

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Period ending June 30, 2011



“Providing Global Solutions for CO₂ Capture
and Secondary & Tertiary Enhanced Oil Recovery”

HTC PUREENERGY INC.
'doing business as'
HTC PUREENERGY

To the Shareholders of HTC Pureenergy Inc.

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

The condensed consolidated interim 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 and reflect the Corporation's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis 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 June 30, 2011.

The board of directors 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 financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the board of directors for formal approval.

Management has reviewed the filing of the Corporation's management discussion and analysis, condensed consolidated interim financial statements, and attachments thereto for the period ended June 30, 2011 attached hereto. Based on our knowledge, having exercised reasonable diligence, this filing does 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 this filing. Based on our knowledge, having exercised reasonable diligence, the condensed consolidated interim financial statements together with the other financial information included in this filing fairly present in all material respects the financial condition, the financial performance and cash flows of the Corporation, as of the date and for the periods presented in this filing.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
CHAIRMAN & CEO

Signed "Jeffrey Allison"
JEFFREY ALLISON
SR. VICE-PRESIDENT & CFO

HTC PUREENERGY INC.

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

	Note	June 30, 2011 (Unaudited)	December 31, 2010 (Unaudited)
ASSETS			
Current Assets:			
Cash		172,642	
Short term deposits	4	\$ 2,340,432	\$ 3,704,723
Accounts receivable		2,016,858	1,824,259
Inventory		59,265	83,490
Prepaid expenses and other assets	5	791,616	789,884
		5,380,813	6,402,356
Property, plant and equipment	6	332,195	199,884
Product development	7	865,666	758,976
Investments	8	7,766,829	7,482,279
Patents	9	119,576	111,958
Goodwill and intangible assets	10	7,945,543	8,107,833
		22,410,622	23,063,286
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Bank overdraft		-	5,211
Accounts payable and accrued liabilities		390,556	274,475
		390,556	279,686
Shareholders' Equity:			
Share capital	11	36,542,214	36,542,214
Contributed Surplus	12	505,543	485,000
Retained deficit		(15,253,863)	(14,027,806)
Accumulated other comprehensive gain (loss)		260,011	(188,530)
Total equity attributable to shareholders of the Company		22,053,905	22,810,878
Total equity (deficit) attributable to non-controlling interest		(33,839)	(27,278)
Total equity		22,020,066	22,783,600
Total liabilities and equity		\$ 22,410,622	\$23,063,286

Commitments 20

See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Income (In Canadian dollars except per share amounts)

For the six months ended June 30 (Unaudited)	Note	2011	2010
Revenue:			
Engineering, process design & consulting		\$ 1,212,683	\$ 1,365,457
		1,212,683	1,365,457
Expenses:			
Engineering and process design services		371,461	424,497
Commercialization, product development and administration		1,462,170	987,603
Research and development		269,403	234,977
Amortization		197,163	281,512
		2,300,197	1,928,589
Loss from commercial operations		(1,087,514)	(563,132)
Other income (expense):			
Interest and other income		30,951	29,434
Stock based compensation expense	12	(20,543)	-
Loss from operations		(1,077,106)	(533,698)
Adjustment to carrying value of intangible assets	10	-	-
Loss for the period before the following:		(1,077,106)	(533,698)
Income from equity investments (net of tax)		(155,512)	275,798
Net loss for the period		(1,232,618)	(257,900)
Loss for the period attributable to:			
Shareholders of the company		(1,232,618)	(257,900)
Non-controlling interest		6,561	10,405
Deficit – beginning of period		(14,027,806)	(12,680,605)
Deficit – end of period		\$ (15,253,863)	\$ (12,928,100)
Loss per share – basic and diluted		\$ (.07)	\$ (.01)
Weighted Average shares outstanding			
Basic		17,959,195	17,893,222
Diluted		19,729,195	22,501,131

See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statements of Comprehensive Deficit (In Canadian dollars)

For the six months ended June 30 (Unaudited)	2011	2010
Net Loss	\$ (1,232,618)	\$ (247,495)
Unrealized gain on available for sale financial assets	448,541	-
Other comprehensive gain for year	448,541	-
Comprehensive net loss	\$ (784,077)	\$ (247,495)

Condensed Consolidated Interim Statements of Accumulated Other Comprehensive Deficit (In Canadian dollars)

For the six months ended June 30 (Unaudited)	2011	2010
Balance, beginning of period	\$ (188,530)	\$ -
Other comprehensive gain	448,541	-
Balance, end of period	\$ 260,011	\$ -

See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statement of Comprehensive Income (In Canadian dollars except per share amounts)

For the three months ended June 30 (Unaudited)	Note	2011	2010
Revenue:			
Engineering, process design & consulting		\$ 976,253	\$ 753,889
		976,253	753,889
Expenses:			
Engineering and process design services		179,787	192,975
Commercialization, product development and administration		798,455	595,679
Research and development		105,409	141,630
Amortization		98,305	140,566
		1,181,956	1,070,850
Loss from commercial operations		(205,703)	(316,961)
Other income (expense):			
Interest and other income		12,274	12,555
Stock based compensation expense	12	(10,272)	-
Loss from operations		(203,701)	(304,406)
Adjustment to carrying value of intangible assets	10	-	-
Loss for the period before the following:		(203,701)	(304,406)
Income from equity investments (net of tax)		(173,025)	156,846
Net loss for the period		(376,726)	(147,560)
Loss for the period attributable to:			
Shareholders of the company		(376,726)	(147,560)
Non-controlling interest		3,036	10,405
Deficit – beginning of period		(14,880,173)	(12,790,945)
Deficit – end of period		\$ (15,253,863)	\$ (12,928,100)
Loss per share – basic and diluted		\$ (.02)	\$ (.008)
Weighted Average shares outstanding			
Basic		17,959,195	17,893,222
Diluted		19,729,195	22,501,131

See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statements of Comprehensive Deficit (In Canadian dollars)

For the three months ended June 30 (Unaudited)	2011	2010
Net Loss	\$ (376,726)	\$ (137,155)
Unrealized gain on available for sale financial assets	213,270	-
Other comprehensive gain for year	213,270	-
Comprehensive net loss	\$ (163,456)	\$ (137,155)

Condensed Consolidated Interim Statements of Accumulated Other Comprehensive Deficit (In Canadian dollars)

For the three months ended June 30 (Unaudited)	2011	2010
Balance, beginning of period	\$ 46,741	\$ -
Other comprehensive gain	213,270	-
Balance, end of period	\$ 260,011	\$ -

See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
(In Canadian dollars, except per share amounts)

	Equity attributable to the shareholders						Total Equity
	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive income	Non Controlling Interests	
Balance at January 1, 2009	17,429,451	35,266,918	-	(6,866,536)	-	-	28,400,382
Shares issued	529,744	1,275,296	-	-	-	-	1,275,296
Total comprehensive income (loss) for the year	-	-	-	(5,814,069)	-	-	(5,814,069)
Fair value of warrants issued	-	-	-	-	-	-	-
Balance at January 1, 2010	17,959,195	\$ 36,542,214	-	\$(12,680,605)	-	-	\$ 23,861,609
Shares issued	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	(247,495)	-	-	(247,495)
Fair value of warrants issued	-	-	-	-	-	-	-
Balance at June 30, 2010	17,959,195	\$ 36,542,214	-	\$(12,928,100)	-	-	\$ 23,614,114

See accompanying notes to Condensed Consolidated Interim Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
(In Canadian dollars except per share amounts)

	Equity attributable to the shareholders						
	Number of Shares	Share Capital	Contributed Surplus	Deficit	Other Comprehensive Income	Non Controlling Interests	Total Equity
Balance at January 1, 2010	17,959,195	36,542,214	-	(12,680,605)	-	-	23,861,609
Shares issued	-	-	-	-	-	-	-
Total income (loss) for the year	-	-	-	(1,347,201)	-	(27,278)	(1,374,479)
Fair value of warrants issued	-	-	485,000	-	-	-	485,000
Unrealized Loss on available for sale financial assets	-	-	-	-	(188,530)	-	(188,530)
Balance at January 1, 2011	17,959,195	\$ 36,542,214	485,000	\$(14,027,806)	(188,530)	(27,278)	\$ 22,783,600
Shares issued	-	-	-	-	-	-	-
Total income (loss) for the period	-	-	-	(1,226,057)	-	(6,561)	(1,232,618)
Fair value of warrants issued	-	-	20,543	-	-	-	20,543
Unrealized gain on available for sale financial assets	-	-	-	-	448,541	-	448,541
Balance at June 30, 2011	17,959,195	\$ 36,542,214	505,543	\$(15,253,863)	260,011	(33,839)	\$ 22,020,066

See accompanying notes to Condensed Consolidated Interim Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statement of Cash Flows

(In Canadian dollars)

For the six months ended June 30 (Unaudited)	2011	2010
Cash Flows from Operating Activities:		
Net loss	\$ (1,232,618)	\$ (247,495)
Items not affecting cash:		
Amortization	197,163	281,512
Stock based compensation	20,543	-
Non controlling interest		(10,405)
Income from equity investments	155,512	(275,798)
Change in working capital and other	(54,025)	(1,753,099)
	(913,425)	(2,005,285)
Cash flows from investing activities:		
Decrease in short-term deposits	1,364,291	2,206,356
Cash change in investments and loans	8,600	137,281
Purchase of equipment (net)	(162,687)	(16,088)
Capitalized development	(106,813)	(188,882)
Patents	(12,113)	-
	1,091,278	2,138,667
Increase (decrease) in cash during the period	177,853	133,382
Cash (bank overdraft) – beginning of period	(5,211)	(68,426)
Bank – end of period	\$ 172,642	\$ 64,956

Supplemental cash flow information

Cash interest received	8,616	29,218
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See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Condensed Consolidated Interim Statement of Cash Flows

(In Canadian dollars)

For the three months ended June 30 (Unaudited)	2011	2010
Cash Flows from Operating Activities:		
Net loss	\$ (376,726)	\$ (137,155)
Items not affecting cash:		
Amortization	98,305	140,566
Stock based compensation	10,272	-
Non controlling interest		(10,405)
Income from equity investments	173,025	(156,846)
Change in working capital and other	(508,903)	(817,500)
	(604,027)	(981,340)
Cash flows from investing activities:		
Decrease in short-term deposits	872,903	987,464
Cash change in investments and loans	4,600	137,823
Purchase of equipment (net)	(143,819)	(6,935)
Capitalized development	(22,874)	(179,658)
Patents	(12,113)	-
	698,697	938,694
Increase (decrease) in cash during the period	94,670	(42,646)
Cash (bank overdraft) – beginning of period	77,972	107,602
Bank – end of period	\$ 172,642	\$ 64,956
Supplemental cash flow information		
Cash interest received	8,616	29,218

See accompanying notes to the Consolidated Financial Statements

HTC PUREENERGY INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2011 and 2010 (Unaudited)

1. Operations:

HTC Pureenergy Inc. is incorporated under the *Business Corporations Act* (Alberta). These Condensed Consolidated Interim Financial Statements include the accounts of the Corporation and its wholly owned subsidiary companies. All inter company profits and losses are eliminated on consolidation.

HTC and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to CO₂ capture, CO₂ and polymer enhanced oil recovery, CO₂ storage, and carbon credit origination, inventorying and monetization.

2. Statement of compliance:

a) Statement of Compliance and Conversion to International Financial Reporting Standards:

The Canadian Accounting Standards Board (“**AcSB**”) confirmed in February 2008 that IFRS will replace Canadian Generally Accepted Accounting Principles (“**GAAP**”) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011.

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“**IAS 34**”) using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Financial Reporting Interpretations Committee (“**IFRIC**”).

These statements are the Corporation’s second IFRS Condensed Consolidated Interim Financial Statements for part of the period covered by the first IFRS consolidated annual financial statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. The accounting policies followed in these Condensed Interim Consolidated Financial Statements are the same as those applied in the Corporation’s Condensed Interim Consolidated Financial Statements for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The Condensed Consolidated Interim Financial Statements do not include all the information required for full annual financial statements. Previously, the Corporation prepared its Consolidated Annual and Consolidated Interim Financial Statements in accordance with Canadian GAAP. The Condensed Interim Consolidated Financial Statements should be read in conjunction with the Corporation’s Canadian GAAP Annual Consolidated Financial Statements for the year ended December 31, 2010, and the Corporation’s Condensed Interim

2. Statement of compliance (continued):

Consolidated Financial Statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

Note 19 discloses the impact of the transition to IFRS on the Corporation's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in its GAAP consolidated financial statements for the year ended December 31, 2010.

These unaudited Condensed Consolidated Interim Financial Statements are based on IFRS issued and outstanding as of June 30, 2011. The Corporation will ultimately prepare its opening statement of financial position and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening statement of financial position and financial statements for 2010 and 2011 may differ from these financial statements.

These unaudited Condensed Consolidated Interim Financial Statements include the accounts of HTC and its wholly owned subsidiaries; however, they do not include all disclosures normally provided in Annual Consolidated Financial Statements and should be read in conjunction with the 2010 Annual Consolidated Financial Statements. Certain information and note disclosures which are considered material to the understanding of the Corporation's unaudited Condensed Consolidated Interim Financial Statements and which are normally included in Annual Consolidated Financial Statements prepared in accordance with IFRS are provided below and in Note 19, along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on financial performance and financial position.

In management's opinion, the unaudited Condensed Consolidated Interim Financial Statements include all adjustments (consisting solely of normal recurring adjustments) necessary to fairly present such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

These Condensed Consolidated Interim Financial Statements were approved by the Corporation's Audit Committee on August 29, 2011.

b) IFRS Accounting Policies Comparison to Prior GAAP Policies:

Principles of Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Corporation has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany balances and transactions are eliminated.

2. Statement of compliance (continued):

This is consistent with prior GAAP policies.

Foreign Currency Transactions

Foreign currency transactions are generally translated at the average exchange rate. Monetary assets and liabilities are translated at period-end exchange rates. Translation of transactions and balances depended upon whether a subsidiary was considered integrated or self-sustaining. The Corporation's operations were considered integrated and were translated into Canadian dollars using the temporal method.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the period in which they arise. All other foreign exchange gains and losses are presented in the income statement within foreign exchange gain (loss).

Translation differences on non-monetary assets and liabilities carried at fair value are recognized as part of changes in fair value. Translation differences on non-monetary financial assets such as investments in equity securities classified as available-for-sale are included in other comprehensive income ("OCI").

This is consistent with prior GAAP policies.

Cash Equivalents

Highly liquid investments with a maturity of three months or less from the date of purchase are considered to be cash equivalents.

This is consistent with prior GAAP policies.

Asset Impairment

Assets that have an indefinite useful life (i.e., goodwill) are not subject to amortization and are tested at least annually for impairment, or more frequently if events or circumstances indicate there may be an impairment. At the end of each reporting period, the Corporation reviews the carrying amounts of both its long-lived assets to be held and used and identifiable intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (this can be at the asset or cash-generating unit level). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

2. Statement of compliance (continued):

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Non-financial assets, other than goodwill, that have previously suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Under GAAP the Corporation reviewed both long-lived assets to be held and used and identifiable intangible assets with finite lives whenever events or changes in circumstances indicated that the carrying amount of such assets might not have been fully recoverable. Determination of recoverability was based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expected to hold and use was based on the fair value of the assets, whereas such assets to be disposed of were reported at the lower of carrying amount or fair value less costs to sell. Reversal of previous impairments was not permitted.

Goodwill impairment was assessed at the reporting unit level at least annually or more frequently if events or circumstances indicated there might be an impairment. Reporting units comprised business operations with similar economic characteristics and strategies and might have represented either a business segment or a business unit within a business segment. Potential impairment was identified when the carrying value of a reporting unit, including the allocated goodwill, exceeded its fair value. Goodwill impairment was measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit.

Upon adoption of IFRS, no changes resulted from the difference in these Canadian GAAP policies as compared to the corresponding policies under IFRS. Other Canadian GAAP policies were consistent.

2. Statement of compliance (continued):

Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment of trade accounts receivable. A provision for impairment of trade accounts receivable is established when there is a reasonable expectation that the Corporation will not be able to collect all amounts due. The carrying amount of the trade receivables is reduced through the use of the provision for impairment account, and the amount of any increase in the provision for impairment is recognized in the consolidated statements of income. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade accounts receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated statements of income.

GAAP policies were consistent.

Inventories

Inventories work in progress are valued at the lower of cost and net realizable value. Costs, allocated to inventory include direct costs related to the work in progress and a systematic allocation of fixed and variable production overhead, as applicable. Inventory is reviewed quarterly to ensure the carrying value does not exceed net realizable value. If so, a write down is recognized. The write down may be reversed if the circumstances which caused it no longer exist.

GAAP policies were consistent.

Prepaid Expenses

The Corporation has classified various deposits and prepayments for goods and services as prepaid expenses.

GAAP policies were consistent.

Financial Instruments

Financial assets and financial liabilities are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs. Transaction costs related to financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. General purchases and sales of financial assets are accounted for on the trade date.

GAAP policies were consistent.

Fair Value

Estimated fair values for financial instruments are designed to approximate amounts at which the instruments could be exchanged in a current arm's-length transaction between knowledgeable willing parties.

GAAP policies were consistent.

2. Statement of compliance (continued):

Fair value of investments designated as available-for-sale is based on the closing bid price of the common shares as of the statement of financial position date. The Corporation's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are:

Level 1 Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the company's assessment of the lowest level input that is the most significant to the fair value measurement.

GAAP policies were consistent.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation less any recognized impairment loss. Costs of additions, betterments, renewals and interest during construction are capitalized each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When the cost of replacing part of an item of property, plant and equipment is capitalized, the carrying amount of the replaced part is derecognized.

Depreciation of assets in construction commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognized in the income statement.

GAAP policies were consistent.

Investments

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies. Investments in which the Corporation exercises significant influence (but does not

2. Statement of compliance (continued):

control) are accounted for as investments in associates using the equity method. The proportionate share of any net income or losses from investments accounted for using the equity method, and any gain or loss on disposal, are recorded in profit or loss.

The Corporation's share of its associates' post-acquisition movements in other comprehensive income is recognized in the Corporation's other comprehensive income. The cumulative post-acquisition movements in profit or loss and in other comprehensive income are adjusted against the carrying amount of the investment. An impairment test is performed when there is objective evidence of impairment, such as significant adverse changes in the environment in which the associate operates or a significant or prolonged decline in the fair value of the investment below its cost. An impairment loss is recorded when the recoverable amount becomes lower than the carrying amount, recoverable amount being the higher of value in use and fair value less costs to sell. Impairment losses are reversed if the recoverable amount subsequently exceeds the carrying amount.

The fair value of investments designated as available-for-sale is recorded in the consolidated statements of financial position, with unrealized gains and losses, net of related income taxes, recorded in other comprehensive income. The cost of investments sold is based on the weighted average method. Realized gains and losses on these investments are removed from other comprehensive income and recorded in profit or loss.

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost would be evidence that the assets are impaired. Such impairment losses recognized in the consolidated statements of income on equity instruments are not reversed through the consolidated statements of income.

GAAP policies were consistent.

Product Development

The costs of the development of certain products are capitalized to other assets and are amortized, net of salvage value, on a straight-line basis over their estimated useful lives once the development stage is complete. Directly attributable costs that are capitalized as part of the product development include applicable employee costs.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

GAAP policies were consistent.

2. Statement of compliance (continued):

Intangible Assets

Intangible assets relate primarily patent rights associated with specific technologies.

GAAP policies were consistent.

Goodwill

All business combinations are accounted for using the purchase method. Identifiable intangible assets are recognized separately from goodwill. Goodwill is carried at cost, is not amortized and represents the excess of the cost of an acquisition over the fair value of the Corporation's share of the net identifiable assets of the acquired subsidiary or equity method investee at the date of acquisition. Goodwill arising on business combinations before the date of transition to IFRS has been retained at the previous GAAP carrying amount, as allowed by the exemption in IFRS 1. Separately recognized goodwill is carried at cost less accumulated impairment losses.

GAAP policies were consistent, when the policy exception related to first-time adoption of IFRS as allowed under IFRS 1 is considered.

Leases

Leases entered into are classified as either finance or operating leases. Leases that transfer substantially all of the risks and rewards of ownership of property to the Corporation are accounted for as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Equipment acquired under a finance lease is depreciated over the shorter of the period of expected use on the same basis as other similar property, plant and equipment and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments under operating leases are expensed over the period of the lease.

GAAP policies were consistent.

Engineering process design and consulting revenues

Revenue from engineering process design and consulting is recognized upon substantial completion of the transaction and when transfer is affected to the contracting party, obligations discharged, the amount is determinable, and collectability is reasonably assured. Project revenue is recognized as funds are earned or as amounts become receivable in accordance with performance of the terms or milestones of the contractual arrangements.

GAAP policies were consistent.

2. Statement of compliance (continued):

Functional presentation

Under IFRS, the income statement must be presented on a basis either by function or by nature. Under Canadian GAAP, the income statement could be presented using a mix of both function and nature of expenditure. The Corporation has elected to use the functional classification basis for the presentation of its income statement. As a result, engineering and process design costs have been reclassified from commercialization product development and administration under IFRS.

Income Taxes

The tax expense is not calculated for interim periods because of the loss positions. Taxes calculated and recognized at year end comprise current and deferred income tax. Taxation is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

Current income tax is generally the expected income tax payable on the taxable income for the year calculated using rates enacted or substantively enacted at the statement of financial position date, and includes any adjustment to income tax payable or recoverable in respect of previous years. The realized and unrealized excess tax benefit from share-based payment arrangements is recognized in equity. When an asset is transferred between enterprises within the consolidated group, the difference between the tax rates of the two entities is recognized in tax expense in the period in which the transfer occurs. Current tax payable by the transferor is recognized for any taxes payable in the current period, and a deferred tax asset is recognized by the transferee for any temporary difference.

Uncertain income tax positions are accounted for using the standards applicable to current income tax assets and liabilities; i.e., both liabilities and assets are recorded when probable at the Corporation's best estimate of the amount.

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The tax effect of certain temporary differences is not recognized, principally with respect to temporary differences relating to investments in subsidiaries, jointly controlled entities and associates where the Corporation is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred income tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities. Deferred income tax assets are recognized only to the at

2. Statement of compliance (continued):

extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are reviewed each statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Current income tax assets and liabilities are offset when the Corporation has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Normally the Corporation would only have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the Corporation to make or receive a single net payment. Deferred income tax assets and liabilities are offset when the Corporation has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either: (1) the same taxable entity; or (2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Under GAAP Taxation on earnings comprised current and future income tax which is similar to deferred taxes under IFRS:

- The realized excess tax benefit from share-based payment arrangements was recognized as a reduction to tax expense.
- Uncertain income tax positions were accounted for using the standards applicable to contingent assets and contingent liabilities; i.e., liabilities were recorded when likely, and assets were recorded when realized.

The Corporation's loss position results in the tax positions between GAAP and IFRS being consistent.

Share-Based Compensation

Grants under the Corporation's share-based compensation plans are accounted for in accordance with the fair value-based method of accounting. For stock option plans that will settle through the issuance of equity, the fair value of stock options is determined on their grant date using a valuation model and recorded as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. Forfeitures are estimated throughout the vesting period based on past experience and future expectations, and adjusted upon actual option vesting. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital.

GAAP policies were consistent.

2. Statement of compliance (continued):

Reportable Segments

The Corporation currently has only one reportable segment.

GAAP policies were consistent.

Changes resulting from the difference in this Canadian GAAP policy as compared to the corresponding policy under IFRS upon adoption of IFRS are described more fully in Note 19.

c) Basis of Measurement:

The Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis except for the following items in the statement of financial position:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income.

Financial assets held-to-maturity, loans and receivable and financial liabilities other than those held-for trading, are measured at amortized cost.

Available-for-sale instruments will be measured at fair value with unrealized gain and losses recognized in other comprehensive income.

d) Functional and Presentation Currency:

These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars which is the Corporation's functional currency.

e) Use of estimates and judgements:

The preparation of the Condensed Consolidated Interim Financial Statements in accordance with IFRS requires management to make judgements, 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.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Judgements – The key judgements made in applying accounting policies that have the most significant effect on the amounts recognized in these Condensed Consolidated Interim Financial Statements are as follows:

Business combinations – The Corporation has applied the business combinations exemption in IFRS 1, to not apply IFRS "Business Combinations" ("**IFRS3**") retrospectively to past business combinations. Accordingly, the Corporation has not restated business combination that took place prior to the transition date.

2. Statement of compliance (continued):

Use of estimates – Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next nine months are as follows:

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS.

Utilization of tax losses - Due to current circumstances there is no immediate expectation for utilization of losses. The Corporation is currently in a loss position and as such is accumulating tax losses and tax carry forward positions but are unable to recognize or utilize them.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these Condensed Consolidated Interim Financial Statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

Basis of Consolidation

a) Business combinations

The Corporation has applied the business combinations exemption in IFRS 1, to not apply IFRS3 retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the transition date.

b) Subsidiaries

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

c) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Condensed Consolidated Interim Financial Statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Condensed Consolidated Interim Financial Statements include the accounts of the Corporation and its subsidiaries 101079353 Saskatchewan Ltd., HTC Hydrogen Thermochem Corp. ("**Thermochem**"), HTC International Inc. ("**HTC International**"), BTC BioEnergy Technologies Corp. ("**BTC**"), Performance CO₂ Integration Inc. ("**Performance**"), CO₂ Technologies Pty. Ltd. ("**CO2**"), Carbon Rx Inc. ("**CRX**"), Carbon Capital Management Inc. ("**CCM**") and EHR Enhanced Hydrocarbon

3. Significant accounting policies (continued):

Recovery Inc. (“EHR”). The Corporation has accounted for the business combinations using the acquisition method of accounting.

Significant influence investments

The Corporation utilizes the equity method of accounting for investments where the Corporation has significant influence. The Corporation’s 45% equity investment in Maxx Energy Solutions Corp. (formerly Kingsteel Inc.) is accounted for using the equity method whereby the initial investment is recorded at cost and adjustments are made to include HTC’s proportionate share of the investment’s net earnings and losses. The balance is reduced for any dividends received. These proportionate adjustments for income are included in HTC’s earnings.

Foreign currency translation

The Corporation utilizes the temporal method for translating foreign currency of integrated foreign operations. In accordance with these provisions monetary assets and liabilities are translated using the rate of exchange at the Condensed Consolidated Interim Financial Statement date and non-monetary assets liabilities are translated using the historical exchange rate at the transaction date. Revenues and expenses are translated using the average exchange rate in effect for the period.

Short term deposits

Short term deposits consist of highly liquid interest bearing cashable securities.

Inventory

Inventory is comprised of work in progress including materials, services, labour and related overhead associated with projects in progress.

Property, plant and equipment

Property plant and equipment is recorded at cost and depreciated over its useful life at rates of 30% on a declining balance basis except for leasehold improvements (amortized on a straight line basis over three years) and petroleum property leases (amortization has not commenced).. 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.

With respect to petroleum property leases, the Corporation has not commenced property development nor have they capitalized and general overhead or salaries relating to these properties.

The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

3. Significant accounting policies (continued):

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. 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. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

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. Patents are evaluated for impairment annually and any impairment is charged to earnings as identified.

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 4 to 20 years.

Intangible assets not subject to amortization are evaluated for indicators of impairment annually, 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 amortised 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.

In 2010 and 2011 the costs associated with the development of the CCS Purenergy[®] 1000 and HTC's Mixed Amine Solvent Reclaimer, have been capitalized. Also in 2010, the costs incurred in the year related to the development of the CCS FEEDengine[®] and the EHR Rising Bubble Apparatus began to be capitalized in accordance with the specific criteria under IFRS.

3. Significant accounting policies (continued):

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 exceeds its estimated market value. As at December 31, 2010, the date of the last impairment test, goodwill was not considered to be impaired. As documented in "Measurement Uncertainty" below, 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 ("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 12. 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

Revenue from engineering process design and consulting is recognized upon substantial completion of the transaction and when transfer is affected to the contracting party, obligations discharged, the amount is determinable, and collectability is reasonably assured. Project revenue is recognized as funds are earned or as amounts become receivable in accordance with performance of the terms or milestones of the contractual arrangements. Interest revenue is recorded when earned, and dividends and management fees from equity accounted investees are recorded when declared and receivable.

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

3. Significant accounting policies (continued):

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

The Corporation uses the asset and liability method of accounting for income taxes. 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 evaluated and if realization is not considered "more likely than not" a valuation allowance is provided.

Measurement uncertainty

The preparation of financial statements in conformity with IFRS requires management to make 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 estimates and assumptions include the carrying amounts of goodwill and intangible assets, product development, underlying estimations of useful lives of depreciable assets, capitalization of interest, the carrying amounts of accounts receivable, investments, fair value of financial instruments, and environmental remediation and contingent liabilities, if any.

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

Changes to accounting policies and future changes to accounting standards

i. Adoption of IFRS

The AcSB has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a

3. Significant accounting policies (continued):

conceptual framework that is similar to Canadian GAAP, Financial statements and supporting notes have been prepared in accordance with the provisions of IFRS as of May 31, 2011.

ii. Changing IFRS standard

IFRS has various developmental projects and is in the process of modifying existing standards and introducing new standards, these standards will be adopted as they are issued. The following new standards and amendments or interpretations to existing standards have been published

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued guidance establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 (which supersedes IAS 27 and Standing Interpretations Committee (“SIC”) 12) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is to be applied retrospectively, in most circumstances, and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

IFRS 12, Disclosure of Interest in Other Entities

In May 2011, the IASB issued guidance relating to the disclosure requirements of interests in other entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is to be applied prospectively and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued guidance establishing a single source for fair value measurement. IFRS 13 defines fair value, sets out a framework for measuring fair value and introduces consistent requirements for disclosures on fair value measurements. It does not determine when an asset, a liability or an entity’s own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value, with limited exceptions. The standard is to be applied prospectively and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

3. Significant accounting policies (continued):

Amendments to IAS 1, Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 requiring items within OCI that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and are effective for annual periods commencing on or after July 1, 2012, with earlier application permitted. The Corporation is currently reviewing these amendments to determine the potential impact, if any, on its consolidated financial statements.

4. Short term deposits:

Short term deposits consist of redeemable Government Investment Certificates yielding 1.15% per annum with interest paid monthly.

5. Prepaid expenses and other assets:

Prepaid expenses and other assets included the following:

On August 25, 2010 the Corporation placed in trust a \$304,398 deposit towards the acquisition of a company associated with carbon capture arbitrage, of which \$250,000 is refundable. The acquisition is subject to various conditions precedent, which to date, have not been met.

On April 17, 2009 and June 26, 2009, the Corporation placed non refundable deposits totalling \$250,000 USD (\$299,621 CAD), providing the Corporation the ability to participate with a partner in developing coal reserves for creation of synthetic gas, along with related carbon capture infrastructure for the project. At December 31, 2010 certain preconditions required to commence activity had yet to be completed.

6. Property, plant and equipment:

As at June 30, 2011	Cost	Accumulate Amortization	Net Book Value
Equipment	\$ 461,294	\$ 335,191	\$ 126,103
Leasehold improvements	58,551	34,208	24,343
Petroleum property leases	142,657	-	142,657
Vehicles	83,342	44,250	39,092
	\$ 745,844	\$ 413,649	\$ 332,195

As at December 31, 2010	Cost	Accumulate Amortization	Net Book Value
Equipment	\$ 441,264	\$ 315,221	\$ 126,043
Leasehold improvements	58,551	30,215	28,336
Vehicles	83,342	37,837	45,505
	\$ 583,157	\$ 383,273	\$ 199,884

7. Product development

Product development costs represent costs incurred to date in connection with the design and construction of the CCS Pureenergy[®] 1000, the HTC Solvent Reclaimer System (“SRS”) and the CCS FEEDengine[®]. Amortization of these costs will commence once the development is substantially complete.

	June 30, 2011	Dec. 31, 2010
CCS Pureenergy [®] 1000	\$ 426,385	\$ 370,360
HTC SRS	228,936	217,033
CCS FEEDengine [®]	186,093	162,783
EHR Rising Bubble Apparatus	24,252	8,800
	\$ 865,666	\$ 758,976

8. Investments:

	June 30, 2011	Dec. 31, 2010
Equity Investments		
Maxx Energy Solutions Corp. (a)	4,685,171	4,840,078
	4,685,171	4,840,078
Portfolio Investments		
Share investments – Available-for-sale – cost (b)	2,017,260	2,337,682
Share investments – Available-for-sale (c)	893,479	125,000
	2,910,739	2,462,682
Notes and Loans Receivable		
Notes receivable – non interest bearing without set terms	27,262	35,862
Loans receivable – interest bearing at 1%, due April 1, 2016	143,657	143,657
	170,919	179,519
Investments – Total	\$ 7,766,829	\$ 7,482,279

- a) The Corporation has a 45% voting interest in Maxx Energy Solutions Corp. (“Maxx”), and accounts for its investment using the equity method. For the period ending June 30, 2011 the Corporation recorded \$(155,512) of equity earnings from its investment in Maxx (2010 - \$137,629). The equity earnings have been added to the carrying value of the investment.
- b) The Corporation holds 10,000 common shares of Global Energy Inc., a private US corporation. The investment has been classified as available-for-sale at cost, as there is no quoted active market for these securities.

On January 29, 2010 the Corporation received 100,000 common shares in USA Synthetic Fuel Corporation, as a share dividend received resulting from the Corporation’s investment in Global Energy Inc. At December 31, 2010 these shares were restricted, and therefore had been recorded as available-for-sale at cost. These have now been transferred to available for sale at fair value during the current period.

8. Investments (continued):

- c) On December 4, 2008 HTC acquired 2,500,000 shares in EESTech Inc. Upon expiry of trading restrictions in 2010 the Corporation has classified these shares as available-for-sale at fair value through other comprehensive income (2009 – recorded as available-for-sale – cost). The shares have been recorded at their trading price at June 30, 2011 based on June 30, 2011 quoted prices obtained from over the counter exchanges.

During the period ending June 30, 2011 100,000 common shares in USA synthetic fuel corporation have been transferred from Available for sale at cost.

9. Patents:

Patents are comprised of:

	June 30, 2011	Dec. 31, 2010
Patent applications costs	\$ 141,746	\$ 129,633
Amortization of patents	(22,170)	(17,675)
	\$ 119,576	\$ 111,958

10. Goodwill and Intangible Assets:

	June 30, 2011	Dec. 31, 2010
Goodwill	\$ 3,678,195	\$ 3,678,195
Intangible assets subject to amortization	7,978,564	7,978,564
Adjustment for impairment	-	-
Amortization of intangible assets	(3,711,216)	(3,548,926)
Ending balance – goodwill and intangibles	\$ 7,945,543	\$ 8,107,833

Management performed an analysis of the carrying value of its goodwill and intangible assets as at December 31, 2010, according to its policy as set out in Note 2. Based on management's forecasted cash flows, including consideration of risks inherent therein, the Corporation has concluded that there is no requirement for adjustment to the carrying value of goodwill or intangible assets at the date of these condensed consolidated interim financial statements. This assessment is subject to the estimates and measurement uncertainty as disclosed elsewhere in these consolidated financial statements.

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), and branding and name recognition related items (literature, data base, videos, domain names, etc) as well as various other items. Goodwill comprises the difference between the purchase price of the respective subsidiary and identifiable net tangible and intangible assets.

11. Share capital:

At June 30, 2011 and 2010, the Corporation has authorized an unlimited number of common shares and an unlimited number of preferred shares.

Common Shares	As at June 30, 2011		As at Dec. 31, 2010	
	Number	Amount	Number	Amount
Balance, beginning of period	17,959,195	\$36,542,214	17,959,195	\$36,542,214
Balance, end of period	17,959,195	\$36,542,214	17,959,195	\$36,542,214

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.

12. Stock options:

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 and warrants activity from January 1, 2010 through June 30, 2011 and the weighted average exercise price:

	As at June 30, 2011		As at Dec. 31, 2010	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of period	1,720,000	\$ 2.13	3,267,909	\$ 3.26
Expired and cancelled (i)		3.00	(2,717,909)	3.00
Stock options granted (ii)	50,000	1.00	1,340,000	1.00
Stock options not yet vested (ii)		1.00	(170,000)	1.00
Outstanding and exercisable, end of period	1,770,000	\$ 2.09	1,720,000	\$ 2.13

- i. In 2010 2,717,909 warrants expired, relating to a 2007 issuance of stock options which were exercisable at \$3.00 per common share.
- ii. On June 14, 2010 the Corporation granted 1,340,000 stock options to four directors and an officer of the Corporation, at a price of \$1.00 per common share with 1,170,000 options vesting in 2010, and with 100,000 and 70,000 vesting in 2011 and 2012 respectively, with an estimated fair value of \$538,000 at the grant date. The stock options will expire on June 13, 2015 or such earlier date on which the stock options are exercised. The grant and the terms and conditions of the agreements have been approved by the board of directors. During period ending June 30, 2011, an additional 50,000 options vested.

12. Stock options (continued):

The Black Scholes Option Pricing Model is used to estimate the fair value of stock options for calculating stock based compensation expense. The Corporation recognized a stock based compensation expense and an increase to contributed surplus based on the vesting schedule of the option, based on the following assumptions:

Date Granted	June 14, 2010
Number of options granted	1,340,000
Risk free interest rate	3.4%
Expected dividend yield	Nil
Expected stock price volatility	82.7%
Expected option life in years	5
Estimated forfeiture before exercise	100,000

Option pricing models require the input of highly subjective assumptions including the expected price volatility. 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.

The total fair value of stock based compensation expense on stock options granted to directors, employees and consultants of the Corporation for the period ended June 30, 2011 is \$505,543 (2010 - \$485,000).

13. Financial instruments:

The Corporation's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, and available-for-sale investments carried at fair value. The fair values of cash, short term deposits, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments.

The fair value of available-for-sale investments other than those carried at cost is based on prices quoted on over the counter exchanges. The fair value of available-for-sale investments accounted for according to the cost basis is not practical to determine as the investments are not publicly traded.

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);
- (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 bank overdraft in Level 1 as they are primarily derived directly from reference to quoted (unadjusted) prices in over the counter markets.

13. Financial instruments:

The Corporation has not identified any Level 2 or Level 3 financial instruments reported at fair value. The Corporation's financial instrument classification is summarized as follows:

	2011			Total
	Level 1	Level 2	Level 3	
Short term deposits	\$2,340,432	\$ -	\$ -	\$2,340,432
Available for sale investments – fair value	893,479	-	-	893,479
Bank	172,642	-	-	172,642
	\$3,406,553	\$ -	\$ -	\$3,406,553

	2010			Total
	Level 1	Level 2	Level 3	
Short term deposits	\$3,704,723	\$ -	\$ -	\$3,704,723
Available for sale investments – fair value	125,000	-	-	125,000
Bank overdraft	5,211	-	-	5,211
	\$3,834,934	\$ -	\$ -	\$3,834,934

14. Provision for income taxes:

The Corporation is in a loss position and does not make adjustments for income tax on an interim basis. As at December 31, 2010 the Corporation's tax position was as follows:

Income tax provision (recovery) differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rate of 30% (2009 – 31%) for the following reasons:

As at December 31	2010	2009
Computed income tax provision (recovery)	\$(412,300)	\$(1,802,400)
Increase (Reduction) attributable to:		
Equity income	(52,000)	(26,200)
Capital gains and losses	-	-
Impairment adjustment	-	330,200
Stock based compensation	145,500	-
Acquisition related amortization and other permanent differences	128,400	163,000
Other items	(4,300)	180,800
	(194,700)	(1,154,600)
Adjustment of net future tax assets for enacted changes in tax laws and rates and other differences:		
Utilization of non-capital loss carry forward	(27,700)	(55,100)
Change in valuation allowance	222,400	1,209,700
	\$ -	\$ -

14. Provision for income taxes (continued):

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, 2010 the Corporation had an anticipated balance of approximately \$368,400 of tax credits available to reduce future year taxes (expiring December 31, 2015 to 2030). In addition, the Corporation has refundable provincial tax credits estimated at \$23,400 (not recorded in respect to the 2010 year). 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.

Qualifying SR&ED expenditures (after consideration of tax credits) are deductible against taxable income in the year incurred or may be carried forward indefinitely. As at December 31, 2010 the Corporation has approximately \$2,307,000 of SR&ED expenditures available to reduce future year's taxes. These amounts are subject to review and evaluation by the Canada Revenue Agency. Actual qualifying amounts may vary from managements estimate in the event the Canada Revenue Agency has an alternative interpretation of qualifying amounts, the difference would transfer to the non capital loss carry forward amounts.

The Corporation has approximately \$7,189,000 of non-capital losses available at December 31, 2010 to reduce taxable income of future years. These losses expire in periods from 2014 to 2030. The Corporation also has capital losses of \$349,100 available to reduce future capital gains.

The Corporation has undepreciated capital cost claims in excess of net book value of approximately \$34,500 available to reduce future year's taxes. In addition, the Corporation has capitalized \$1,083,200 of share issuances costs which are deductible for tax purposes on straight-line basis over 5 years of which \$445,800 is available for future years.

15. 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, as the effect of common share options would be anti-dilutive.

16. Related party transactions:

Related party transactions include management fees received from the Corporation's equity accounted investee, and 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.

16. Related party transactions (continued):

	June 30, 2011	Dec. 31, 2010
Balance with related Parties:		
Accounts Receivable	1,744,549	1,318,132
Accounts Payable	710	-
Transactions with related parties:		
Consulting revenue – equity investee	589,050	411,750
Subcontract revenue (a)	328,900	1,570,817
Purchases – equity investee	11,745	4,507

- a. Subcontract revenue relates to engineering services and CO₂ capture feed studies provided by the Corporation to Doosan Babcock, who is considered a related party due to representation on the Corporation's board.

The transactions were conducted in the normal course of business.

Compensation

The key management personnel of the Corporation consists of the executive officers, vice-presidents, other senior managers and members of the board of directors. Key management personnel also includes 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 \$296,502 (June 30, 2011) and \$219,716 (June 30, 2010). In addition to their salaries, senior management and directors also participate in the Corporation's share-based compensation plans (see note 12 to the Corporation's Condensed Consolidated Interim Financial Statements for the period ended June 30, 2011).

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.

17. 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.

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 is isolated from foreign exchange risk.

Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and term deposits. 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. 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 a 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. There have been no significant impairment losses recorded on accounts receivable.

Due to project nature of operations of the Corporation, management considers accounts receivable outstanding less than 90 days to be current. The aging of the Corporation's accounts receivable at June 30, 2011 is as follows:

17. Financial risk management (continued):

	Current	Over 90 Days	Total
Aging of accounts receivable at June 30, 2011	\$ 1,185,091	\$ 831,767	\$ 2,016,858
Aging of accounts receivable at December 31, 2010	\$ 1,388,628	\$ 435,631	\$ 1,824,259

18. Capital Disclosures:

The Corporation defines its capital as its shareholders' equity. Except as otherwise disclosed in these financial statements, there are no restrictions on the Corporation's capital.

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;
- maintain a capital structure that allows multiple financing options to the company 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 company may issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

19. Transition to IFRS

The Corporation adopted IFRS on January 1, 2011 with effect from January 1, 2010. The Corporation's financial statements for the year ending December 31, 2011 will be the first annual consolidated financial statements that comply with IFRS and these unaudited Condensed Consolidated Interim Financial Statements were prepared as described in Note 2, including the application of IFRS 1. Accordingly, the Corporation will make an unreserved statement of compliance with IFRS beginning with its 2011 annual consolidated financial statements.

The Corporation transitioned to IFRS, as at January 1, 2010. These Consolidated Financial Statements have been prepared in accordance with the accounting policies as described in note 2 of the Corporation's Interim Consolidated Financial Statements for the three months ended March 31, 2011. In accordance with IFRS 1 the Corporation has applied certain optional and mandatory exemptions applicable for first time adopters which are described in note 19 of the Corporation's Interim Consolidated Financial Statements for the three months ended March 31, 2011. The Corporation also identified certain accounting differences between Canadian GAAP and IFRS. The following are explanations and reconciliations of how the transition

19. Transition to IFRS (continued):

from Canadian GAAP to IFRS has affected the Corporation's financial position and financial performance.

Initial Elections upon Adoption

Adjustments required on transition to IFRS have been made retrospectively against opening retained earnings as of the date of the first comparative statements of financial position presented (i.e., January 1, 2010). IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The most significant IFRS 1 exemptions that are expected to apply to the Corporation upon adoption are summarized below.

IFRS 1 Exemption Options:

Business Combinations

Choice: The Corporation may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3, "Business Combinations", or to apply an elective exemption from applying IFRS 3 to past business combinations.

Policy selection: If the elective exemption is chosen, specific requirements must be met, such as maintaining the classification of the acquirer and the acquiree, recognizing or derecognizing certain acquired assets or liabilities as required under IFRS and remeasuring certain assets and liabilities at fair value. The Corporation will elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated.

Expected transition impact: None.

Expected future impact: None.

Property, Plant and Equipment

Choice: The Corporation may elect to report items of property, plant and equipment in its opening statement of financial position on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis.

Policy selection: The Corporation will elect to use the deemed cost for property, plant and equipment.

Expected transition impact: None.

Expected future impact: None.

19. Transition to IFRS (continued):

Share-based Payments

Choice: The Corporation may elect not to apply IFRS 2, “Share-Based Payments”, to equity instruments granted on or before November 7, 2002 or which vested before the Corporation’s date of transition to IFRS. The Corporation may also elect not to apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS.

Policy selection: The Corporation will elect not to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before its date of transition to IFRS. The Corporation will also elect not to apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS.

Expected transition impact: None.

Expected future impact: None.

Foreign Exchange

Choice: On transition, cumulative translation gains or losses in accumulated other comprehensive income can be reclassified to retained deficit at the Corporation’s election. If not elected, all cumulative translation differences must be recalculated under IFRS from inception.

Policy selection: The Corporations has determined that translation gains will remain in retained deficit.

Expected transition impact: None.

Expected future impact: None.

IFRS 1 Mandatory Exceptions:

IFRS 1 prohibits retrospective application of some aspects of other IFRS. As a result, the following mandatory exceptions from full retrospective application of IFRS will be applied and relevant on transition to IFRS:

- The Corporation’s estimates in accordance with IFRS at the date of transition to IFRS will be consistent with estimates made for the same date in accordance with Canadian GAAP (after adjustments to reflect any difference in accounting policies).

Changes in Accounting Policies

The key areas where the Corporation has identified that accounting policies will differ or where accounting policy decisions were necessary that may impact its consolidated financial statements are set out below. Note that this does not include impact of transition policy choices made under IFRS 1, described above.

19. Transition to IFRS (continued):

(a) Impairment of Assets

Choices: There are no policy choices available under IFRS. Differences from previous Canadian GAAP: IAS 36, "Impairment of Assets", uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Canadian GAAP generally used a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. This difference may potentially result in more impairments where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. In addition, IAS 36 requires the reversal of any previous impairment losses (to the amounts the assets would now be carried at had depreciation continued) where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibited reversal of impairment losses.

Expected transition impact: The Corporation has identified certain assets for which impairment losses have been previously recognized and does not have any immediate plans to reverse these. The Corporation has not identified any items which are regarded as impaired under IFRS, but not under GAAP.

Expected future impact: Dependent upon future circumstances, as described above.

(b) Share-Based Payments

Choices: There are no policy choices available under IFRS. Differences from previous GAAP: IFRS 2, "Share-Based Payments", requires that cash-settled share-based payments to employees be measured (both initially and at each reporting date) based on fair value of the awards. GAAP required that such payments be measured based on intrinsic value of the awards. Under GAAP, compensation cost was first recognized when the options were granted.

Expected transition impact: None

Expected future impact: Note determinable.

(c) Income Taxes

Choices: Where exchange rate differences on deferred income tax liabilities or assets are recognized in the income statement, such differences may be classified as either foreign exchange gains/losses or deferred tax expense/income under IFRS.

19. Transition to IFRS (continued):

Policy selection: Exchange rate differences on deferred income tax liabilities or assets will be classified as foreign exchange gains/losses. This is consistent with the Corporation's accounting policy under Canadian GAAP.

Under IFRS, deferred tax assets recognized in relation to share-based payment arrangements (for example, the Corporation's employee stock option plan) are adjusted each period to reflect the amount of future tax deductions that the Corporation expects to receive in excess of stock-based compensation recorded in the consolidated financial statements based on the current market price of the shares. The benefit of such amounts is recognized in contributed surplus and never impacts net income. Under the Corporation's Canadian GAAP policy, tax deductions for its stock option plan was recognized as reductions to tax expense, in the period that the deduction was allowed. As there is no change to the loss position, the impact of this timing difference will not result in any changes at transition

Under IFRS, adjustments relating to a change in tax rates are recognized in the same category of comprehensive income in which the original amounts were recognized. Under Canadian GAAP, such adjustments were recognized in net income, regardless of the category in which the original amounts were recognized. In addition, foreign exchange gains on deferred income tax liabilities would be recorded in other comprehensive income under IFRS, but were recorded in net income under Canadian GAAP. As there is no change to the loss position, the impact of this timing difference will not result in any changes at transition

Under IFRS, deferred income taxes are classified as long-term. Under Canadian GAAP, future income taxes were separated between current and long-term on the statement of financial position. As there is no change to the loss position, the impact of this timing difference will not result in any changes at transition

Expected transition impact: None due to the Corporation loss position and recognition of deferred tax assets

Expected future impact: Note determinable.

(d) Consolidation

Choices: There are no policy choices available under IFRS.

Differences from previous Canadian GAAP: The IFRS approach to consolidation is principles-based whereby consolidation is required for all entities which are controlled. Unlike the Canadian GAAP two-step model, the IFRS guidance on consolidation is a single-step model—the control model. IFRS does consider the concepts of risk and rewards where the existence of control is not apparent, although not in the same rules-based manner as under Canadian GAAP.

Expected transition impact: None.

19. Transition to IFRS (continued):

Expected future impact: None.

(e) Property, Plant and Equipment

Choices: Either a historical cost model or a revaluation model can be used to value property, plant and equipment.

Policy selection: The Corporation will value property, plant and equipment using the historical cost model.

Differences from previous Canadian GAAP: Under IFRS, where part of an item of property, plant and equipment has a cost that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item. Canadian GAAP was similar in this respect; however, the componentization concept was not often applied to the same extent due to practicality and/or materiality. Under IFRS, the cost of major overhauls on items of property, plant and equipment is capitalized as a component of the related item of property, plant and equipment and amortized over the period until the next major overhaul. Under Canadian GAAP, these costs were expensed in the year incurred.

Expected transition impact: None

Expected future impact: None

(f) Inventories

Choices: Either first-in, first-out (FIFO) or weighted average can be used to value inventories.

Policy selection: The FIFO method will be used to value inventories.

Differences from previous Canadian GAAP: None

Expected transition impact: None

Expected future impact: None

(g) Financial Instruments

Choices: Trade date or settlement date can be used.

Policy selection: The Corporation will recognize regular-way purchases and sales of financial assets at the trade date.

Differences from previous Canadian GAAP: None.

Expected transition impact: None.

19. Transition to IFRS (continued):

Expected future impact: None.

(h) Statement of Cash Flows

Choices: Either the direct or indirect method may be presented. Dividends paid, interest paid, interest received and dividends received can be presented as operating, investing or financing activities.

Policy selection: The Corporation will use the indirect method. Dividends paid will be presented as financing activities. Interest and dividends received will be presented as operating activities. Interest paid will be presented as operating activities except where it has been capitalized to property, plant and equipment, in which case it will be presented as investing activities.

Differences from previous Canadian GAAP: None.

Expected transition impact: None.

Expected future impact: None.

(i) Investments

Choices: Entities where control does not exist and significant influence exists will be accounted for using the equity method.

Policy selection: The equity method will be used to account for significant influence investments.

Differences from previous Canadian GAAP: None

Expected transition impact: None

Expected future impact: None

Reconciliation of GAAP to IFRS

Due to the nature of corporate operations, IFRS conversion elections, IFRS elections and the GAAP policy selection in place, there are no significant variances between amounts historically recorded under GAAP and amount as determined under IFRS. Accordingly there is no detailed translation table presented. The following reclassification was made in connection with the current disclosure in the Condensed Consolidated Interim Statement of comprehensive income:

In respect to the 2010 period \$424,497 was reclassified from commercialization products development and administration and recorded as engineering and process design services.

20. Commitments:

On February 23, 2009 the Corporation entered into a new office leasing agreement with the Saskatchewan Opportunities Corporation. The term of the lease is for a period of five years commencing April 1, 2009. Rent for the premises in the amount of \$9,167 are payable monthly on the 1st day of each and every month. In addition the Corporation is required to make monthly instalment payments of \$6,270 on account for their share of occupancy costs (adjusted annually). Total minimum monthly lease payments over the next five years are \$302,511.

21. Subsequent Event

On August 8, 2011, the Corporation cancelled 1,340,000 stock options granted on June 14, 2010 and 300,000 stock options granted on November 24, 2008. Subsequent to the cancellation, the Corporation had 1,645,920 stock options reserved under its Stock Option Plan. On August 9, 2011, the Corporation granted 1,599,184 stock options at an exercise price of \$0.50. The Stock Options will expire on August 8, 2021 or such earlier date on which the Stock Options are exercised. The grant and the terms and conditions of the stock option agreements were approved by the board of directors of HTC and the TSX Venture Exchange Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Period ending June 30, 2011



“Providing Global Solutions for CO₂ Capture
and Secondary & Tertiary Enhanced Oil Recovery”

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Period ending June 30, 2011

INTRODUCTION

The following Management Discussion and Analysis (“**MD&A**”) is prepared as of August 29, 2011 and should be read together with HTC Pureenergy Inc. (“**HTC**” or the “**Corporation**”) Condensed Consolidated Interim Financial Statements for the period ended June 30, 2011 (the “**Period**”) and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standard (“**IFRS**”). All amounts are stated in Canadian dollars unless otherwise indicated. The Corporation has adopted National Instrument 51-102F1 as the guideline in reporting the MD&A.

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 Condensed Consolidated Interim Financial Statements, and in those other filings with the Corporation's Canadian regulatory authorities as found in 'www.SEDAR.com' and to not put undue reliance on such forward looking statements. Although 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.

CORPORATION OVERVIEW

HTC and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to CO₂ capture, CO₂, polymer and technology driven enhanced oil recovery, CO₂ storage, and carbon credit origination, inventorying and monetization.

Through its innovative and proprietary technologies, HTC and its subsidiaries are achieving their commercial business goals by implementing cost effective "CO₂ Capture and Management Solutions" that will help oil and gas companies utilize CO₂ along with other secondary and tertiary technologies for the purposes of enhanced oil recovery and enhanced gas production.

HTC is one of only a few companies in the world that provides a full offering of products and services in the carbon management value chain - CO₂ capture, enhanced oil recovery, storage, and carbon credits.

HTC works in conjunction with its collaborative partners - Doosan Babcock Energy Limited and Doosan Heavy Industries & Construction Co. Ltd. (together "**Doosan Power Systems**"), and other leading companies and research institutions to assist in delivering these services. HTC continues to collaborate, acquire, develop product and license technologies from world leading institutions and companies to facilitate the "Best Commercial Technologies" in the carbon capture and management business.

HTC also invests heavily in product development and is currently working on new and innovative ways to reduce the cost of CO₂ capture with utilization of CO₂, polymers and other oil production optimization technologies. The Corporation's mandate is to develop proprietary novel clean energy and related technologies.

HTC's Carbon Management Product Offer – CO₂ Capture

HTC is currently very active in commercializing its CO₂ Carbon Management product offer world-wide. An outline of HTC's current product offering includes:

HTC's Original Equipment Manufacturer ("OEM") supply product includes Modular Purenergy CCS[®] CO₂ Capture Systems. *'The world's first Pre-engineered Modular Design post-combustion CO₂ capture system, customized to site requirements of regional and global electricity producers, fuel and industrial processors and other CO₂ emitters.'*

HTC's Purenergy CCS[®] Capture System offers a 'world first' economically viable commercial scale CO₂ capture system for industries seeking 'carbon clear solutions' in power generation, fossil fuels and industrial chemical processing, cement production and many other industrial applications. The CCS Purenergy[®] Capture System is a fully validated and optimized product of HTC's demanding product development, technology aggregation and testing program, which has been a multi-year collaboration with leading research institutions, Canadian & International engineering groups, international engineering-procure-construct ("**EPC**") companies, original equipment manufacturers ("**OEM**") and HTC.

HTC works very closely with its engineering and construction partner – Doosan Power Systems, in designing, engineering and constructing of large CO₂ capture plants for the power generation and petrochemical industries. HTC is developing collaborative partners for its smaller CO₂ modular systems directed at steam generation boilers used in oil and gas operations and small industrial sites for utilization of the CO₂ primarily in enhanced oil recovery.

EHR Enhanced Hydrocarbon Recovery Inc.

EHR Enhanced Hydrocarbon Recovery Inc. (“**EHR**”) is presenting many exciting opportunities as a subsidiary. The unique pool of resources and technologies it offers provides a number of opportunities.

EHR has targeted the rapidly expanding enhanced oil and gas recovery market utilizing optimized waterflood and other secondary techniques, and CO₂, polymers and other tertiary optimization techniques. In North America, it is estimated that over 45 billion barrels of proven oil reserves will be available for production through the application of innovative tertiary enhanced oil recovery techniques. As a CO₂ and polymer management technology global leader, EHR will be participating in revenues associated with increasing production from North American oil fields by providing **Technology Driven Oil Production** that include:

- Production and exploration asset acquisitions;
- Technology solutions for secondary & tertiary oil & gas production; and
- Reservoir development & optimization.

EHR provides the Corporation with experts in secondary and tertiary processes, including optimized waterflood, miscible/immiscible gases, polymers, chemicals and thermal energy to produce additional oil and gas after primary recovery methods is no longer viable.

Core to these technical services are:

- CO₂ Enhanced Oil Recovery; E_CO₂ R™
- Improved Steam Assisted Gravity Drainage (“**SAGD**”) and Cyclic Steam Stimulation (“**CSS**”);
- Vapor Extraction Steam Assisted Gravity Drainage (VX-SAGD™);
- Vapor Assisted Petroleum Extraction (“**VAPEX**”);
- Management and Optimization of Polymer Water Flooding (PWF™);
- Polymer Flooding;
- Chemical Flooding; and
- Comprehensive Full Field Studies.

EHR fits well within the Corporation’s current carbon capture and management strategy as currently, the primary commercial driver for the use of CO₂ is enhanced oil and gas recovery. EHR will look to generate ongoing cash flow from technical engineering services, while developing revenue opportunities from oil and gas asset acquisition and production projects. EHR is utilizing its proprietary E³™ (Economic Evaluation Engine) to identify production assets that have significant optimization upside.

Carbon Capital Management Inc.

On December 21, 2009, HTC expanded its complete carbon management strategy by purchasing 90% of the issued and outstanding shares of Carbon Capital Management Inc. (“**CCM**”).

HTC's 2011 Operations and Achievements

The Corporation's operations this year are showing results from the initiatives taken in the previous year, which is demonstrated by continuation of revenues streams. 2011 has seen a continued interest in carbon capture projects utilizing CO₂ for enhanced oil recovery.

During the most recent quarter, the Corporation completed its study for a large scale emitter, and continued to focus its efforts on the development of smaller scale modular CO₂ capture primarily from SAGD and CSS boilers, or from natural gas turbines for use in expanded oil recovery and for small industrial purposes. The development of these industry specific units in conjunction with HTC's business partners should provide a potential market that will be more readily accessible, more immediate than larger scale projects and subject to less impact by worldwide economic issues. The Corporation looks to evaluate other industry specific areas where the existing technology can be adapted.

The focus towards the development of the smaller scale units is possible as HTC has transitioned larger systems' research and development and marketing to Doosan. HTC will continue to provide assistance in these research and development initiatives and will also be a beneficiary of Doosan's results. This has enabled HTC to reduce its spending in these areas while HTC awaits commencement of large project development and redefines its needs for smaller scale units. Costs reductions are anticipated over the next few quarters.

Work on projects with two large oil and gas companies initiated in the first quarter continued in the second quarter. The projects are focused on capturing CO₂ from SAGD and CSS boilers for use with heavy oil, tertiary production.

The Corporation continues to develop EHR and to this end acquired 6,300 acres of petroleum property land leases expiring in May 2016.

During the first quarter of 2011, HTC continued the refining of its CCS FEEDengine[®]. This modeling and simulation software engine has already provided HTC with significant advantage in the accuracy and speed of designing CO₂ capture systems. HTC continues working on developing a new CO₂ capture solvent reclaiming system that will be more efficient in the cleanup of mixed amine solvent systems, which reduces the operating costs of a CO₂ capture system. HTC continued work on product development and cost reduction of the CCS Pureenergy[®] CO₂ Carbon Capture System.

The Corporation continued focus on engineering services, while rolling out various new initiatives. To expand its market share in the small capture market, the Corporation has set up a new operating division called HTC CO₂ Systems. HTC CO₂ Systems will focus on smaller scale modular CO₂ capture primarily from SAGD and CSS boilers, or from natural gas turbines for use in expanded oil recovery and for small industrial purposes. HTC CO₂ Systems will take a greater role in the Corporation as greater emphasis is placed on the small CO₂ capture market as a corporate direction in 2011.

HTC is continuing its internal review of its operations geared towards defining strengths and weaknesses in existing operations as well as considering various long term strategic initiatives and corporate directives. As part of this strategic opportunity initiative, new and/or expanded strategic alliances have been identified and are being evaluated. HTC continues initiatives in new energy technology development and commercial deployment.

Branding

HTC continues to actively promote the Corporation and its services at a variety of North American and International venues, where HTC's message has been well received. The Corporation continues to take advantage of the increasing acceptance of the use of CO₂ for enhanced hydrocarbon recovery in oil and gas production projects by building its brand awareness. HTC will accomplish its brand awareness by increased media exposure, key note speaking engagements at various trade shows and conferences and focusing on HTC's relationship with Doosan Power Systems' and others. Collaborative agreement development with world leading research centres, geared towards expanding and improving HTC's suite of technologies, are on-going. HTC's objective is that research and product development will enhance its global image while opening the doors to new cutting edge technology in the energy sector.

HTC's efforts with EHR will focus on branding the Corporation's extensive knowledge of reservoir engineering capabilities for the use of CO₂ to increase oil and gas production and gear it towards becoming a self-sustaining, self-financing operation.

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.htcenergy.com/news.html.

Information on EHR can be viewed at www.hydrocarbonrecovery.com.

Information on HTC CO₂ Systems can be viewed at www.co2systems.com

Hydrogen Generation Research and Development

The Corporation continued to develop products and processes that facilitate the production of Hydrogen utilizing pipeline natural gas or previously flared waste methane, along with CO₂ as a feed stock. Hydrogen is a key ingredient in the upgrading and refining of oil. HTC is also developing new Hydrogen membranes, which will allow the separation of Hydrogen at higher temperatures, which will make the Corporation's dry reforming process more efficient. This research work fits in well with the CO₂ and oil and gas objectives of the Corporation.

In an effort to contain costs the Corporation will, for the remainder of the year, reduce the expenditures for its ongoing investment into this research and development initiative.

Financing

The Corporation has been diligent in protecting the capital base, and despite the significant accomplishments the Corporation has shown over the past few years, it continues to maintain a tight control over expenditures and a low cash burn rate. The Corporation is actively exploring strategic equity investment opportunities to allow it to meet its ultimate commercialization objectives and is considering the logistics of joint venturing various portions of its operations to ensure these units have sufficient resources to be self-sustaining.

DISCUSSIONS OF THE 2011 FINANCIAL RESULTS

RISKS AND UNCERTAINTIES

Risks and uncertainty relate to dependence of CO₂ emitters being incentivized or legislated to adapt CO₂ capture technology and the price of oil for adoption of CO₂ EOR.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Interim Financial Statements, and the reported amounts of revenues and expenses during the Period.

Significant items subject to estimates and assumptions include the carrying amounts of goodwill and intangible assets, product development, underlying estimations of useful lives of depreciable assets, capitalization of interest, 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 periods by a material amount.

SUMMARY OF CUMULATIVE QUARTERLY RESULTS

Information provided in the table is prepared in accordance with IFRS. Management does not believe that there is a material difference arising as GAAP policies were, for the

most part, convergent with IFRS and adoption methodology bridged any material differences (see further discussion).

In Canadian Dollars	6 months ending June 30, 2011 Unaudited	6 months ending June 30, 2010 Unaudited	3 months ending March 31, 2011 Unaudited	3 months ending March 31, 2010 Unaudited	Year ending Dec. 31, 2010 Audited	Year ending Dec. 31, 2009 Audited	9 months ending Sept. 30, 2010 Unaudited	9 months ending Sept. 30, 2009 Unaudited
Total Revenues	1,212,683	1,365,457	236,430	611,568	3,358,591	384,640	2,435,031	485,810
Income (Loss) before unusual and equity income	(1,077,106)	(523,293)	(873,405)	(229,292)	(1,547,793)	(5,898,540)	(801,702)	(2,705,069)
Net Income (Loss) after unusual items and equity investments	(1,232,618)	(247,495)	(855,892)	(110,340)	(1,374,479)	(5,814,069)	(401,454)	(2,763,478)
Total Assets	22,410,622	23,987,027	22,423,293	24,098,363	23,063,286	24,371,462	23,763,908	26,939,082
Long Term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shareholder Equity	22,020,066	23,614,114	22,173,250	23,751,269	22,783,600	23,861,609	23,460,155	26,622,200
Cash flow from Operations	(913,425)	(2,005,285)	(309,398)	(1,023,945)	(2,522,760)	(3,872,076)	(2,253,355)	(2,870,417)
Increase (decrease) in Cash	177,853	133,382	83,183	176,028	63,215	(243,478)	4,636,408	(41,890)
Net Income (Loss), in total, on a per-share basis*	(.07)	(.01)	(.05)	(.006)	(.08)	(.32)	(.02)	(.15)
Net Income (Loss), in total, on a per-share basis diluted*	-	-	-	-	-	-	-	-
Weighted Average common shares	17,959,195	17,893,222	17,959,195	17,853,644	17,959,195	17,741,981	17,928,510	17,628,337

* Profit (Loss) per common share for the periods has been calculated using the weighted average number of common shares outstanding during the respective periods. Diluted net loss per common share is not presented, for the balance of the schedule 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 Period of 17,959,195 (December 31, 2010 -17,959,195) and fully diluted shares during the Period of 19,729,195 (December 31, 2010 -19,679,195).

	For the period ended June 30, 2011 (Unaudited)	For the year ended Dec. 31, 2010 (Audited)
(Loss) per common share	\$(.07)	\$ (.08)

Fully Diluted net loss per common share is not presented, as the effect of common share options would be anti-dilutive.

REVENUES

For the Period ended June 30, 2011 the Corporation had operating revenue of \$1,212,683 (2010 – \$1,365,457). Revenues arose primarily from engineering services and design projects. Consulting services include fees received from the Corporation's equity investee. The decrease in revenues are the result of timing of the completion of a number of large projects and the starting of new projects.

OPERATING EXPENSES

Engineering and process design services include costs associated with the provision of engineering services. These amounts will vary with activity as well the amounts allocated to the respective categories. Services for the Period were \$371,461 as compared to \$424,497 for the same period of the prior year. The change is a result of the nature of services, as well as how far the projects have progressed. A significant portion of costs associated with the generation of these revenues remains in the commercialization category below:

Commercialization, product development and administrative expenses for the Period were \$1,462,170 as compared to \$987,603 for the same period of the prior year. The increase in 2011 is primarily due to more activity around product commercialization costs associated with new initiatives and expanding EHR operations. Research and development expenses for the Period were \$269,403 as compared to \$234,977 for the same period of the previous year. The increase in research and development expense is attributable to generalized carbon research that is not eligible for capitalization.

A significant portion of expenses, in the amount of \$166,786, represents amortization of intangibles associated with the acquisitions of subsidiaries. The remaining amortization is attributable to tangible assets.

INTEREST & OTHER INCOME (EXPENSE)

The Corporation recorded bank interest earned on short and long term investments and other income for the Period of \$30,951 (2010 - \$29,434).

Stock based compensation expense of \$20,543 represents a fair value estimate established by applying Black Scholes modeling to predict the value associated with options on the basis that they may be exercised before expiration. There is no cash consideration associated with the granting at these options. At the time options were awarded the exercise prices was for a higher amount than the stock trading value. There is no cash outflow associated with this amount. The offset to this amount is reflected as an increase in contributed capital. This means the net impact on equity

when considered as a whole is Nil as the amount reflected as an expense and impacting retained earnings is offset by the corresponding amount in contributed capital.

Subsequent to the Period, a portion of these and other options previously valued using this methodology were cancelled (see subsequent events).

OPERATING LOSS

For the Period, the Corporation had a loss of \$1,077,106 from operations as compared to a loss of \$533,698 from operations for the same period of the prior year. The change from last year is primarily attributable to the reduction of revenues increase in operational costs.

INCOME FROM EQUITY INVESTMENTS

Income from equity investments in respect to the Period was \$(155,512) after considering provision for tax and the elimination of unrealized inter-corporate profits compared to \$275,798 for the prior year. The timing of these amounts varies throughout the year based on the earnings cycle of Maxx Energy Solutions Corp. and its subsidiaries. The reduction in income in the current year is a result of higher activity levels reported by Maxx subsidiaries since their last year end (June 30) and a larger payment of fees to HTC at June 30, 2011 than in the prior year.

NET LOSS AND COMPREHENSIVE LOSS

Net loss for the Period was \$1,232,618. This compares to a loss of \$257,900 in respect to the same period of the prior year. The decline in income is primarily attributable to the decrease in revenues as explained above.

The unrealized gain on available for sale financial assets of \$448,541 represents the net change in the carrying value of the investment in EESTech Inc. and USA Synthetic Fuel Corporation to the quoted value in a limited market. This adjustment does not involve cash.

Comprehensive net loss for the Period is \$784,077 after considering the effects of the unrealized loss above as compared to a comprehensive net loss of \$247,495 in the same period of the prior year.

TOTAL ASSETS

Total assets were \$22,410,622 as at June 30, 2011, as compared to \$23,063,286 as at December 31, 2010. The decrease in total assets is largely attributable to losses from operations and amortization.

Included in total assets for 2011 are short term investments totalling \$2,340,432 in term deposits and accrued interest compared with \$3,704,723 at December 31, 2010.

CURRENT LIABILITIES

Current liabilities were \$390,556 as at June 30, 2011, as compared to \$279,686 as at December 31, 2010. The decrease is largely due to timing of expenditures.

SHAREHOLDERS' EQUITY

As at June 30, 2011 shareholders' equity was \$22,020,066 as compared to \$22,783,600 as at December 31, 2010.

Non-controlling interest represents amounts arising from the minority position of Carbon Capital Management Inc. that is not held by HTC.

CASH FLOW

Cash flows from operating activities were \$(913,425) for the Period, compared to \$(2,005,285) for the same period of 2010. A significant portion of the negative cash flow position in 2010 was due to the increase in Accounts Receivable from commercial activities, as well as deposits and prepaid amounts relating to pending acquisitions and technologies. Receivables and prepaid amounts remain high contributing to the current year position.

CHANGE IN CASH POSITION

Changes in cash position between June 30, 2011 and December 31, 2010 are largely attributable to current Accounts Receivables deposits, prepaid amounts and general use of funds in operations.

LIQUIDITY

The Corporation possesses adequate capital to meet its obligations. The Corporation will continue to raise capital to forward its plans of intellectual property protection, continued research and development, demonstration plants, acquisition of complementary technologies and commercialization of these developed and aggregated technologies.

COMMITMENTS

On February 23, 2009 the Corporation entered into a new office leasing agreement with the Saskatchewan Opportunities Corporation. The term of the lease is for a period of

five years commencing April 1, 2009. Rent for the premises in the amount of \$9,167 are payable monthly on the 1st day of each and every month. In addition, the Corporation is required to make monthly instalment payments of \$6,270 on account for their share of occupancy costs (adjusted annually).

On August 25, 2010 the Corporation placed in trust, a \$304,398 deposit towards the acquisition of Canada's leading carbon offset aggregation company, of which \$250,000 is refundable. The acquisition is subject to various conditions precedents, which to date, have not been met.

CAPITAL RESOURCES

Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

Common Shares	As at June 30, 2011		As at Dec. 31, 2010	
	Number	Amount	Number	Amount
Balance, beginning of period	17,959,195	\$36,542,214	17,959,195	\$36,542,214
Balance, end of period	17,959,195	\$36,542,214	17,959,195	\$36,542,214

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.

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 and warrants activity from January 1, 2010 through June 30, 2011 and the weighted average exercise price:

	As at June 30, 2011		As at Dec. 31, 2010	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of period	1,720,000	\$ 2.13	3,267,909	\$ 3.26
Expired and cancelled		3.00	(2,717,909)	3.00
Stock options granted (i)		1.00	1,340,000	1.00
Stock options (i)	50,000	1.00	(170,000)	1.00
Outstanding and exercisable, end of period	1,770,000	\$ 2.09	1,720,000	\$ 2.13

- i. On June 14, 2010 the Corporation granted 1,340,000 stock options to four directors and an officer of the Corporation, at a price of \$1.00 per common share with 1,170,000 options vesting in 2010, and with 100,000 and 70,000 vesting in 2011 and 2012 respectively, with an estimated fair value of \$538,000 at the grant date. The stock options will expire on June 13, 2015 or such earlier date on which the stock options are exercised. The grant and the terms and conditions of the Agreements have been approved by the board of directors. During the Period an additional 50,000 options vested.

The Black Scholes Option Pricing Model is used to estimate the fair value of stock options for calculating stock based compensation expense. The Corporation recognised a stock based compensation expense and an increase to contributed surplus based on the vesting schedule of the option, based on the following assumptions:

Date Granted	June 14, 2010
Number of options granted	1,340,000
Risk free interest rate	3.4%
Expected dividend yield	Nil
Expected stock price volatility	82.7%
Expected option life in years	5
Estimated forfeiture before exercise	100,000

Option pricing models require the input of highly subjective assumptions including the expected price volatility. 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.

The total fair value of stock based compensation expense on stock options granted to directors, employees and consultants of the Corporation for the Period is \$505,543 (2010 - \$485,000).

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions include management fees received from the Corporation's equity accounted investee (Maxx Energy Solutions Corp.), and transactions with corporate investors (see footnote a. below) 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.

	June 30, 2011	Dec. 31, 2010
Balance with related Parties:		
Accounts Receivable	1,744,549	1,318,132
Accounts Payable	710	-
Transactions with related parties:		
Consulting revenue – equity investee	589,050	411,750
Subcontract revenue (a)	328,900	1,570,817
Purchases – equity investee	11,745	4,507

- a. Subcontract revenue relates to engineering services and CO₂ capture feed studies provided by the Corporation to Doosan Babcock, who is considered a related party due to representation on the Corporation's board.

CRITICAL ACCOUNTING ESTIMATES

The Corporation has acquired a number of subsidiaries through the exchange of its common shares. Shares exchanged in order to acquire the respective companies have been valued at the respective acquisition date or announcement of agreement to acquire, based on the average closing market price of the Corporation's common shares three days prior and three days subsequent to the respective date and or agreed price.

Goodwill and Intangible Assets

	June 30, 2011	Dec. 31, 2010
Goodwill	\$ 3,678,195	\$ 3,678,195
Intangible assets subject to amortization	7,978,564	7,978,564
Adjustment for impairment	-	-
Amortization of intangible assets	(3,711,216)	(3,548,926)
Ending balance – goodwill and intangibles	\$ 7,945,543	\$ 8,107,833

Management performed an analysis of the carrying value of its goodwill and intangible assets as at December 31, 2010, according to its policy as set out in Note 2 of the Corporation's Condensed Consolidated Interim Financial Statements for the Period. Based on management's forecasted cash flows, including consideration of risks inherent therein, the Corporation has concluded that there is no requirement for adjustment to the carrying value of goodwill or intangible assets as at June 30, 2011. This assessment is subject to the estimates and measurement uncertainty as disclosed in the Corporation's Condensed Consolidated Interim Financial Statements for the Period.

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), and branding and name recognition related items (literature, data base,

videos, domain names, etc) as well as various other items. Goodwill comprises the difference between the purchase price of the respective subsidiary and identifiable net tangible and intangible assets.

EQUITY INVESTMENT

The Corporation has a 45% voting interest in Maxx Energy Solutions Corp. (“**Maxx**”), and accounts for its investment using the equity method.

DIRECTOR AND OFFICER COMPENSATION

During the Period the Corporation paid director compensation in the amount of \$2,000 to one director, namely Wayne Bernakevitch, for his attendance of Board and committee meetings.

On June 14, 2010 the Corporation granted 1,340,000 stock options at a price of \$1.00 per common share. The stock options were granted as follows: 450,000 to director Lionel Kambeitz, 250,000 to director Wayne Bernakevitch, 270,000 to director Jeffrey Allison, 100,000 to director James Rybchuk, and 270,000 to officer Thor McDonald. The stock options will expire on June 13, 2015 or such earlier date on which the stock options are exercised (see Stock Options and Warrants above).

Total compensation paid to directors and senior officers of the Corporation and its subsidiaries for the Period was \$296,502 (June 30, 2011) and \$219,716 (June 30, 2010).

SUBSEQUENT EVENTS

On August 8, 2011, the Corporation cancelled 1,340,000 stock options granted on June 14, 2010 and 300,000 stock options granted on November 24, 2008. Subsequent to the cancellation, the Corporation had 1,645,920 stock options reserved under its Stock Option Plan. On August 9, 2011, the Corporation granted 1,599,184 stock options at an exercise price of \$0.50. The Stock Options will expire on August 8, 2021 or such earlier date on which the Stock Options are exercised. The grant and the terms and conditions of the stock option agreements were approved by the board of directors of HTC, and the TSX Venture Exchange Inc.

CHANGE IN ACCOUNTING PRINCIPLES

Adoption of International Financial Reporting Standards (“IFRS”)

The Accounting Standards Board (“**AcSB**”) has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, differences in accounting policies will have to be addressed. Post-implementation will continue in future periods, as outlined below.

The Corporation's condensed consolidated financial statements for the year ended December 31, 2011 will be its first annual financial statements that comply with IFRS. As 2011 will be HTC's first year of reporting under IFRS, First-Time Adoption of International Financial Reporting Standards ("**IFRS 1**") is applicable. In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010, for comparative purposes as if IFRS had always been in effect, subject to certain mandatory exceptions and optional exemptions applicable to us, discussed below.

Senior management and the Audit Committee have approved the Corporation's IFRS accounting policies which are presented in its unaudited condensed consolidated interim financial statements of its first IFRS interim filing of March 31, 2011 as well as those for the six months ended June 30, 2011. However, as IFRS standards are evolving and the International Accounting Standards Board ("**IASB**") has several projects underway and may issue new accounting standards throughout 2011, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known which could also affect the differences currently identified between Canadian GAAP and IFRS.

As required by IFRS 1 adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. For HTC, this is January 1, 2010. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

TRANSITIONAL ELECTIONS (under IFRS 1 First Time Adoption)

The following summary provides details of the opening statement of financial position transitional provisions to be adopted effective January 1, 2010.

- *Share Based Payments ("**IFRS 2**")*: IFRS 2 encourages the application of its provisions to equity instruments granted on or before November 7, 2002, if fair value information about these instruments had previously been publicly disclosed. As the fair value of the Corporation's instruments had not been historically disclosed, the Corporation will not restate share-based payment balances in relation to fully vested awards of share-based payments prior to January 1, 2010.
- *Property, plant and equipment*: No transitional elections will be taken. The Corporation will retain assets at historical cost upon transition rather than taking the allowed election to recognize assets at fair value.

In addition to the key areas outlined above, the use of the following additional transitional exemptions, available under IFRS 1, has been agreed by management and the Audit Committee.

- *Business Combinations ("**IFRS 3**")*: The Corporation will not retrospectively restate any business combinations; IFRS 3 will be applied prospectively to acquisitions after January 1, 2010.

- *Cumulative Translation Adjustments*: All cumulative translation adjustments and associated gains and losses will be “reset” to zero as at the date of transition, all historic amounts will be transferred from accumulated other comprehensive loss to retained earnings.

The following notes explain the significant adjustments to the Corporation’s Canadian GAAP statement of financial position at January 1, 2010, as a result of the Corporation’s transition to IFRS:

- *Share-based Payments (IFRS 2)*: Under Canadian GAAP, the Corporation values stock-based compensation that vests in tranches as a single grant. IFRS requires that each share-based compensation tranche be valued as a separate grant with a separate vesting date. The Corporation does not expect an adjustment to arise from this adoption.
- *Accumulated Other Comprehensive Loss*: The Corporation does not expect to record any change from this adoption.

ADDITIONAL IMPACTS EXPECTED ON THE CORPORATION’S IFRS 2010 FINANCIAL STATEMENTS

In addition to the above noted impacts on the Corporation’s consolidated statement of financial position at January 1, 2010, the Corporation anticipate the additional following impacts on its 2010 consolidated financial statements as a result of its upcoming conversion to IFRS:

- *Foreign Currency Translation of Subsidiary (CO₂ Technologies Pty “CO2”)*: Under Canadian GAAP, the translation methodology of a foreign subsidiary is determined by whether the subsidiary is a self-sustaining or an integrated operation. Under IFRS, the functional currency of the subsidiary determines the translation methodology. As CO₂ functional currency has been initially assessed as the Australian Dollar, CO₂ will be consolidated under IFRS using the current rate method. Under Canadian GAAP, CO₂ was determined to be an integrated operation and therefore translated using the temporal method. Given that CO₂ was acquired December 4, 2008, had nominal amounts denominated in Australian dollars and Canadian exchange rates have been relatively stable, the impacts of this GAAP difference are expected to be insignificant.

IFRS ACCOUNTING POLICY IMPACTS

In addition to the transitional and other impacts described above, there are several accounting policy impacts which will impact the Corporation on a go-forward basis. This is not an exhaustive list, but it provides an indication of the main accounting policy choices which will apply to the Corporation under IFRS effective January 1, 2011 with comparatives presented for 2010:

- *Share-based payments (IFRS 2)*: All share-based payments will be valued at fair value under IFRS using an option pricing model. The Corporation has selected the Black Scholes option pricing model. This is consistent with the Corporation’s current accounting policy. However, under IFRS, the valuation of stock options and

restricted share unit (“**RSU**”) awards requires individual “tranche based” valuations for those option and RSU plans with graded vesting, while Canadian GAAP allows a single valuation for all tranches. Therefore, under IFRS each installment of option and RSU award will be treated as a separate option or RSU grant, and the fair value of each installment will be amortized over each installment’s vesting period instead of recognizing the entire award on a straight-line basis over the term of the grant. The impact of this change on the income statement is not expected to be significant.

- *Property, Plant and Equipment (“PP&E”)*: Under IFRS, PP&E may be accounted for using either a cost or revaluation model. The Corporation has elected to use the cost model for all classes of property, plant and equipment. This is consistent with the Corporation’s current accounting policy and hence will not impact the Corporation’s PP&E balances.
- *Impairment of Assets*: If there is an indication that an asset may be impaired, an impairment test must be performed. Under Canadian GAAP, this is a two-step impairment test in which (i) undiscounted future cash flows are compared to the carrying value; and (ii) if those undiscounted cash flows are less than the carrying value, the asset is written down to fair value. Under IFRS, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such a condition exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of (1) value in use; and (ii) fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state. In addition, IFRS requires PP&E, goodwill and intangibles to be assessed for impairment at the cash-generating unit (“**CGU**”) level, rather than the reporting unit level considered by Canadian GAAP. As a result of this difference, in principle, impairment write downs may be more likely under IFRS than are currently identified and recorded under Canadian GAAP. The extent if any of any new write downs, however, may be partially offset by the requirement under *IAS 36 Impairment of Assets*, to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. The Corporation has concluded that the adoption of these standards will not result in a change to the carrying value of the Corporation’s PP&E, but are assessing the potential impact of Goodwill and Intangible Assets on transition to IFRS being January 1, 2010.
- *Business Combinations*: Under IFRS, the Corporation will account for all business combinations from January 1, 2010 onwards in accordance with *IFRS 3 Business Combinations*. Given that the Corporation adopted Canadian CICA Handbook Section 1582 as of January 1, 2010 which is substantially converged with IFRS 3, the Corporation does not expect any impact.
- *Provisions*: Under Canadian GAAP, a provision is required to be recorded in the financial statements when required payment is considered “likely” and can be reasonably estimated. The threshold for recognition of provisions under IFRS is lower than that under Canadian GAAP as provisions must be recognized if

required payment is “probable”. Therefore, in principle, it is possible to that there may be come provisions which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP use the low end of the range), and the requirement under IFRS for provisions to be discounted where material. The Corporation is in the process of reviewing its positions to determine if there will be any adjustments to its financial statements on transition to IFRS arising from the application of IFRS provisions recognition and measurement guidance.

- *Functional Presentation:* Under IFRS, operating expenses must be presented on either a functional or type of expenditure basis. Under Canadian GAAP, operating expenses could be presented using a mix of both function and type of expenditure. The Corporation has elected to use the functional classification basis for the presentation of its operating expenses.

Management continues to monitor standards to be issued by the IASB, but it remains difficult to predict the IFRS that will be effective at the end of the Corporation’s first IFRS reporting period (31 December 2011), as the IASB work plan anticipates the completion of several projects during 2011. Their projects on employee benefits, revenue, financial instruments, and provisions are especially relevant to the Corporation.

Reconciliation of GAAP to IFRS

Due to the nature of corporate operations, IFRS conversion elections, IFRS elections and the GAAP policy selection in place, there are no significant variances between amounts historically recorded under GAAP and amount as determined under IFRS. Accordingly there is no detailed translation table presented. The following reclassification was made in connection with the current disclosure in the condensed consolidated interim statement of comprehensive income:

In respect to the 2010 period \$424,497 was reclassified from commercialization products development and administration and recorded as engineering and process design services.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

As noted above as IFRS standards are evolving and the IASB has several projects underway and may issue new accounting standards throughout 2011, the final impact of IFRS on the Corporation’s condensed consolidated interim financial statements will only be measured once all the IFRS applicable at the conversion date are known, which could also affect the differences currently identified between Canadian GAAP and IFRS. These standards will be adopted as they are issued.

IFRS has various developmental projects and is in the process of modifying existing standards and introducing new standards, these standards will be adopted as they are

issued. The following new standards and amendments or interpretations to existing standards have been published

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued guidance establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 (which supersedes IAS 27 and Standing Interpretations Committee (“SIC”) 12) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is to be applied retrospectively, in most circumstances, and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

IFRS 12, Disclosure of Interest in Other Entities

In May 2011, the IASB issued guidance relating to the disclosure requirements of interests in other entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is to be applied prospectively and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued guidance establishing a single source for fair value measurement. IFRS 13 defines fair value, sets out a framework for measuring fair value and introduces consistent requirements for disclosures on fair value measurements. It does not determine when an asset, a liability or an entity’s own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value, with limited exceptions. The standard is to be applied prospectively and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Corporation is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 requiring items within OCI that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and are effective for annual periods commencing on or after July 1, 2012, with earlier application permitted. The Corporation is currently reviewing these amendments to determine the potential impact, if any, on its consolidated financial statements.

IFRS OTHER IMPACTS

In addition to the above noted impacts to the Corporation's financial statements and accounting policies, the Corporation has also reviewed the expected impact of its upcoming conversion to IFRS on its information technology and data systems, internal controls over financial reporting, business processes, contractual arrangements and compensation arrangements.

- *Training:* The Corporation is in the process of providing IFRS training for key employees, senior management and the Audit Committee. It will continue to provide additional training and updates throughout the conversion period.
- *Information technology and data systems:* The Corporation has assessed the impact on system requirements for the conversion and post-conversion periods and expect there will be no significant impact to applications arising from the transition to IFRS.
- *Disclosure controls and procedures:* The Corporation is assessing the impact on its disclosure controls and procedures and expects there will be no significant impact arising from the transition to IFRS.
- *Internal control over financial reporting:* The Corporation has identified the required accounting process changes that result from the application of IFRS accounting policies; these changes are not considered significant. As part of the transition project, the Corporation will complete the design, implementation and documentation of the accounting process changes that result from the application of IFRS accounting policies. Management believe that the Corporation's current framework of internal control over financial reporting and disclosure controls and procedures is sufficiently robust to incorporate the changes to the financial reporting processes as a result of the Corporation's conversion to IFRS.

The Corporation's ongoing transition plans relating to IFRS are on schedule.

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. 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. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

The Corporation's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, and available-for-sale investments carried at fair value. The fair values of cash, short term deposits, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments.

The fair value of available-for-sale investments other than those carried at cost is based on prices quoted on over the counter exchanges. The fair value of available-for-sale investments accounted for according to the cost basis is not practical to determine as the investments are not publicly traded.

The investment in EESTech Inc. is classified as available for sale. EESTech Inc. shares are issued on the US over the counter exchange and are subject to Rule 144 of the US Securities Act 1933 trading restrictions. They have been adjusted to their fair value as at June 30, 2011 based on quoted prices obtained from over the counter exchanges.

The investment in Global Energy Inc. is classified as available for sale. As it is a U.S. private company, they remain recorded at cost and have not been adjusted to their fair value as at June 30, 2011 as there is no quoted active market for these securities.

The investment in USA Synthetic Fuel Corp ("USFC") is classified as available for sale. USFC shares are issued on the US over the counter exchange. They have been adjusted to their fair value as at June 30, 2011.

The Maxx Energy Solutions Corp. investment represents 45% of the issued shares and is recorded using the equity method.

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 associates with financial liabilities.
- 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 is isolated from foreign exchange risk.
- Interest rate risk primarily is associated with interest fluctuations earned on the Corporation's cash and term deposits. 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. 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 a 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. There have been no significant impairment losses recorded on accounts receivable.

OTHER MD&A REQUIREMENTS

The Corporation has commenced capitalization of development costs relating to the CCS Purenergy[®] CO₂ carbon capture system. Costs accumulated to date are \$426,385. The Corporation also started capitalizing the costs of a Mixed Amine Solvent Reclaimer, costs accumulated to date are \$228,936, the CCS FEEDengine[®] costs accumulated to date are \$186,093 and also the EHR Rising Bubble Apparatus costs accumulated to date are \$24,252.

Expensed research and development costs and commercialization, product development, general and administration expenses are included in the Corporation's June 30, 2011 Condensed Consolidated Interim Financial Statements. Total accumulated research and development costs expensed from December 23, 2004 to June 30, 2011 are \$3,300,499. Research and development costs incurred by subsidiaries prior to their acquisition are not included in this amount nor are costs incurred directly by HTC's collaborative technology development research institutions.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
CHAIRMAN & CEO

Signed "Jeffrey Allison"
JEFFREY ALLISON
SR. VICE- PRESIDENT & CFO

HTC PUREENERGY INC.
'doing business as'
HTC PUREENERGY

To the Shareholders of HTC Pureenergy Inc.

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

The condensed consolidated interim 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 and reflect the Corporation's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis 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 June 30, 2011.

The board of directors 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 financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the board of directors for formal approval.

Management has reviewed the filing of the Corporation's management discussion and analysis, condensed consolidated interim financial statements, and attachments thereto for the period ended June 30, 2011 attached hereto. Based on our knowledge, having exercised reasonable diligence, this filing does 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 this filing. Based on our knowledge, having exercised reasonable diligence, the condensed consolidated interim financial statements together with the other financial information included in this filing fairly present in all material respects the financial condition, the financial performance and cash flows of the Corporation, as of the date and for the periods presented in this filing.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
CHAIRMAN & CEO

Signed "Jeffrey Allison"
JEFFREY ALLISON
SR. VICE-PRESIDENT & CFO

BOARD OF DIRECTORS & SENIOR OFFICERS

of the Corporation as at June 30, 2011

Directors:

Lionel Kambeitz,
Regina, Saskatchewan,

Jeffrey Allison,
Regina, Saskatchewan,

Wayne Bernakevitch,
Regina, Saskatchewan,

Richard Dennis
Surrey, United Kingdom

Senior Officers:

Lionel Kambeitz, Chairman and CEO
Jeffrey Allison, Sr. Vice-President & CFO
Thor McDonald, Vice-President

Committees of the Board of Directors:

Audit Committee
Compensation Committee
Nominating Committee

Members of Audit Committee:

Lionel Kambeitz 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 June 30, 2011: 17,959,195

Head office and Investor relations address:

HTC PUREENERGY

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Regina, Saskatchewan S4S 7J7
Telephone: (306) 352-6132
Fax: (306) 545-3262
E-mail: investorinfo@htcenergy.com

Sales and Marketing Offices

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Sydney, Australia
Telephone: +61 4 10229 393

United States Address:

P.O. Box 106 Main St.
Montgomery Center,
Vermont, U.S. 05471-0106
Telephone: (802) 933-2711

Registrar and Transfer Agent:

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

Banks: HSBC; CIBC; Bank of Nova Scotia

Auditors: **Virtus Group LLP, Chartered Accountants**, Regina, Saskatchewan

Legal Counsel: **McDougall Gauley, Barristers and Solicitors**, Regina Saskatchewan

Borden Ladner Gervais LLP, Barristers and Solicitors, Calgary Alberta

Jones Day, Solicitors, London England

Madgwicks Lawyers, Law Firm, Melbourne Australia

The Bingham Law Group, APC, Carlsbad, California

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.