BIOMASS

CO_2

HTC PURENERGY INC.

2018 YEAR END

MANAGEMENT DISCUSSION & ANALYSIS

RECLAIM
RECYCLE
REUSE

CBD

CLEAN ENERGY

HTC EXTRACTION SYSTEMS

delta purification

reclaim
recycle
reuse

reclaim recycle reuse re3

"purification for the energy and biomass industries"

Introduction

The following Management's Discussion and Analysis ("**MD&A**") is prepared as of December 31, 2018, and should be read together with the **HTC** Purenergy Inc. ("**HTC**" or the "**Corporation**") consolidated audited financial statements for the year ending December 31, 2018 (the "**Year**") ("**Financial Statements**") and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian dollars unless otherwise indicated. The Corporation has adopted National Instrument 51-102F1 as the guideline in representing the MD&A. Terms used but not defined in this MD&A shall bear the meaning as set out in Part 1 of National Instruments ("**NI**") 51-102 and NI 14-101 *Definitions* and accounting terms that are not defined herein shall bear the meaning as described or used in IFRS applicable to publicly accountable enterprises.

This MD&A is dated April 25, 2019.

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that may cause the Corporation's actual results or outcomes to be materially different from those anticipated and discussed herein. In assessing forward-looking statements contained herein, readers are urged to read carefully all cautionary statements contained in this MD&A and accompanying Financial Statements, and in those other filings with the Corporation's Canadian regulatory authorities as found at 'www.SEDAR.com' and to not put undue reliance on such forward-looking statements. Although **HTC**'s management ("**Management**") believes that the expectations reflected in the forward-looking statements are reasonable, Management cannot guarantee future results, levels of activity, performance or achievements, or other future events. Management is under no duty to update any of its forward-looking statements after the date of this MD&A, other than as required and governed by law.

Additional information related to the Corporation is available for view on SEDAR at www.sedar.com.

Corporate Overview

The **HTC** Group of **Advanced Extraction Technology** Companies is involved in the following market sectors:

Clean Energy and Biomass

HTC's Extraction Systems™ Group has developed proprietary gas, liquid and biomass extraction systems that have been designed to extract from gas, liquids and biomass and for the distillation and purification of ethanol and ethanol-based solvents used for this extraction. The **HTC Extraction System™** has been engineered to reduce capital and operating costs, while at the same time delivering superior performance by reducing energy usage, lowering emissions, and improving the quality of the product being produced.

"purification for the energy and biomass industries"

Purification Systems

HTC has completed the WTO patenting, commercialization and the construction and commissioning of the **Delta Purification™** System. A **Delta Purification™** System reclaimer unit is like a kidney in the human body, in that it removes the impurities that build up in ethanols, glycols and liquids used as solvents in commercial clean energy and biomass extraction systems. This system allows these liquids to be reclaimed, recycled and reused; reducing overall costs and while reducing the environmental footprint.

Message from the Chairman

HTC is an advanced Extraction and Purification Technology company with a focus on environmental sustainability**.** The acceptance of climate change and the social license that corporations are moving towards, are upon us in force. A reduced environmental footprint, through the use of Reclaim, Recycle and Reuse extraction and purification systems, has become effectively a currency of business, a vehicle for penalty and taxation, and a statement to shareholders who expect environmental responsibility from the companies they invest in.

We note as well, that all segments of the energy sector must contribute and as such, the management of the extraction and purification of CO_2 from combustion-fired plants can be used not only to reduce emissions, but also to improve oil production, using enhanced oil recovery ("**EOR**") techniques.

The natural gas industry has taken on a new challenge of gas cleanup of CO_2, SO2 and other contaminants, while ensuring that the ethanol-based solvents and the glycols that are used in the clean-up process are purified, reclaimed, recycled and reused, while at the same time providing a significant cost reduction to the customer.

The **Delta Purification^{TM}** technology allows the customer to recycle and reuse the existing ethanol used in the CBD extraction process, while managing and reducing CBD waste losses, reducing costs and shrinking the environmental footprint.

Our **Delta Purification^{TM}** division is showing promising results, as the energy industry, the biomass Hemp/CBD extraction industry, and other specialty industries have joined the ***re3*** revolution: ***Reclaim, Recycle, Reuse*****.**

HTC has developed a strategic initiative whereby the agri-infrastructure assets, owned by its subsidiary will be monetized moving forward and the proceeds of these transactions will be invested in the deployment of **HTC** extraction and purification equipment technology product offer.

HTC will continue to pursue a strategy of BOOM (build, own, operate and maintain) whereby we will own physical assets at extraction and/or purification facilities serving the clean energy and Hemp/CBD biomass industries. The business model calls for either participating equity ownership, tolling revenue or a combination thereof, whereby **HTC** will utilize its technologies, constructability experience and operating skills, to extract and purify at targeted facilities.

"**Reclaim, Recycle, Reuse"** is more than a tag line for our company, *WE ARE WORLD LEADERS in* delivering Advanced Extraction and Purification Technologies. Please read in more detail below, the exciting environmental technologies our company is now making a reality.

Lionel Kambeitz
Chairman and CEO

HTC EXTRACTION SYSTEMS™

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

Some features of HTC's advanced Extraction Systems are:

LCDesign™ - Low Cost Design for modular gas and liquid and biomass extraction systems, optimizing plant design thus reducing capital and operating costs.

PDOengine™ - Software based design algorithms that can accurately model and simulate gas, liquid and biomass extraction processing.

Delta Solvents™ - Custom designed, ethanol based, solvent mixtures and additives that optimizes production and reduces costs.

"purification for the energy and biomass industries

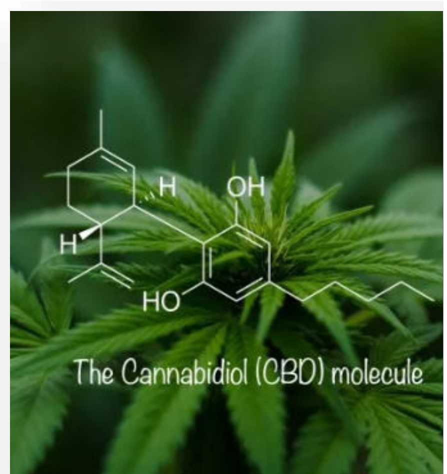
Delta Purification™ is an environmental technology company in the field of purifying and reclaiming ethanol, solvents and glycols. **Delta Purification™** offers the best available reclaiming technology for the clean energy and biomass extraction industries. **Delta Purification™** offers the following commercial products:

- Reclaiming ethanol used in biomass CBD extraction.
- Reclaiming solvents, such as single, mixed, and formulated amines, used in natural gas processing, ethanol-based solvents and post-combustion CO_2 capturing processes.
- Reclaiming glycols, such as mono-ethylene glycol and tri-ethylene glycol, used for natural gas dehydration processes.

A modular design approach was developed for all **Delta Purification™** products in order to reduce the CAPEX and OPEX of the equipment. For large and medium size plants; multiple process skids, are utilized.

The benefits of this modular design approach are:

- The process units are fabricated and tested in a controlled environment prior to shipment.
- Cost effective to transport to the site.
- Small footprint, flexible equipment arrangement, and accessible layout.



The Cannabidiol (CBD) molecule

Large users of ethanol, glycol and solvents such as gas processors and plant oil extractors, demand reduced capital and operating costs. **re3** technology can save up to 40% of the required fluid costs.

The increasing cost of new extraction fluids combined with the cost of used product disposal, creates a unique opportunity whereby the **re3** technology will create cost savings, while meeting environmental responsibilities. The growth of ethanol and CO_2 used in **Cannabidiol extraction (CBD production)** has created a new demand for reliable commercial scale ethanol reclaimer systems. The **Delta Purification™** ethanol system is capable of meeting this new demand and is anticipated to be a growing market for the Corporation in the coming years.

The proprietary **Delta Purification™ System** is unique in that it has been designed to remove the impurities from mixed and formulated ethanol, solvents and glycols, resulting in a smaller environmental footprint and lower energy costs of operation.

Delta Purification™ currently provides the following value-added services:

- ✓ Build, Own, Operate and Maintain ("**BOOM**") for tolling extraction and purification projects;
- ✓ Diagnostic /Consulting Services, remote monitoring;
- ✓ On-site training of operators of **re3** systems;
- ✓ Preventative Maintenance Programs;
- ✓ Custom designed On-Site **re3** recycling facilities;
- ✓ Relevant country, world-wide patents for Delta **re3** technology;
- ✓ Food Grade Extraction and Purification Systems;
- ✓ Customization of ethanol and solvent blends required for greater efficiency in the energy processing and plant oil extraction industries.

SELECTED ANNUAL INFORMATION

In Canadian Dollars	Year ending Dec 31, 2018	Year ending Dec 31, 2017	Year ending*** Dec 31, 2016
Total Revenue	1,024,421	269,493	62,305
Income (Loss) from Operations	(3,348,528)	(4,339,892)	(3,359,821)
Gain (Loss) from asset disposition, valuation and impairment adjustments	(1,449,449)	5,512,245	8,766,979
Net Income (Loss)	(3,856,636)	2,372,965	3,773,662
Income (Loss), on a per-share basis*	(0.09)	0.07	0.12
Income (Loss), on a per-share basis diluted**	-	0.07	0.11
Earnings (Loss) per share from continued operations – basic	(0.08)	0.06	0.13
Earnings (Loss) per share from continued operations – fully diluted	-	0.06	0.12
Comprehensive Net Income (Loss)	(3,888,596)	2,122,557	4,001,407
Total Assets	34,070,462	27,222,061	29,839,303
Total Long-Term Financial Liabilities	7,665,319	56,672	1,674,048
Increase (Decrease) in Cash	425,201	(557,421)	(4,147,101)
Cash Dividends Declared per-share	NIL	NIL	NIL

**Net Income (Loss) per common share for the years has been calculated using the weighted average number of common shares outstanding during the respective years.*
***Net Income per common share on a fully diluted basis. (Loss) per common share is not presented, on a fully diluted basis as the effect of common share options would be anti-dilutive.*
****December 31, 2016 amounts have been restated to the current basis presentation arising from the disposition of **NuVision Industries Inc. ("NuVision")**, **101059035 Saskatchewan Ltd. dba Pinnacle Industrial Services** ("**Pinnacle**"), and **Clear Glycol & Solvents Inc**. ("**ClearGSI**").*

DISCUSSIONS OF HTC's QUARTER END FINANCIAL RESULTS

In Canadian Dollars (other than share amounts)	3 months ending Dec. 31, 2018 Unaudited	3 months ending Dec. 31, 2017 Unaudited	3 months ending Sept. 30, 2018 Unaudited	3 months ending Sept. 30, 2017 Unaudited	3 months ending Jun. 30, 2018 Unaudited	3 months ending Jun. 30, 2017 Unaudited	3 months ending Mar. 31, 2018 Unaudited	3 months ending Mar. 31, 2017 Unaudited
Total Revenues	(284,850)	12,318	749,011	20,820	538,376	122,055	21,884	114,300
Net Income (Loss) from Continuing Operations	(2,093,017)	(911,733)	(629,300)	3,713,246	(904,656)	(316,049)	(229,663)	(489,722)
Net Income (Loss)	(2,093,017)	(627,851)	(629,300)	3,816,090	(904,656)	(338,849)	(229,663)	(476,425)
Total Assets	34,070,462	27,222,061	34,032,863	29,941,383	31,790,379	26,442,614	32,009,792	27,058,731
Long Term Liabilities	7,665,319	177,653	8,135,740	1,931,562	4,302,404	2,150,530	$4,056,672	2,335,637
Shareholder Equity	23,203,075	25,460,172	23,918,359	21,814,227	24,747,409	22,509,161	25,532,586	22,823,893
Cash Flow from Operations	(1,894,658)	(2,396,960)	(595,138)	1,491,397	(102,199)	(461,150)	(422,400)	(897,830)
Increase (Decrease) in Cash	(1,319,409)	(2,480,240)	1,943,707	2,654,584	(2,586,579)	392,905	2,387,482	(962,051)
Net income (Loss) from Continuing Operations, In total, on a per-share basis – Basic	(.09)	0.07	(0.02)	0.13	(0.03)	(0.02)	(0.007)	(0.01)
Net income (Loss) from Continuing Operations, in total, on a per-share basis - Diluted	-	0.07	-	0.12	-	-	-	-
Net Income (Loss), in total, on a per-share basis[1] (See discussion below)	(.08)	0.06	(0.02)	0.09	(0.03)	(0.02)	(0.007)	(0.01)
Net Income (Loss), in total, on a per-share fully diluted basis[2] (See discussion below)	-	0.06	-	0.02	-	(0.02)	-	(0.01)
Weighted Average Common Shares	32,246,531	30,309,195	32,190,181	30,309,195	32,076,549	30,309,195	32,413,741	30,309,195

*2017 comparative amounts have been restated to consider the impact of the reduction in control of **ClearGSI.***

[1]Net Income (Loss) per common share for the periods has been calculated using the weighted average number of common shares outstanding during the respective periods.

[2] Net Income per common share on a fully diluted basis. Loss per common share is not presented on a fully diluted basis as the effect of common share options would be anti-dilutive.

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 of 32,246,531 (2017 – 30,309,195). The fully diluted common shares during the Year are 33,180,889 (2017 – 32,149,361).

Amounts stated in Canadian Dollars	**For the Year ended Dec. 31, 2018**	**For the Year ended Dec. 31, 2017**
Net Income (Loss) per common share - basic	(0.09)	.07
Net Income (Loss) per common share fully diluted	-	.07
Earnings (Loss) per share from continued operations - basic	(0.08)	.06
Earnings per share from continued operations – diluted	-	.06

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

REVENUES

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2018	3 months ending Dec. 31, 2017	YTD Ending Dec. 31, 2018	YTD Ending Dec. 31, 2017
Total Revenues	$(284,850)	$12,318	$1,024,421	$269,493

The table above reflects both the three-month period ending December 31, 2018 and the year-to-date ("**YTD**") change in revenues at December 31, 2018 and 2017. Revenue for the 3-month period ending December 31, 2018 is due to new operations in **PLT**. Revenue for the comparative time frame relate to **HTC** operations.

YTD revenues are from new **PLT** operations (as described above) and **HTC** operations. The YTD comparison reflects operations described above as well as the sale of **PLT** inventory.

OPERATING EXPENSES

Cost of sales

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2018	3 months ending Dec. 31, 2017	YTD Ending Dec. 31, 2018	YTD Ending Dec. 31, 2017
Cost of Sales	$19,566	$ -	$340,605	$102,837

YTD cost of sales is $340,605 which relates to **PLT** inventory sales. Three-month period cost of sales is deriving from **PLT** product sales $15,049 and freight expenses of $4,518. $102,837 cost of sales at December 31, 2017 relates to sales of equipment inventories in **PLT**.

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2018	3 months ending Dec. 31, 2017	YTD Ending Dec. 31, 2018	YTD Ending Dec. 31, 2017
Commercialization, Product Development & Administration	$940,561	$1,432,066	$2,970,261	$3,589,145

The table above reflects both the three-month and the YTD change in operating expenses at December 31, 2018 and 2017. Three-month change ending December 31, 2018 is $940,561 in operating expenses, $491,505 lower than 2017 due to a reduction in consulting fees in **Maxx** net of increased operating expenditures in **PLT** due to commissioning of fertilizer and grain operations.

Commercialization, product development and administrative expenses for the Year were $2,970,261 as compared to $3,589,145 as at December 31, 2017 reflecting a decrease of $618,884. The Year reflects decreased expenses in **Maxx** and **HTC. PLT** had increased expenses due to commissioning of fertilizer and grain operations as well as increased capital expenses due to capitalization of commissioning expenses.

AMORTIZATION

Amortization for the Year was $1,056,999 (December 31, 2017 – $370,793). The increase in amortization is relating to capital additions completed in the Year. The **PLT** Fertilizer Storage Facility was completed April 30, 2018, amortization commenced May 1, 2018. The **PLT** Grain Storage Handling Facility was completed November 2018 at which time amortization commenced.

FINANCE EXPENSES

Finance expenses realized during the Year was $5,084 (December 31, 2017 - $425,610). Portions of finance expenses relating to commissioning and construction of **PLT** facilities were capitalized. As a result, **Maxx** and its subsidiaries' (collectively "**Maxx Group")** financing fees are reduced in the Year.

INTEREST AND OTHER INCOME

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2018	3 months ending Dec. 31, 2017	YTD Ending Dec. 31, 2018	YTD Ending Dec. 31, 2017
Interest and Other Income	$689,887	$77,795	$780,762	$190,893

The table above reflects both three-month and YTD changes in interest and other income at December 31, 2018 and 2017. The Corporation recorded YTD interest earned on short and long-term investments and other income for the Year of $780,762 as compared to $190,893 in December 31, 2017. The YTD change in interest income is due to a draw down of amounts invested to fund construction while interim financing is put in place. This process generated realized income of $191,195. During the same time there were unrealized losses of $(220,254) due to market fluctuations regarding held-for-trading investments. Market fluctuation do not result in use of cash. Income earned on investments was $384,821. $351,637 of the income earned does not result in use of cash. $425,000 was recovered during the year.

The three-month income increase is due to an unrealized gain due to market fluctuations of $(55,387) which does not result in the use of cash, realized gains on sales of held-for-trading investments of $88,321 and investment income of $231,953, and $425,000 recovery of expenses generating the three-month income recorded of $689,887.

OPERATING INCOME

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2018	3 months ending Dec. 31, 2017	YTD Ending Dec. 31, 2018	YTD Ending Dec. 31, 2017
Operating Income (Loss)	$(1,183,807)	$(627,851)	($3,856,636)	$2,372,965

The Corporation had an operating loss at December 31, 2018 of $(3,856,636) as compared to $2,372,965 for the year ending December 31, 2017. YTD and three-month change in operating loss is primarily due to the commencement of depreciation and amortization of recently completed **PLT** facilities in the amount of $(1,056,999) and the one-time impairment adjustment of $(1,400,000) regarding intangibles, reflecting a non-cash loss of $(2,456,999).

INCOME (LOSS) FROM DISCONTINUED OPERATIONS

Income (Loss) from discontinued operations in 2017 reflects the one-time reclassification in **ClearGSI** amount of $377,223 due to reduced ownership effective December 27, 2017.

DEFERRED TAX RECOVERY

Deferred tax recovery of $(1,359,877) in the 2017-year results from tax associated with the renegotiation of the terms of the sale of NuVision resulting in recognition of the gains in the year and eliminate contingent amounts. $120,981 represents a recovery of prior years deferred tax liability.

NET INCOME (LOSS) AND COMPREHENSIVE INCOME

Amounts stated in Canadian Dollars	3 months ending Dec. 31, 2018	3 months ending Dec. 31, 2017	YTD Ending Dec. 31, 2018	YTD Ending Dec. 31, 2017
Net Income (Loss)	$(2,093,017)	$(627,851)	$(3,856,636)	$2,372,965
Other Comprehensive Gain (Loss)	58,128	(108,597)	(31,961)	(250,408)
Total Comprehensive Income (Loss)	(2,034,889)	(736,448)	(3,888,597)	2,122,557

Net Loss for the Year was $(3,856,636) compared to net income of $2,372,965 as at December 31, 2017 (see table above). In 2017, total gain on sale of assets $5,512,245 largely stem from the sale of **NuVision**. Terms of the agreement were renegotiated resulting in a gain of $4,211,445. Other gains included in 2017 are: a gain on disposition of **ClearGSI** shares to settle **ClearGSI** debt; and $499,950 of gains arising from conversion to equity accounting for the remaining **ClearGSI** shares.

2018 was a transitioning year as HTC exited its ancillary businesses and refocused on its core business of environmental extraction and purification technologies.

Comprehensive Income (Loss) includes the unrealized gains and losses on investments classified as available for sale of $(31,961) (December 31, 2017 – $(250,408)) and represents the net change in the carrying value of the investments to the quoted value and transfer of impaired investments to the Consolidated Statement of Loss. These adjustments do not involve cash.

Comprehensive Loss for the Year is $(3,888,597) compared to Comprehensive Income of $2,122,557 at December 31, 2017. The increase in loss is attributable to net loss and the change in unrealized gain on investments classified as available for sale described above.

TOTAL ASSETS

Total Assets for the Year were $34,070,462 compared to $27,222,061 as at December 31, 2017. The increase is primarily attributable to increase in property, plant and equipment associated with the development of grain and fertilizer handling facility projects.

Capitalized Development

The Corporation has capitalized development expense relating to its **LCDesign®**, its **HTC Delta Purification™** Ethanol and Solvent Reclaimer and its **PDOengine™** described below:

	Dec. 31, 2018	**Dec. 31, 2017**
Delta Reclaimer® System	$ 278,792	$ 278,792
Amortization	(67,545)	(47,774)
	211,247	231,018
LCDesign® CCS	433,453	430,979
Amortization	(325,090)	(281,745)
	108,363	149,234
PDOengine™	186,093	186,092
Amortization	(134,917)	(116,308)
	51,176	69,784
Total product development costs	$ 370,786	$ 450,036

There was $Nil expensed research and development in the Year (see Note 12 of the Financial Statements).

Total accumulated costs expensed from December 31, 2004 to December 31, 2018 are $3,295,862. Research and development costs incurred by subsidiaries prior to their acquisition are not included in this amount, nor are costs incurred by **HTC**'s collaborative technology development research institutions.

CURRENT LIABILITIES

Current Liabilities are $4,602,068 for the Year as compared to $1,584,236 as at December 31, 2017. Increase of $3,017,832 is largely due to an increase in payables related to completed **PLT** projects and the inclusion of the current portion of long-term debt. **PLT** is now fully operational and generating income required to support payment of liabilities.

LONG TERM LIABILITIES

Long Term Liabilities increased from $56,672 in December 31, 2017 to $7,665,319 at end of Year. The additional debt is as a result of financing received in **Maxx Group** for project construction.

SHAREHOLDERS' EQUITY

As at the end of the Year the Shareholders' Equity was $21,803,075 as compared to Shareholders' Equity of $25,460,172 at December 31, 2017. The change in Shareholder's Equity is attributed to share issuance net of operational losses.

CASH FLOW

Cash Flows from operating activities were $(3,014,395) for the Year, compared to $(2,432,748) for December 31, 2017. The decrease is attributable to a decrease in working capital.

CHANGE IN CASH POSITION

The Change in Cash Position was $425,201 at December 31, 2018 and $(557,421) at December 31, 2017. The change is primarily attributable to a combination of loan proceeds net of asset additions and proceeds from share issuance.

COMMITMENTS

The Corporation rents office facilities on a month to month basis under a lease agreement with a related party of the Corporation (see Note 26 to the Financial Statements), with minimum monthly rental payments of $9,475.

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

HTC subsidiary **PLT** currently leases the property for its facilities at a cost of $1,913 per month, per acre. **PLT** has been granted the exclusive option to purchase the land.

CAPITAL RESOURCES

Share capital:
Authorized:
An unlimited number of common shares
An unlimited number of preferred shares

	As at Dec. 31, 2018		As at Dec. 31, 2017	
Common Shares	**Number**	**Amount**	**Number**	**Amount**
Balance, beginning of year	30,309,195	$39,008,214	30,309,195	$39,008,214
Issued Stock	2,104,546	151,106	-	-
Balance, end of year	32,413,741	$39,159,320	30,309,195	$39,008,214

Common shares issued are voting, participating and not subject to any restrictions. The Corporation has no issued or outstanding preferred shares. The Corporation is authorized to issue one or more series of non-voting, participating in preference to common shares, eligible, preferred shares.

On January 30, 2018, the Corporation issued 2,104,546 units at a price of $0.11 per unit, for the gross proceeds of $231,500. These units were issued to two directors of the Corporation. Each unit consists of one common share and one common share purchase warrant ("**Warrant**"). Each Warrant entitles the holder to purchase one common share of **HTC** at $0.15 per common share until January 29, 2023. The purchase of 454,546 of these warrants were financed by a loan receivable to an officer and director, and secured against future severance due. Under the terms of the agreement, the loan bears interest at 1% per annum. Should the director's employment be terminated and determined by **HTC**, in its sole discretion, that he is not entitled to a severance payment, then the loan amount will immediately become due and payable and the outstanding amount shall bear interest from the due date, as a rate of 5% per annum. Subsequent to the Year, the loan, including interest, has been paid in full.

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 January 1, 2014 through December 31, 2018 and the weighted average exercise price:

	As at Dec. 31, 2018		As at Dec. 31, 2017	
	Options	**Avg. Price**	**Options**	**Avg. Price**
Outstanding, and exercisable, beginning of year	850,000	$0.14	2,250,000	$0.13
Expired options	(850,000)	$0.14	(1,400,000)	(0.13)
Outstanding and exercisable, end of period	-	$Nil	850,000	$0.14

Options issued on October 26, 2012 and November 26, 2012, expired on October 25, 2017 and November 25, 2017 respectively. The original valuation of the options of $36,000 (residual value of the consideration received and share trading value at the issuance date) originally recorded to contributed surplus has been reclassified to deficit.

On March 27, 2013 the Corporation issued 250,000 stock options with a fair market value of $97,724. These options expired March 26, 2018.

On April 4, 2013 the Corporation issued 350,000 stock options with a value of $47,250 These options expired April 3, 2018.

On May 3, 2013 the Corporation issued 250,000 stock options with a value of $33,750. These options expired May 2, 2018.

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, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's stock options.

Share purchase warrants	**As at Dec. 31, 2018**		**As at Dec. 31, 2017**	
	Warrants	**Avg. Price**	**Warrants**	**Avg. Price**
Outstanding and exercisable, beginning of year	4,250,000	$0.16	5,600,000	$0.20
Expired	(4,250,000)	(0.16)	(1,350,000)	(0.40)
Issued	2,104,546	0.11	-	-
Outstanding and exercisable, end of Period	2,104,546	$0.11	4,250,000	$0.16

On January 30, 2018, the Corporation issued 2,104,546 units. Each unit consists of one common share and one Warrant. Each Warrant entitles the holder to purchase one common share of **HTC** at $0.15 per common share until January 29, 2023.

The Black Scholes Option Pricing Model is used to estimate the fair value of warrants. The Corporation recognized a reduction to share capital and an increase in contributed surplus for warrants of $80,934. Warrants were estimated, based on the following assumptions:

Date Granted	January 30,2018
Number of options granted	2,104,546
Weighted average share price	$0.17
Risk free interest rate	1%
Expected dividend yield	NIL
Expected stock price volatility	7.18%
Expected option life in years	5
Estimated forfeiture before exercise	Unknown

Warrants issued on October 25, 2012, expired on October 24, 2017. The original valuation of the warrants of $108,000 (residual value of the consideration received and share trading value at the issuance date) originally recorded to contributed surplus has been reclassified to share capital. The total fair value of stock-based compensation expense on outstanding stock options and fair value of Warrants granted to directors, employees and consultants of the Corporation and through private placement as at December 31, 2018 was $80,394 (December 31, 2017 - $766,556).

On January 10, 2013 the Corporation issued 1,500,000 Warrants with a fair market value of $165,000. These Warrants expired January 9, 2018.

On May 1, 2013 the Corporation issued 750,000 warrants with a value of $123,750. These warrants expired on April 30, 2018.

On May 22, 2013 the Corporation issued 2,000,000 warrants with a value of $348,000. These Warrants expired on May 21, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions include transactions with corporate investors who have representation on the Corporation's Board. The revenue and costs recognized with such parties reflect the prices and terms of sales and purchase of transactions with related parties in accordance with normal trade practices.

During the Year, the Corporation paid $50,203 (December 31, 2017 - $30,097) for legal services from a law firm that a director is a partner of. As of December 31, 2018, there is an amount owing of $1,554 to the law firm (December 31, 2017 - $Nil).

HTC currently rents facilities on a month to month basis from KF Group of Companies ("**KFG**"). KFG is considered a related party through one of **HTC**'s directors. Total rent paid to KFG for the Year is $127,595 (December 31, 2017 - $129,269). As of December 31, 2018, there are no outstanding amounts owing to KFG (December 31, 2017 - $Nil).

KLE is considered a related party due to common directors and common management. The Corporation had an outstanding loan of $386,475 from KLE. KLE, due to financial difficulties, made a proposal to its creditors. Pursuant to the proposal $240,000 of **HTC**'s loans receivable was converted to 4,678,367 common shares and the remaining balance of $154,475 is payable by KLE, subject to the terms of a forbearance agreement (see below). On March 14, 2018, all required legal and regulatory approvals were obtained, the proposal closed, and common shares were issued. These common shares were restricted from trading until July 15, 2018.

The remaining loan balance from KLE in the amount of $154,475 is secured by a first charge on property of a third party (see Note 4).

EHR Enhanced Hydrocarbon Recovery Inc. ("**EHR**") is a subsidiary of KLE and is therefore considered a related party. **HTC** has subcontract expenses for the Year of $49,960 (December 31, 2017 - $Nil) owing to EHR. As of December 31, 2018, there is amounts owing of $3,150 (December 31, 2017- $Nil).

KF Kambeitz Land Corp. ("**Land Corp**") is considered a related party due to one common director. Land Corp has subcontracted support services from **HTC** during the Year of $3,000 (December 31, 2017 - $3,000). As of December 31, 2018, there are amounts owing to **Land Corp** of $833 (December 31, 2017 – $1,341). On October 1, 2018 **PLT** sold all its shares in KF Plant Elements Inc. to **Land Corp** at fair market value, for the total consideration of $4,460.

KF Group of Companies ("**KF Group**") is considered a related party due to one common director. KF Group has subcontracted support services from **HTC** during the Year for $4,750 (December 31, 2017 - $3,000). At December 31, 2018 there are amounts owing of $1,183 (December 31, 2017 - $833).

KF Kambeitz Farms Inc. ("**KF Farms**") is considered a related party due to one common director. KF Farms rents facilities on a month to month basis from **HTC. HTC** has rental income during the Year for $26,160. At December 31, 2018 there are amounts receivable of $2,321 (December 31, 2017 - $221). Monthly rent ceased in February 2019. KF Farms also purchased goods and services from **PLT** during the Year for $87,221. As of December 31, 2018, there are amounts receivable of $24,221 (December 31, 2017 – $Nil). **KF Farms** provided general contractor services in connection with the construction of **PLT** facilities of $1,158,363. At December 31, 2018, there are amounts payable of $1,101,529 (December 31, 2017 - $34,190).

PureWest Commodities Inc. ("**PW**") is considered a related party due to one common director. PW rents facilities from **HTC** on a month to month basis. **HTC** has rental income during the Year of $20,930 (December 31, 2017 - $15,230). At December 31, 2018 there are amounts receivable of $437 (December 31, 2017 – $1,809).

KF Aggregates Inc. is considered a related party due to one common director. During the Year KF Aggregates Inc. provided aggregate material and service for construction of facilities and roads at PLT in the amount of $916,465. At December 31, 2018 there are amounts payable to KF Aggregates Inc. of $222,539 (December 31, 2017 - $Nil).

Kambeitz Agri Inc. ("**KF Agri**") is considered a related party due to one common director. **PLT** incurred rental expenses from **KF Agri** during the Year of $38,250 and management services of $90,000 (December 31, 2017 - $Nil). At December 31, 2018, there are $Nil amounts payable to **KF Agri** (December 31, 2017 - $134,663).

These transactions were all conducted in the normal course of business, except the above transaction with KLE.

Also, see Related Party Transaction detail regarding share issuance to two directors of the Corporation, under the caption "Share Capital" above (Note 20 to the Financial Statements).

CRITICAL ACCOUNTING ESTIMATES

INTANGIBLE ASSETS

	Intangible assets subject to amortization
Cost	
Balance at Dec. 31, 2016	$3,019,236
Clear Change in Control	(161,636)
Adjustment for **Pinnacle** Disposition	(358,000)
Balance at Dec. 31, 2017	2,499,600
Adjustment for impairment	(1,400,000)
Balance at Dec. 31, 2018	**$1,099,600**
Accumulated amortization	
Amortization for 2016	$ 307,185
Balance at Dec. 31, 2016	853,339
Amortization for the Period	179,428
Adjustment for **Pinnacle** Disposition	(358,000)
Balance at Dec. 31, 2017	674,767
Amortization for the Period	233,307
Balance at Dec. 31, 2018	**$ 908,074**
Carrying amounts (by operating segment)	
At Dec. 31, 2016	$2,165,897
HTC Extraction Systems™	$ 341,064
At Dec. 31, 2017	1,824,833
HTC Extraction Systems™	233,307
Balance at Dec. 31, 2018	**$191,526**

Management performed an analysis of the existence of indicators of impairment for intangible assets as at December 31, 2018 and December 31, 2017. Management has determined that there was an impairment associated with one of the intangibles and has wrote off $1,400,000 brining the value of this intangible to $Nil.

OPERATING SEGMENTS:

The Corporation has two reportable operating segments: **HTC Extraction Systems™** and **Maxx**, of which there is a material non-controlling interest as described in Note 29 to the Financial Statements.

These operating segments are differentiated by the products and services that each produces. **HTC Extraction Systems™** provides products and services related to the clean energy and biomass industries**.**

Maxx provides consulting and logistical support for its subsidiary operations. The Corporation has developed a strategic initiative whereby the agri-infrastructure assets owned by **Maxx** subsidiary will be monetized moving forward and the proceeds of these transactions will be invested in the building, owning operating and maintaining of the **HTC** extraction and purification equipment and related technology.

December 31, 2018	**HTC Extraction Systems™**	**Maxx**	**Combined**
Sales	$ 84,500	$ 939,921	$ 1,024,421
Cost of sales	-	340,605	340,605
Commercialization, product development and administration	1,870,555	1,099,706	2,970,261
Amortization	360,183	696,816	1,056,999
Finance costs	5,084	-	5,084
Loss from commercial operations	$(2,151,322)	$ (1,197,206)	$(3,348,528)

December 31, 2017	**HTC Extraction Systems™**	**Maxx**	**Combined**
Sales	$66,923	$ 102,570	$169,493
Engineering, process design and services	100,000	-	100,000
Cost of sales	-	102,837	102,837
Engineering, process design and consulting costs	100,000	-	100,000
Commercialization, product development and administration	916,883	2,672,262	3,589,145
Research and development	21,000	-	21,000
Amortization	370,793	-	370,793
Finance cost	7,737	417,873	425,610
Loss from commercial operations	$(1,249,490)	$(3,090,402)	$(4,339,892)

December 31, 2018	**HTC Extraction Systems™**	**Maxx**	**Combined**
Cash	$ 511,854	$ 1,072,804	$ 1,584,658
Property and equipment	97,735	22,809,890	22,907,625
Intangibles	191,526	-	191,526
Total	$801,115	$23,882,694	$24,683,809

December 31, 2017	HTC Extraction Systems™	Maxx	Combined
Cash	$ 173,781	$ 985,676	$ 1,159,457
Property and equipment	130,952	12,706,923	12,837,875
Intangibles	1,824,833	-	1,824,833
Total	$2,129,566	$13,692,599	$15,822,165

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

The portion of net assets and net loss attributable to **Maxx** 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 Loss respectively, contained in the Financial Statements. Non-consolidated details of the revenue and expenses associated with **Maxx** (excluding Available-for-Sale Assets - Note 15 to the Financial Statements) are summarized in Note 29 to the Financial Statements. Additional information is as follows.

	December 31, 2018		December 31, 2017	
	Maxx	HTC	Maxx	HTC
Total Assets	$28,978,843	$34,070,462	$20,540,444	$27,222,061
Total Liabilities	$12,048,396	$12,267,387	$ 1,523,295	$ 1,761,889

DIRECTOR AND OFFICER COMPENSATION

The key management personnel of the Corporation consist of the executive officers, vice-presidents, other senior managers and members of the Board. Key management personnel also include those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Compensation for the Period was $400,000 (2017 - $394,000). During the Period, the Corporation paid director compensation in the amount of $3,000 (2017 - $3,500). In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans.

The Corporation has employment agreements with its Chairman and CEO, and with its Sr. Vice-President and CFO. Compensation is paid in accordance with the remuneration package agreed upon by the Corporation's Compensation Committee and the individuals respectively. This remuneration package is subject to periodic review and adjustment by the Compensation Committee, based on performance.

The terms of the agreement for the Chairman and CEO state that he shall receive upon termination of employment or in the event of a change of control, the equivalent of thirty-six months, plus one month for every year of service to a maximum of forty-eight months, in total compensation. The terms of the agreement for the Sr. Vice-President and CFO state that he shall receive upon termination of employment or in the event of a change of control, the equivalent of twenty-four months, plus one month for every year of service to a maximum of thirty-six months, in total compensation. The total compensation is calculated using the average for the twelve months prior to termination or change of control, alternatively the average since January 1, 2008, whichever amount is greater. This total compensation includes all benefits.

See Subsequent Events.

ADDITIONAL INFORMATION ON HTC

HTC invites you to review current and historical press releases and News Express releases. This material can be viewed on the Corporation's web site at www.**HTC**energy.com/news.html.

RISKS AND UNCERTAINTIES

Risks and uncertainties relate to dependence of CO_2 emitters being legislated or provided incentive, to adapt CO_2 capture technology and the price of oil for adoption of CO_2 EOR.

The preparation of the Financial Statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the Year.

Significant items subject to judgement, estimates and assumptions include: the carrying amounts of intangible assets, product development, underlying estimations of useful lives of depreciable assets, capitalization of interest, and the carrying amounts of accounts receivable, investments, fair value of financial instruments, and environmental remediation and contingent liabilities, if any.

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

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

Changes to Accounting Policies and Future Changes to Accounting Standards

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Corporation's financial statements, and that may have an impact on the disclosures and financial position of the Corporation, are disclosed below. The Corporation intends to adopt these standards and interpretations, if applicable, when they become effective.

Changes to Accounting Policies

The adoption of the following new standards, interpretations and amendments were included in the Financial Statements for the year beginning January 1, 2018.

IFRS 9:

Effective January 1, 2018, the Corporation adopted IFRS 9, which introduces new requirements for:

- the classification and measurement of financial assets and liabilities;
- the recognition and measurement of impairment of financial assets; and
- general hedge accounting.

In accordance with the transition provisions of the standard, the Corporation has elected to not restate prior periods. The impact of adopting IFRS 9 was recognized in the deficit at January 1, 2018. The Corporation had no impact of adopting IFRS 9 on the opening retained earnings.

IFRS 15:

The adoption of IFRS 15 does not have an impact on the consolidated statements of income or retained earnings as of January 1, 2018. The details of changes to the accounting policy of the Corporation related to revenue recognition are explained in accounting policies below.

The Corporation has adopted IFRS 15 *Revenue from Contracts with Customers* with an initial adoption date of Jan. 1, 2018. As a result, the Corporation has changed its accounting policy for revenue recognition, which is outlined below.

The Corporation has elected to adopt IFRS 15 retrospectively with the modified retrospective method of transition practical expedient. Comparative information has not been restated and is reported under IAS 18 Revenue (IAS 18).

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

- Rent revenues;
- Handling services revenues;
- Other revenues

Future Changes to accounting policies not yet adopted

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Corporation’s Financial Statements, and that may have an impact on the disclosures and financial position of the Corporation, are disclosed below. The Corporation is still evaluating the impact of adoption to this standard.

Leases:
In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 *Revenue from Contracts with Customers*. The Corporation plans to adopt IFRS 16 on January 1, 2019 and is currently assessing the potential impact of this adoption on the Corporation's financial statements. The Corporation is currently evaluating the potential impact.

CAPITAL DISCLOSURES

The Corporation defines its capital as its shareholders' equity and long-term debt. There are no restrictions on the Corporation's capital (Note 28 to the Financial Statements).

The Corporation's capital is summarized as follows:

	Dec. 31, 2018	**Dec. 31, 2017**
Shareholders' equity	$21,803,075	$25,460,172
Current portion of financing lease	142,092	108,930
Current portion of long- term debt	399,996	-
Financing leases	231,980	56,672
Long term debt	7,433,339	-
Balance	**$30,010,482**	**$25,625,774**

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.

FINANCIAL INSTRUMENTS

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 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, 2018	**< 1 year**	**1-2 years**	**3-5 years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$4,059,980	$ -	$ -	$ -	$ 4,059,980
Finance lease	141,664	85,863	146,548		374,075
Long term debt	399,996	399,996	1,199,988	5,833,355	7,833,335
Balance	**$4,601,640**	**$ 485,859**	**$1,346,536**	**$5,833,355**	**$12,267,390**

Dec. 31, 2017	**< 1 year**	**1-2 years**	**3-5 years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$1,300,170	$ -	$ -	$ -	$1,300,170
Finance lease	108,930	56,672	-	-	165,602
Balance	**$1,409,100**	**$ 56,672**	**$ -**	**$ -**	**$1,465,772**

Additional long-term debt of $4,000,000 was received and rolled into a banker's acceptance prior to Year end (see Note 19 to the Financial Statements) changing the amount due in less than a year, shown above.

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

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and term deposits and long-term debt. The Corporation mitigates exposure by attempting to match rates and terms to expected cash requirements, and through having majority of its revenues and expenses denominated in Canadian dollars. Interest risk associated with long-term loans is mitigated by arranging terms that extend for multiple years (see Note 19 to the Financial Statements). A 1% change in the prime interest rate would have a negligible impact on the Corporation's income.

Credit risk is the risk of financial loss if counterparty to a financial transaction fails to meet its obligations. The Corporation attempts to reduce such exposure to its cash and short-term deposits 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 contracts and by the nature of customers the Corporation deals with. At December 31, 2018, the Corporation had an allowance for doubtful accounts of $128,600 (December 31, 2017 - $128,000).

Due to project-based nature of the Corporation's operations, management considers accounts receivable outstanding less than 90 days 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, 2018 and December 31, 2017 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Dec. 31, 2018	$632,304	$60,205	$692,509
Aging of accounts receivable at Dec. 31, 2017	$11,001	$13,615	$24,616

COMMITMENTS AND CONTINGENCIES

The Corporation rents office facilities on a month to month basis under a lease agreement with a related party of the Corporation (see Note 26 to the Financial Statements), with minimum monthly rental payments of $9,475.

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

HTC's subsidiary **PLT** currently leases land for its facilities for $1,913 per month, per acre. **PLT** has been granted the exclusive option to purchase the land.

HTC's subsidiary **PLT** enters into Grain purchase contracts when product is delivered to the terminal. At the time of delivery, a price is set and 70 is paid to the producer. The remaining 30% is a commitment to pay the producer when the grain is sold. As at December 31, 2018 there was $458,433 potentially owing.

SUBSEQUENT EVENTS

a) <u>HTC CO_2 Systems</u>

HTC's subsidiary **HTC CO_2 Systems** lease payable was settled on January 17, 2019 for a total sum of $60,381.87. The **Delta Reclaimer®** System is a part of the **ClearGSI** transaction and as such, at December 31, 2018 the lease payable was classified as an available-for-sale liability.

b) <u>ClearGSI</u>

On January 22, 2019 **HTC** finalized the agreement between **HTC** and **ClearGSI** and its subsidiaries ("**Clear Agreement**"), in terms whereof: **ClearGSI** will pay all outstanding loans; purchase a reclaimer, centrifuge, control panel and all the issued and outstanding shares held by **HTC**; and the parties will mutually release each other from all claims arising out of or in relation to the control, operations or other matters respective to **ClearGSI**.

The total consideration for the Clear Agreement will be $2,050,000 payable in full at closing. The carrying costs for the transactions are reflected in the available-for-sale assets and liabilities.

c) <u>Share Issuance</u>

On January 22, 2019, the Corporation issued 6,250,000 units for $0.08. Each unit consists of one common share and one common share purchase warrant. These common shares were restricted from trading until May 23, 2019. Each warrant entitles the holder to purchase one common share of **HTC** at $0.11 per common share until January 21, 2024.

d) <u>Assist Shareholdings</u>

On January 8, 2019, **HTC** recovered a shareholder's loan from **Assist** in the amount of $437,964. As a result of the transaction **HTC**'s shareholding has been reduced from 45% to 12%.

e) <u>Severance Agreements</u>

On January 1, 2019, key management resigned activating their severance provisions under their employment agreements (also see Related Party Note 25 to the Financial Statements). Severance in the amount of $2,116,846 (including payout of unpaid vacation pay) will be payable over the 2019 and 2020 years. **HTC** has entered into 3 to 4 Year corporate management consulting agreements with the respective parties. Under the terms, **HTC** can terminate the agreement at any time.

<u>*Signed "Lionel Kambeitz"*</u>	<u>*Signed "Jeffrey Allison"*</u>
LIONEL KAMBEITZ	**JEFFREY ALLISON**
CHAIRMAN & CEO	**SR. VICE- PRESIDENT & CFO**

HTC PURENERGY INC.
'doing business as'
HTC PURENERGY

To the Shareholders of HTC Purenergy Inc. (the "Corporation")

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

The annual audited consolidated financial statements for the period ended December 31, 2018 ("**Period**") ("**Financial Statements**") have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis for the Period ("**MD&A**") and reflect the Corporation'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. Management has concluded that the Corporation's system of internal control over financial reporting was effective as at December 31, 2018.

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 filing of the Corporation's MD&A, Financial Statements, and attachments thereto. Based on our knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the period covered by the interim filings. Based on our knowledge, having exercised reasonable diligence, the Financial Statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, 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 "Jeffrey Allison"*
LIONEL KAMBEITZ	**JEFFREY ALLISON**
CHAIRMAN & CEO	**SR. VICE-PRESIDENT & CFO**

BOARD OF DIRECTORS
& SENIOR OFFICERS
Of the Corporation as at December 31, 2018

Directors:	Lionel Kambeitz, Regina, Saskatchewan, Jeffrey Allison, Calgary, Alberta Wayne Bernakevitch, Regina, Saskatchewan, Garth Fredrickson Regina, Saskatchewan.
Senior Officers:	Lionel Kambeitz, Chairman and CEO Jeffrey Allison, Sr. Vice-President & CFO
Committees of the Board of Directors:	Audit Committee Compensation Committee Nominating Committee
Members of Audit Committee:	Lionel Kambeitz, Garth Fredrickson and Wayne Bernakevitch
Members of Compensation Committee:	Jeffrey Allison and Wayne Bernakevitch
Members of Nominating Committee:	Jeffrey Allison and Wayne Bernakevitch

SHAREHOLDER INFORMATION

Stock exchange: TSX Venture Exchange Inc.

Stock symbol: **HTC**

Common Shares outstanding as of December 31, 2018: 32,413,741

Head office and Investor relations address:

HTC PURENERGY
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Fax: (306) 545-3262
E-mail: investorinfo@HTCenergy.com

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United States:
Bettendorf, Iowa

Registrar and Transfer Agent:
Computershare Trust Company of Canada
600, 530 - 8th Avenue S. W.
Calgary, Alberta T2P 3S8

Banks: **RBC, Scotiabank**

Auditors: **BDO Canada LLP**, Calgary, Alberta

Legal Counsel: **McDougall Gauley, Barristers and Solicitors**, Regina Saskatchewan
Border Ladner Gervais LLP, **Barristers and Solicitors**, Calgary Alberta
McKercher LLP Barristers & Solicitors, Regina Saskatchewan

Dividend policy:
No dividends have been paid on any common shares of the Corporation since the date of inception, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

Duplicate Communications:
Some shareholders may receive more than one copy of the annual report and proxy-related material. This is generally due to ownership of registered shares in addition to non-registered shares; holding shares in more than one account; or purchasing shares from more than one stock brokerage firm. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should notify the investor relations department at the above address.