

“Providing Global Solutions for CO₂ Capture,
Enhanced Oil Recovery and Storage”



SECOND QUARTER REPORT
FOR THE PERIOD ENDING
June 30, 2010

HTC PUREENERGY INC.

Form 51-102F1
Management Discussion and Analysis
For the Period ending June 30, 2010

INTRODUCTION

The following Management Discussion and Analysis (“**MD&A**”) is prepared as of August 30, 2010, 2010 and should be read together with the Corporation’s Unaudited Consolidated Financial Statements for the period ended June 30, 2010 (the “**Period**”) and related notes attached thereto, which are prepared in accordance with Canadian Generally Accepted Accounting Principles (“**GAAP**”). All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

Additional information related to HTC Pureenergy Inc. (“**HTC**” or 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.

The Corporation's mandate is to provide practical solutions for the use of CO₂ for enhanced carbon recovery in the production of oil and gas.

Through its innovative and proprietary technologies, HTC is achieving this goal by implementing cost effective "CO₂ Capture and Management Solutions" that will help oil and gas companies utilize CO₂ for the purposes of enhanced oil recovery, enhanced gas methane production as well as providing related reservoir engineering services.

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 - the University of Regina, Doosan Babcock Energy Limited and Doosan Heavy Industries & Construction Co. Ltd. (together

“Doosan Power Systems”), the International Test Centre for CO₂ Capture (“ITC”) and others to assist in delivering these services.

HTC also invests heavily in research and development and is currently working on new and innovative ways to reduce the cost of CO₂ capture and improve Hydrocarbon Production utilizing CO₂ and other oil production optimization technologies. In addition, the Corporation is working on other innovative clean energy proprietary technologies for the production of hydrogen.

HTC’s Carbon Management Product Offer – 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 Pureenergy 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 Pureenergy 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 Pureenergy[®] 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 of the University of Regina, Canadian & International engineering groups, international engineering-procure-construct companies and HTC.



HTC works very closely with its engineering and construction partner – Doosan Power Systems, in designing, engineering and construction of small to very large CO₂ capture plants to meet the customer’s specific needs.



EHR Enhanced Hydrocarbon Recovery Inc.

During the Period, the Corporation incorporated a new wholly owned subsidiary company (EHR Enhanced Hydrocarbon Recovery Inc.) (“EHR”), EHR will target the rapidly expanding enhanced oil and gas recovery market utilizing CO₂. 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 CO₂ enhanced oil recovery techniques. As a CO₂ management technology global leader, HTC will participate in revenues associated with increasing production from North American oil fields by providing ***Focused Solutions for Hydrocarbon Recovery that include:***

- Technical Solutions for Oil and Gas Production;
- Engineering Consulting; and
- Contract Research.

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

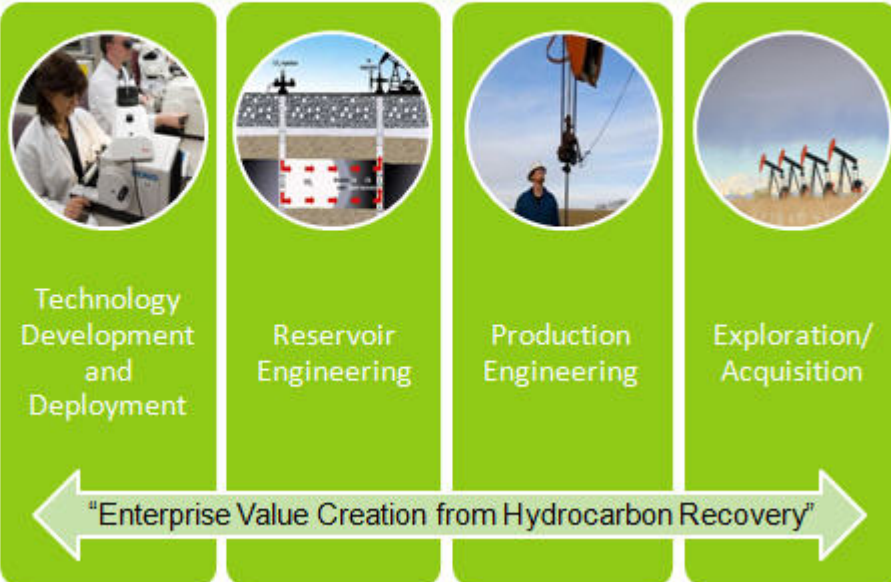
Core to these technical services are:

- CO₂ Enhanced Oil Recovery; EcO₂ R™
- Steam Assisted Gravity Drainage (SAGD);
- Vapor Extraction Steam Assisted Gravity Drainage (VX-SAGD)™;
- Vapor Assisted Petroleum Extraction (VAPEX);
- Management and Optimization of Water polymer flooding; PWF™
- Polymer Flooding;
- Chemical Flooding; and
- Comprehensive Full Field Studies.

EHR fits well within the Corporation’s current carbon capture/management strategy as currently the primary commercial driver for the use of CO₂ is enhanced oil and gas recovery. EHR will look to provide immediate cash flow opportunities for HTC while developing revenue from oil production projects.



CORE BUSINESS CAPABILITIES



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Carbon Credits

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”), Canada’s largest carbon credit trading company .

CCM’s primary focus is:

- The origination, sales and trading of a physical supply of carbon offsets primarily focused on the upcoming Canadian compliance market;
- CCM has a significant first mover advantage in the Canadian market with a large portfolio of carbon offsets at various stages of contracting and a business that’s been operating for 18 months;

- CCM will transact in the voluntary market and other liquid regional markets (Ontario, Alberta) in the short term, prior to the Canadian market launch, expected to be in-line with a harmonized North American system; and
- CCM has an extensive Municipal strategy.

HTC will expand the CCM carbon origination strategy in 2010 through involvement in CCS Credits and agri-credit portfolio development.

Highlights of 2010 2nd Quarter Operations and Achievements

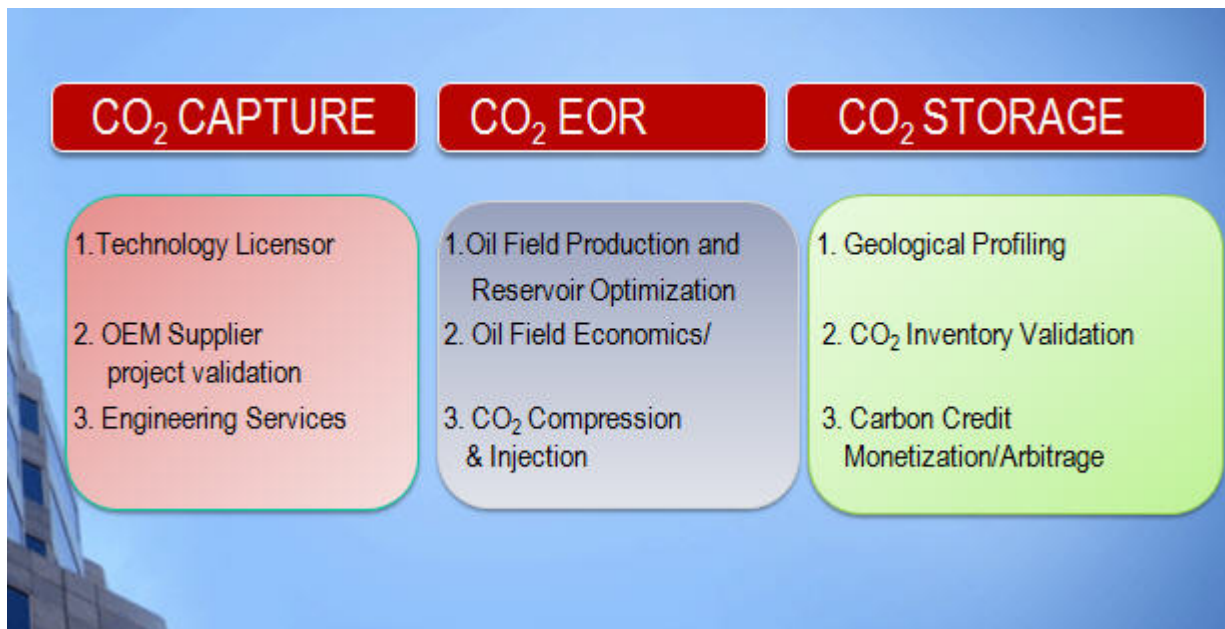
The Corporation's first and second quarter operations are starting to show results from the initiatives taken in the previous year, which is demonstrated by the improvement in revenues and positive net income excluding amortization. The first two quarters of 2010 have seen an increased interest in carbon capture projects with a significant emphasis on CO₂ for enhanced oil recovery. HTC has taken an active design roll in these projects, and will be making future public announcements reflecting the projects.

In 2009 HTC saw a dramatic increase in public awareness, published news releases and government interests in carbon capture and storage. Many Governments around the world have stated their interest in making carbon capture and sequestration a priority. Many of the projects the Corporation was scheduled to begin designing in 2009, were delayed, due to the economic downturn. In the first and second quarter of 2010 many of these previously delayed CCS projects are now moving forward, and HTC has been very active with this increased business volume.

During the first quarter of 2010, HTC started to capitalize costs associated with its CCS FEED Engine®. This modeling system, will provide HTC with a significant advantage in the accuracy and speed of designing CO₂ capture systems. In addition, HTC has been working on developing a new CO₂ capture solvent reclaiming system that will be more efficient in the clean up of mixed amine solvent systems, which reduce the operating costs of a CO₂ capture system. HTC plans to have its proprietary SRS solvent reclaiming system working on a large demonstration plant in Europe by the 4th quarter of 2010. IP protection for the CCS Feedengine™ and the SRS Solvent Reclaiming System was initiated in this reporting period.

HTC is pursuing a number of proposals on a variety of projects, from capture of CO₂ emissions for EOR to sequestration projects in Canada, Austral-Asia, the U.S., India and Europe. The Corporation is actively involved in a substantial number of projects world-wide and continues to focus on oil and gas opportunities utilizing CO₂ for enhanced hydrocarbon recovery.

The licensing agreement for CCS technology reached with world leading power plant equipment supplier and power plant EPC constructors - Doosan Power Systems, not only significantly increases HTC's ability to reach the global market, but also provides confirmation of the strength of HTC technology and plant integration synergies. After the acquisitions made during the past year and expansion of internal capacity to deliver CO₂ related products, HTC is one of only a few companies in the world that can offer the customer a complete product spectrum of the CO₂ value chain which is outlined in the table below.



HTC's Product Profile - 2010

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. HTC continues to take advantage of this increasing acceptance of the use of CO₂ for enhanced hydrocarbon recovery in oil and gas production projects by building its brand awareness. This will be accomplished by increased media exposure, key note speaking engagements at various trade shows and conferences and focusing on HTC's relationship with Doosan Power Systems'. HTC's efforts with EHR Enhanced Hydrocarbon Recovery Inc. will focus on branding the Corporation's extensive knowledge of reservoir engineering capabilities for the use of CO₂ to increase oil and gas production.

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.

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.

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 will explore strategic equity investment opportunities, as and when required, to allow it to meet its ultimate commercialization objectives.

The amount expended by HTC which was recoverable under previously approved programs was absorbed by the Corporation and is reflected in the research and development costs.

RISKS AND UNCERTAINTIES

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

SUMMARY OF CUMULATIVE QUARTERLY RESULTS

In Canadian Dollars	6 months ending June 30, 2010 Unaudited	6 months ending June 30, 2009 Unaudited	3 months ending March 31, 2010 Unaudited	3 months ending March 31, 2009 Unaudited	Year ending Dec. 31, 2009 Audited	Year ending Dec. 31, 2008 Audited	9 months ending Sept. 30, 2009 Unaudited	9 months ending Sept. 30, 2008 Unaudited
Total Revenues	1,365,457	462,830	611,568	100,231	384,640	4,597,576	485,810	2,979,023
Income (Loss) before unusual and equity income	(523,293)	(1,761,678)	(229,292)	(872,999)	(5,898,540)	802,589	(2,705,069)	457,471
Net Income (Loss) after unusual items and equity investments	(247,495)	(1,827,514)	(110,340)	(780,219)	(5,814,069)	(3,759,152)	(2,763,478)	457,471
Total Assets	23,987,027	27,856,013	24,098,363	28,909,726	24,371,462	29,430,079	26,939,082	31,627,550
Long Term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shareholder Equity	23,614,114	27,558,164	23,751,269	28,485,163	23,861,609	28,400,382	26,722,200	31,194,505
Cash flow from Operations	(2,005,285)	(2,181,435)	(1,023,945)	(1,401,405)	(3,872,076)	1,186,559	(2,870,417)	1,676,403
Increase (decrease) in Cash	133,382	94,975	176,028	225,236	(243,478)	63,528	(41,890)	1,058,440
Net Income (Loss), in total, on a per-share basis*	(.01)	(.10)	(.006)	(.05)	(.32)	(.24)	(.15)	.03
Net Income (Loss), in total, on a per-share basis diluted*	-	-	-	-	-	-	-	.03
Weighted Average common shares	17,893,222	16,921,339	17,853,644	16,101,321	17,741,981	15,324,378	17,628,337	14,474,193

* 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 17,893,222 (December 31, 2009 - 17,741,981) and fully diluted shares during the period of 22,501,131 (December 31, 2009 - 21,009,890).

	For the period ended June 30, 2010 (Unaudited)	For the year ended Dec. 31, 2009 (Audited)
Net income (loss) per common share	\$(.01)	\$ (.32)

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 the Corporation had operating revenue of \$1,365,457 (2009 – \$462,830). Revenues arose primarily from engineering services and design projects in China and the United States. The increases in revenues in the first two quarters are reflective of ground work laid during the prior year and the renewed world-wide interest in carbon related technologies.

INTEREST & OTHER INCOME

The Corporation recorded bank interest earned on short and long term investments and other income for the Period of \$29,434 (2009 - \$88,813). The reduction in interest is a result of the low rate of return available on low risk short term investments and the reduced amount of funds available for investment due to operational needs for funds.

OPERATING EXPENSES

Commercialization, product development and administrative expenses for the Period were \$1,412,100 as compared to \$1,704,558 for the previous year. The reduction in 2010 is primarily due to the securing of contracts and the recognition of cost associated with projects in inventory (work in progress) to better match revenue streams.

Research and development expenses for the Period were \$234,977 as compared to \$275,115 for the previous period. The decrease in research and development expense is attributable to reallocation of resources to ongoing projects.

A significant portion of expenses, in the amount of \$252,447, represents amortization of intangibles associated with the acquisitions of subsidiaries. The remaining amortization is attributable to operating assets.

OPERATING INCOME (LOSS)

For the Period, the Corporation had a loss of \$523,293 from operations as compared to a loss of \$1,761,678 from operations for the same period of the prior year. The improvement in operations is primarily attributable to the increase in revenues generated during the Period (\$902,627), combined with the recognition of work in progress (\$373,627) which is due to the existence of ongoing projects in the first quarter and other variances in quarter operations.

INCOME FROM EQUITY INVESTMENTS

Income from equity investments in respect to the Period was \$275,798 after considering provision for tax and the elimination of unrealized inter-corporate profits compared with a loss of \$65,836 for the same period of the prior year.

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Net loss for the 6 month Period was \$247,495. This compares to a loss of \$1,827,514 in respect to the same period of the prior year, 2009. The improvement in income is primarily attributable to the increase in revenues as explained above. When amortization is removed from the reported losses, earnings before amortization interest and tax (**EBITDA**) is \$34,017 for the Period as compared to \$(1,493,866) for the period ending June 30, 2009.

TOTAL ASSETS

Total assets were \$23,987,027 as at June 30, 2010, as compared to \$27,856,013 as at June 30, 2009. The decrease in total assets is largely attributable to the reduction in short term and cash positions to meet operational expenditure requirements, as well as the goodwill adjustment of \$1,065,099 made during the 4th quarter of 2009 (this adjustment did not impact cash flow).

Included in total assets for 2010 are short term investments totalling \$4,759,809 in term deposits and accrued interest compared with \$8,412,309 in the previous year.

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

CURRENT LIABILITIES

Current liabilities were \$372,913 as at June 30, 2010, as compared to \$297,849 as at June 30, 2009. The increase is largely due to timing of expenditures.

SHAREHOLDERS' EQUITY

As at June 30, 2010 shareholders' equity was \$23,614,114 as compared to \$27,558,164 as at June 30, 2009. Changes are due primarily to operating deficit for the Period, as well as the non cash flow related goodwill adjustment during the 4th quarter of 2009, off set by share issuances during 2009.

CASH FLOW

Cash flows from operating activities were \$(2,005,285) for the Period, compared to \$(2,181,435) for the year 2009. The improvement resulted from increased commercial activity in 2010.

CHANGE IN CASH POSITION

Changes in cash position between June 30, 2010 and June 30, 2009 are largely attributable to a use of funds in operations.

LIQUIDITY

The Corporation is not facing any liquidity issues and has funds available to meet expected requirements. 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 \$6,806 on account for their share of occupancy costs (adjusted annually).

SUBSEQUENT EVENTS

On August 25, 2010 the Corporation placed a \$304,398 refundable deposit towards the acquisition of a company associated with an agri carbon capture arbitrage. As this has not yet received the required approvals further details have not been disclosed.

CAPITAL RESOURCES

Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

	As at June 30, 2010 (Unaudited)		As at Dec. 31, 2009 (Audited)	
	Number	Amount	Number	Amount
Common Shares				
Balance, Beginning of year	17,959,195	\$36,542,214	\$17,429,451	\$35,266,918
Issued to acquire Carbon Rx Inc. (see note 3)	-	-	346,000	865,000
Issued under private placement	-	-	43,744	120,296
Issued under private placement	-	-	40,000	100,000
Issued to acquire Carbon Capital Management Inc.	-	-	100,000	190,000
Balance, end of period	17,959,195	\$36,542,214	17,959,195	\$36,542,214

On March 10, 2009 the Corporation issued 346,000 shares at \$2.50 per common share for the acquisition of Carbon Rx Inc. The common shares were subject to a hold period until July 11, 2009.

On May 8, 2009, the Corporation issued 43,744 common voting shares at a price of \$2.75 per share, under private placement, for the gross proceeds of \$120,296. These common shares were subject to a hold period under Securities Laws until September 9, 2009.

On December 14, 2009 the Corporation issued 40,000 common voting shares at a price of \$2.50 per share, under private placement, for gross proceeds of \$100,000. The shares were subject to a hold period until April 15, 2010.

On December 21, 2009 the Corporation issued 100,000 common shares at \$1.90 per share for the acquisition of Carbon Capital Management Inc. The shares were subject to a hold period until April 22, 2010.

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, 2009 through June 30, 2010 and the weighted average exercise price:

	As at June 30, 2010 (Unaudited)		As at Dec. 31, 2009 (Audited)	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of year	3,267,909	\$3.26	3,386,091	\$3.20
Expired and cancelled (i, ii)	-	-	(218,182)	2.20
Stock options (iv,v)	1,340,000	1.00	100,000	3.00
Outstanding and exercisable, End of Period	4,607,909	\$2.61	3,267,909	\$3.26

- i. On October 12, 2007, 2,727,273 units (“**Units**”) were issued at a price of \$2.20. Each Unit comprised one common share and one common share purchase warrant, with each common share purchase warrant entitling the holder to acquire one common share at a price of \$3.00 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 (“**Acceleration**”). During 2008, 9,364 warrants were exercised. On June 1, 2009 the Corporation extended the term of the warrants to expire October 12, 2010 and the terms were amended by deleting the acceleration clause.
- ii. Jacob Securities Inc. (formerly Jacob & Company Securities Inc. received 218,182 broker warrants (representing 8% of the Units issued under the Offering) which entitles the holder to acquire one HTC Unit for \$2.20 at any time until April 12, 2009. On April 12, 2009 the Corporation extended the broker warrants issued on October 12, 2007 (“**Broker Warrants**”), which Broker Warrants would have expired on April 12, 2009. Under the amended terms, each Broker Warrant entitling the holder to acquire one Unit for \$2.20 at any time until October 12, 2009. Each Unit consisted of one Common Share and one Warrant, with each Warrant entitling the holder to purchase one additional Common Share at a price of \$3.00 per Common Share until October 12, 2009. These Broker Warrants have now expired.
- iii. On November 24, 2008, the Corporation granted 450,000 stock options to two directors, one officer and one consultant at a price of \$5.00 per common share. Under the stock option agreements (“**Agreements**”), 40% of the stock options granted will vest at November 25, 2010, with the remainder to vest, in equal parts, over 36 months from November 25, 2010. The stock options will expire on 24 November 2013 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 disinterested members of the board of directors of HTC, and the TSX Venture Exchange Inc.

- iv. On December 21, 2009 the Corporation granted 100,000 units as part of a share issuance. Each unit comprises one common share and one common share purchase warrant. Each warrant, subject to certain conditions, entitles the holder to purchase an additional common share at \$3.00 expiring December 15, 2014.
- v. 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. The stock options will expire on June 12, 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 and the TSX Venture Exchange Inc.

OFF-BALANCE SHEET ARRANGEMENTS

Other than described herein the Corporation has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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 12, 2015 or such earlier date on which the stock options are exercised.

On November 24, 2008, the Corporation granted 450,000 stock options at a price of \$5.00 per common share. The stock options were granted as follows: 100,000 to director Wayne Bernakevitch, 50,000 to director James Rybchuk, 150,000 to Vice-President Thor McDonald and 150,000 to a consultant. The stock options will expire on 24 November 2013 or such earlier date on which the stock options are exercised.

Related parties include the Corporations equity accounted investee and its subsidiaries. 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, 2010	Dec. 31, 2009
<hr/>		
Balance with related Parties:		
Accounts Receivable	\$523,967	\$ 200,304
Accounts Payable	155,388	155,388
Transactions with related parties:		
Consulting fees	308,250	273,069
Purchases	2,572	667,746

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. CO₂ Technologies Pty Ltd. was acquired through the exchange of 10,000,000 EESTech Inc. common shares held by HTC at \$0.12 per share. HTC accounts for these operations using the acquisition method of consolidation. Transactions are summarized below:

	Thermo-chem	BTC	Performance	HTC International Inc.	CO₂ Tech. Pty Ltd	Carbon Rx Inc.	Carbon Capital Mgmt. Inc.
Acquisition Date	Dec. 23, 2004	Dec. 20, 2006	Feb. 28, 2007	Sep. 14, 2007	Dec. 4, 2008	Mar. 10, 2009	Dec. 22, 2009
Share valuation date	Jun. 24, 2004	Aug. 22, 2006	Feb. 28, 2007	Agreed price	Dec. 4, 2008	Mar. 9, 2009	Dec. 21, 2009
Price per share (\$) (approximate)	4.30	1.36	2.63	2.23	0.12	2.50	1.90
Number of shares HTC EESTech Inc	2,313,568	591,500	190,000	40,123	10,000,000	346,000	100,000
Purchase price	\$ 9,948,342	\$803,595	\$499,700	\$89,474	\$1,254,000	\$865,000	\$190,000
Acquisitions costs	59,021	-	-	-	-	-	15,000
Allocation of Purchase Price							
Current Assets	\$ 799,680	\$ 192,017	\$ 100	\$ 4,199	-	-	-
Property Plant & Equipment	5,403	-	-	-	-	-	-
Intangible Assets	5,850,000	574,943	499,600	-	\$1,254,000	\$865,000	-
Goodwill	3,365,099	100,000	-	132,278	-	-	\$205,000
Current Liabilities	(12,819)	(63,365)	-	(47,003)	-	-	-
	<u>\$10,007,363</u>	<u>\$803,595</u>	<u>\$499,700</u>	<u>\$89,474</u>	<u>\$1,254,000</u>	<u>\$865,000</u>	<u>\$205,000</u>

HTC International Inc's. 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 Inc. was adjusted in 2008.

On December 22, 2009 the Corporation acquired 90% of the voting stock of CCM. The non-controlling interest reflects the 10% interest held outside the Corporation. The \$10,405 recorded on the balance sheet represents the minority interest holders 10% of the loss derived from CCM operations

During the 2009 year, Management completed an evaluation of its intangible assets, not subject to amortization, and its goodwill. As a result of the review of intangible assets, not subject to amortization, Management concluded that there were no specific events that suggested the value be impaired. Management concluded that with the increased emphasis in the development of related technology and the increase in competition in these areas that the value associated with these intangibles may not last beyond the life of a typical patent or other similar long lived asset. Accordingly, they determined amortization of these assets

should commence. Similarly, Management evaluated goodwill and the related items giving rise to goodwill. In view of economic and political realities and in view of increased research in the area of Hydrogen in general, Management has determined the goodwill adjustment recorded in 2009 is appropriate.

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.

	June 30, 2010 (Unaudited)	Dec. 31, 2009 (Audited)
Goodwill	\$2,605,887	\$3,670,099
Goodwill value adjustment	<u>-</u>	<u>(1,065,099)</u>
	2,605,887	2,605,000
Intangible Assets not subject to amortization (Plans, Designs, Agreements and Name Branding)	-	3,699,159
Transfer to assets subject to amortization	<u>-</u>	<u>(3,699,159)</u>
	-	-
Intangible Assets subject to amortization (Contractual or estimated)	9,043,663	9,043,663
Amortization of Intangible Assets	<u>(3,370,961)</u>	<u>(3,121,085)</u>
	<u>\$8,278,589</u>	<u>\$8,527,578</u>

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

On October 10, 2008, the Corporation acquired a 45% equity investment in Kingsteel Inc. for consideration of \$4,500,000 plus associated costs of \$13,204. The Corporation accounts for this transaction using the equity method whereby gains since acquisition are recorded in the income statement under the caption "Income from Equity Investments" and the corresponding change is reflected in the recorded value of the investment:

	June 30, 2010 (Unaudited)	Dec. 31, 2009 (Audited)
Investment	\$4,666,764	4,668,663
Equity adjustments	137,629	(1,899)
	\$4,804,393	4,666,764

The variance between the amounts showing as equity income and the amount showing above is the effect of the elimination of various intercompany profit elements from balance sheet and other income\expense amounts.

DIRECTOR COMPENSATION

During the first and second quarter, the Corporation paid director compensation in the amount of \$1,000 to two directors, namely Wayne Bernakevitch and James Rybchuk respectively, for their attendance of Board and committee meetings.

CHANGE IN ACCOUNTING PRINCIPLES

The Corporation did not implement any changes to accounting policies during the Period. In 2009 the Corporation did change its estimate associated with intangible assets acquired on acquisition that were not subject to amortization, reclassifying these to being subject to amortization with the change in estimate being done prospectively on the date of determination.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES

International Financial Reporting Standards (“IFRS”)

The Accounting Standards Board 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 a 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.

FINANCIAL INSTRUMENTS

Financial assets and liabilities held-for-trading will be 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, will be 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. There have been no changes to the financial statement as a result of adopting these standards.

Financial Instruments not otherwise disclosed in the financial statement notes 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. Long term Investments except for the

investment in EESTech Inc. are classified as loans receivable, fair value being approximated by the carrying amount. There are no unrealized gains or losses recorded on these financial instruments.

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 remain recorded at cost and have not been adjusted to their fair value as at June 30, 2010 as fair value is not practically determinable.

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, 2010 as fair value is not practically determinable.

The Kingsteel Inc. investment represents 45% of the issued shares and is recorded using the equity method. The investment has been classified as available for sale.

Financial Risk Management

The Corporation's primary exposures are to foreign exchange fluctuations, interest rate and credit risk.

Foreign exchange risk is primarily associated with contracts for services and contracts of supplies and services. The Corporation attempts to reduce this exposure through contractual arrangements and by dealing in US dollars internationally whenever possible for both contracts and services as there is less volatility than with Canadian funds.

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.

Credit risk is the risk of financial loss if a counterpart 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 a number of Canadian Chartered Banks and taking advantage of government guarantees. The Corporation attempts to reduce its loss to amounts receivable by assessing the ability of the counterparts 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 not yet incurred any research costs that meet the criteria for capitalization. The Corporation has commenced capitalization of development costs relating to the CCS Purenergy[®] CO₂ carbon capture system. Costs accumulated to date are \$306,466. The Corporation also started capitalizing the costs of a Mixed Amine Solvent Reclaimer, costs accumulated to date are \$213,790 and the CCS FEED Engine[®] costs accumulated to date are \$134,750.

Expensed research and development costs and commercialization, product development, general and administration expenses are included in the June 30, 2010 Unaudited Financial Statements.

Total accumulated research and development costs expensed from December 23, 2004 to June 30, 2010 are \$2,652,211. Research and development costs incurred by subsidiaries prior to their acquisition are not included in this amount nor are costs incurred directly by the University of Regina.

FORWARD LOOKING STATEMENTS

The information and opinions expressed herein involve 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 these Financial Statements and exhibits, and in those other filings with the Corporation's Canadian regulatory authorities as found in 'www.SEDAR.com'. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements or other future events. We are under no duty to update any of our forward-looking statements after the date of this report, other than as required and governed by law.

Signed "Lionel Kambeitz"
LIONEL KAMBEITZ
CHAIRMAN & CEO
August 30, 2010

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

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 Unaudited Consolidated Financial Statements included in the report of HTC Pureenergy Inc. for the period ended June 30, 2010 and 2009, 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.

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, Unaudited Consolidated Financial Statements, and attachments thereto for the period ended June 30, 2010 contained in this report. 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. 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, as of the date and for the periods presented in this quarterly filing.

Signed “Lionel Kambeitz”
LIONEL KAMBEITZ
CHAIRMAN & CEO

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

HTC PUREENERGY INC.

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Interim Unaudited Consolidated Financial Statements for the period ending June 30, 2010 have 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 30, 2010

HTC PUREENERGY INC.
Consolidated Balance Sheets
(In Canadian dollars)

	June 30/10 (Unaudited) \$	Dec 31/09 (Audited) \$
ASSETS		
Current Assets:		
Cash	64,956	-
Short Term Deposits	4,759,809	6,966,165
Accounts Receivable	1,750,240	450,387
Inventory (note 3)	373,627	-
Prepaid expense	477,785	466,680
	<u>7,426,417</u>	<u>7,883,232</u>
Non Controlling Interest (note 4)	10,405	-
Property, plant and equipment (note 5)	187,167	200,144
Product Development (note 6)	655,006	466,124
Long-term investments (note 7)	7,366,302	7,228,673
Patents (note 8)	63,141	65,711
Goodwill and intangibles (note 4)	8,278,589	8,527,578
	<u>23,987,027</u>	<u>24,371,462</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank indebtedness	-	68,426
Accounts payable and accrued liabilities	372,913	441,427
	<u>372,913</u>	<u>509,853</u>
Shareholders' Equity:		
Share capital (note 9)	36,542,214	36,542,214
Deficit	(12,928,100)	(12,680,605)
	<u>23,614,114</u>	<u>23,861,609</u>
	<u>23,987,027</u>	<u>24,371,462</u>
Commitments (note 17)		

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

For the 6 month period ended June 30,	2010	2009
	(Unaudited)	(Unaudited)
	\$	\$
Revenue:		
Engineering, Process Design & Consulting	1,365,457	462,830
	1,365,457	462,830
Expenses:		
Commercialization, product development and Administration	1,412,100	1,704,558
Research and development	234,977	275,115
Amortization	281,512	333,648
	1,928,589	2,313,321
Income (Loss) from commercial operations	(563,132)	(1,850,491)
Other income:		
Interest and other income	29,434	88,813
Non Controlling Interest	10,405	-
Income (Loss) from operations	(523,293)	(1,761,678)
Income from Equity Investments (net of tax)	275,798	(65,836)
Net Income (Loss)	(247,495)	(1,827,514)
Other Comprehensive Income	-	-
Comprehensive Income (Loss)	(247,495)	(1,827,514)
Deficit – Beginning of Period	(12,680,605)	(6,866,536)
Deficit – End of Period	(12,928,100)	(8,694,050)

See accompanying notes to Consolidated Financial Statements

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

For the 3 month period ended June 30,	2010	2009
	(Unaudited)	(Unaudited)
	\$	\$
Revenue:		
Engineering, Process Design & Consulting	753,889	362,599
	753,889	362,599
Expenses:		
Commercialization, product development and Administration	788,654	876,920
Research and development	141,630	268,999
Amortization	140,566	146,567
	1,070,850	1,292,486
Income (Loss) from commercial operations	(316,961)	(929,887)
Other income:		
Interest and other income	12,555	41,208
Non Controlling Interest	10,405	-
Income (Loss) from operations	(294,001)	(888,679)
Income from Equity Investments (net of tax)	156,846	(158,616)
Net Income (Loss)	(137,155)	(1,047,295)
Other Comprehensive Income	-	-
Comprehensive Income (Loss)	(137,155)	(1,047,295)
Deficit – Beginning of Period	(12,790,945)	(7,646,755)
Deficit – End of Period	(12,928,100)	(8,694,050)

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,	2010 (Unaudited) \$	2009 (Unaudited) \$
Cash Flows from Operating Activities:		
Net Income (loss)	(247,495)	(1,827,514)
Items not affecting cash:		
Amortization	281,512	333,648
Non controlling interest	(10,405)	65,836
Income from Equity Investment	(275,798)	-
Change in working capital other than cash	(1,753,099)	(753,405)
	<u>(2,005,285)</u>	<u>(2,181,435)</u>
Cash flows from investing activities:		
Decrease (Increase) in short-term deposits	2,206,356	2,220,292
Decrease (Increase) on long-term investments	137,281	144,921
Purchase of equipment	(16,088)	(122,141)
Capitalized development	(188,882)	(86,958)
	<u>2,138,667</u>	<u>2,156,114</u>
Cash flows from financing activities:		
Cash from issuance of share capital	-	120,296
Increase (Decrease) in cash	133,382	94,975
Cash and cash equivalents–Beginning of Period	<u>(68,426)</u>	<u>175,052</u>
Cash and Cash equivalents – End of Period	<u>64,956</u>	<u>270,027</u>

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,	2010	2009
	(Unaudited)	(Unaudited)
	\$	\$
Cash Flows from Operating Activities:		
Net Income (loss)	(137,155)	(1,047,295)
Items not affecting cash:		
Amortization	140,566	146,567
Non controlling interest	(10,405)	
Income from Equity Investment	(156,846)	158,616
Change in working capital other than cash	(817,500)	(37,918)
	<u>(981,340)</u>	<u>(780,030)</u>
Cash flows from investing activities:		
Decrease (Increase) in short-term deposits	987,464	458,797
Decrease (Increase) on long-term investments	137,823	144,921
Purchase of equipment	(6,935)	(78,141)
Capitalized development	(179,658)	3,896
	<u>938,694</u>	<u>529,473</u>
Cash flows from financing activities:		
Cash from issuance of share capital	-	120,296
Increase (Decrease) in cash	(42,646)	(130,261)
Cash and cash equivalents–Beginning of Period	<u>107,602</u>	<u>400,288</u>
Cash and Cash equivalents – End of Period	<u>64,956</u>	<u>270,027</u>

See Accompanying notes to Consolidated Financial Statements

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

1. Operations:

HTC Pureenergy Inc. is incorporated under the *Business Corporations Act* (Alberta).

HTC and its subsidiaries are development stage companies whose commercial business is the development, aggregation and commercialization of proprietary technologies relating to CO₂ capture and storage as well as H₂ production utilizing CO₂.

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. (“**HTC International**”), BTC BioEnergy Technologies Corp. (“**BTC**”), Performance CO₂ Integration Inc. (“**Performance**”), CO₂ Technologies Pty. Ltd. (“**CO2**”), Carbon Rx Inc. (“**Carbon Rx**”), Carbon Capital Management Inc. (“**CCM**”) and its wholly owned subsidiary 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 45% equity investment in 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 investments 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 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.

Short term deposits

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

Inventory

Inventory is recorded at the lower of cost and net realizable values. Inventory is comprised of work-in-progress which includes materials, labour and related overhead.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

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

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, HTC's Mixed Amine Solvent Reclaimer and the CCS FEEDengine[®] are being capitalized in accordance with the specific criteria laid out under Canadian GAAP.

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 annually or as required and any impairment is charged to earnings as identified.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

2. Significant accounting policies (continued):

Stock-based compensation

The Corporation has a stock based compensation plan as described in Note 10. The Corporation uses the fair value based method to account for stock-based payments to non-employees and employee 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 are stock options to purchase shares that have been issued to directors, an officer and a consultant of the Corporation, but as yet have not been exercised.

Revenue Recognition

Revenue is recognized upon substantial completion of transactions and when transfer is affected to the contracting party, obligations discharged, the amount is determinable, and collectability is reasonably assured.

Revenue for projects is recognized as funds are received and earned or as amounts become receivable in accordance with the terms of the contractual arrangements.

Revenue from engineering and process design services is recognized as predetermined milestones are achieved or in accordance with the terms of contractual arrangements.

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.

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.

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

2. Significant accounting policies (continued):

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.

Goodwill and Intangible Assets

Effective January 1, 2009, HTC adopted 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.

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. Inventory

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

4. Business acquisition:

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. CO2 Technologies Pty Ltd. was acquired through the exchange of 10,000,000 EESTech Inc common shares held by HTC, at \$0.12 per share. HTC accounts for these operations using the acquisition method of consolidation. Transactions are summarized below:

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

4. Business acquisition (continued):

	Thermo-chem	BTC	Performance	HTC International Inc.	CO ₂ Tech. Pty Ltd	Carbon Rx	Carbon Capital Mgmt. Inc.
Acquisition Date	Dec. 23, 2004	Dec. 20, 2006	Feb. 28, 2007	Sep. 14, 2007	Dec. 4, 2008	Mar. 10, 2009	Dec. 22, 2009
Share valuation date	Jun. 24, 2004	Aug. 22, 2006	Feb. 28, 2007	Agreed price	Dec. 4, 2008	Mar. 9, 2009	Dec. 21, 2009
Price per share (\$) (approximate)	4.30	1.36	2.63	2.23	0.12	2.50	1.90
Number of shares							
HTC	2,313,568	591,500	190,000	40,123		346,000	100,000
EESTech Inc.					10,000,000		
Purchase price	\$ 9,948,342	\$803,595	\$499,700	\$89,474	\$1,254,000	\$865,000	\$190,000
Acquisitions costs	59,021	-	-	-	-	-	15,000
Allocation of Purchase Price							
Current Assets	\$ 799,680	\$ 192,017	\$ 100	\$ 4,199	-	-	-
Property Plant & Equipment	5,403	-	-	-	-	-	-
Intangible Assets	5,850,000	574,943	499,600	-	\$1,254,000	\$865,000	-
Goodwill	3,365,099	100,000	-	132,278	-	-	\$205,000
Current Liabilities	(12,819)	(63,365)	-	(47,003)	-	-	-
	<u>\$10,007,363</u>	<u>\$803,595</u>	<u>\$499,700</u>	<u>\$89,474</u>	<u>\$1,254,000</u>	<u>\$865,000</u>	<u>\$205,000</u>

HTC International's 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 was adjusted in 2008.

On December 22, 2009 the Corporation acquired 90% of the voting stock of CCM. The non-controlling interest reflects the 10% interest held outside the Corporation. The \$10,405 recorded on the balance sheet represents the minority interest holders 10% of the loss derived from CCM operations.

During the 2009 year, Management completed an evaluation of its intangible assets not subject to amortization and its goodwill. As a result of the review of intangible assets, not subject to amortization, Management concluded that there were no specific events that suggested the value be impaired. Management concluded that with the increased emphasis in the development of related technology and the increase in competition in these areas, that the value associated with

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

4. Business acquisition (continued):

these intangibles, may not last beyond the life of a typical patent or other similar long lived asset. Accordingly they determined amortization of these assets should commence. Similarly, Management evaluated goodwill and the related items giving rise to goodwill. In view of economic and political realities and in view of increased research in the area of Hydrogen in general, Management has determined the goodwill adjustment recorded in 2009 is appropriate.

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.

	June 30, 2010	Dec. 31, 2009
Goodwill	\$2,605,887	\$3,670,099
Goodwill value adjustment	-	(1,065,099)
	<u>2,605,887</u>	<u>2,605,000</u>
Intangible Assets not subject to amortization (Plans, Designs, Agreements and Name Branding)	-	3,699,159
	<u>-</u>	<u>(3,699,159)</u>
Transfer to assets subject to amortization	-	-
Intangible Assets subject to amortization (Contractual or estimated)	9,043,663	9,043,663
Amortization of Intangible Assets	(3,370,961)	(3,121,085)
	<u>\$8,278,589</u>	<u>\$8,527,578</u>

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

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

5. Property, plant and equipment:

As at June 30, 2010		Accumulated	Net Book
	Cost	Amortization	Value
Equipment	\$415,006	\$297,469	\$117,537
Leasehold improvements	58,551	25,566	32,985
Vehicles	73,565	36,920	36,645
	\$547,122	\$359,955	\$187,167

As at December 31, 2009		Accumulated	Net Book
	Cost	Amortization	Value
Equipment	\$398,918	\$279,827	\$119,091
Leasehold improvements	58,551	20,154	38,397
Vehicles	73,565	30,909	42,656
	\$531,034	\$330,890	\$200,144

6. Product Development

Product development costs represent costs incurred to date in connection with the design and construction of the CCS Pureenergy[®] 1000, the HTC Mixed Amine Solvent Reclaimer and the CCS FEED engine[®]. There will be no provision for amortization of these costs until the product costs are in and the units are complete.

	June 30, 2010	Dec. 31, 2009
CCS Pureenergy [®] 1000	\$306,466	\$271,211
HTC Mixed Amine Solvent Reclaimer	213,790	194,913
CCS FEED engine [®]	134,750	-
	\$655,006	\$466,124

7. Long term investments:

	June 30, 2010	Dec. 31, 2009
Note receivable non-interest bearing recoverable in 56 monthly payments classified as loans receivable, fair value being approximated by the carrying amount, terms of payments are being negotiated.	\$43,462	\$43,462
Agreement receivable generating revenue of 1.08% recoverable in \$10,000 on April 1, 2006 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		

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

7. Long term investments (continued):

amount. The payments terms have been modified to require a minimum payment in respect to the 2009 year of \$15,000 the residual being due no later than April 1, 2016	187,657	187,657
Investment in 2,500,000 common shares of EESTech Inc. (see note below classified as available for sale).	313,530	313,530
Investment in 10,000 common shares of Global Energy Inc., a private US corporation. The investment has been recorded at cost and has been classified as available for sale.	2,017,260	2,017,260
Investment in Kingsteel Inc. represents 45% of the issued shares and is recorded using the equity method.	4,804,393	4,666,764
	\$7,366,302	\$7,228,673

On December 4, 2008 HTC acquired 2,500,000 shares in EESTech Inc. in exchange for a limited licensing agreement for the use of HTC's CCS Technology. The Corporation accounts for its investment using the Cost Method. EESTech Inc.'s shares are considered available for sale. These shares are subject to Rule 144 of the US *Securities Act 1933* trading restrictions. Subsequently EESTech Inc. is no longer registered for trading.

On October 10, 2008 the Corporation acquired a 45% equity investment in Kingsteel Inc. for consideration of \$4,500,000 plus associated costs of \$13,204. The Corporation accounts for this transaction using the Equity Method whereby gain and losses since acquisition are recorded in the income statement under the caption "Income from Equity Investments" and the corresponding change is reflected in the recorded value of the investment:

	June 30, 2010	Dec. 31, 2009
Investment	\$4,666,764	4,668,663
Equity adjustments	137,629	(1,899)
	\$4,804,393	4,666,764

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

8. Patents:

Patents are comprised of:

	June 30, 2010	Dec. 31, 2009
Patent applications costs	77,094	\$77,094
Amortization of patents	(13,953)	(11,383)
	\$63,141	\$65,711

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

9. Share capital:

Authorized:

An unlimited number of common shares

An unlimited number of preferred shares

	As at June 30, 2010		As at Dec. 31, 2009	
	Number	Amount	Number	Amount
Common Shares				
Balance,				
Beginning of year	17,959,195	\$36,542,214	17,429,451	\$35,266,918
Issued to acquire Carbon Rx Inc. (see note 3)	-	-	346,000	865,000
Issued under private placement	-	-	43,744	120,296
Issued under private placement	-	-	40,000	100,000
Issued to acquire Carbon Capital Management Inc.	-	-	100,000	190,000
Balance, end of Period	17,959,195	\$36,542,214	17,959,195	\$36,542,214

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

9. Share capital (continued):

On March 10, 2009 the Corporation issued 346,000 shares at \$2.50 per common share for the acquisition of Carbon Rx Inc. The common shares were subject to a hold period until July 11, 2009.

On May 8, 2009, the Corporation issued 43,744 common voting shares at a price of \$2.75 per share, under private placement, for the gross proceeds of \$120,296. These common shares were subject to a hold period under Securities Laws until September 9, 2009.

On December 14, 2009 the Corporation issued 40,000 common voting shares at a price of \$2.50 per share, under private placement, for gross proceeds of \$100,000. These common shares were subject to a hold period under Securities Laws until April 15, 2010.

On December 21, 2009 the Corporation issued 100,000 common shares at \$1.90 per share for the acquisition of Carbon Capital Management Inc. The shares were subject to a hold period until April 22, 2010.

10. 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, 2009 through June 30, 2010 and the weighted average exercise price:

	As at June 30, 2010		As at Dec. 31, 2009	
	Options	Avg. Price	Options	Avg. Price
Outstanding, and exercisable, beginning of year	3,267,909	\$3.26	3,386,091	\$3.20
Expired and cancelled (i, ii)	-	-	(218,182)	2.20
Stock options (iv,v)	1,340,000	1.00	100,000	3.00
	-	-		
Outstanding and exercisable, End of Period	4,607,909	\$2.61	3,267,909	\$3.26

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

10. Stock options and warrants (continued):

- i. On October 12, 2007, 2,727,273 units (“Units”) were issued, each unit comprising one common share and one common share purchase warrant (“Warrant”) to acquire an additional common share 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 2008, 9,364 Warrants were exercised. On June 1, 2009 the Corporation extended the term of the warrants to expire October 12, 2010 and the terms were amended by deleting the acceleration clause.
- ii. Jacob Securities Inc. (formerly Jacob & Company Securities Inc.) received 218,182 broker warrants (“Broker Warrants”) (representing 8% of the Units issued under the Offering), with each broker warrant entitling the holder to acquire one Unit for \$2.20 at any time until April 12, 2009. On April 12, 2009 the Corporation extended the term of the Broker Warrants issued on October 12, 2007 to expire on October 12, 2009. This extension was approved by the TSX Venture Exchange. The estimated stock based compensation cost associated with the issue of these broker warrants is not material and has not been recorded as contributed surplus with a corresponding adjustment to issuance costs in share capital. On October 12, 2009 the warrants expired.
- iii. On November 24, 2008, the Corporation granted 450,000 stock options at \$5.00 per share to two directors, one officer and one consultant. The stock options will expire on 24 November 2013 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 disinterested members of the board of directors of HTC and TSX Venture Exchange Inc.
- iv. On December 21, 2009 the Corporation granted 100,000 units as part of a share issuance. Each unit comprises one common share and one common share purchase warrant. Each warrant, subject to certain conditions, entitles the holder to purchase an additional common share at \$3.00 expiring December 15, 2014.
- v. 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. The stock options will expire on June 12, 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 and the TSX Venture Exchange Inc.

11. 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. There are no unrealized gains or loss recorded on these financial instruments.

12. Provision for income taxes:

The Corporation does not make adjustments for income tax on an interim basis. As at December 31, 2009, the Corporation’s tax position was as follows:

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

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, 2009 the Corporation had an anticipated balance of approximately \$468,813 of tax credits available to reduce future year taxes (expiring December 31, 2015 to 2029). In addition, the Corporation has refundable provincial tax credits estimated at \$37,140 (not recorded in respect to the current 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, 2009 the Corporation has approximately \$2,211,569 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 \$6,444,729 of non-capital losses available at December 31, 2009 to reduce taxable income of future years. These losses expire in periods from 2014 to 2029. The Corporation also has capital losses of \$349,080 available to reduce future capital gains.

The Corporation has undepreciated capital cost claims in excess of net book value of approximately \$172,376 available to reduce future year's taxes. In addition, the Corporation has capitalized \$1,134,775 of share issuances costs which are deductible for tax purposes on straight-line basis over 5 years of which \$667,632 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 year of 17,893,222 (December 31, 2009 - 17,741,981) and fully diluted shares during the period of 22,501,131 (December 31, 2009 - 21,009,980).

	For the period ended June 30, 2010	For the year ended Dec. 31, 2009
Net income (loss) per common share	\$(.01)	\$ (.32)

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

HTC PUREENERGY INC.

Notes to Consolidated Financial Statements

Period ended June 30, 2010 (Unaudited) and Year ended December 31, 2009

14. Supplemental cash flow information:

	June 30, 2010	Dec. 31, 2009
Cash interest paid during the year	\$ 93	\$ 2,271
Cash interest received during the year	29,218	146,145

15. Related party Transactions

Related parties include the Corporations equity accounted investee and its subsidiaries. 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, 2010	Dec. 31, 2009
Balance with related Parties:		
Accounts Receivable	\$523,967	\$200,304
Accounts Payable	155,388	155,388
Transactions with related parties:		
Consulting fees	308,250	273,069
Purchases	2,572	667,746

16. Financial Risk Management:

The Corporation's primary exposures are to foreign exchange fluctuations, interest rate and credit risk.

Foreign exchange risk is primarily associated with contracts for services and contracts of supplies and services. The Corporation attempts to reduce this exposure through contractual arrangements and by dealing in US dollars internationally whenever possible for both contracts and services as there is less volatility than with Canadian funds.

Interest rate risk primarily is associated with interest fluctuations earned on the Corporations cash and term deposits. The Corporation mitigates exposure by attempting to match rates and terms to expected cash requirements.

Credit risk is the risk of financial loss if a counterpart 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 to amounts receivable by assessing the ability of the counterparts 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.

17. Capital Disclosures:

The Corporation's capital consists of its share capital. There are no restrictions or requirements imposed on Capital. The Corporation is diligent in protecting its capital base, and it continues to maintain control over expenditures while being in a development stage. While there is sufficient capital to sustain operations for several years, the Corporation remains active in its pursuit of new capital as well as the development of new licensing and new revenue sources.

18. 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 \$6,806 on account for their share of occupancy costs (adjusted annually). Minimum monthly lease payments over the next five years are \$440,160.

19. Subsequent Events:

On August 25, 2010 the Corporation placed a \$304,398 refundable deposit towards the acquisition of a company associated with carbon capture arbitrage. As this as not yet received the required approvals further details have not been disclosed.

Board of Directors & Senior Officers of the Corporation as at June 30, 2010

Directors:

Lionel Kambeitz,
Regina, Saskatchewan,

Jeffrey Allison,
Regina, Saskatchewan,

Wayne Bernakevitch,
Regina, Saskatchewan,

James Rybchuk,
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:

James Rybchuk, 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, 2010: 17,959,195

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; 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.