



"Providing Real Solutions to the Puzzle of Global Warming"

INTERIM FINANCIAL
STATEMENTS FOR THE
SECOND QUARTER PERIOD
ENDING JUNE 30, 2008



HTC PUREENERGY INC.
‘doing business as’
HTC PUREENERGY

Management’s Responsibility for Financial Statements

To the Shareholders of HTC Pureenergy Inc.

The Management Discussion and Analysis and Consolidated Financial Statements included in the report of HTC Pureenergy Inc. for the period ended June 30, 2008 and 2007, are the responsibility of Management and have been approved by the Board of Directors (“Board”). Management has prepared the Management Discussion and Analysis and Consolidated Financial Statements in accordance with generally accepted accounting principles (“GAAP”) in Canada. The financial information presented in this report is consistent with that in the Consolidated Financial Statements.

To ensure the integrity and objectivity of the financial data, Management maintains a comprehensive system of internal controls, including written policies and procedures. These measures provide reasonable assurance that transactions are authorized, assets are properly safeguarded and reliable financial records are maintained for external purposes in accordance with GAAP. Management believes the Corporation’s internal disclosure controls and procedures over financial reporting to be effective.

The Board fulfills its responsibility with regard to the financial statements, by meeting periodically with Management, the Audit Committee as well as with the external auditors. The Board is responsible for recommending to the shareholders the engagement or re-appointment of the external auditor. The auditors have free access to the Board to discuss their audit work and the quality of financial reporting.

We have reviewed the filing of the Corporation’s Management Discussion and Analysis, Consolidated Financial Statements, and attachments thereto for the period ended June 30, 2008 contained in this report. Based on our knowledge, 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 year covered by this filing. The statements together with the other financial information included in this filing fairly present in all material respects the financial condition, results of operation and cash flows of the Corporation.

Signed “Lionel Kambeitz”
LIONEL KAMBEITZ
CHAIRMAN & CEO

Signed “Jeffrey Allison”
JEFFREY ALLISON
CFO

HTC PUREENERGY INC.
'doing business as'
HTC PUREENERGY

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

The Interim Consolidated Financial Statements for the period ending June 30, 2008 been prepared by Management in accordance with generally accepted accounting principles in Canada and have not been reviewed by HTC Pureenergy Inc.'s Auditor.

Lionel Kambeitz
Lionel Kambeitz
Chairman & CEO
August 28, 2008

HTC PUREENERGY INC.

Consolidated Balance Sheets

(In Canadian dollars)

Period ended June 30, 2008 and Year ended December 31, 2007	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Current Assets:		
Cash	\$ 743,807	\$ 111,524
Short term investments	4,064,337	4,700,000
Accounts Receivable	2,270,644	394,988
Prepaid expense	121,176	148,157
	<hr/>	<hr/>
	7,199,964	5,354,669
Property, plant and equipment (note 4)	72,422	60,746
Development (note 5)	215,248	79,487
Long-term investments (note 6)	6,216,423	6,231,917
Patents (note 7)	73,421	75,990
Goodwill and intangibles (note 3)	8,122,626	8,608,233
	<hr/>	<hr/>
	\$21,900,104	\$20,411,042
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 110,146	\$ 141,886
Shareholders' Equity:		
Share capital (note 8)	23,865,777	23,376,540
Deficit	(2,075,819)	(3,107,384)
	<hr/>	<hr/>
	21,789,958	20,269,156
Future operations (note 1)		
Commitments (note 15)	\$21,900,104	\$20,411,042
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See accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.
Consolidated Statements of Operations and Deficit
(In Canadian dollars)

For the six month period ended June 30,	2008 (Unaudited)	2007 (Unaudited)
Revenue:		
Engineering & Process Design	\$ 2,565,026	\$ 267,707
Expenses:		
Commercialization, product development and Administration	1,028,312	661,882
Research and development	93,570	151,902
Amortization	366,430	475,962
	1,488,312	1,289,746
Income (Loss) from operations	1,076,714	(1,022,039)
Other income:		
Gain on sale of assets	639	-
Interest and other income	86,490	33,780
	87,129	33,780
Net Income (Loss) from operations	1,163,843	(988,259)
Write down of goodwill (note3)	132,278	-
Non-Controlling Interest (note 3)	-	10,704
Net Income (Loss) for the Period	1,031,565	(977,555)
Other Comprehensive Income	-	-
Comprehensive Income (Loss)	1,031,565	(977,555)
Deficit – Beginning of Period	(3,107,384)	(5,378,615)
Deficit – End of Period	\$(2,075,819)	\$(6,356,170)

See accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.
Consolidated Statements of Operations and Deficit
(In Canadian dollars)

For the three month period ended June 30,	2008 (Unaudited)	2007 (Unaudited)
Revenue:		
Engineering & Process Design	\$ 2,137,729	\$ 2,707
Expenses:		
Commercialization, product development and Administration	589,236	360,753
Research and development	45,365	80,845
Amortization	183,650	235,613
	818,251	677,211
Income (Loss) from operations	1,319,478	(674,504)
Other income:		
Gain on sale of assets	-	-
Interest and other income	37,727	21,252
	37,727	21,252
Net Income (Loss) from operations	1,357,205	(653,252)
Write down of goodwill	132,278	
Non-Controlling Interest (note 3)	-	6,550
Net Income (Loss) for the Period	1,224,927	(646,702)
Other Comprehensive Income	-	-
Comprehensive Income (Loss)	1,224,927	(646,702)
Deficit – Beginning of Period	(3,300,746)	(5,709,468)
Deficit – End of Period	\$(2,075,819)	\$(6,356,170)

See accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.
Consolidated Statements of Cash Flows
(In Canadian dollars)

For the six month period ended June 30,	2008 (Unaudited) \$	2007 (Unaudited) \$
Cash Flows from Operating Activities:		
Net Loss	\$1,031,565	\$ (977,555)
Items not affecting cash:		
Amortization	366,430	475,962
Non-Controlling interest	(639)	(10,704)
Gain on sale of assets	132,278	-
Write down of goodwill	(1,880,415)	(315,323)
Change in working capital other than cash	(350,781)	(827,620)
	493,827	1,013,453
Cash flows from investing activities:		
Decrease (Increase) in short-term investment	635,663	1,000,000
Decrease (Increase) on long-term investment	15,494	14,429
Purchase of equipment	(21,569)	-
Capitalized development	(135,761)	(976)
	489,237	-
Cash flows from financing activities:		
Cash from issuance of stock	489,237	-
	632,283	185,833
Increase (Decrease) in cash	111,524	413,483
Cash and cash equivalents—Beginning of Period	\$ 743,807	\$599,316
Cash and Cash equivalents – End of Period		

See Accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.
Consolidated Statements of Cash Flows
(In Canadian dollars)

For the three month period ended June 30,	2008	2007
	(Unaudited)	(Unaudited)
	\$	\$
Cash Flows from Operating Activities:		
Net Loss	\$1,224,927	\$ (646,702)
Items not affecting cash:		
Amortization	183,650	235,613
Non-Controlling interest	-	(6,550)
Gain on sale of assets	-	-
Write down of goodwill	132,278	
Change in working capital other than cash	(1,422,064)	(82,286)
	118,791	(499,925)
Cash flows from investing activities:		
Decrease (Increase) in short-term investment	(57,575)	-
Decrease (Increase) on long-term investment	7,251	7,219
Non-participating interest		-
Purchase of equipment	(735)	(976)
Capitalized development	(113,701)	-
	(164,760)	6,243
Cash flows from financing activities:		
Cash from issuance of stock	172,092	-
Increase (Decrease) in cash	126,123	(493,682)
Cash and cash equivalents—Beginning of Period	617,684	1,092,998
Cash and Cash equivalents – End of Period	743,807	\$599,316

See Accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

1. Future operations:

HTC Pureenergy Inc. (formerly HTC Hydrogen Technologies Corp.) is incorporated under the *Business Corporations Act* (Alberta).

HTC and its subsidiaries are development stage companies and are commercializing CO₂ capture/storage technologies for Enhanced Oil Recovery (“EOR”) and geological sequestration and are developing hydrogen production and bio-fuel technologies.

These Financial Statements have been prepared on the going concern basis which assumes that the Corporation will realize the carrying value of its assets and satisfy its obligations and commitments as they become due in the normal course of operations. If the going concern basis was not appropriate for these Financial Statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported expenses and the balance sheet classification used.

Management believes there are sufficient funds to meet existing obligations for the next few years. In addition management is pursuing a number of initiatives that when complete will be sufficient to provide funds for a number of years based on present and anticipated expenditure amounts for the more immediate future. Management expects to continue pursuing additional funds by means of private placements, public offerings and licensing/royalty opportunities with respect to its intellectual property. Management believes that these actions will be sufficient to mitigate concerns associated with the “going concern” assumption used in preparing these Financial Statements.

2. Significant accounting policies:

These Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). Those principles, which have a significant impact on the Consolidated Financial Statements, are summarized below.

Consolidation

The Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries 101079353 Saskatchewan Ltd., HTC Hydrogen Thermochem Corp. (“Thermochem”), HTC International Inc., BTC BioEnergy Technologies Corp. (“BTC”), and Performance CO₂ Integration Inc. (“Performance”). The Corporation has accounted for the subsidiaries using the purchase method of accounting.

Foreign Currency Translation

The Corporation utilizes the temporal method for translating foreign currency of integrated foreign operations (CO₂ Technologies Pty Ltd, a wholly owned subsidiary until November 29, 2007). In accordance with these provisions monetary assets and liabilities are translated using the rate of exchange at the Consolidated 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.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

2. Significant accounting policies (continued):

Property, plant and equipment

The Corporation amortizes its property, plant and equipment over their estimated useful lives utilizing the declining-balance method at the following annual rates except for leasehold improvements which are amortized on a straight line basis over three years.

Equipment	30%
Vehicles	30%

Comprehensive Income and Financial Instruments.

The Canadian Institute of Chartered Accountants has issued new accounting standards: Section 1530, Comprehensive Income and Section 3855, Financial Instruments – Recognition and Measurement effective January 1, 2007. Under the new standards, all financial instruments are classified as one of: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other liabilities.

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 receivables 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 gains and losses recognized in other comprehensive income. The standards also permit designation of any financial instrument as held-for-trading upon initial recognition.

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 and any impairment is charged to earnings as identified.

Intangibles

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 impairment and any impairment is charged to earnings as identified.

Research and Development

Research and Development costs are expensed as they are incurred in accordance with specific criteria set out under Canadian GAAP. Product development costs associated with the development of the CCS Pureenergy™ 1000 are being capitalized in accordance with the specific criteria laid out under Canadian GAAP.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

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

Stock-based compensation

The Corporation has a stock based compensation plan as described in note 9. The Corporation uses the fair value based method to account for stock-based payments to non-employees and employees awards, that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by issuance of equity instruments granted on or after January 1, 2002. No compensation expense is recognized for all other stock based compensation. Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital.

There is currently no stock based compensation offered to employees or directors of the Corporation.

Government grants and bursaries

Funding from these sources are offset against the related expense or asset addition unless repayable conditions or terms are attached in which case they are recorded separately and disclosed in accordance with Canadian GAAP requirements.

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.

Use of estimates

Management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and 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 to prepare these Financial Statements in conformity with Canadian GAAP. Actual results could differ from these estimates.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

Goodwill and Intangible Assets

Effective January 1, 2009, HTC will adopt the new Canadian standard, Handbook Section 3064, Goodwill and Intangible Assets, which replaces Handbook Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with International Financial Reporting Standards and applies to annual and interim financial statements for fiscal years beginning on or after October 1, 2008. HTC is assessing the impact of the new standard on its consolidated financial statements.

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. The Corporation has undertaken a project to assess the potential impacts of the transition to IFRS and is developing its plan to ensure compliance with the new standards. The Corporation is currently assessing the financial statement impact of the differences in accounting standards. HTC also expects to implement changes to certain processes and systems in order to comply with IFRS.

3. Business acquisition:

On December 23, 2004, the Corporation completed the acquisition of 100% of the authorized shares of Thermochem for a purchase price of \$9,948,342, funded through the issuance of 2,313,568 common shares of the Corporation plus acquisition costs of \$59,021. The value of each common share issued of \$4.30 was based on the average closing market price of the Corporation's common shares three days prior and three days subsequent to the announcement date of the acquisition agreement, being June 24, 2004. The acquisition of Thermochem has been accounted for under the purchase method with the Corporation identified as the acquirer. Accordingly, the results of operations of Thermochem have been consolidated from the date of acquisition of December 23, 2004. The costs of acquisition were allocated to the acquired assets as follows:

Current assets	\$ 799,680
Property, plant and equipment	5,403
Intangible assets	5,850,000
Goodwill	3,365,099
Current liabilities	<u>(12,819)</u>
Purchase price	<u>\$10,007,363</u>

On November 24, 2006, the Corporation completed the acquisition of 100% of the authorized shares of CO₂ Technologies Pty Ltd ("CO₂ Technologies") (an Australian registered

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

3. Business acquisition (continued):

company) for a purchase price of \$1,256,460, funded through the issuance of 602,000 common shares of the Corporation. The value of each common share issued of approximately \$2.09 was based on the average closing market price of the Corporation's common shares three days prior and three days subsequent to the to the acquisition date being November 24, 2006. The acquisition of CO₂ Technologies has been accounted for under the purchase method with the Corporation identified as the acquirer. Accordingly, the results of operations of CO₂ Technologies have been consolidated from the date of acquisition of November 24, 2006. The costs of acquisition were allocated to the acquired assets as follows:

Current assets	\$ 9,737
Property, plant and equipment	472
Intangible assets	888,650
Goodwill	359,282
Current liabilities	<u>(1,681)</u>
Purchase price	<u>\$1,256,460</u>

On November 29, 2007 the Corporation sold its subsidiary CO₂ Technologies for 10,000,000 shares of EESTech Inc. ("EESTech") (see note 6).

On December 20, 2006, the Corporation completed the acquisition of 100% of the authorized shares of BTC for a purchase price of \$803,595, funded through the issuance of 591,500 common shares of the Corporation. The value of each common share issued of approximately \$1.36 was based on the average closing market price of the Corporation's common shares three days prior and three days subsequent to the announcement date of the acquisition agreement, being August 22, 2006. The acquisition of BTC has been accounted for under the purchase method with the Corporation identified as the acquirer. Accordingly, the results of operations of BTC have been consolidated from the date of acquisition of December 20, 2006. The costs of acquisition were allocated to the acquired assets as follows:

Current assets	\$192,017
Intangible assets	574,943
Goodwill	100,000
Current liabilities	<u>(63,365)</u>
Purchase price	<u>\$803,595</u>

On February 28, 2007 HTC acquired all the issued and outstanding shares of Performance in exchange for 190,000 common shares of HTC, for purchase consideration of \$499,700. The value of each common share issued of \$2.63 was based on the average closing market price of the Corporation's common shares three days prior and three days subsequent to the acquisition date being February 28, 2007. The acquisition is accounted for using the purchase method of consolidation. The costs of the acquisition were allocated to the acquired assets as follows:

HTC PUREENERGY INC.
Notes to Consolidated Financial Statements
Period ended June 30, 2008 and Year ended December 31, 2007

3. Business acquisition (continued):

Current assets	\$ 100
Intangible assets	<u>499,600</u>
Purchase price	<u>\$499,700</u>

During the fiscal year ended 2006, the Corporation acquired 51% of the voting stock of a newly formed company, HTC International Inc., for nominal consideration. As the company was newly formed there were no assets or liabilities at acquisition date. The Corporation accounted for this acquisition using the purchase method of accounting. On September 14, 2007 HTC acquired the remaining 49% interest held outside the company. Under the terms of the acquisitions, HTC issued 47,500 common shares at an agreed price of 2.23 per common share in exchange for the remaining 49 % of the company and assignment a loan amount payable of \$16,451 to the minority holder. Share purchase consideration is accordingly \$89,474 or approximately 40,123 common shares. The costs of acquisition were allocated to the acquired the remaining 49% are as follows:

Current assets	\$ 4,199
Goodwill	132,278
Current liabilities	<u>(47,003)</u>
Purchase price	<u>\$ 89,474</u>

HTC International Inc. operations have reduced activity, while HTC pursues its subsidiary's objectives in Asia Pacific through alternative agreements and alliances. In view of this, Goodwill associated with the acquisition of the remaining 49% of HTC International has been written off.

Goodwill and intangible assets arise from the acquisition of the subsidiaries. GAAP requires that 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 tangible and intangible assets. Management continuously evaluates the allocation between goodwill and intangibles. Any adjustments resulting from this process would result in a reclassification between identifiable intangible assets and goodwill.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements Period ended June 30, 2008 and Year ended December 31, 2007

3. Business acquisition (continued):

	June 30, 2008	Dec 31, 2007
Goodwill	\$3,597,377	\$3,597,377
Write down of goodwill	<u>(132,278)</u>	<u>-</u>
	3,465,099	3,597,377
Intangible Assets not subject to amortization (Plans, Designs, Agreements and Name Branding)	1,580,040	1,580,040
Intangible Assets subject to amortization (Contractual)	5,344,504	5,344,504
Amortization of Intangible Assets	(2,267,017)	(1,913,688)
	<u>\$8,122,626</u>	<u>\$8,608,233</u>

As at the date of the Financial Statements, Management is not aware of anything that would impair the value of intangible assets not subject to amortization or goodwill and accordingly has made no provision to reduce these amounts except as previously noted.

4. Property, plant and equipment:

As at June 30, 2008	Cost	Accumulated Amortization	Net Book Value
Equipment	\$297,703	\$245,789	\$51,914
Leasehold improvements	16,174	11,729	4,445
Vehicles	29,565	13,502	16,063
	<u>\$343,442</u>	<u>\$271,020</u>	<u>\$72,422</u>
As at Dec 31, 2007	Cost	Accumulated Amortization	Net Book Value
Equipment	\$272,732	\$238,708	\$34,024
Leasehold improvements	16,174	10,915	5,259
Vehicles	36,566	15,103	21,463
	<u>\$325,472</u>	<u>\$264,726</u>	<u>\$60,746</u>

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Periods ended June 30, 2008 and Year ended December 31, 2007

5. Product Development

Product development costs represent costs incurred to date in connection with the design and construction of the CCS Purenergy™ 1000. There will be no provision for amortization of these costs until the product costs are in and the unit is complete.

6. Long term investments:

	June 30, 2008	Dec 31, 2007
Note receivable non-interest bearing recoverable in 56 monthly payments classified as loans receivable, fair value being approximated by the carrying amount.	\$43,462	\$51,874
Agreement receivable generating revenue of 1.08% recoverable in \$10,000 on April 1/06 and thereafter 120 monthly payments of \$1,200 with a lump sum payment of \$104,121 on April 1, 2016 classified as loans receivable, fair value being approximated by the carrying amount.	201,641	208,723
EESTech investment in 10,000,000 common shares (see note below classified as available for sale.	5,971,320	5,971,320
	\$6,216,423	\$6,231,917

On Nov. 29, 2007, the Corporation received 10,000,000 shares in EESTech representing 23% of EESTech's outstanding stock as at December 31, 2007. The Corporation accounts for its investment in EESTech using the Cost Method of accounting as it does not believe it has significant influence over EESTech operations currently. It does not sit on the board of directors, does not have any officers with EESTech, and does not expect to own more than 20% of EESTech by Dec 31, 2008 as a result of EESTech's subsequent issuances, committed and planned issues and potential issuances from prior transactions and or dispositions by the Corporation. As at June 30, 2008, the percentage of issued stock owned was reduced to 21%. EESTech is obligated to issue a further 236,120 shares in July 2008 further reducing the Corporations interest. In addition in January 2008, EESTech issued an option for convertible debentures which, if exercised and converted, will further reduce HTC's percentage ownership in EESTech. EESTech 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 remain recorded at cost and have not been adjusted to their fair value as at June 30, 2008 as fair value is not practically determinable.

HTC PUREENERGY INC.
Notes to Consolidated Financial Statements
Periods ended June 30, 2008 and Year ended December 31, 2007

7. Patents:

Patents are comprised of:

	June 30, 2008	Dec 31, 2007
Patent applications costs	\$ 77,094	\$ 77,094
Amortization of patents	3,673	1,104
	\$73,421	\$75,990

Patents are amortized on a straight line bases over a 15 years.

8. Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

	As at June 30, 2008		As at Dec 31, 2007	
	Number	Amount	Number	Amount
Common Shares				
Balance, Beginning of year	14,343,122	\$23,376,540	11,302,329	\$17,306,294
Issued under private placement	-	-	-	-
Issued under exercise of stock options	115,079	345,237	-	-
Issued to acquire Performance CO ₂ Integration Inc. (see note 3)	-	-	190,000	499,700
Issued under private placement	-	-	53,520	133,800
Issued to acquire HTC International Inc. (see note 3)	-	-	70,000	156,100
Issued under private placement	30,000	144,000	2,727,273	5,280,646
Balance, end of period	14,488,201	\$23,865,777	14,343,122	\$23,376,540

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

8. Share capital (continued):

On April 10, 2006 the Corporation issued 151,430 units, each unit consisting of one common share and one common share purchase warrant, for the gross proceeds of \$589,749 (\$530,000 USD). Each warrant entitled the holder to acquire an additional one common share until July 1, 2007 for the Canadian equivalent of \$5.00 USD per share on the exercise date. During the previous year, these terms were modified. Under the new terms, each warrant was exercisable at a price of \$3.00 CDN until April 10, 2008. Under the new terms, the exercise term would be shortened to a period of 30 days if for 10 consecutive trading days, the closing price of the outstanding common shares exceeds \$3.53 CDN. On March 14, 2008, 105,715 warrants were exercised resulting in the issuance of 105,715 common shares, and 45,715 warrants expired.

On July 17, 2007, 53,520 common shares were issued for the gross proceeds of \$133,800 (\$125,000 USD). These common shares were subject to a hold period under applicable securities law until November 18, 2007.

On September 14, 2007 a total of 70,000 common shares were issued at an agreed price of \$2.23 per common share. These common shares were subject to a hold period under applicable securities law until January 15, 2008.

On October 12, 2007 the Corporation closed a private placement with Jacob & Company Securities Inc. ("Jacob & Company") and issued 2,727,273 units at a price of \$2.20 per unit, for the gross proceeds of \$6,000,000 (net proceeds after costs \$5,280,646). Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$3.00 per share for a period of 24 months after the date of issuance of the units. The exercise period for the warrants will be accelerated (subject to standard notice terms and exercise conditions) if the common shares of HTC trade on a recognized stock exchange at or above a price of \$5.00 for 20 or more consecutive trading days. The common shares and warrants were subject to a hold period under applicable securities law until February 12, 2008.

On April 28 and May 2, 2008, 9,364 warrants were exercised at a price of \$3.00 per common share resulting in gross proceeds of \$28,092.

On April 28, 2008, the Corporation issued 30,000 common shares at \$4.80 per common share for gross proceeds of \$144,000. These common shares are subject to a hold period under applicable securities law until August 29, 2008.

9. 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. As at June 30, 2008 there were no stock options issued to directors, officers, employees or consultants.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

9. Stock options and warrants (continued):

The following table reflects the stock option and warrants activity from January 1, 2007 through June 30, 2008 and the weighted average exercise price:

	2008		2007	
	Options	Avg. Price	Options	Avg Price
Outstanding, and exercisable, beginning of year	3,096,885	\$2.93	606,555	\$8.82
Warrants Exercised	(115,079)	3.00	-	-
Expired and cancelled (ii,i)	(45,715)	3.00	(455,125)	10.00
Warrants granted (ii)	-	-	-	-
Extended under different terms (ii)	-	-	(151,430)	5.29
Extended Terms (ii)	-	-	151,430	3.00
Warrants granted (iii)	-	-	2,727,273	3.00
Warrants granted (iv)	-	-	218,182	2.20
Outstanding and exercisable, End of period	2,936,091	\$2.93	3,096,885	\$2.93

- i. During the year ending December 31, 2005, 910,250 common shares were issued, including an option to acquire 455,125 additional common shares at \$10.00 per common share, expiring April 11, 2007. These common share options have expired, and are cancelled.
- ii. On April 10, 2006, 151,430 common shares were issued, including warrants to acquire 151,430 additional common shares at \$5.00 USD per common share, expiring July 1, 2007. During the year, these terms were modified. Under the new terms, each warrant would be exercisable at a price of \$3.00 CDN until April 10, 2008. The exercise term would be shortened to a period of 30 days if for 10 consecutive trading days, the closing price of the outstanding common shares exceeds \$3.53 CDN. During the period, 105,715 warrants were exercised resulting in the issuance of 105,715 common shares and 45,715 warrants expired.
- iii. On October 12, 2007, 2,727,273 common shares were issued including warrants to acquire 2,727,273 additional common shares at \$3.00 per common share expiring October 12, 2009 ("the Offering"). The exercise price of the warrants will be accelerated if the common shares of HTC trade on a recognized stock exchange at or above a price of \$5.00 for 20 or more consecutive trading days. During the period, 9,364 warrants were exercised.
- iv. Jacob & Company received 218,182 broker warrants (representing 8% of the units issued under the Offering) which entitled the holder to acquire one HTC share for \$2.20 at any time until April 12, 2009. The estimated stock based compensation cost associated with the issue of these warrants is not material and has not been recorded as contributed surplus with a corresponding adjustment to issuance costs in share capital.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

10. Financial instruments:

Financial Instruments not otherwise disclosed include cash, short term investments, accounts receivable and accounts payable and accrued liabilities and are classified as held for trading and recorded at fair value.

11. Unusual item:

The unusual items below, do not pertain to the income statement information for the second quarter period ending June 30, 2008, but are relevant to the balance sheet.

On September 14, 2007 as part of the terms of acquiring the remaining 49% interest of HTC International Inc., the Corporation paid \$44,600 in order to settle any potential claims arising from royalties or commission that may have been payable to the 49% stakeholder. These funds were utilized to purchase additional shares in HTC at a negotiated price of \$2.23 per common share.

On November 29, 2007, the Corporation completed the sale of its shares of CO2 Technologies in exchange for the shares of EESTech at an agreed price resulting in a gain on sale of disposition of \$4,918,141.

12. Provision for income taxes:

The Corporation does not make adjustments for income tax on an interim basis. Tax loss carry forward positions are believed to be sufficient to offset tax otherwise payable on income for the six months ending June 30, 2008. As at December 31, 2007 the Corporations 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 36% (2006 – 39%) for the following reasons:

As at December 31	2007	2006
Computed income tax provision (recovery)	817,643	(827,183)
Reduction in basic rate attributable to capital gains	(848,675)	-
Recovery based on current operations		
Utilization of capital loss carry forwards	(62,493)	-
Current operations excluding capital gains	(952,888)	
	(1,046,413)	(827,183)
Adjustment net future tax assets for enacted changes in tax laws and rates and other differences	-	-
Change in valuation allowance	1,046,413	827,183
	\$ -	\$ -

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2008 and Year ended December 31, 2007

12. 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, 2007 the Corporation had an anticipated balance of approximately \$268,325 of tax credits available to reduce future year taxes (expiring in December 31, 2015 and 2017). 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, 2006 the Corporation has approximately \$1,630,084 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 \$2,828,389 of non-capital losses available at December 31, 2006 to reduce taxable income of future years. These losses expire in periods from 2008 – 2027.

The Corporation has undepreciated capital cost claims in excess of net book value of approximately \$233,321 available to reduce future year's taxes. In addition, the Corporation has capitalized \$770,906 of share issuances costs which are deductible for tax purposes on straight-line basis over 5 years of which \$781,104 is available for future years.

13. 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 13,590,216 (2007 – 12,062,669) and fully diluted shares during the period 16,526,307 (2007 – 15,159,554).

	For the period ended June 30, 2008	For the year ended Dec 31, 2007
Net income (loss) per common share	.07	\$.19
Net income (loss) per common share Fully diluted	.06	.15

HTC PUREENERGY INC.
Notes to Consolidated Financial Statements
Periods ended June 30, 2008 and Year ended December 31, 2007

14. Supplemental cash flow information:

	June 30, 2008	Dec 31, 2007
Cash interest paid during the year	\$ 872	\$ 883
Cash interest received during the year	73,824	87,735

15. Commitments:

On May 17, 2006 the Corporation extended its agreements with the University of Regina through the execution of a Memorandum of Understanding for Research and Experimental Development and Licensing. This document was finalized in an agreement executed on December 8, 2006 with an effective date of June 1, 2006 and was amended by written agreement on December 8, 2006 . In terms of the agreement, HTC will sponsor an Industrial Research Chair in Clean Energy at the University of Regina until May 31, 2008, with an option to renew for a two year period. During the term of this agreement, HTC will supply personal services of a research scientist. Thermochem will make quarterly payments for equipment and consumables of approximately \$8,500 and BTC will make quarterly payments of \$33,320 plus consumables to the University of Regina. Management is currently discussing extension of this agreement.

On July 18, 2005 the Corporation entered into a Sponsors' Agreement with the University of Regina, the International Test Centre for CO₂ Capture ("ITC"), providing the Corporation access to CO₂ capture technologies developed by the ITC. In terms of the agreement the Corporation is obliged to pay \$50,000 USD annually, for a period of 4 years.

The Corporation completed the funding approval for \$1.4 million from the Government of Saskatchewan and \$1.09 million from Sustainable Development Technology Canada, in financing for the construction of a new \$3.7 million hydrogen production demonstration plant being set up at the ITC. HTC together with other consortium partners will be responsible for the balance of funding through cash and or contributions of services or other in kind contributions as outlined in the applications. HTC's portion is valued at approximately \$789,000 and will be incurred over the duration of the project.

HTC PUREENERGY INC.
Notes to Consolidated Financial Statements
Period ended June 30, 2008 and Year ended December 31, 2007

16. Subsequent Events:

On July 15, 2008 the Corporation received 10,000 common shares of Global Energy Inc in settlement of services rendered under a commercial alliance agreement and recorded as accounts receivable.

Board of Directors & Senior Officers of the Corporation as at June 30, 2008

Directors:

Lionel Kambeitz,
Regina, Saskatchewan,

Jeffrey Allison,
Regina, Saskatchewan,

Wayne Bernakevitch,
Regina, Saskatchewan,

James Rybchuk,
Regina, Saskatchewan,

Senior Officers:

Lionel Kambeitz, Chairman and CEO
Jeffrey Allison, CFO

Committees of the Board of Directors:

Audit Committee
Compensation Committee
Nominating Committee

Members of Audit Committee:

Lionel Kambeitz, Jeffrey Allison 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, 2008: 14,488,201

Head office and Investor relations address:

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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

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

De Castro, PC, Attorneys at Law, San Diego 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.