



CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER  
ENDING SEPTEMBER 30, 2016

# Corporate Overview

In 2016 HTC Pureenergy Inc. is participating in two Industry Sectors – **Industrial and Energy Services** and **Clean Energy Technologies**.

INDUSTRIAL & ENERGY SERVICES	CLEAN ENERGY TECHNOLOGIES
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## To the Shareholders of HTC Pureenergy Inc.

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

The unaudited condensed consolidated interim financial statements for the period ending September 30, 2016 (“**Consolidated Financial Statements**”) have been prepared by management in accordance with International Financial Reporting Standards in Canada. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in management's discussion and analysis for the period ending September 30, 2016 (“**MD&A**”) and reflect **HTC Pureenergy Inc.** (“**HTC**” or the “**Corporation**”) 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 September 30, 2016.

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, Consolidated Financial Statements and attachments thereto. Based on our knowledge, having exercised reasonable diligence, these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the period covered by the interim filings. Based on our knowledge, having exercised reasonable diligence, the Consolidated Financial Statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, the financial performance and cash flows of the Corporation, as of the date of and for the periods presented in the interim filings.

Signed “Lionel Kambeitz”

**LIONEL KAMBEITZ**  
**CHAIRMAN & CEO**

Signed “Jeffrey Allison”

**JEFFREY ALLISON**  
**SR. VICE-PRESIDENT & CFO**

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

The condensed consolidated interim financial statements for the period ending September 30, 2016 have been prepared by management in accordance with the International Financial Reporting Standards and have not been reviewed by HTC Pureenergy Inc.'s Auditor.

*Signed "Lionel Kambeitz"*

**Lionel Kambeitz**  
**Chairman, CEO and Director**

**Consolidated Statement of Financial Position**

(In Canadian dollars)

	Note	Sept. 30, 2016	Dec. 31, 2015
<b>ASSETS</b>			
Current Assets:			
Cash		\$ 3,044,147	\$ 6,953,041
Accounts receivable	24	2,055,698	4,080,147
Other receivables	5	303,561	268,849
Government receivable		43,206	-
Investments available for sale	6	2,381,469	-
Inventory	7	3,431,589	4,373,212
Notes receivable	8	5,691,490	-
Prepaid expenses and other assets		122,785	73,657
Current portion of lease receivable	10	26,667	143,333
		17,100,612	15,892,239
Property, plant and equipment	9	2,393,825	2,708,288
Lease receivable	10	266,667	266,667
Product development	11	551,307	612,070
Investments	12	1,269,032	816,200
Patents	13	76,108	83,638
Goodwill and intangible assets	14	4,731,728	11,137,283
		\$26,389,279	\$31,516,385
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	24	\$ 1,547,031	\$ 9,312,287
Government remittances payable		-	206,615
Corporate tax payable		1,924	39,895
Operating line of credit	16	370,000	-
Current portion of financing lease	15	92,677	470,859
Current portion of long term debt	16	2,808	563,422
		2,014,440	10,593,078
Deferred tax liability	19	-	183,427
Financing lease	15	1,190,928	190,428
Long term debt	16	946,209	1,113,438
		4,151,577	12,080,371
Shareholders' Equity:			
Share capital	17	39,008,214	38,978,214
Contributed surplus	18	910,556	940,556
Retained deficit		(21,051,072)	(22,785,885)
Accumulated other comprehensive gain (loss)		381,504	(71,329)
Total equity attributable to shareholders of the Corporation		19,249,202	17,061,556
Total equity attributable to non-controlling interest		2,988,500	2,374,458
Total equity		22,237,702	19,436,014
Total liabilities and equity		\$26,389,279	\$31,516,385

See accompanying notes to the Consolidated Financial Statements

**Consolidated Statement of Profit (Loss)**  
 (In Canadian dollars except per share amounts)

For the nine-month period ended September 30	Note	2016	2015
Revenue:			
Sales		\$6,146,407	\$7,695,208
Engineering, process design & consulting		53,080	1,675,044
		6,199,487	9,370,252
Expenses:			
Cost of sales		3,933,280	4,966,390
Engineering and process design services		46,674	1,636,341
Commercialization, product development and administration		4,562,478	3,698,078
Amortization		531,565	372,611
Finance costs		73,268	50,383
		9,147,265	10,723,803
Income (loss) from commercial operations		(2,947,778)	(1,353,551)
Other income:			
Interest and other income		43,600	31,138
Loss from operations		(2,904,178)	(1,322,413)
Gain on disposal of assets		4,387,176	(575)
Income (loss) for the period before tax		1,482,998	(1,322,988)
Tax (recovery) provision	19	-	24,610
Income (loss) from continuing operations		1,482,998	(1,347,598)
Income from discontinued operations (2016 is net of tax provision)	27	865,765	2,510,709
Net income (loss) for the period		\$2,348,763	\$1,163,111
Income (loss) for the period attributable to:			
Shareholders of the Corporation		1,553,289	1,145,652
Non-controlling interest		795,474	17,459
Net income (loss) for the period		\$2,348,763	\$1,163,111
Earnings per share – basic		0.077	0.038
Earnings per share – fully diluted		0.062	0.030
Earnings per share from continuing operations – basic and diluted		(0.049)	(0.044)
Weighted average shares outstanding:			
Basic		30,309,195	30,309,195
Diluted		38,159,195	39,159,195

See accompanying notes to the Consolidated Financial Statements

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

For the nine-month period ended September 30	Note	2016	2015
<b>Net income(loss) for the period</b>		<b>2,348,763</b>	<b>1,163,111</b>
Other comprehensive gain (loss) for the period	12	452,833	(546,343)
<b>Total comprehensive income</b>		<b>\$2,801,596</b>	<b>\$616,768</b>
Total comprehensive income (loss) for the period attributable to:			
Shareholders of the Corporation		1,553,288	(1,724,065)
Non-controlling interest		795,474	(546,343)
<b>Net income (loss) for the period</b>		<b>\$2,348,763</b>	<b>(\$2,270,408)</b>

See accompanying notes to the Consolidated Financial Statements

**Consolidated Statement of Loss**  
 (In Canadian dollars except per share amounts)

For the three-month period ended September 30	Note	2016	2015
<b>Revenue:</b>			
Sales		\$2,247,907	\$2,293,083
Engineering, process design & consulting		21,000	62,897
		2,268,907	2,355,980
<b>Expenses:</b>			
Cost of sales		1,265,575	1,318,706
Engineering and process design services		25,761	102,949
Commercialization, product development and administration		1,328,244	1,058,569
Amortization		197,222	122,940
Finance costs		29,839	23,287
		2,846,641	2,626,451
Loss from commercial operations		(577,734)	(270,471)
<b>Other income:</b>			
Interest and other income		17,610	7,820
Loss from operations		(560,124)	(262,651)
Gain on disposal of assets		290,234	(575)
Loss for the period before tax		(269,890)	(263,226)
Tax (recovery) provision	19	10,989	(13,106)
Income (loss) from continuing operations		(280,879)	(276,332)
Income from discontinued operations (2016 is net of tax provision)		-	629,183
Net income (loss) for the period		\$(280,879)	\$352,851
<b>Income (loss) for the period attributable to:</b>			
Shareholders of the Corporation		\$(272,843)	\$ 335,392
Non-controlling interest		(8,036)	17,459
Net income (loss) for the period		\$(280,879)	\$ 352,851
Earnings per share – basic		(0.009)	0.012
Earnings per share – fully diluted		-	0.009
Earnings per share from continuing operations – basic and fully diluted		(0.009)	(0.023)
<b>Weighted average shares outstanding:</b>			
Basic		30,309,195	30,309,195
Diluted		38,159,195	39,159,195

See accompanying notes to the Consolidated Financial Statements



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

For the three-month period ended September 30	Note	2016	2015
<b>Net income(loss) for the period</b>		<b>(\$280,879)</b>	<b>\$352,851</b>
Other comprehensive gain (loss) for the period	12	27,122	(33,603)
<b>Total comprehensive income(loss)</b>		<b>(\$253,757)</b>	<b>\$319,248</b>

Total comprehensive income (loss) for the period attributable to:

Shareholders of the Corporation	\$(245,721)	\$ 335,392
Non-controlling interest	(8,036)	17,459
<b>Net income (loss) for the period</b>	<b>\$(253,757)</b>	<b>\$ 352,851</b>

See accompanying notes to the Consolidated Financial Statements

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

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Equity attributable to the shareholders		
					Other Comprehensive income	Non Controlling Interests	Total Equity
<b>Balance at Dec. 31, 2015</b>	<b>30,309,195</b>	<b>\$38,978,214</b>	<b>\$940,556</b>	<b>\$(22,785,885)</b>	<b>\$(71,329)</b>	<b>\$2,374,458</b>	<b>\$19,436,014</b>
Total Income (Loss)	-	-	-	1,553,289	-	795,474	2,348,763
Warrants expired	-	30,000	(30,000)	-	-	-	-
ClearGSI share issue	-	-	-	181,524	-	(181,524)	-
Other comprehensive gain/(loss)	-	-	-	-	452,833	-	452,833
Subsidiary Share issuance	-	-	-	-	-	92	92
<b>Balance Sept. 30, 2016</b>	<b>30,309,195</b>	<b>\$39,008,214</b>	<b>\$910,556</b>	<b>\$(21,051,072)</b>	<b>\$381,504</b>	<b>\$2,988,500</b>	<b>\$22,237,702</b>

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Equity attributable to the shareholders		
					Other Comprehensive income	Non Controlling Interests	Total Equity
<b>Balance at Dec 31, 2014</b>	<b>30,309,195</b>	<b>\$38,978,214</b>	<b>\$940,556</b>	<b>\$(20,560,325)</b>	<b>\$(1,724,065)</b>	<b>\$2,693,789</b>	<b>\$20,328,169</b>
Total Income (Loss)	-	-	-	1,145,652	-	17,459	1,163,111
Unrealized gain on sale of assets	-	-	-	-	(546,343)	-	(546,343)
<b>Balance Sept. 30, 2015</b>	<b>30,309,195</b>	<b>\$38,978,214</b>	<b>\$940,556</b>	<b>\$(19,414,673)</b>	<b>\$(2,270,408)</b>	<b>\$2,711,248</b>	<b>\$20,944,937</b>

See accompanying notes to Consolidated Financial Statements

## Consolidated Statement of Cash Flows (In Canadian dollars)

For the nine-month period ended September 30	Note	2016	2015
<b>Cash Flows from Operating Activities:</b>			
Net income		\$2,348,763	\$1,163,111
Items not affecting cash:			
Amortization		531,565	418,053
Gain on sale of assets		(4,387,176)	575
Income from discontinued operations		(865,765)	-
Change in working capital and other	21	(5,088,423)	1,297,384
		(7,461,036)	2,879,123
<b>Cash flows from investing activities:</b>			
Cash change in investments and loans receivable		(34,712)	57,288
Purchase of assets (net)		(412,818)	(134,813)
Capitalized development costs		-	(150,574)
Increase in Investments		(2,381,469)	-
Finance leases received during the period		116,666	31,250
Proceeds from sale of NuVision		6,000,000	-
		3,287,667	(196,849)
<b>Cash flows from financing activities:</b>			
Loans repaid during the period		(727,842)	328,858
Net increase in capital leases		622,317	477,676
Net increase in bank LOC		370,000	-
		264,475	806,534
Increase (decrease) in cash during the period		(3,908,894)	3,599,808
Cash – beginning of period		6,953,041	1,230,599
Cash – end of period		\$3,044,147	\$4,719,407
<b>Included in operating activities</b>			
Cash interest received		\$43,600	\$23,829
Cash interest paid		73,268	51,084
Corporate tax paid		37,971	7,348

See accompanying notes to the Consolidated Financial Statements

## Consolidated Statement of Cash Flows (In Canadian dollars)

For the three-month period ended September 30	Note	2016	2015
<b>Cash Flows from Operating Activities:</b>			
Net income		\$ (280,879)	\$352,851
Items not affecting cash:			
Amortization		197,222	137,786
Gain on sale of assets		(290,234)	575
Deferred tax expense		10,989	-
Change in working capital and other		(953,475)	(122,988)
		(1,316,377)	368,244
<b>Cash flows from investing activities:</b>			
Cash change in investments and loans receivable		642,694	24,934
Purchase of assets (net)		(159,373)	(14,487)
Increase in Investments available for sale		(2,381,469)	
Capitalized development costs		-	(2,345)
Finance leases received during the period		26,666	31,250
		(1,871,482)	(39,352)
<b>Cash flows from financing activities:</b>			
Loans repaid during the period		(390,676)	(43,474)
Net increase (decrease) in capital leases		(88,540)	454,802
Net increase in bank LOC		275,000	-
		(204,216)	411,428
Increase (decrease) in cash during the period		(3,392,075)	819,004
Cash – beginning of period		6,436,222	3,900,403
Cash – end of period		\$3,044,147	\$4,719,407
<b>Included in operating activities</b>			
Cash interest received		17,610	4,957
Cash interest paid		29,839	16,264
Corporate tax paid		13,811	5,178

See accompanying notes to the Consolidated Financial Statements

## Notes to the Consolidated Financial Statements

Unaudited for the nine months ended September 30, 2016 and 2015

### 1. Operations:

**HTC Pureenergy Inc.** (“**HTC**” or “**Corporation**”) is incorporated under the *Business Corporations Act* (Alberta) and is located at #002-2305 Victoria Avenue, Regina, Saskatchewan, Canada. These unaudited condensed consolidated interim financial statements for the period ending September 30, 2016 (“**Consolidated Financial Statements**”) include the accounts of the Corporation and its wholly owned subsidiary companies. All intercompany balances, transactions and unrealized profits and losses are eliminated on consolidation.

With the exception of **HTC’s** subsidiaries, Maxx Group of Companies Corp. (“**Maxx**”) and Clear Glycol & Solvents Inc. (formerly Delta Purification Corp.), **HTC** and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to CO<sub>2</sub> capture and CO<sub>2</sub> solvent recovery.

**Maxx** and its subsidiaries provide energy products and services for oil field drilling, completion and production.

**Clear Glycol & Solvents Inc.** (“**ClearGSI**”) and its subsidiaries provide recycled glycol and solvent products and services for a wide range of industries including oil, gas processing, mining, aviation and agriculture.

### 2. Basis of Presentation:

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

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

These Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Consolidated Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements as at and for the year ended December 31, 2015.

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

These Consolidated Financial Statements were authorized by the audit committee of the board of directors for issue and approved by the Corporation's board of directors ("**Board**") on November 23, 2016.

***b) Comparative Amounts***

Comparative amounts have been restated to conform to the present basis of presentation.

***c) Functional Currency***

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

***d) Use of Estimates and Judgment***

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

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

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

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

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

**Investments classification:**

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

**Business Combinations:**

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of acquired assets, liabilities, goodwill and intangibles changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future net income can be affected as a result of changes in asset impairment.

**Asset Impairment:**

The carrying amounts of the Corporation's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Corporation's most significant estimates and assumptions involve values associated with product development costs, 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 cash generating units. At least annually, the carrying value of goodwill is reviewed for potential impairment. Among other things, this review considers the fair value of the cash-generating units based on discounted estimated future cash flows or other information about the fair values. This review involves significant estimation uncertainty, which could affect the Corporation's future results if the current estimates of future performance and fair values change.

**Classification of Financial Instruments:**

The Corporation classifies its financial instruments into one of the following categories: held for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. Classification requires management to exercise judgment

based on available information and in the context of the prescribed accounting policies.

**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. Identification and evaluation of provisions is subject to judgment and estimates.

**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.

**Revenue Recognition:**

Revenues from contracts for product and engineering development services is recognized on achieving defined milestones agreed with the customer under the contract. Management monitors the progress achieved against these milestones and considers that milestones represent actual proportionate work performed on the contracts. Accordingly, the revenues and costs for these contracts are recognized at the time milestone bills are sent to the customers. Changes in management's estimated costs to complete a contract may result in an adjustment to previously recognized revenues.

**Utilization of Tax Losses:**

Due to current circumstances, there is no immediate expectation for utilization of losses based on prior year's results.

**Contingencies:**

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



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

**e) Basis of Measurement**

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value through profit and loss as described in Note 3. The methods used to measure fair values are discussed in Note 20.

**3. Significant Accounting Policies:**

There were no new or amended accounting standards adopted by the Corporation for the nine-month period ending September 30, 2016 (“**Period**”).

**Cash Equivalents**

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 a cash equivalent and so has disclosed cash.

**Basis of Consolidation**

**a) Subsidiaries**

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

**b) Transactions Eliminated on Consolidation**

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Consolidated 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 Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries. As at September 30 2016, wholly owned subsidiaries include **101079353 Saskatchewan Ltd, HTC CO<sub>2</sub> Systems Corp.** (“**HTC CO<sub>2</sub> Systems**”), **Carbon Rx Inc., CO<sub>2</sub> Technologies Pty Ltd., ClearGSI** and **Maxx**. **Maxx** owns the following subsidiaries: 101059035 Saskatchewan Ltd. doing business as Pinnacle Industrial Services (“**Pinnacle**”), and SteelBlast Coatings and Painting Inc. (collectively referred to as the “**Maxx Group**”). **Maxx** operations are based in Alberta and Saskatchewan. **ClearGSI** owns the following subsidiaries: 1235014 Alberta Ltd. doing business as Valhalla Filtration 2006 (“**Valhalla**”) and Clear Glycol Inc. (“**Clear**”). **ClearGSI** operations are based in Alberta, Manitoba, British

Columbia and Saskatchewan. The Corporation has accounted for the business combinations using the acquisition method of accounting.

#### **Available for sale investments**

**HTC** accounts for its investment in Maxx Chenglin Energy Products and Services Ltd. (“**MCEPS**”), a private company, as available for sale investment due to contractual restrictions on shares. **HTC** effectively owns directly and indirectly 22% of MCEPS (2015 – 22%).

#### **Foreign Currency Translation**

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

#### **Inventory**

Inventory is comprised of completed product as well as work in progress including materials, services, labor and related overhead associated with projects in progress. Inventory is valued at the lower of cost and net realizable value using the specific identification method.

#### **Property, Plant and Equipment**

Property plant and equipment is recorded at cost and depreciated over its useful life at a rate of 30% on a declining balance basis except for leasehold improvements (3 years straight line). Manufacturing property and equipment are amortized on a straight line basis as follows: Vehicles - 3 to 5 years; leaseholds, office equipment and buildings - 5 years; and shop equipment - 10 years. The amortization period requires estimation of the useful life of the asset and its salvage and residual value. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### **Impairment of Assets**

##### **a) Financial Assets**

The Corporation assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows,

such as changes in arrears or economic conditions that correlate with defaults. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

***b) Non-Financial and Intangible Assets***

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

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets' estimated fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (CGU).

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 depreciation 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, 2015. The discount rate used to determine the present value reflects current market assessments of the time value of money. The Corporation performs evaluations to identify onerous contracts and where applicable, records provisions for such contracts.

**Financial instruments**

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other financial liabilities. All financial instruments are measured at fair value

on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments, except for held-for-trading instruments, in which case the transaction costs are expensed as incurred. Measurement in subsequent periods is based on the classification of the financial instrument.

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest rate method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Where the fair value of financial assets that are equity instruments is not determinable, because there is no active market for the instrument, the asset is carried at cost and tested annually for impairment.

Financial instruments	Classification	Measurement
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available for sale	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

### Patents

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

### Intangible Assets

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

Intangible assets, not subject to amortization, are tested annually for impairment, and any impairment identified is charged to earnings as identified.

### Research and Development

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

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

**Goodwill**

The excess of the purchase price over the fair market value of identifiable assets acquired and liabilities assumed is recognized as goodwill. Goodwill is assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The assessment of impairment is based on estimated fair market values derived from certain valuation models, which may consider various factors such as estimated future earnings, terminal values and discount rates.

An impairment loss, if any, is recognized to the extent that the carrying amount of goodwill relating to certain acquired assets exceeded its estimated market value. As at December 31, 2015, the date of the last impairment test, there has been no further impairment of goodwill. The impairment test of goodwill involves significant estimates and judgement based on the information available to management at the date of the impairment test. Should these assumptions and estimates be incorrect, the carrying value of goodwill may differ from the amount recorded by a material amount.

**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 over the vesting period with a corresponding increase to contributed surplus.

The Corporation issues shares and share options under its share-based compensation plans as described in Note 17. 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**

Revenues from contracts for product and engineering development services is recognized on achieving defined milestones agreed with the customer under the contract. Management monitors the progress achieved against these milestones and considers that milestones represent actual proportionate work performed on the contracts. Accordingly, the revenues and costs for these contracts are recognized at the time milestone bills are sent to the customers.

Revenue from product sales are recognized when risks and rewards of ownership are transferred to the customer and the amount of revenue can be measured reliably.

Interest revenue is recorded when earned.

### **Government Grants and Bursaries**

Government assistance and investment tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in the statement of operations, as determined by the terms and conditions of the agreements under which the assistance is provided to the Corporation or the nature of the expenditures which gave rise to the credits unless repayable conditions or terms are attached, in which case they are recorded separately. Government assistance and investment tax credit receivables are recorded when their receipt is reasonably assured.

### **Income Taxes**

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

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

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

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

## **Changes to Accounting Policies and Future Changes to Accounting Standards**

### **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 Consolidated 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.

**Revenue from Contracts with Customers:**

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently assessing the impact of this standard.

**Financial Instruments: Recognition and Measurement:**

In July 2014, IFRS 9, *Financial Instruments* was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently assessing the impact of 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.

#### 4. Business acquisition

On October 31, 2015, **ClearGSI** acquired 100% of **Valhalla** for consideration of \$563,000 paid by way of promissory note due by October 31, 2016. These promissory notes are unsecured and carry no interest. The outstanding balance has been included in "Accounts payable accrued liabilities" in the statement of financial position.

On December 31, 2015, **ClearGSI** acquired 100% of **Clear** for consideration of \$1,000,000 paid by way of promissory note due by December 31, 2016. These promissory notes are secured by ClearGSI Class A shares owned by the Corporation, but carry no interest. The outstanding balance has been included in "Accounts payable accrued liabilities" in the statement of financial position.

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

	<b>Valhalla</b>	<b>Clear</b>
Acquisition date	October 31, 2015	December 31, 2015
Purchase price	\$563,000	\$1,000,000
Fair value of assets & liabilities acquired:		
Current Assets	\$369,912	\$499,790
Property Plant & Equipment	368,071	710,680
Investment	10,000	-
Intangible Assets	-	161,636
Current Liabilities	(134,868)	(238,795)
Deferred Tax Liabilities	<u>(50,115)</u>	<u>(133,311)</u>
	<u>\$563,000</u>	<u>\$1,000,000</u>

The Corporation acquired cash of \$196,755 on these acquisitions as follows:

<b>Valhalla</b> acquisition	\$133,933
<b>Clear</b> acquisition	\$62,822
	<b>\$196,755</b>

On June 1, 2016, ClearGSI issued 92 Class A common voting shares for consideration of \$92 diluting HTC's interest to 52% of the outstanding stock and resulting in the transfer of \$181,524 ClearGSI deficit to the none controlling interest.

## 5. Other receivables

	<b>Sept. 30, 2016</b>	<b>Dec. 31, 2015</b>
Loan to related party	\$252,329	\$242,307
Other receivables	51,232	26,542
	<u>\$303,561</u>	<u>\$268,849</u>

Loan to related party represents short-term loan to Kingsland Energy Corp. bearing interest at 6%. The loan is secured with a first charge on property of the third party.

## 6. Investments available for sale

The Corporation has invested funds in an investment portfolio with RBC Dominion Securities Inc. The Corporation has classified these shares as available-for-sale at fair value. The shares have been recorded at their trading price based on September 30, 2016, quoted prices obtained from over the counter exchanges.



## 7. Inventory

	Sept. 30, 2016	Dec. 31, 2015
Work in progress	\$ 548,068	\$ 582,408
Materials and supplies	2,259,898	3,380,584
Finished goods	623,623	410,220
	<b>\$3,431,589</b>	<b>\$4,373,212</b>

During the Period, changes in work in progress, materials, supplies and finished goods recognized as cost of sales amounted to \$3,933,280 (2015 - \$19,536,548). There were no adjustments for net realizable value or obsolescence during the Period or for the year ending December 31, 2015.

## 8. Note Receivable:

On April 1 2016, Maxx sold a subsidiary named NuVision Industrial Services Inc. (“NuVision”) (see Note 26). \$6,000,000 of the proceeds of the sale are to be paid by way of a note for product and services provided by AG Growth International Inc. As at September 30, 2016 the balance is \$5,691,490.

## 9. Property, plant and equipment:

	Equipment	Leaseholds	Vehicles	Buildings	Total
<b>Carrying amount Dec 31, 2015</b>	<b>\$1,812,734</b>	<b>\$157,886</b>	<b>\$696,442</b>	<b>\$41,226</b>	<b>\$2,708,288</b>
Additions (Disposals)	221,669	-	328,880	-	550,549
Amortization	(220,976)	(13,929)	(133,901)	(6,337)	(375,143)
Disposition of subsidiary assets	(132,958)	(78,611)	(278,300)	-	(489,869)
Reclassification adjustment	73,618	(135)	(73,483)	-	-
<b>Carrying amount Sept. 30, 2016</b>	<b>\$1,754,087</b>	<b>\$65,211</b>	<b>\$539,638</b>	<b>\$34,889</b>	<b>\$2,393,825</b>

### Balance Sept. 30, 2016 is comprised of:

Cost	3,132,172	299,677	878,817	88,885	4,399,551
Accumulated Amortization	(1,378,085)	(234,466)	(339,179)	(53,996)	(2,005,726)
<b>Carrying Amount</b>	<b>\$1,754,087</b>	<b>\$65,211</b>	<b>\$539,638</b>	<b>\$34,889</b>	<b>\$2,393,825</b>

<b>Carrying amount Dec 31, 2014</b>	<b>\$1,235,106</b>	<b>\$227,864</b>	<b>\$329,669</b>	<b>\$3,000</b>	<b>\$1,795,639</b>
Additions	924,295	-	581,934	41,381	1,547,610
Disposals	(153,904)	(44,727)	(222,889)	(6,000)	(427,520)
Amortization	(192,763)	(25,251)	7,728	2,845	(207,441)
<b>Carrying amount Dec. 31, 2015</b>	<b>\$1,812,734</b>	<b>\$157,886</b>	<b>\$696,442</b>	<b>\$41,226</b>	<b>\$2,708,288</b>

### Balance Dec. 31, 2015 is comprised of:

Cost	\$3,039,584	\$369,233	\$925,815	\$ 54,711	\$4,389,343
Accumulated Amortization	(1,226,850)	(211,347)	(229,373)	(13,485)	(1,681,055)
<b>Carrying Amount</b>	<b>\$1,812,734</b>	<b>\$157,886</b>	<b>\$696,442</b>	<b>\$41,226</b>	<b>\$2,708,288</b>

As a result of the sale of NuVision, assets relating to this subsidiary have been removed (see Note 26). As a result of the disposition, certain assets were reclassified to consider the remaining asset classifications.

### 10. Lease receivables:

	Sept. 30, 2016	Dec. 31, 2015
Delta Reclaimer lease bearing no interest, receivable in monthly payments of \$15,000 for the first 12 months and \$8,889 thereafter. The lease matures July 6, 2019 and is secured by specific equipment.	\$293,333	\$410,000
Current portion	(26,667)	(143,333)
	\$266,666	\$266,667

Future minimum financing lease payments receivable are approximately:

2016	\$ 26,666
2017	106,667
2018	106,667
2019	53,333
<b>Total</b>	<b>\$ 293,333</b>

### 11. Product development:

Product development costs represent costs incurred to date in connection with the design and construction of the CCS Pureenergy<sup>®</sup> 1000, the **HTC** Delta Reclaimer System<sup>™</sup> (“**Delta Reclaimer**”), and the CCS FEEDengine<sup>®</sup>. Amortization of these costs commence once the development is substantially complete.

	Sept. 30, 2016	Dec. 31, 2015
<b>HTC</b> Delta Reclaimer System <sup>™</sup>	\$ 278,792	\$ 278,792
Amortization	<u>(23,064)</u>	<u>(8,237)</u>
	255,728	270,555
LCDesign <sup>™</sup> CCS	430,096	429,566
Amortization	<u>(227,563)</u>	<u>(195,054)</u>
	202,533	234,512
PDOengine <sup>™</sup>	186,092	186,092
Amortization	<u>(93,046)</u>	<u>(79,089)</u>
	93,046	107,003
Total product development costs	\$ 551,307	\$ 612,070

In 2015, the Corporation sold its Delta Reclaimer pilot plant for a price of \$500,000 and started amortizing the remaining balance of the reclaimer from July 2015.

## 12. Investments:

	Sept. 30, 2016	Dec. 31, 2015
Share Investments (a)	\$ 280,000	\$280,000
Share Investments (b)	10,000	10,000
Share Investments (c)	284,000	284,000
Share Investments (d)	695,032	242,200
	\$1,296,032	\$816,200

- a) As of December 31, 2015, HTC's effective direct and indirect interest in MCEPS was 22% (2014 – 50%). The Corporation accounts for its interest in MCEPS as an available for sale investment due to contractual restrictions on shares.
- b) On October 31, 2015, the Corporation acquired **Valhalla** which has investments in Black Spur Oil Corp. for 20,000 common shares. The Corporation has classified these shares as available-for-sale.
- c) On January 29, 2013, the Corporation acquired 6 million common shares in Kingsland Energy Corp. ("**KLE**"). On November 27, 2013, the Corporation acquired an additional 1,100,000 KLE common shares. The shares have been recorded at their trading price at September 30, 2016 (December 31, 2015) based on September 30, 2016 (December 31, 2015) quoted prices obtained from the TSX Venture Exchange Inc.

Due to current conditions in oil and gas industry, management considers that decrease in fair value represents impairment and has therefore, recycled the cumulative gain/loss previously recognized in "Other Comprehensive Income" to the consolidated statement of loss. A cumulative amount of \$2,120,500 has been recognized as impairment in the consolidated statement of loss as at December 31, 2015.

- d) On December 4, 2008 **HTC** acquired 2,500,000 shares in EESTech Inc. The Corporation has classified these shares as available-for-sale at fair value through other comprehensive income. The shares have been recorded at their trading price at September 30, 2016 (December 31, 2015) based on September 30, 2016, (December 31, 2015) quoted prices obtained from over the counter exchanges.

**13. Patents:**

	Cost	Accumulated amortization	Net book value
Carrying Value Dec. 31, 2015	\$150,610	\$66,972	\$83,638
Amortization	-	7,530	7,530
Carrying Value Sept. 30, 2016	\$150,610	\$74,502	\$76,108

	Cost	Accumulated amortization	Net book value
Carrying Value Dec. 31, 2014	\$150,610	\$56,931	\$93,679
Amortization	-	10,041	10,041
Carrying Value Dec. 31, 2015	\$150,610	\$66,972	\$83,638

**14. Goodwill and intangible assets:**

Goodwill impairment is tested at the operating segment level and is determined based on the carrying value of goodwill exceeding the operating segment's recoverable amount. The recoverable amount is the higher of fair value less cost to sell ("FVLCS") and value in use ("VIU"). If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the operating segment.

For the determination of recoverable amount of the **Maxx** operating segment, the Corporation has used the actual base price at which one of the CGU was sold subsequent to the 2015 year end (see Note 26) and the discounted cash flow for 5 years for the other CGU within the operating segment. The calculation of discounted cash flow value was based on the following key assumptions:

- Cash flows were projected over 5 years based on experience, actual operating results and the operational plan for the year ended December 31, 2015 (the "Year"). Cash flows were projected using a growth rate of 0%.
- Pre-tax discount rate of 25% has been used which reflects the size, risk profile and circumstance in which CGU is being operated.

	Goodwill	Intangible assets subject to amortization	Total
<b>Cost</b>			
Balance at Dec. 31, 2014	\$8,664,201	\$4,429,582	\$13,093,783
Additions	-	2,161,636	2,161,636
Balance at Dec. 31, 2015	\$8,664,201	\$6,591,218	\$15,255,419
Disposal of NuVision (see Note 26)	(6,320,166)	-	(6,320,166)
<b>Balance at Sept. 30, 2016</b>	<b>\$2,344,035</b>	<b>\$6,591,218</b>	<b>\$8,935,253</b>

<b>Accumulated amortization</b>				
Balance at Dec. 31, 2014	\$	-	\$4,023,429	\$4,023,429
Amortization for 2015		-	94,707	94,707
Balance at Dec. 31, 2015	\$	-	\$4,118,136	\$4,118,136
Amortization for the period		-	85,389	85,389
<b>Balance at Sept. 30, 2016</b>	<b>\$</b>	<b>-</b>	<b>\$4,203,525</b>	<b>\$4,203,525</b>
<b>Carrying amounts (by operating segment)</b>				
<b>HTC CO<sub>2</sub> Systems</b>	\$	-	\$2,453,082	\$2,453,082
<b>Maxx</b>		8,664,201	20,000	8,684,201
<b>At Dec. 31, 2015</b>		<b>\$8,664,201</b>	<b>\$2,473,082</b>	<b>\$11,137,283</b>
<b>HTC CO<sub>2</sub> Systems</b>	\$	-	\$2,387,693	\$2,387,693
<b>Maxx</b>		2,344,035	-	2,344,035
<b>At Sept. 30, 2016</b>		<b>\$2,344,035</b>	<b>\$2,387,693</b>	<b>\$4,731,728</b>

Goodwill and intangible assets were recorded on acquisition of the subsidiaries. IFRS requires identifiable intangible assets that meet recognition criteria be identified, valued and disclosed separately from goodwill. Items giving rise to intangibles and related goodwill include, but are not limited to: intellectual property (i.e. rights to provisional patents, technology rights software rights), contractual rights with advantageous conditions, human resources (i.e. research teams, project management, patent resources), branding, name recognition related items (literature, data base, videos, domain names, etc.) and various other items. Goodwill comprises the difference between the purchase price of the respective subsidiary and identifiable net tangible and intangible assets. Goodwill has been allocated to **Maxx** Group operating segment and has been tested for impairment at the operating segment level.

Management performed an analysis of the carrying value of its goodwill and intangible assets as at December 31, 2015, according to its policy as set out in Note 3. In respect to the Year, management evaluated goodwill and intangibles under the same criteria, but adjusted for operational, legislative and business conditions that changed during the Year.

During the 2015 year, the Corporation acquired shares of **CO<sub>2</sub> Technologies Pty Ltd.** back from MCEPS at value of \$ 2 million. Given the fact the **CO<sub>2</sub> Technologies Pty Ltd.** has no input, processes and output and the only item in the company is an intangible asset, the acquisition has been accounted for as an asset acquisition. This addition has been presented as part of total additions of \$ 2,161,636 in 2015.

Amortization in the amount of \$85,389 in September 30, 2016 (September 30, 2015 - \$71,030) has been included in the Consolidated Statement of Loss under the caption Amortization.

**15. Financing Lease:**

	Sept. 30, 2016	Dec. 31, 2015
Royal Bank of Canada lease bearing interest at 4.56% per annum, repayable in monthly blended payments of \$16,500 to July 2016 at which time payments were reduced to \$9,501 per month for the remainder of the lease. The lease matures February 2020 and is secured by specific equipment.	\$295,235	\$411,143
Royal Bank of Canada lease bearing interest at 4.53% per annum, repayable in monthly blended payments of \$5,818. The lease matures December 20, 2019 and is secured by specific equipment.	205,611	250,144
Royal Bank of Canada lease bearing interest at 4.44% per annum, repayable in monthly blended payments of \$19,066. The lease matures February 11, 2020 and is secured by specific equipment.	782,759	-
Principal balance	1,283,605	661,287
Current portion	(92,677)	(470,859)
	<b>\$1,190,928</b>	<b>\$190,428</b>

Future minimum financing lease payments are approximately:

2016	\$103,157
2017	412,637
2018	412,637
2019	362,619
2020	59,108
Total future minimum lease payments	1,350,158
Less: Future financing charges	(159,230)
Principal balance	1,190,928
Current portion	(92,677)
	<b>\$1,098,250</b>

**16. Long Term Debt:**

All amounts in Canadian Dollars	Sept. 30, 2016	Dec. 31, 2015
Business Development Bank: \$2,811 per month plus interest at a variable rate of approximately 6% with interest only payments for the months of August 2016 to January 2017, maturing February 15, 2022. Secured by a general assignment of a subsidiary's equipment.	\$171,471	\$191,148

Business Development Bank: \$1,207 per month plus interest at a variable rate of approximately 6% with interest only payments for the months of August 2016 to January 2017, maturing February 15, 2022. Secured by a general assignment of a subsidiary's equipment.	73,627	82,076
Business Development Bank: \$2,990 per month plus interest at variable rate of approximately 6% with interest only payments for the months of August 2016 to January 2017, maturing February 15, 2024. Secured by a general assignment of a subsidiary's equipment.	230,796	251,726
Business Development Bank: \$7,450 per month plus interest at variable rate of approximately 6% with interest only payments for the months of August 2016 to January 2017, maturing October 15, 2020. Secured by a general assignment of a subsidiary's equipment.	334,750	387,400
Loan payable with no fixed terms of repayment (\$233,333 in 2015) this is not expected to be paid in the next year, bearing interest at 4%. Secured by MCEPS shares.	100,000	466,667
Loan payable over three years with no fixed monthly payment and expected minimum annual payment of \$100,000, bearing interest at 4%. Secured by MCEPS shares.	-	200,000
Loan payable \$3,438 per month plus interest at interest rate of approximately 5% maturing December 15, 2017. Secured by general security agreement.	-	82,500
Vehicle loan payable with blended payments of \$1,582 per month at interest rate of approximately 7% maturing October 1, 2016	-	15,343
Vehicle loan payable with principle payments of \$936 per month with 0% interest rate maturing February 1, 2020	38,373	-
	949,017	1,676,860
Current Portion	(2,808)	(563,422)
	\$946,209	\$1,113,438

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

2016	\$2,808
2017	284,727
2018	184,727
2019	184,727
2020	115,768
Thereafter	<u>176,260</u>
<b>Total</b>	<b>\$949,017</b>

The Corporation has a bank line of credit available through its subsidiaries in the amount of \$2,500,000 at an interest rate ranging between 3.7% - 4.1% due on demand. As of September 30, 2016, the line of credit has been drawn by \$370,000.

### 17. Share capital:

At September 30, 2016 and December 31, 2015, the Corporation had authorized an unlimited number of common shares and an unlimited number of preferred shares without par value.

Common Shares	As at Sept. 30, 2016		As at Dec. 31, 2015	
	Number	Amount	Number	Amount
Balance, beginning of period	30,309,195	\$38,978,214	30,309,195	\$38,978,214
Expired warrants (see Note 18)	-	30,000	-	-
Balance, end of period	30,309,195	\$39,008,214	30,309,195	\$38,978,214

### 18. Stock options and warrants:

The Corporation has a stock option plan for directors, officers, employees and consultants providing for the issuance of options to acquire up to ten percent of the issued and outstanding common shares of the Corporation. The following table reflects the stock option activity from January 1, 2014 through September 30, 2016 and the weighted average exercise price:

	As at Sept. 30, 2016		As at Dec. 31, 2015	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of year	7,850,000	\$0.15	7,850,000	\$0.15
Outstanding and exercisable, end of period	7,850,000	\$0.15	7,850,000	\$0.15



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.

On June 5, 2014, the Corporation issued 2 million common shares at a price of \$0.25 and 1 million warrants with an exercise price of \$0.40, pursuant to a private placement. These warrants expired on June 4, 2016. Warrants issued on June 5, 2014 resulted in \$30,000 (residual value of the consideration received and share trading value at the issuance date) being classified as contributed surplus and has been reversed in the Period. The total fair value of stock based compensation expense on outstanding stock options and warrants granted to directors, employees and consultants of the Corporation and through private placement as at September 30, 2016 was \$910,556 (December 31, 2015 \$940,556).

#### 19. Provision for income taxes:

The Corporation is in a loss position and does not make adjustments to its income tax note on an interim basis. Carry forward amounts and adjustments will be restated to consider the impact of the disposition of NuVision at year end.

Tax positions showing on the Consolidated Financial Statement are a result of provisions made for **Maxx** operations and are estimates based on income to December 31, 2015 using a rate of 27% (2014 - 27%).

Income tax provision (recovery) differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rate of 27% (2014 – 27%) for the following reasons:

As at December 31	2015	2014
Computed income tax recovery	\$ (685,481)	\$ (96,486)
Increase (reduction) attributable to:		
Goodwill and other non-deductible expenses including unutilized tax pools	659,975	1,231,290
Adjustment of net future tax assets for enacted changes in tax laws and rates and other differences:	(25,506)	1,134,804
Change in unrecognized deferred tax asset	31,579	(1,127,437)
	\$ 6,072	\$ 7,367

The Corporation's current expenditures on SR&ED are potentially eligible for a Federal tax credit of 20% and a Saskatchewan tax credit of 15%. As at December 31, 2015 the Corporation had an anticipated balance of approximately \$163,074 (2014: \$211,081) of tax credits available to reduce future year taxes (expiring December 31, 2015 to 2031). The amounts of tax credits ultimately received by the Corporation are subject to review by the Canada Revenue Agency and the Saskatchewan Minister of Finance for technical and financial aspects of the tax credit claims.

Deferred income taxes reflect temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the deferred income tax assets and liabilities are as follows:

	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ (171,549)	\$ 99,436
Investments	1,558,538	422,459
Intangible assets	(192,679)	396,692
Non-capital losses	1,668,434	1,975,736
Valuation allowance	(2,862,744)	(2,894,323)
	<u>\$ -</u>	<u>\$ -</u>

Deferred taxes liabilities represent temporary differences arising from fair market value increases resulting through the consolidation of **Valhalla** and **Clear**. The Deferred tax liabilities will be decreased as these fair market value gains are amortized. Deferred Liability amounts have been reversed due to the restructuring of assets via RBC leasing facility. The amount cannot be offset against deferred tax liabilities above as they relate to the specific acquisitions.

## 20. Financial instruments:

### Fair Value

The Corporation's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, other receivables, bank line of credit, accounts payable and accrued liabilities, long term debt and available-for-sale investments. The fair values of cash, short term deposits, accounts receivable, bank line of credit, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments. The fair value of other receivables approximates their carrying value as the terms and conditions of this loan (interest and collaterals) approximate the market conditions.

The fair value of available-for-sale investments, other than those carried at cost, is based on prices quoted on various exchanges. The fair value of investment in MCEPS is determined based on the price used in a recent transaction.

Fair value of loans also approximate their carrying values as the Corporation pays market interest rates and there are no other arrangement fees or commissions related to these loans.

Fair value measurements recognized in the balance sheet must be categorized in accordance with the following levels:

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

The Corporation categorized the fair value measurement of its short-term deposits, and available-for-sale investments recorded at fair value and cash in Level 1 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:

	<b>September 30, 2016</b>			
	Level 1	Level 2	Level 3	Total
Cash	\$3,044,147	\$ -	\$ -	\$3,044,147
Accounts receivable and other receivables	-	2,402,465	-	2,402,465
Notes receivables	5,691,490		-	5,691,490
Available for sale investments	3,360,501	280,000	10,000	3,650,501
Accounts payable and accrued liabilities	-	(1,547,031)	-	(1,547,031)
Operating line of credit	(370,000)	-	-	(370,000)
Long term debt including current portion	-	(949,017)	-	(949,017)
Financing lease including current portion	-	(1,283,604)	-	(1,283,604)
	<b>\$11,726,138</b>	<b>\$(1,097,187)</b>	<b>\$10,000</b>	<b>\$10,638,951</b>

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Cash	\$6,953,041	\$ -	\$ -	\$6,953,041
Accounts receivable and other receivables	-	4,348,966	-	4,348,966
Available for sale investments	526,200	280,000	10,000	816,200
Accounts payable and accrued liabilities	-	(9,312,287)	-	(9,312,287)
Long term debt including current portion	-	(1,676,860)	-	(1,676,860)
Financing lease including current portion	-	(661,287)	-	(661,287)
	\$7,479,241	\$(7,021,468)	\$10,000	\$467,773

## 21. Supplemental Cash Flow Information:

Information below is based on the consolidated operations considering the impact of the sale of NuVision (see Note 27).

Change in working capital is comprised of	Sept. 30, 2016	Dec. 31, 2015
Accounts & other receivables	\$2,024,449	\$4,808,933
Inventory	1,250,133	(2,080,453)
Prepaid expense	(49,128)	124,367
Accounts payable and accrued liabilities	(7,765,256)	417,037
Government remittances	(249,821)	89,920
Corporate tax payable	(37,971)	(2,712)
Adjustment arising on disposition of NuVision	(260,829)	-
	\$(5,088,423)	\$3,357,092

## 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 Period. Diluted net loss per common share is considered to equal basic earnings per share, where the effect of common share options would be anti-dilutive.

## 23. 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 Period, the Corporation paid \$38,102 (September 30, 2015 - \$5,693) for legal services from a law firm that a director is a partner of. As of September 30, 2016, there are no outstanding amounts owing to the law firm (September 30, 2015 - \$552).

**HTC** currently rents facilities on a month to month basis from KF Group of Companies ("**KF**"). **KF** is considered a related party through one of **HTC**'s directors. Total rent paid to **KF** for the Period is \$80,290 (September 30, 2015 - \$62,754). As of September 30, 2016, there are no outstanding amount owing to **KF** (September 30, 2015 - \$Nil).

**KLE** is considered a related party due to common directors and common management. **HTC** has secured a short-term loan to **KLE** (see Note 5). **HTC** has consultancy expenses of \$Nil (September 30, 2015 - \$Nil) to **KLE** and administrative revenues of \$12,322 (September 30, 2015 - \$6,000) from **KLE**. As of September 30, 2016, there is an outstanding amount of \$21,867 owing from **KLE** (September 30, 2015 - \$4,531).

The transactions were conducted in the normal course of business.

### **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 \$295,500 (2015 - \$237,050). During the Period, the Corporation paid director compensation in the amount of \$3,000 (2015 - \$2,000). 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,

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.

#### 24. 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 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:

Sept. 30, 2016	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$1,547,031	\$ -	\$ -	\$ -	\$1,547,031
Operating line of credit	370,000	-	-	-	370,000
Corporate tax payable	1,924	-	-	-	1,924
Finance leases	103,157	825,274	421,727	-	1,350,158
Long term debt	2,808	469,454	384,611	92,144	949,017
<b>Balance</b>	<b>\$2,024,920</b>	<b>\$1,294,728</b>	<b>\$806,338</b>	<b>\$92,144</b>	<b>\$4,218,130</b>

Dec. 31, 2015	< 1 year	1-2 years	3-5 years	Thereafter	Total
Accounts payable and accrued liabilities	\$9,312,287	\$ -	\$ -	\$ -	\$9,312,287
Government remittances	206,615	-	-	-	206,615
Corporate tax payable	39,895	-	-	-	39,895
Finance leases	489,142	139,641	64,006	-	692,789
Long term debt	614,685	787,822	385,931	37,582	1,826,020
<b>Balance</b>	<b>\$10,662,624</b>	<b>\$927,463</b>	<b>\$449,937</b>	<b>\$37,582</b>	<b>\$12,077,606</b>

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 of the Corporation's revenues and expenses are denominated in Canadian dollars, and therefore isolated from foreign exchange risk. **HTC** has limited exposure to US/Canadian dollar fluctuations through its interest in MCEPS.

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 the 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 15). 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 the contracts and by the nature of customers the Corporation deals with. At September 30, 2016, the Corporation had an allowance for doubtful accounts of \$28,600 (December 31, 2015 - \$28,600).

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 September 30, 2016 and December 31, 2015 is as follows:

	Current	Over 90 Days	Total
Aging of accounts receivable at Sept. 30, 2016	\$1,721,760	\$333,938	\$2,055,698
Aging of accounts receivable at Dec. 31, 2015	\$3,788,000	\$292,147	\$4,080,147

## 25. Capital Disclosures:

Except as otherwise disclosed in these Consolidated Financial Statements, there are no restrictions on the Corporation's capital. The Corporation's capital is summarized as follows:

	Sept. 30, 2016	Dec. 31, 2015
Shareholders' equity	\$22,237,702	\$19,436,014
Operating line of credit	370,000	-
Current portion of financing lease	92,677	470,859
Current portion of long term debt	2,808	563,422
Financing leases	1,190,928	190,428
Long term debt	946,209	1,113,438
<b>Balance</b>	<b>\$24,840,323</b>	<b>\$21,774,161</b>

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 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.



## 26. Operating Segments:

The Corporation has two reportable operating segments: **HTC CO<sub>2</sub> Systems** and **Maxx**, of which there is a material non-controlling interest as described in Note 28.

These operating segments are differentiated by the products and services that each produces. **HTC CO<sub>2</sub> Systems** provides products and services related to energy technologies and CO<sub>2</sub> Systems. **Maxx** provides manufacturing sales and distribution services, relating to oil and gas equipment supply and service. Both segments utilize various brands and trade names in their operations.

September 30, 2016	HTC CO <sub>2</sub> Systems	Maxx	Combined
Sales	\$1,252,690	\$4,893,717	\$6,146,407
Engineering, process design and consulting	53,080	-	53,080
Cost of sales	308,900	3,624,380	3,933,280
Engineering and process design services	46,674	-	46,674
Commercialization, product development and administration	2,217,321	2,345,157	4,562,478
Amortization	350,487	181,078	531,565
Finance costs	37,544	35,724	73,268
Income (loss) from commercial operations	\$(1,655,156)	\$(1,292,622)	\$(2,947,778)
September 30, 2015	HTC CO <sub>2</sub> Systems	Maxx	Combined
Sales	\$ -	\$5,402,125	\$5,402,125
Engineering, process design and consulting	1,612,147	-	1,612,147
Cost of sales	-	3,647,684	3,647,684
Engineering and process design services	1,533,392	-	1,533,392
Commercialization, product development and administration	850,237	1,789,272	2,639,509
Amortization	74,894	174,777	249,671
Finance cost	-	27,096	27,096
Income (loss) from commercial operations	\$(846,376)	\$(236,704)	\$(1,083,080)

September 30, 2016	HTC CO <sub>2</sub> Systems	Maxx	Combined
Cash	\$1,408,490	\$1,635,657	\$3,044,147
Property and equipment	1,475,455	918,370	2,393,825
Goodwill and intangibles	2,387,693	2,344,035	4,731,728

  

December 31, 2015	HTC CO <sub>2</sub> Systems	Maxx	Combined
Cash	\$1,077,253	\$5,875,787	\$6,953,041
Property and equipment	1,166,274	1,542,014	2,708,288
Goodwill and intangibles	2,453,082	8,684,201	11,137,283

## 27. Discontinued Operations:

On April 1, 2016, **Maxx** sold its wholly owned subsidiary **NuVision** to AGI. The purchase price will be based on 5 times the average Earnings Before Interest Tax Depreciation and Amortization (“**EBITDA**”) of **NuVision** for the financial years 2015, 2016, 2017 and 2018. At closing, the initial payment of the purchase price was settled with a consideration equal to \$12,000,000. The balance of the purchase price will be partially paid annually and will not exceed \$14,000,000, with the last payment to be made after calculation of the 2018 EBITDA, subject to final adjustments. Total potential purchase price not to exceed \$26,000,000. The following is an analysis of the income from discontinued operations during the Period.

Net profit from discontinued operations:	March 31, 2016	September 30, 2015
Sales	\$6,723,658	\$19,873,057
Cost of sales	(5,133,713)	(14,570,158)
Commercialization, product development and administration	(371,628)	(2,741,324)
Amortization	(27,367)	(45,442)
Finance cost	-	(701)
Other income	-	2,228
<b>Operating profit</b>	<b>1,190,950</b>	<b>2,517,660</b>
Tax on the result for the Period	(325,185)	(6,951)
<b>Net profit from discontinued operations</b>	<b>\$865,765</b>	<b>\$2,510,709</b>

Gain from divestment of business:	<b>March 31, 2016</b>
Cash	\$56,593
Accounts receivable	4,438,419
Employee advances	5,514
Inventory	1,158,006
Prepaid	22,057
Property and equipment	491,549
Goodwill	6,320,166
Accounts payable and accrued liabilities	(3,940,206)
Government remittances	(264,948)
Corporate tax payable	(327,112)
<b>Net assets</b>	<b>7,960,038</b>
Sale price	12,000,000
<b>Gain from divestment of business</b>	<b>\$4,039,962</b>

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

The portion of net assets and net loss attributable to **Maxx** and **ClearGSI** 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. Non-consolidated details of the revenue and expenses associated with **Maxx** and **Clear** are summarized in Note 26. Additional information is as follows.

	September 30, 2016		Dec 31, 2015
	Maxx	ClearGSI	
Cash	\$1,635,657	\$ 107,880	\$5,875,787
Other current assets	4,673,632	885,890	7,814,346
Property and equipment	918,370	1,302,019	1,542,014
Other non-current assets (including goodwill and intangibles)	11,160,670	131,227	9,624,201
Current liabilities	665,642	266,765	7,677,141
Deferred tax liability	-	-	-
Long term debt	988,482	959,761	1,072,188

### 29. 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 23), with minimum monthly rental payments of \$9,475.

On February 1, 2014, a subsidiary of **Maxx, Pinnacle**, entered into a lease agreement for its Regina, Saskatchewan operations. Monthly base lease costs are \$27,500 from February 1, 2014 to July 31, 2016, reduced to monthly base lease costs of \$23,375 from August 1, 2016 to December 31, 2016.

**HTC** is engaged in a license dispute with one of its CO<sub>2</sub> capture technology providers. The commercial effect and outcome of this license technology dispute cannot be determined at this time.

On April 15, 2015, **Clear** entered into a lease agreement for its Stettler, AB operations. Monthly base lease costs are \$6,500 from November 1, 2015 to November 30, 2020.

### 30. Proposed Transaction:

The Corporation is considering a proposal for the purchase of Pinnacle, whereby Maxx will enter into various agreements relating to the sale of all the issued and outstanding shares of Pinnacle ("**Pinnacle Shares**"). The Pinnacle Shares are to be placed in escrow, pending completion of financial due diligence and regulatory requirements.