Independent Auditor's Report

To the Shareholders of HTC Purenergy Inc. (dba HTC Extraction Systems)

Opinion

We have audited the consolidated financial statements of HTC Purenergy Inc. (dba HTC Extraction Systems) and its subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2022 and December 31, 2021, the consolidated statement of income or loss and other comprehensive income or loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies ("consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there are no other key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Timur Lidzhiev.

PKF Antares

Professional Corporation
Chartered Professional Accountants
Licensed Public Accountants

Calgary, Alberta
June 30, 2023

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

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

The annual audited consolidated financial statements (“**Financial Statements**”) for the year ending December 31, 2022 (“**Year**”) 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 year ending December 31, 2022 (“**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 annual filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the annual 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 annual filings.

Signed “Lionel Kambeitz”	*Signed “Jacelyn Case”*
LIONEL KAMBEITZ	**JACELYN CASE**
CHAIRMAN & CEO	**CHIEF FINANCIAL OFFICER**

Consolidated Statements of Financial Position

(In Canadian dollars)

For the year ended	Note	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
Current Assets:			
Cash		$ 29,976	$ 114,275
Accounts receivable and other receivables	25	77,742	164,113
Government remittances receivable		17,797	5,755
Prepaid expenses and deposits	4	-	7,503
Inventory	5	-	212,489
Investments (FVTPL)	6	-	1,338,210
		125,515	1,842,345
Noncurrent Deposits		-	75,127
Property, plant and equipment	7	1,414,674	3,211,095
Right-of-use asset	8	15,417	91,629
Investment in associates	9	683,115	2,432,239
Total assets		**$ 2,238,721**	**$ 7,652,435**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable and accrued liabilities	25	$ 861,808	$ 732,263
Government remittances payable		94,893	-
Dividend-in-kind payable	10	-	2,237,886
Dividend tax payable	10	12,998	12,998
Current portion of lease liability	11	8,604	32,540
Current portion of long term debts	12	141,953	-
Provision for US sales tax payable	6	193,195	193,195
Promissory note	14	1,084,521	-
		2,397,972	3,208,882
Lease liability	11	7,126	49,686
Long term debt	12	3,279,619	5,249,048
Customer deposit	13, 23	821,061	500,000
Promissory note	14	-	1,015,453
Total liabilities		6,505,778	10,023,069
Shareholders' equity:			
Share capital	15	61,142,276	59,128,086
Contributed surplus	16	2,945,067	4,959,257
Accumulated deficit		(68,118,817)	(66,232,630)
Total equity attributable to shareholders of the Corporation		(4,031,474)	(2,145,287)
Total equity attributable to non-controlling interest		(235,583)	(225,347)
Total equity		(4,267,057)	(2,370,634)
Total liabilities and equity		**$ 2,238,721**	**$ 7,652,435**

Going concern (Note 1)
Commitments (Note 27)
Subsequent events (Note 28)

See accompanying notes to the Financial Statements

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

For the year ended December 31,	Note	2022	2021
Continuing operations			
Consulting		$ 3,000	$ 515,122
Inventory sales		143,461	222,725
		146,461	737,847
Cost of sales – consulting		-	11,409
Cost of sales – inventory		242,305	197,175
Commercialization and administration	18	645,686	654,777
Amortization	7,8	343,087	630,007
Operating loss		(1,084,617)	(755,521)
Net finance income (expense)	19	(330,443)	(278,341)
Other income		40,000	273
Gain on sale of assets		12,471	16,733
Loss on impairment of property, plant and equipment	7	(405,523)	(1,026,375)
Loss from investment in associate	9	(662,396)	(1,284,705)
Loss on FV of the dividends payable	9	(355,107)	-
Loss on deposit paid		(75,127)	(662,040)
Loss from impairment of investment		-	(4,167,277)
Loss on disposal of assets		(490,000)	-
Loss on write-down to net realizable value		(43,750)	(158,267)
Income (loss) before tax		(3,394,492)	(8,315,480)
Income tax recovery		-	-
Income (loss) from continuing operations		**$ (3,394,492)**	**$ (8,315,480)**
Income (loss) from discontinued operations, net of tax		-	741,358
Gain from loss of control of subsidiary, net of tax	9	-	2,950,459
Net income (loss) for the year		**$ (3,394,492)**	**$ 4,623,663**
Net income (loss) for the year attributable to:			
Shareholders of the Corporation		$ (3,384,256)	$ (4,414,255)
Non-controlling interest		(10,236)	(209,408)
Net income (loss) and comprehensive income (loss) for the year		**$ (3,394,492)**	**$ (4,623,663)**
Net loss per share – basic and dilutive	22	(0.02)	(0.02)
Net loss per share – basic and fully diluted from continued operations*	22	(0.02)	(0.04)

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

See accompanying notes to the Financial Statements

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

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
						Equity attributable to the shareholders		
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 income (loss) for the year		-	-	-	(4,414,255)	-	(209,408)	(4,623,663)
Dividend declared					(2,250,884)			(2,250,884)
Other comprehensive income		-	-	-	-	214,769	-	214,769
Balance at December 31, 2021		**206,983,741**	**$ 59,128,086**	**$ 4,959,257**	**$ (66,232,630)**	**$ -**	**$ (225,347)**	**$ (2,370,634)**

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income (loss)	Non Controlling Interests	Total Equity
						Equity attributable to the shareholders		
Balance at December 31, 2021		**206,983,741**	**$ 59,128,086**	**$ 4,959,257**	**$ (66,232,630)**	**$ -**	**$ (225,347)**	**$ (2,370,634)**
Warrants expired		-	2,014,190	(2,014,190)	-	-	-	-
Subsequent measurement of dividend payable	10	-	-	-	1,498,069	-	-	1,498,069
Net loss for the year		-	-	-	(3,384,256)	-	(10,236)	(3,394,492)
Balance at December 31, 2022		**206,983,741**	**$ 61,142,276**	**$ 2,945,067**	**$ (68,118,817)**	**$ -**	**$ (235,583)**	**$ (4,267,057)**

See accompanying notes to the Financial Statements

Consolidated Statements of Cash Flows
(In Canadian dollars)

For the year ended December 31	Note	2022	2021
Cash flows from operating activities:			
Net income (loss) for the period		$ (3,394,492)	$ (4,623,663)
Items not affecting cash:			
Amortization	7	316,100	577,012
Amortization - right-of-use asset	8	26,987	43,371
Loss on equity investment Delta	9	662,396	1,297,561
Non-cash consulting revenue HumaTerra		-	(492,632)
Loss on investments	6	490,000	4,167,277
Loss on equity investment HumaTerra		-	(12,855)
Loss on impairment of inventory		43,750	158,267
(Gain) or loss on sale of subsidiaries and assets	7,9	468,179	(2,180,460)
Realized gain on held -for-trading investments		-	(13,337)
Dividend income	19	(98)	-
Interest income non-cash		-	(4,326)
Interest component on lease liabilities	11	3,066	9,123
Interest expense	19	258,309	217,812
Non-cash adjustments on leased liabilities	11	-	-
Accretion on promissory note	14	69,068	69,068
Other income		(40,000)	-
Loss on FV of dividends payable	9	355,107	-
Gain on lease disposal		-	(2,995)
Change in working capital and other	21	410,068	(30,986)
		(331,560)	(821,763)
Cash flows from investing activities:			
Net purchase of assets	7	(152,786)	(63,233)
Dividend income	19	98	4,326
Proceeds from sale of PPE		152,786	
Proceeds from sale of investments		-	95,805
		98	36,898
Cash flows from financing activities:			
Customer deposits		303,675	500,000
Proceeds (repayment) of loan	12	(16,864)	(8,640)
Loan received		-	290,000
Interest expense paid		(5,535)	
Lease liability repayments	11	(34,113)	(80,161)
		247,163	701,199
Change in cash during the year		(84,299)	(83,666)
Cash – beginning of year		114,275	197,941
Cash – end of year		**$ 29,976**	**$ 114,275**

See accompanying notes to the Financial Statements

Notes to the Financial Statements

For the year ended December 31, 2022 and 2021.

1. Nature of Operations

HTC Purenergy Inc. dba HTC Extraction Systems ("**HTC**" or the "**Corporation**") is incorporated under the *Business Corporations Act* (Alberta) and is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. The annual audited consolidated financial statements for the year ended December 31, 2022 ("**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. The Corporation also holds interest in Delta CleanTech Inc. which is accounted for utilizing the equity method.

Going Concern

These Financial Statements for the year ended December 31, 2022 and 2021, 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 year ended December 31, 2022 (the "**Year**"), the Corporation reported a net loss and comprehensive loss of $3,394,492, negative cash flow from operations of $331,560, and an accumulated deficit of $68,118,817. These conditions cast a material uncertainty on the Corporation's ability to continue as a going concern. The Financial Statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern.

The Corporation acknowledges that there is material uncertainty over the Corporation's ability to meet its funding requirements as they fall due. The Corporation's ability to continue in the normal course of operations is dependent on its ability to generate cashflow from the performance of strategic investments and the development of new markets in order to fund ongoing operations as well as fund debt as it comes due. The Corporation has established and put into motion various initiatives to reduce costs and obtaining cash from the sale of assets as part of the Corporation's strategic plan to attain profitability and positive cash flows in fiscal 2023.

2. Basis of Presentation

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

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

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

These Financial Statements were approved by the audit committee of the board of directors ("**Board**") for issue on June 30, 2023.

c) Functional Currency

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

d) Use of Estimates and Judgment

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

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

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

These Financial Statements are based on management's best estimates using information available. The inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future periods by a material amount.

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

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

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

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

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

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

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

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

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

responsible tax authority.

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

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

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

e) Basis of Measurement

The Financial Statements have been prepared on historical cost basis.

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, 2021.

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	Amortized cost
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.

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

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

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

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

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

Cash and Cash Equivalents

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

Basis of Consolidation

Subsidiaries

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

Transactions Eliminated on Consolidation

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

The Financial Statements include the accounts of the Corporation and its subsidiaries. As at December 31, 2022, wholly owned subsidiaries include **KF Hemp Corp.** ("**HempCo.**"). **HempCo** wholly owns subsidiaries **KF Farmacy 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.

The Corporation has a 14% interest in **Delta CleanTech Inc.** ("**Delta**") and accounts for this using the equity method of accounting.

Foreign Currency Translation

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

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

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

Investment in Associates

Equity Method

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

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

Property, Plant and Equipment

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

Assets are amortized over their estimated useful lives as follows:

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

Impairment of Assets

a) Financial Assets

Please see Financial Instruments policy above.

b) Non-Financial and Intangible Assets

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

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

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

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

Provisions

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

These provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation as at December 31, 2022. 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.

Stock-Based Compensation

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

The Corporation issues shares and share options under its share-based compensation plans as described in Notes 15 and 16. Any consideration paid by directors, consultants, and employees on exercise of share options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

Revenue Recognition

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

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

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

1. identifying the contract with a customer;
2. identifying the performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and
5. recognizing revenue when/as performance obligation(s) are satisfied.

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

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

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

Performance Obligations:
Each promised good or service is accounted for separately as a performance obligation, if it is distinct.

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.

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.

Non-controlling interests

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

Comparative Figures

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

Standards issued but not yet effective

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

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

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

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

Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, the IASB published "Definition of Accounting Estimates" to help entities to distinguish between accounting policies and accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The amendments are not expected to have a material impact on the Corporation.

4. Prepaid Expenses

	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	$ -	$ 7,503

5. Inventory

The Corporation's inventory is comprised of:

	Hemp Biomass
Balance December 31, 2021	**$ 212,489**
Inventory additions	69,230
Cost of goods sold	(242,305)
Impairment of inventory, net of allowance reversal	(39,414)
Balance, December 31, 2022	**$ -**

	Hemp Biomass	CBD	Total
Balance December 31, 2020	**$ 407,671**	**$ 354,433**	**$ 762,104**
Inventory additions	164,597	173,599	338,196
Cost of goods sold	(197,175)	(2,362)	(199,537)
Impairment of Inventory	(158,267)	(525,670)	(683,937)

Allowance for obsolete inventory	(4,337)	-	(4,337)
Balance, December 31, 2021	**$ 212,489**	**$ -**	**$ 212,489**

During the Year, changes to work in progress, materials, supplies, and finished goods recognized as cost of sales - other amounted to $242,305 (December 31, 2021 - $197,175).

6. Investments at FVTPL

	Dec. 31, 2022	Dec. 31, 2021
Investment in Starling (a)	$ -	$ 550,000
Investment in HumaTerra (b)	-	788,210
	$ -	$1,338,210

(a) On May 15, 2023 the Corporation sold its option to own 11.23% of the equity interest in Starling, effective at December 31, 2022, to an arm's length party, for the consideration of $60,000.

Provision for the US sales tax payable was recorded in the year 2021 in connection with the sale agreement, where the Corporation sold the extraction equipment. Under the sale agreement, HTC shall reimburse 50% of the taxes paid by the purchaser in connection with the transaction and the tax obligation has been recorded to provision for sales tax (US) payable. The tax was not paid in 2022.

(b) On February 23, 2021, **HempCo** acquired 985,263 class A common voting shares in HumaTerra Regen Ag Inc. ("**HumaTerra**") for $492,632 in exchange for contributions made to product and business development. At inception **HempCo** owned 24% ownership in HumaTerra and reported this investment under the equity method of accounting. On July 12, 2021, HumaTerra had an additional raise and shares were issued. Due to this, **HempCo**'s ownership had been diluted to an 18% interest and was then accounted for as a financial asset. At December 31, 2021, the FMV of HumaTerra's investment is $788,210. In order to settle the KF Kambeitz Farms Inc. ("**KF Farms**") loan, in part, on August 3, 2022, **HempCo** sold its 985,263 common share interest in HumaTerra (previously acquired for $492,632) to KF Farms, for the FMV and purchase price of $788,210.

The following table summarises the financial information of HumaTerra 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 HumaTerra.

HumaTerra investment	**Dec. 31,2021**
Initial Investment February 23, 2021	$ 492,632
Gain on equity investment to July 11, 2021	12,855
Gain on FMV of investment to December 31, 2021	282,723
Balance at December 31, 2021	**$ 788,210**
Divestment of investment	(788,210)
Balance at December 31, 2022	**$ -**

7. Property, plant and equipment

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

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

	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	-	9,141	-	-	63,233
Disposals	(2,322,109)	(93,194)	(4,713)	-	-	-	(2,420,016)
Impairment[1]	(1,026,375)	-	-	-	-	-	(1,026,375)
Amortization	(681,589)	(8,396)	(19,494)	(33,499)	(5,238)	-	748,216)
Carrying amount Dec. 31, 2021	**$ 2,020,489**	**$ -**	**$ 54,568**	**$ 828,712**	**$ 67,326**	**$ 240,000**	**$ 3,211,095**

	Equipment	Leasehold	Vehicles	Buildings	Roads	Land	Total
Balance Dec. 31, 2021 is comprised of:							
Cost	$ 2,868,290	$ 151,113	$ 157,319	$ 879,424	$ 75,667	$ 240,000	$ 4,371,813
Accumulated Amortization	(847,802)	(151,113)	(102,750)	(50,712)	(8,341)	-	(1,160,718)
Carrying amount Dec. 31, 2021	**$ 2,020,488**	**$ -**	**$ 54,570**	**$ 828,712**	**$ 67,326**	**$ 240,000**	**$ 3,211,095**

The Corporation performed its annual impairment analysis by comparing the carrying value of each CGU containing the assets to its recoverable amount. The Corporation utilized the market approach to calculate the fair value of the recoverable amount of the assets whereby the carrying value was compared to comparable market sales transactions including bid and ask prices and completed sales of comparable equipment. The fair value measurements are categorized as level two as they are indirectly observable to market participants. Resulting from this assessment the Corporation has recorded impairment an impairment charge at December 31, 2022 of $405,523 (December 31, 2021- $1,026,375) against the carrying value of equipment. The impairment charge is recorded in the Consolidated Statement of income and Loss.

8. Right-of-use asset

Right-of-use asset additions relate to building leases. All are calculated based on IFRS 16 requirements based on the present value of future lease payments. The Corporation does not have title to these assets, cannot leverage on these assets and cannot sublease these properties.

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

	Equipment	Building	Land	Total
Carrying amount Dec. 31, 2020	**$ 81,348**	**$ 161,356**	**$ 106,307**	**$ 349,011**
Additions	-	38,502	-	38,502
Disposal	-	(124,130)	(94,272)	(218,402)
Amortization	(8,688)	(56,759)	(12,035)	(77,482)
Carrying amount Dec. 31, 2021	**$ 72,660**	**$18,969**	**$ -**	**$ 91,629**
Cost	$ 94,774	$ 38,502	$ -	$ 133,276
Accumulated Amortization	(19,533)	(22,114)	-	(41,647)
Carrying Amount	**$ 72,660**	**$ 18,969**	**$ -**	**$ 91,629**

9. Investments in Associates

Investment in associates as of December 31, 2022 and December 31, 2021 comprise of:

	Dec. 31, 2022	Dec. 31, 2021
Investment in Delta	$ 683,115	$ 2,432,239

Delta provides leading Clean Technology Solutions that address the Environmental Social Governance needs of corporations through proprietary CO_2 capture technologies, integrated hydrogen production, reclamation and remediation of solvents and glycols, and carbon credit management. 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 it had completed a spin-out transaction comprising **HTC**'s existing clean energy business (the "**Clean Energy Assets**") to Delta for 20,000,000 shares in Delta pursuant to an asset purchase agreement (the "**Asset Purchase Agreement**"). Concurrent with the Asset Purchase Agreement, Delta underwent a capital raise which reduced

HTC holdings of Delta to 34% and resulted in a loss of control. **HTC** consolidated Delta through January 27, 2021, and recognized a $2,950,459 gain from loss of control of subsidiary.

Property, plant and equipment	$ 8,607
Prepaids	21,477
Product development	214,052
Investments (FVTOCI)	154,901
Patents	96,752
Intangible assets	124,914
Total cost of assets derecognized	**$ 620,703**

Fair value of retained investment	$ 3,729,810
Recognition of accumulated other comprehensive income	(158,648)
Gain on loss of control of subsidiary	**$ 2,950,459**

Upon the loss of control, **HTC** derecognizes the assets and liabilities of Delta, the former subsidiary, along with the accumulated other comprehensive income that has been reflected in equity. Any resulting loss is recognized in profit or loss.

HTC now reports this investment under the equity method of accounting as an investment in associate.

On April 11, 2022, **HTC**'s investment in Delta was reduced as a result of partial distribution of the dividend-in-kind as disclosed in Note 10. The distribution reduced **HTC**'s investment in Delta from 34% to 26%. **HTC** continues to report its investment under the equity method of accounting as an investment in associate until December 7, 2022, when the remaining shares payable under the dividend-in-kind was distributed. On December 7, 2022, **HTC**'s investment in Delta reduced to 14%.

While HTC holds less than 20% of the voting power in Delta as at December 31, 2022, the Corporation has determined that it maintains significant influence in Delta due to having representation on Delta's Board and the ability to participate in decisions over Delta's financial and operational policies. HTC continues to report its Delta investment under the equity method of accounting.

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

	Dec. 31, 2022	**Dec. 31, 2021**
% ownership interest	**14%**	**34%**
Current assets	$ 2,357,218	$ 4,359,714
Non-current assets	3,057,780	3,173,109
Current liabilities	(485,991)	(374,789)

Non-current liabilities	(49,619)	(4,390)
Net assets (100%)	**$ 4,879,388**	**$ 7,153,644**
Corporation's share of net assets	683,115	2,432,239
Carrying amount of interest in associate	**$683,115**	**$ 2,432,239**
Revenue	$ 1,412,984	$ 375,000
Loss and total comprehensive income (loss) (100%)	$(2,798,410)	(4,258,236)
HTC's share of total comprehensive income (loss)	(735,778)	(1,447,800)
Loss on FV of dividends payable	(355,107)	-
Equity adjustment	73,382	150,239
HTC's share of total comprehensive income (loss)	**$(1,017,503)**	**$(1,297,561)**

As HTC held different amounts of ownership interest over Delta during the Year, which can be demarcated into three periods. The table below lists the corresponding values for HTC's ownership interest (column A), Delta's profit or loss (column B) and calculates HTC's share of Delta's profit or loss for the respective periods (column C):

Period	**HTC's ownership interest (%)**	**Delta's profit or (loss) ($)**	**HTC's share ($)**
	[A]	[B]	[C] = [A] x [B]
Jan 1. – Apr. 10	34	(821,749)	(279,395)
Apr. 11 – Dec. 6	26	(1,497,090)	(389,243)
Dec. 7 – 31	14	(479,571)	(67,140)
FY22 (total)	--	(2,798,410)	(735,778)

Change in ownership interest

The two changes in its ownership interest over Delta (column E) and the resulting period-end carrying amounts of investment balance (column F) due to dividend distribution-in-kind are displayed below:

Period	**HTC's share in loss ($)**	**HTC's share in equity adjustment ($)**	**Change in ownership interest ($)**	**Period-end balance of investment in Delta ($)**
	[C]	[D]	[E]	[F] = prior period balance + [C] + [D] + [E]
Dec 31, 2021				2,432,239
Jan. 1 – Apr. 10, 2022	(279,395)	-	--	2,152,844

Apr. 11 – Dec. 6, 2022	(389,243)	-	506,552[1]	1,257,049
Dec. 7 – 31, 2022	(67,140)	73,382	580,176[2]	683,115
FY22 (total)	(735,778)	73,382	1,086,728	

10. Dividend-in-kind payable

	Dec. 31, 2022	Dec. 31, 2021
Dividend-in-kind payable	$ -	$ 2,237,886
Dividend tax payable	12,998	12,998
	$ 12,998	$ 2,250,884

On August 6, 2021, **HTC** declared a Dividend of 12,000,000 of its 20,000,000 Delta Shares, to holders of common shares of **HTC** (the "**HTC Shares**") as of close of business on August 13, 2021. Delays had been experienced in issuing the dividends declared as a result of the **HTC** shares that are held in Canada through the Canadian Depository for Securities ("**CDS**") and are held in the United States through the Depository Trust Company ("**DTC**") due to third-party administrative delays, outside of **HTC's** control. This is a non-cash transaction.

On April 11, 2022, 4,629,652 shares were issued to shareholders who do not hold shares through **CDS** or **DTC**.

On December 7, 2022, the remaining dividend-in-kind shares were issued to shareholders' whose shares were held by **CDS** and **DTC**. Effectively, on December 31, 2022, **HTC**'s interest in Delta is 14%. See note 9.

The dividend-in-kind payable has been adjusted as a result of a change in the fair value of the assets to be distributed.

11. Lease liabilities

	Dec. 31, 2022	Dec. 31, 2021
HTC right of use building lease: Incremental borrowing rate of 4.45% and a maturity of January 2023.	$ 1,773	$ 19,392
HempCo right of use equipment lease: Incremental borrowing rate of 4.27% and a maturity of July 2024.	-	62,833
HTC right of use building lease: Incremental borrowing rate of 6.95% and a maturity of January 2025	13,957	-
Principal balance	15,730	82,226
Current portion	(8,604)	(32,540)
	$ 7,126	**$ 49,686**

Future minimum financing lease payments are:

[1] [(26%-34%)/34%] x 2,152,844
[2] [(14%-26%)/26%] x 1,257,049

2023	$ 8,327
2024	7,452
2025	621
Total future minimum lease payments	16,400
Future interest charges	(670)
Principal balance	15,730
Current portion	(8,604)
	$ 7,126

Right-of-use liabilities relate to the right-of-use assets (see Note 8). 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.

12. Long term debt

All amounts in Canadian Dollars	Dec. 31, 2022	Dec. 31, 2021
Loan from KF Farms: Bearing interest at prime plus 2% with no fixed terms of repayment, due October 31, 2025.	$ 3,006,659	
Loan from KF Capital Corp.: Bearing interest at prime plus 2% with no fixed terms of repayment, due June 30, 2023.	-	
Loan from Jason Maher: Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2023.	61,953	
Loan from Purely Canada Terminals Corp: Bearing interest at prime plus 2% with no fixed terms of repayment, due December 31, 2023.	-	
Loan from Purely Canada Terminals Corp: Incremental borrowing rate of prime plus 2%, maturity of January 10, 2024 with first charge security on **HTC** assets.	272,960	
CEBA loan: Bearing 0% interest, with 33.33% loan forgiveness if repaid on or before December 31, 2023.	80,000	
Principal balance	$ 3,421,572	
Current portion		
	$ 3,279,619	**$ 5,249,048**

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

2023	$ 141,953
2024	272,960
2025	3,006,659
Thereafter	-
	$ 3,421,572

The Corporation has a bank line of credit available through its subsidiaries in the amount of $300,000 at a variable rate of prime plus 1%. As of December 31, 2022, the line of credit has been drawn by $Nil (December 31, 2021 - $Nil). During the Year, the Corporation incurred finance costs of $313,377 (December 31, 2021 - $283,332).

13. Customer deposits

On December 30, 2021, **HTC** and KF Homestead Properties Inc. (“**KFHP**”) entered into an asset sale agreement whereby **HTC** sold a 27,000 square foot cold storage building to **KFHP** at fair market value determined to be $1,190,000 by a third-party independent appraiser. Title is expected to transfer on or before October 31, 2023. On January 1, 2022 HTC entered into the lease-back agreement with KFHP, which contained repurchase option of the building at the same price as was set in the sale agreement. Consequently, the transaction was recognized as a financing arrangement, with the building continued to be recognized as own asset and the amounts received for the sale to be recognized as a financial liability (customer deposit). Payments for the sale are paid in installments; the last part is expected to be paid in or before October 2023.

	Dec. 31, 2022	Dec. 31, 2021
Customer deposit	$ 821,061	500,000

14. Promissory note

On May 25, 2020, the Corporation issued a note payable in connection with the acquisition of 22% of Maxx Group of Companies Corp. in the amount of $2,686,200. The note is non-interest bearing and matures on May 25, 2023. As the promissory note is due within the current year it has been classified as current.

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 is 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 Year, total accretion expense recognized for the promissory note amounted to $69,068 (December 31, 2021 – $69,068).

	Dec. 31, 2022	Dec. 31, 2021
Promissory note (current)	$ 1,084,521	$ -
Promissory note (long term)	-	1,015,453

15. Share capital

At December 31, 2022 and December 31, 2021, 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, 3,550,000 shares are subject to restrictions. As at December 31, 2022, 206,983,741 common shares (December 31, 2021 – 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 Farma Inc. ("**Kase**"). Each unit consists 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 one 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 16).

In 2021, **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 16).

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 were subject to hold periods under a Corporation imposed pooling agreement. These restrictions lifted in 3 even tranches, November 3, 2020, March 3, 2021, and July 3, 2021.

16. Stock options and warrants

The Corporation has a stock option plan for directors, officers, employees, and consultants providing for the issuance of options to acquire up to ten percent of the issued and outstanding common shares of the Corporation. The following table reflects the stock option activity from March 26, 2019 through December 31, 2022 and the weighted average exercise price:

	As at Dec. 31, 2022		**As at Dec. 31, 2021**	
	Options	**Avg. Price**	**Options**	**Avg. Price**
Outstanding, and exercisable, beginning of year	3,483,187	$ 0.075	3,483,187	$ 0.075
Outstanding and exercisable, end of year	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 October 22, 2022, 14,227,950 warrants issued October 22, 2019, valued at $2,014,189 expired. Amounts of $2,014,189 recorded to share capital upon issuance have been returned to share capital.

The Corporation incurred share issuance costs at December 31, 2022 of $Nil that have been capitalized (December 31, 2021 - $Nil) in connection with the transactions described above.

17. 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% (2020 – 27%) for the following reasons:

Income Taxes

For the Year, the Corporation recorded $Nil of current income tax expense (December 31, 2021 – $Nil) and $Nil of deferred income tax recovery (December 31, 2021 – $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	2022	2021
Income (Loss) before income taxes	$ (3,394,491)	$ (4,623,663)
Statutory tax rate	27%	27%
Expected income tax recovery	(916,513)	(1,248,389)
Increase (reduction) attributable to:		
Permanent differences and other	(255,829)	(944,893)
Change in deferred tax assets not recognized	1,172,342	2,193,282
Deferred income tax expense (recovery)	$ -	$ -

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	2022	2021
Non-capital losses carried forward	$ 6,106,790	$ 4,686,227
Capital losses carried forward	75,600	75,600
Inventory	776,900	776,900
Property, plant and equipment	849,951	1,264,912
Intangible assets	(222,453)	(222,453)
Investments, SRED pools and other	2,034,135	1,867,395
Deferred income tax assets not recognized	(9,620,923)	(8,448,581)
Net deferred income tax assets / (liabilities)	**$ -**	**$ -**

As at December 31, 2022, the Corporation has Canadian non-capital loss carry-forwards of approximately $22,617,741 (December 31, 2021 – $17,356,396) 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 2033.

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.

18. Commercialization and administration expenses

Expenses by nature	Dec. 31, 2022	Dec. 31, 2021
Employment benefits	$ 70,922	$ 110,902
Consulting and contractor costs	23,448	2,800
General and administrative	551,316	541,075
	$ 645,686	**$ 654,777**

19. Finance income (expense)

	Dec. 31, 2022	Dec. 31, 2021
Dividend income	$ 98	$ 4,326
Interest income	222	2,913
Net change in financial assets at FVTPL	-	10,423
Interest expense	(241,243)	(217,812)
Accretion on promissory note	(69,068)	(69,068)
Accretion on sale leaseback transaction	(17,386)	-
Lease interest expense	(3,066)	(9,123)
	$ (330,443)	**$ (278,341)**

20. 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).

At December 31, 2022 and December 31, 2021, the Corporation categorized the fair value measurement of its FVTPL investments as Level 3 as they are primarily derived directly from reference to quoted (unadjusted) prices in over-the-counter markets.

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

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments	$ -	$ -	$ -	$ -
	$ -	**$ -**	**$ -**	**$ -**

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments	$ -	$ -	$ 1,338,210	$ 1,338,210
	$ -	**$ -**	**$ 1,338,210**	**$ 1,338,210**

21. Changes in working capital and other

Information below is based on the consolidated operations.

Change in working capital is comprised of	Dec. 31, 2022	Dec. 31, 2021
Accounts receivables	$ 146,370	$ (179,009)
Other receivables – short term	-	54,207
Inventory – short-term	173,076	(134,322)
Prepaid expenses and deposits	7,503	53,491
Non-current deposits	-	12,043
Accounts payable and accrued liabilities	88,975	34,932
Government remittances	(5,856)	31,372
Customer deposits	-	96,300
	$ 410,068	**$ (30,986)**

22. 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:	**Dec. 31, 2022**	**Dec. 31, 2021**
Basic	206,983,741	206,983,741
Diluted	210,466,928	210,466,928

23. Related party transactions

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

KF Kambeitz Farms Inc. ("**KF Farms**") is considered a related party of HTC due to one common director. As a result of the acquisition of **HempCo**, there is a loan payable to KF Farms of $3,006,660 (December 31, 2021- $4,787,639). In order to settle the KF Farms loan ("**Loan**"), in part, on August 3, 2022, **HempCo** sold its 985,263 common share interest in HumaTerra (previously acquired for $492,632) to KF Farms, for the FMV and purchase price of $788,210. Effective December 31, 2022, in further partial settlement of the Loan, HempCo and KF Farms engaged in a settlement agreement, whereby **HempCo** sold its hemp related assets to KF Farms for an appraised value of $1,200,000, as determined by a third party appraisal, subject to TSX approval received subsequent to the Year on June 6, 2023.The remaining balance of the Loan is due on October 31, 2025. Effective February 1, 2023, KF Farms was no longer a related party to HTC.

During the Year, KF Aggregates Recycling Inc. ("**KFA**") was considered a related party due to one common director. At December 31, 2022, there are amounts outstanding of $400,835 from prior years aggregate purchases (December 31, 2021 - $400,835) included in accounts payable and accrued liabilities. Effective December 31, 2023, KFA and **HTC** were no longer considered related parties.

KFHP is a related party due to one common director. On December 30, 2021, **HTC** and KFHP entered into an asset sale agreement whereby **HTC** would sell a 27,000 square foot cold storage building ("**Facility**") to KFHP for fair market value ("**FMV**") of $1,190,000 as determined by an independent appraiser. At December 31, 2022, KFHP had paid a total deposit on the purchase of the building in the amount of $883,331 (December 31, 2021 - $500,000) and will continue to pay the balance in equal monthly installments until the purchase price is satisfied at which time title will transfer. Title is expected to transfer on or before October 31, 2023. **HTC** holds an option to buy the building and the land at FMV for a period of 10 years, with a further 10-year extension period for the cost of $25,000. Refer to the accounting treatment described in Note 13.

HTC entered into a 5-year lease agreement to lease the abovementioned facility with KFHP commencing January 1, 2022, with an option to renew for an additional 5-year term. Annual lease payments payable to KFHP are $101,150 or $8,429 monthly.

Purely Canada Foods Corp. ("**PCF**") is a related party due to one common director. In 2021, PCF returned prior purchased inventory in the amount of $159,960. At December 31, 2022, there are amounts outstanding of $159,960 (December 31, 2021 - $159,960).

Purely Canada Terminals Corp. ("**PCT**") is a related party due to one common director. **HTC** acquired a loan from PCT during 2021 for $250,000 plus interest (see Note 12). At December 31, 2022, there are amounts outstanding of $272,960 to PCT (December 31, 2021 - $261,101).

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

24. Compensation and severance

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

During the Year, the Corporation paid director compensation in the amount of $2,250 (December 31, 2021- $6,000) for the attendance of Board and committee meetings. In addition, the three senior managers were paid a total of $27,000 salaries during the Year.

25. 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:

Dec. 31, 2022	**< 1 year,**	**1-2 years**	**3-5 years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 861,808	$ -	$ -	$ -	$ 861,808
Government remittances payable	94,893	-	-	-	94,893
Lease liability	8,604	6,505	621	-	15,730
Long term debt	141,953	272,960	3,006,659	-	3,421,572
Promissory note	1,113,300	-	-	-	1,113,300
Balance	**$ 2,220,558**	**$ 279,465**	**$ 3,007,280**	**$ -**	**$ 5,507,303**

Dec. 31, 2021	**< 1 year,**	**1-2 years**	**3-5 years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 732,264	$ -	$ -	$ -	$ 732,264
Lease liability	34,114	53,934	-	-	88,048
Long term debt	-	5,249,048	-	-	5,249,048
Promissory note	-	1,113,300	-	-	1,113,300
Balance	**$ 766,378**	**$ 6,416,282**	**$ -**	**$ -**	**$ 7,182,660**

Currency risk

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

Foreign exchange risk

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

Interest rate risk

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and marketable securities and paid on long term debt. The Corporation mitigates exposure by attempting to match rates and terms to expected cash requirements. Interest risk associated with long term loans is mitigated by arranging terms that extend for multiple years (see Note 12). A 1% change in the prime interest rate would result in an increase to the Corporations loss for about $50 thousand.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial transaction fails to meet its obligations. The Corporation attempts to reduce such exposure to its cash and marketable securities by only investing in low-risk investments with Canadian Chartered Banks and taking advantage of government guarantees. The Corporation attempts to reduce its loss on amounts receivable by assessing the ability of the counterparties to fulfill their obligation under contract prior to entering into the contracts and by the nature of customers the Corporation deals with. At

December 31, 2022, the Corporation had an allowance for doubtful accounts of $254,872 (December 31, 2021 - $131,435).

Due to the nature of the Corporation's operations, management considers accounts receivable outstanding for 90 days or less, to be current amounts. Over 90 days are also considered current, if extended terms exist and security is provided, or amounts are subject to contract restrictions and performance markers. The aging of the Corporation's accounts receivable at December 31, 2022 and December 31, 2021 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Dec. 31, 2022	$ 77,742	$ -	$ 77,742
Aging of accounts receivable at Dec. 31, 2021	$154,862	$ 9,249	$164,111

26. Capital disclosures

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

	Dec. 31, 2022	Dec. 31, 2021
Shareholders' equity	$ (4,267,057)	$ (2,370,634)
Current portion of lease liability	8,604	32,540
Current portion of long term debt	141,953	-
Lease liability	7,126	49,686
Long term debt	4,107,806	5,249,048
Promissory note	1,084,521	1,015,453
Balance	**$ 1,082,953**	**$ 3,976,093**

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.

27. 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:

	December 31, 2022	December 31, 2021
	Oroverde	**Oroverde**
Total current assets	$ -	$ -
Total current liabilities	785,278	751,159

	December 31, 2022	December 31, 2021
Loss	$ (34,118)	$ (698,028)

28. Commitments and contingencies

The Corporation rents office facilities on a month-to-month basis under a lease agreement from a third-party, with minimum monthly rental payments of $1,496, changing to $621 effective February 1, 2023.

HTC is engaged in a license dispute with one of its CO_2 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 entered into a 5-year lease agreement to lease a facility with KFHP commencing January 1, 2022, with an option to renew for an additional 5-year term. Annual lease payments payable to KFHP are $101,150 or monthly $8,429. See note 23.

29. Subsequent events

Subsequent to the year, on January 28, 2023, 5,310,000 warrants issued January 28, 2020, valued at $353,043 expired. Amounts of $353,043 recorded to contributed surplus upon issuance have been returned to share capital.

Subsequent to the year, on January 30, 2023, 2,104,546 warrants issued on January 30, 2018, valued at $80,394 expired. Amounts of $80,394 recorded to contributed surplus upon issuance have been returned to share capital.

Subsequent to the Year, **HTC** and KFA, an arm's length party, entered into an asset sale agreement ("**ASA**") on May 31, 2023. Pursuant to the ASA, **HTC** is selling certain extraction equipment to KFA for the purchase price of $585,400.

KFA provided certain services and products, in the ordinary course of business, to **HTC**, which **HTC** has failed to make payment for, and therefore is indebted to Aggregates (the "**Indebtedness**"). Pursuant to the APA, the purchase price will be paid as follows: (i) by the set-off of the Indebtedness; (ii) the payment of $50,000 in cash at closing and (iii) the payment of the balance of $100,000 over 12 months.

Subsequent to the year, **HTC** and Starling entered into a mutual release where **HTC** is no longer liable to pay US taxes under the asset sale agreement. See Note 6 (a).