes and market information for the company on www.otcmarkets.com.

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